

COVER SHEET

CS 200811530

S.E.C. Registration Number

NICKEL ASIA CORPORATION

(Company's Full Name)

28th Floor, NAC Tower, 32nd

St. Bonifacio Global City Taguig City

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

Atty. Barbara Anne C. Migallos
Atty. Daneia Isabelle F. Palad

Contact Person

896-9357 to 59

Telephone Number of the Contact Person

1 2 3 1

Fiscal Year

SEC 20-IS
Definitive Information Statement

FORM TYPE

Every First Friday of June

Annual Meeting

N/A

Secondary license Type, If Applicable

MSRD

Dept. Requiring this Doc.

n/a

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = Pls. use black ink for scanning purposes
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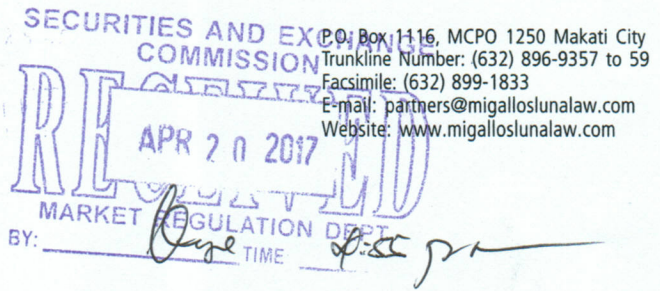
Migallos - Luna Law

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Barbara Anne C. Migallos
Troy A. Luna

Ma. Concepcion Z. Sandoval
Salvador Paolo A. Panelo, Jr.

Daneia Isabelle F. Palad
Ma. Karla Josee C. Ilagan
Jan Franz Norbert Joselito A. Chan
Isabella Gianna P. Palma
Liselle Angela I. Bascara



20 April 2017

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex
Roxas Boulevard, Metro Manila Philippines

Attention: **DIRECTOR VICENTE GRACIANO P. FELIZMENIO, JR.**
Market and Securities Regulation Department

MR. EDWIN ARCEO
Examiner, Corporation and Finance Department

Re: **Nickel Asia Corporation's Response to SEC's Checklist
of Requirements for Nickel Asia Corporation's
Information Statement (SEC Form 20-IS) and
Management Report.**

Gentlemen:

On behalf of our client, **NICKEL ASIA CORPORATION** (the "**Company**"), we refer to the letter of this Honorable Commission dated 6 April 2017.

To be fully compliant with SRC Rule 20, the Company made the necessary changes outlined in the checklist of required disclosures attached to the aforesaid letter. The changes made to the Company's Information Statement and Management Report are underlined for your easy reference.

We trust that the foregoing completes the requirements of this Honorable Commission. Should you have further questions, please contact our **Atty. Daneia Isabelle F. Palad** at **8969357** to **59**. Thank you very much.

Very Truly Yours,

MIGALLOS & LUNA LAW OFFICES

By:

[Signature]
BARBARA ANNE C. MIGALLOS

[Signature]
DANEIA ISABELLE F. PALAD

NICKEL ASIA CORPORATION
Notice of Annual General Meeting of Stockholders

TO OUR STOCKHOLDERS:

Please be informed that the **Annual General Meeting of the stockholders of NICKEL ASIA CORPORATION** will be held on **Monday, 29 May 2017, 2:30 p.m.** at the **Ascott Ballroom A, 5th Floor, Ascott Bonifacio Global City, 5th Ave. cor. 28th St., BGC, Taguig City** (the "Annual General Meeting" or "AGM"). The order of business thereat will be as follows:

1. Call to Order
2. Proof of required notice of the meeting
3. Certification of quorum
4. Reading and approval of the Minutes of the 6 June 2016 annual stockholders' meeting
5. Presentation of Annual Report and Audited Financial Statements for the year ended 31 December 2016 and action thereon
6. Ratification and approval of the acts of the Board of Directors and Executive Officers during the year 2016
7. Appointment of independent auditors
8. Election of directors, including independent directors
9. Other matters

A brief statement of the rationale and explanation for each Agenda item which requires shareholders' approval is contained in Annex "A" of this Notice. The Definitive Information Statement accompanying this Notice contains more detail regarding the rationale and explanation for each of such Agenda items.

Stockholders of record at the close of business on 29 March 2017 are entitled to notice of, and to vote at, this year's AGM. Registration will commence at 2:00 p.m. on 29 May 2017 at the venue of the AGM. To facilitate registration, please bring some form of identification such as driver's license or company I.D.

The Company is not soliciting proxies. Should you be unable to attend the meeting personally, you can nevertheless be represented and vote at the AGM by submitting a **proxy** to the Office of the Corporate Secretary at the Company's principal office on or before **19 May 2017**, which is the deadline for submission of proxies. You may use the attached proxy form which is compliant with the requirements of the Securities and Exchange Commission ("SEC"). Proxy validation will be on 24-26 May 2017 at the Office of Corporate Secretary at the Company's principal office.


BARBARA ANNE C. MIGALLOS
Corporate Secretary

The Rationale and Explanation for each Agenda item requiring shareholders' approval is attached to this Notice.

The Definitive Information Statement, Management Report and 2016 Audited Financial Statements accompany this Notice.

EXPLANATION AND RATIONALE For each item on the Agenda of the 2017 AGM of Nickel Asia Corporation requiring the vote of stockholders

AGENDA

1. Call to Order

The Chairman will formally open the 2017 Annual General Meeting of Shareholders. The Directors and Officers of the Company will be introduced.

2. Proof of required notice of the meeting

The Corporate Secretary will certify that copies of this Notice and the Information Statement with its accompanying documents have been duly sent to stockholders of record as of 29 March 2017.

3. Certification of quorum

The Corporate Secretary will attest whether a quorum is present for the meeting.

4. Reading and approval of the Minutes of the 6 June 2016 annual general meeting of stockholders and action thereon

Shareholders may examine the Minutes of the 6 June 2016 annual general meeting of stockholders in accordance with Sec. 74 of the Corporation Code. The Minutes are also available on the Company's website.

Resolution to be adopted:

Shareholders will vote for the adoption of a resolution approving the Minutes of the 6 June 2016 annual general meeting of the stockholders.

5. Presentation of annual report and audited financial statements for the year ended 2016 and action thereon

The annual report and the financial statements of the Company, audited by the Company's external auditors, Sycip Gorres Velayo & Company, will be presented. The report will include the Audited Financial Statements, a copy of which accompanies this Notice and the Definitive Information Statement. Copies of the Definitive Information Statement and the Audited Financial Statements for 2016 are likewise made available on the Company's website (www.nickelasia.com).

OPEN FORUM

After the presentation, shareholders may raise questions or express comments that are relevant to the corporation.

Resolution to be adopted:

Shareholders will vote for the adoption of a resolution approving the annual report and the audited financial statements for the year 2016.

6. Ratification and approval of the acts of the Board of Directors and Executive Officers during the year 2016

Actions by the Board and by the officers are contained in the Definitive Information Statement (please see pages 27-28 of the Information Statement) or are referred to in the Management Report.

Resolution to be adopted:

The ratification and approval of the acts of the Board of Directors and Officers.

7. Appointment of independent auditors

The Audit and Risk Committee screened the nominees for independent external auditor and endorsed the appointment of Sycip Gorres Velayo and Company (“SGV”) as the Company’s independent external auditors for the year 2017.

Resolution to be adopted:

Shareholders will vote on a resolution for the appointment of SGV as independent external auditor of the Company for 2017.

8. Election of directors, including independent directors

The Final List of Candidates for election as directors, as prepared by the Nominations Committee in accordance with the Company’s By-Laws, the Manual on Corporate Governance, the Securities Regulation Code and its Implementing Rules and Regulations and SEC guidelines for the election of independent directors, is contained in the Definitive Information Statement (please see page 11). The Final List will be presented to the shareholders, and the election of directors will be held.

The Voting Procedure is stated in the Definitive Information Statement (please see page 28).

9. Other matters

Matters that are relevant to and appropriate for the annual general shareholders’ meeting may be taken up. No resolution, other than the resolutions explained in the Notice and the Definitive Information Statement, will be submitted for voting by the shareholders.

10. Adjournment

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

Preliminary Information Statement
 Definitive Information Statement

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

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

4. SEC Identification Number: **CS200811530**

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

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

7. Registrant's telephone number, including area code: **+63 2 798 7622**

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

Date : 29 May 2017
Time : 2:00 PM
**Place : Ascott Ballroom A, 5th Floor, Ascott Bonifacio Global City, 5th Ave.
cor. 28th St., BGC, Taguig City**

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **28 April 2017 (31 days prior to the Meeting)**

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

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

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

Common Stock Issued	7,602,928,954
Preferred Stock Issued	720,000,000
Long-term Debt	₱1,182.8 Million

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

Yes No

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

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

The Annual General Meeting (AGM) of the Stockholders of Nickel Asia Corporation, a corporation organized and existing under the laws of the Philippines with address at the 28th Floor, NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, Metro Manila will be held on **Monday, 29 May 2017, 2:30 PM at Ascott Ballroom A, 5th Floor, Ascott Bonifacio Global City, 5th Ave. cor. 28th St., BGC, Taguig City.** The Agenda of the AGM, as indicated in the accompanying Notice of Annual General Meeting of Stockholders, is as follows:

1. Call to Order
2. Proof of required notice of the meeting
3. Certification of quorum
4. Reading and approval of the Minutes of the 6 June 2016 annual stockholders' meeting
5. Presentation of Annual Report and Audited Financial Statements for the year ended 31 December 2016 and action thereon
6. Ratification and approval of the acts of the Board of Directors and Executive Officers during the year 2016
7. Appointment of independent auditors
8. Election of directors, including independent directors
9. Other matters

As in previous years, there will be an **OPEN FORUM** before the approval of the Annual Report and Audited Financial Statements for the year ended 31 December 2016 is submitted to the vote of the shareholders. Questions will likewise be entertained for other items in the agenda as appropriate and consistent with orderly proceedings.

The Management Report and the Audited Financial Statements for the year ended 31 December 2016 are attached to this Information Statement. The Annual Report under Securities Exchange Commission ("SEC") Form 17-A is available on the Company's website. The Company's Interim Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations or SEC Form 17-Q as of 31 March 2017 will be uploaded in the Company's website on or before 15 May 2017. Upon written request of a shareholder, the Company shall furnish such shareholder with a copy of the said Annual Report on SEC Form 17-A, as filed with the SEC, and the Company's Interim Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations or SEC Form 17-Q as of 31 March 2017, free of charge. The contact details for obtaining such copies are on Page 29 of this Information Statement.

Shareholders who cannot attend the Meeting may accomplish the attached Proxy Form. Please indicate your vote (Yes, No, Abstain) for each item in the attached form, and submit the same on or before **19 May 2017** to the Office of the Corporate Secretary at the Company's principal office.

Proxies will be tabulated by the Company's stock transfer agent, Stock Transfer Service Inc. 34th Floor, Rufino Plaza, Ayala Avenue, Makati City ("STSI") and will be voted as indicated by the shareholder in the proxy and applicable rules. The tabulation of votes shall be done by STSI and reviewed by the Company's independent external auditor, Sycip Gorres Velayo & Co.

Voting procedures are contained in Item 19 (page 28) of this Information Statement and will be stated at the start of the Meeting. Cumulative voting is allowed; please refer to Item 4, page 3 and Item 19, page 28 for an explanation of cumulative voting.

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

This Information Statement and Proxy Form shall be sent to security holders on 28 April 2017 (31 days before the Meeting), after the approval of the Definitive Information Statement by the SEC.

WE ARE NOT SOLICITING PROXIES. SHAREHOLDERS MAY APPOINT PROXIES IF THEY ARE UNABLE TO ATTEND THE MEETING SO THAT THEIR VOTE MAY BE COUNTED.

Item 2. Dissenters' Right of Appraisal

There are no corporate matters or action to be taken during the Meeting on 29 May 2017 that will entitle a stockholder to a Right of Appraisal as provided in Title X of the Corporation Code of the Philippines (Batas Pambansa [National Law] No. 68).

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

1. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence (Section 81);
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Code (Section 81);
3. In case of merger or consolidation (Section 81); and
4. In case of investments in another corporation, business or purpose (Section 42).

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

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two

thus chosen. The findings of the majority of appraisers shall be final, and their award shall be

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

As of 29 March 2017, there are 7,602,928,954 outstanding and issued common shares of the Company, out of which 2,187,420,411 are owned by non-Filipinos, and 720,000,000 outstanding preferred shares, all of which are owned by a Filipino company. Each share of stock is entitled to one vote. In sum, the total number of outstanding shares entitled to vote is 8,322,928,954 out of which 6,135,508,543 shares or 73.72 % are owned by Filipinos while 2,187,420,411 shares or 26.28 % are owned by non-Filipinos.

All stockholders of record as of 29 March 2017 are entitled to notice and to vote at the Annual General Stockholders' Meeting.

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

Cumulative voting may be adopted in the election of directors as allowed by the Corporation Code of the Philippines. On this basis, each registered stockholder as of 29 March 2017 may vote the number of shares registered in his name for each of the nine (9) directors to be elected; or he may multiply the number of shares registered in his name by nine (9), the number of the Company's directors as provided in its Articles of Incorporation, and cast the total of such votes for one (1) director. A stockholder may also distribute his votes among some or all of the nine (9) directors to be elected.

Voting Procedures are stated in page 28 of this Preliminary Information Statement.

Security Ownership of Certain Record and Beneficial Owners

The following stockholders own more than five percent (5%) of the Company's stock as of **29 March 2017**:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	% of Class
Common	PCD Nominee Corporation (See Note 1)	(See Note 1)	Filipino	4,655,432,580	61.23%

Common	Sumitomo Metal Mining Philippine Holdings Corporation (Stockholder) (See Note 2) 25th Floor, NAC Tower, 32nd Street, Bonifacio Global City, Taguig City	Sumitomo Metal Mining Philippine Holdings Corporation (Direct)	Japanese	1,444,657,926	19.00%
Common	PCD Nominee Corporation (See Note 3)	(See Note 1)	Non-Filipino	730,147,725	09.60%
Preferred	Nickel Asia Holdings, Inc. (Stockholder) (See Note 4) 28/F NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, Philippines	Nickel Asia Holdings, Inc. (See Note 4)	Filipino	720,000,000	100%

- (1) PCD Nominee Corporation (“PCD”), the nominee of the Philippine Depository & Trust Corp., is the registered owner of the shares in the books of the Company’s transfer agent. The beneficial owners of such shares are PCD’s participants who hold the shares on their own behalf or in behalf of their clients. PCD is a private company organized by the major institutions actively participating in the Philippine capital markets to implement an automated book-entry system of handling securities transactions in the Philippines. The 51.83% registered under PCD Nominee Corporation includes 970,838,016 shares (12.77%) held (indirect) by Luis J. L. Virata, 1,953,479,738 shares (25.69%) of Manta Resources Corporation (Manuel B. Zamora), and 1,016,831,382 shares (13.37%) of Ni Capital Corporation (Philip T. Ang).
- (2) Sumitomo Metal Mining Philippine Holdings Corporation is represented by Mr. Takanori Fujimura and Mr. Takeshi Kubota on the Company’s Board of Directors.
- (3) There are no participants under the PCD Nominee Corporation (Non-Filipino) account owning more than 5% of the voting securities.
- (4) The stockholders of Nickel Asia Holdings, Inc. include Mr. Manuel B. Zamora, Jr., Mr. Philip T. Ang and Mr. Luis J.L. Virata.

Proxies of the foregoing record owners for the Annual General Stockholders’ Meeting on 29 May 2017 have not yet been submitted. The deadline set by the Board of Directors for submission of proxies is on **19 May 2017**.

Security Ownership of Management

The beneficial ownership of the Company's directors and executive officers as of **29 March 2017** is as follows:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Class
Common	Manuel B. Zamora Jr.	6,914,364 (Direct) 1,953,479,738 (Indirect) (See Note 1)	Filipino	0.09% 25.69%
Common	Philip T. Ang	1,763,760 (Direct) 1,016,831,382 (Indirect) (See Note 2)	Filipino	0.02% 13.37%
Common	Gerard H. Brimo	16,326,672 (Direct) 2,239,500 (Indirect)	Filipino	0.14% 0.03%
Common	Luis J. L. Virata	400 (Direct) 970,838,016 (Indirect) (See Note 3)	Filipino	0.00% 12.77%
Common	Martin Antonio G. Zamora	300 (Direct) 8,706 (PCD)	Filipino	0.00%
Common	Takanori Fujimura	1,124 (Direct)	Japanese	0.00%
Common	Takeshi Kubota	1,124 (Direct)	Japanese	0.00%
Common	Fulgencio S. Factoran, Jr.	842 (Direct)	Filipino	0.00%
Common	Frederick Y. Dy	842 (Direct)	Filipino	0.00%
Common	Jose B. Anievas	2,737,494 (PCD)	Filipino	0.04%
Common	Emmanuel L. Samson	-	Filipino	-
Common	Raymundo B. Ferrer	-	Filipino	-
Common	Rolando R. Cruz	614,952 (Direct) 330,000 (PCD)	Filipino	0.01% 0.00%
Common	Jose Roderick F. Fernando	544,150 (PCD)	Filipino	0.01%
Common	Koichi Ishihara	150,000 (PCD)	Japanese	0.00%
Common	Jose D. Baylon	18,000 (PCD)	Filipino	0.00%
Common	Gerardo Ignacio B. Ongkingco	-	Filipino	-
Common	Augusto C. Villaluna	-	Filipino	-
Common	Barbara Anne C. Migallos	-	Filipino	-
Common	Ma. Angela G. Villamor	565,308 (PCD)	Filipino	0.01%
Directors and Executive Officers as a Group		3,960,826,074 (Direct and lodged with PCD)		52.18%

- (1) The indirect shares indicated above are held through Manta Resources Corporation (see also Note 1 under Security Ownership of Certain Record and Beneficial Owners, at page 4).
- (2) The indirect shares are held through Ni Capital Corporation (see also Note 1 under Security Ownership of Certain Record and Beneficial Owners, at page 4).
- (3) The indirect shares indicated are held through Nonillion Holding Corporation (see also Note 1 under Security Ownership of Certain Record and Beneficial Owners, at page 4).

Voting Trust Holders/Changes in Control

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

Item 5. Directors and Executive Officers

Directors

The names of the incumbent directors of the Company, their respective ages, citizenship, period of service, directorships in other companies and positions held for the last five (5) years are as follows:

- 1) **MANUEL B. ZAMORA, JR.** – 78, Filipino citizen; founder of the Company; first elected Director of the Company on 24 July 2008; Chairman of the Board since 24 July 2008; last re-elected on 06 June 2016.

Mr. Zamora is a lawyer and a member of the Integrated Bar of the Philippines. He received his Bachelor of Laws degree from the University of the Philippines and placed third in the 1961 Bar Examinations. He was awarded University of the Philippines Certificate of Merit for Scholarship and was elected to the International Honor Societies, Phi Kappa Phi and Phi Gamma Mu.

Business and Professional Background/Experience

Mr. Zamora is the Chairman of Rio Tuba Nickel Mining Corp., Taganito Mining Corp., Taganito HPAL Nickel Corp., Coral Bay Nickel Mining Corp., and Informatics Holdings Philippines, Inc.. Mr. Zamora is the President of Manta Equities, Inc. and the Vice Chairman of the Board of Trustees of St. Luke's Medical Center.

Listed companies of which Mr. Zamora is presently a director

Philippines

1. Nickel Asia Corporation
- 2) **PHILIP T. ANG** – 75, Filipino citizen; first elected Director of the Company on 24 July 2008; Vice-Chairman of the Board since 16 June 2010; last re-elected on 06 June 2016.

Mr. Ang received his Bachelor of Science in Business Administration degree from Oregon State University and his Master of Business Administration degree from the University of Denver, USA.

Business and Professional Background/Experience

Mr. Ang is presently an independent director of Security Bank Corporation and two of its subsidiaries, namely, SB Capital Investment Corporation and Security Finance, Inc. He was formerly a director of Investors Assurance Corp. and was previously involved in the textile business as Chairman and President of Solid Mills, Inc. and of Unisol Industries and Manufacturing Corp. and as a director of International Garments Corp.

Listed companies of which Mr. Ang is presently a director

Philippines

1. Nickel Asia Corporation
2. Security Bank Corporation (Independent)

- 3) **GERARD H. BRIMO** – 65, Filipino citizen; first elected Director of the Company on 1 August 2009; last re-elected on 06 June 2016.

Mr. Brimo obtained his Bachelor of Science Degree in Business Administration from Manhattan College, New York, U.S.A. and his Masters Degree in Business Management from the Asian Institute of Management.

Business and Professional Background/Experience

Mr. Brimo is the President and Chief Executive Officer of Nickel Asia Corporation and a member of the Audit, Risk and Remuneration (Compensation) Committees of the Board. He is the President of RTN, TMC, CMC, HMC, CEXCI, Newminco Nickel Mining Corp. and Newminco Pacific Mining Corp. Prior to his career in mining, he worked for Citibank for a period of eight years, resigning as Vice President in the bank's Capital Markets Group in Hong Kong prior to joining Philex Mining Corporation as Vice President-Finance. Mr. Brimo served as Chairman and Chief Executive Officer of Philex Mining Corporation from 1994 until his retirement in December 2003. He served as President of the Chamber of Mines of the Philippines from 1993 to 1995, as Chairman from 1995 to 2003, and is currently a Director.

Listed companies of which Mr. Brimo is presently a director

Philippines

1. Nickel Asia Corporation

- 4) **LUIS J. L. VIRATA** – 63, Filipino citizen; first elected Director of the Company on 11 July 2008; last re-elected on 06 June 2016.

Mr. Virata obtained his BA/MA Degree in Economics from Trinity College, Cambridge University, United Kingdom and his Masters Degree in Business Administration from the Wharton School of the University of Pennsylvania.

Business and Professional Background/Experience

Mr. Virata is presently the Chairman and Chief Executive Officer of CLSA Exchange Capital, Inc., Mr. Virata is also the Founder and Deputy Chairman of Cavite Holdings, Inc. and the Director and major shareholder of Amber Kinetics, Inc. He is also the President of Exchange Properties Resources Corp., Founder and Trustee of Asia Society and a Director of Benguet Corporation, Member of the Huntsman Foundation. Mr. Virata previously held positions with various corporations including Philippine Airlines, the Philippine Stock Exchange, the Makati Stock Exchange, and National Steel Corp.

Listed companies of which Mr. Virata is presently a director

Philippines

1. Nickel Asia Corporation

- 5) **FREDERICK Y. DY** – 62, Filipino citizen; first elected Independent Director of the Company on 24 September 2010; last re-elected on 06 June 2016.

Business and Professional Background/Experience

Mr. Dy is the Chairman - Emeritus and a director of Security Bank Corporation, Chairman of St. Luke's Medical Center, Chairman of City Industrial Corporation, and a Director of Ponderosa Leather Goods Company, Inc.

Listed companies of which Mr. Dy is presently a director

Philippines

1. Nickel Asia Corporation (Independent)
2. Security Bank Corporation

- 6) **FULGENCIO S. FACTORAN, JR.** – 73, Filipino citizen; first elected Independent Director of the Company on 20 September 2010; last re-elected on 06 June 2016; member of the Nominations Committee

Mr. Factoran received both his Bachelor of Arts in Humanities and Bachelor of Laws degree, the latter as valedictorian, from the University of the Philippines and his Master of Laws degree from Harvard Law School.

Business and Professional Background/Experience

Mr. Factoran is the Chairman of the Board of Directors of the AGILITY Group (Agility Logistics Holding, Inc., Agility Holding Company, Inc., Agility Logistics Distribution, Inc., Director of Agility International Logistics, Inc., Agility Solutions, Inc. and Agility Subic, Inc.), and an independent director of ATLAS Consolidated Mining and Development (Public Listed). He is a principal partner of the Factoran & Associates Law Offices since 1996 until present. He is a Trustee of Philippine Educational Theater Association (PETA) and a Co-Founder Past President of Movement of Attorneys for Brotherhood, Integrity, and Nationalism Inc. (MABINI). He held several government positions under the Corazon Aquino administration such as Deputy Executive Secretary at the Office of the President of the Philippines, Secretary of the Department of Environment and Natural Resources (DENR), Chairman of the Board of Trustees of the National Electrification Administration (NEA), Chairman of the Board of Directors of the Philippines Charity Sweepstakes Office (PCSO), Member, Board of Trustees of the Development Academy of the Philippines (DAP). He also served as a member of the Board of Trustees of the Government Service Insurance System (GSIS) from 1998 until 2004.

Listed companies of which Mr. Factoran is presently a director

Philippines

1. Atlas Consolidated Mining and Development Corporation (Independent)
2. Nickel Asia Corporation (independent)

- 7) **TAKANORI FUJIMURA** – 73, Japanese citizen; first elected Director of the Company on 2009; last re-elected on 06 June 2016.

Mr. Fujimura obtained his Bachelor of Science Degree in Mining Engineering from Waseda University in Tokyo, Japan.

Business and Professional Background/Experience

Mr. Fujimura is a director of Sumitomo Metal Mining Philippine Holdings Corporation, Taganito HPAL Nickel Corporation and Coral Bay Nickel Corporation.

Listed companies of which Mr. Fujimura is presently a director

Philippines

1. Nickel Asia Corporation

- 8) **TAKESHI KUBOTA** – 62, Japanese citizen; first elected Director of the Company on 26 February 2010; last re-elected on 06 June 2016.

Mr. Kubota obtained his Bachelor of Arts Degree in Economics from Keio University in Tokyo, Japan.

Business and Professional Background/Experience

Mr. Kubota is currently the Chairman and President of Sumitomo Metal Mining Philippine Holdings Corporation and Coral Bay Nickel Corporation and the President of Taganito HPAL Nickel Corporation and Qualified Executive of Sumitomo Metal Mining Co., Ltd. (SMM).

Listed companies of which Mr. Kubota is presently a director

Philippines

1. Nickel Asia Corporation

Japan

1. Sumitomo Metal Mining Co., Ltd.

- 9) **MARTIN ANTONIO G. ZAMORA** – 44, Filipino citizen; first elected Director of the Company on 16 June 2010 to 22 September 2010; director since 30 July 2013 to present; last re-elected on 06 June 2016.

Mr. Zamora obtained his Bachelor of Science Degree in Management from the Ateneo de Manila University and his Masters Degree in Business Administration from the London Business School and his Masters in Organizational Psychology from INSEAD Business School, Singapore.

Business and Professional Background/Experience

Mr. Zamora has recently been appointed Executive Vice President of the Company and will be heading the Operations, Legal and Marketing and Procurement groups of the Company and will be directly reporting to the President and Chief Executive Officer. Prior to this, he was the Company's Senior Vice President for Marketing and Strategic Planning and was responsible for the marketing and strategic functions of the NAC Group. He also serves as Director of all of the subsidiaries of NAC. He is likewise the President of Geogen Corporation and Senior Vice President of Rio Tuba Nickel Mining Corporation and Hinatuan Mining Corporation. Prior to joining the Company in 2007, Mr. Zamora was a director and the Philippine country manager of UPC Renewables, a global developer, owner, and operator of wind farms and solar facilities. He also has more than 10 years' experience in corporate finance and investment banking, having held positions with firms such as CLSA, Robert Fleming & Co. (UK), Jardine Fleming, and SyCip Gorres Velayo & Co.

Listed companies of which Mr. Zamora is presently a director

Philippines

1. Nickel Asia Corporation

There is no director who has resigned or declined to stand for re-election to the board of directors since the 6 June 2016 Annual General Meeting because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices. No director has furnished the Company with a letter describing such disagreement and requesting that the matter be disclosed.

Process and Criteria for Selection of Nominees for Directors

The deadline for the submission of nominations for election to the Board of Directors was 31 March 2017. The meeting of the Nominations Committee composed of Manuel B. Zamora, Jr. (Chairman), Takeshi Kubota and Fulgencio S. Factoran, Jr. (Independent Director) is scheduled on 7 April 2017.

The Nominations Committee will screen the nominees for election to the Board of Directors in accordance with the Company's Manual on Corporate Governance. The Committee shall assess the candidates' background, educational qualifications, work experience, expertise and stature as would enable them to effectively participate in the deliberations of the Board.

In the case of the independent directors, the Committee shall further review their business relationships and activities to ensure that they have all the qualifications and none of the disqualifications for independent directors as set forth in the Company's Manual of Corporate Governance, the Securities Regulation Code ("SRC"), and the SRC Implementing Rules and Regulations.

Nominees for Election at Annual Stockholders' Meeting on 29 May 2017.

The Nominations Committee screens the nominees to determine whether they have all of the qualifications and none of the disqualifications for election to the Company's Board of Directors, prepares the Final List of Candidates for election to the Board of Director at the annual shareholders' meeting. The following have been nominated for election to the Company's Board of Directors:

Regular Directors:

1. Manuel B. Zamora, Jr.
2. Philip T. Ang
3. Gerard H. Brimo
4. Martin Antonio G. Zamora
5. Luis J. L. Virata
6. Takanori Fujimura
7. Takeshi Kubota

Independent Directors:

1. Fulgencio S. Factoran, Jr.
2. Frederick Y. Dy

The Company complied with the guidelines on the nomination and election of independent directors prescribed in Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code ("SRC"). On 20 September 2010, the SEC approved the amendment of the Company's By-laws to incorporate the requirement of independent directors pursuant to SRC Section 38, the definition of independent directors consistent with SRC Implementing Rule 38, and the guidelines for election under relevant SEC guidelines. Fulgencio S. Factoran, Jr. was nominated by Philip T. Ang. Frederick Y. Dy was nominated by Manuel B. Zamora, Jr. Both nominees have accepted their nominations in writing. There

are no relationships between the foregoing nominees for independent director and the persons who nominated them.

Executive Officers

The following persons are the present executive officers of the Company:

Gerard H. Brimo (65 years old, Filipino)

Mr. Brimo obtained his Bachelor of Science Degree in Business Administration from Manhattan College, New York, U.S.A. and his Masters Degree in Business Management from the Asian Institute of Management.

Mr. Brimo is the President and Chief Executive Officer of the Company. He is also the President of RTN, TMC, Cagdianao Mining Corp. (CMC) and Hinatuan Mining Corp. (HMC), and Chairman of Geogen Corporation (Geogen) and Emerging Power Inc. (EPI). Mr. Brimo joined the Company in 2008 and is also the director and President of a privately owned exploration company, Newminco Nickel Mining Corp. Mr. Brimo began his mining career with Philex Mining Corp. as a Vice President in 1985 and served as Chairman and Chief Executive Officer of Philex Mining from 1994 until his retirement from said company in December 2003. He was President of the Chamber of Mines of the Philippines from 1993 to 1995 and Chairman from 1995 to 2003.

Emmanuel L. Samson (57 years old, Filipino)

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

Mr. Samson obtained his Bachelor of Arts Degree in Economics from De la Salle University – Manila.

Barbara Anne C. Migallos (62 years old, Filipino)

Ms. Migallos received her Bachelor of Arts degree in Political Science from the University of the Philippines and graduated cum laude. She also graduated cum laude and Class Salutatorian from the U.P. College of Law, with a Bachelor of Laws degree. She ranked 3rd in the 1979 Bar Examinations.

Ms. Migallos is the Corporate Secretary of the Company. A practicing lawyer since 1980, Ms. Migallos focuses principally on corporate law, mergers and acquisitions, and securities law. She has been a Director of Philex Petroleum Corporation from December 27, 2007 to June 11, 2008, and from May 18, 2010 to the present. She is a Director and Corporate Secretary of Philex Mining and Corporate Secretary of Silangan Mindanao Mining Co., Inc. She is the Managing Partner of the Migallos & Luna Law Offices. Ms. Migallos is also a Director of Mabuhay Vinyl Corporation since 2000 and Philippine Resins Industries, Inc. since 2001, and Corporate Secretary of Eastern Telecommunications Philippines, Inc. since 2005 and Nickel Asia Corporation since 2010. She is a professorial lecturer in Corporations Law, Insurance and Credit Transactions at the De La Salle University College of Law. She was a Senior Partner of Roco Kapunan Migallos and Luna Law Offices from 1988 to 2006.

Jose B. Anievas (72 years old, Filipino)

Mr. Anievas is the Senior Vice President and Chief Operating Officer of the Company. He is a seasoned (40 years) mining engineer/executive who started his career in Philex Mining Corporation (“Philex”) and spent many years in Lepanto Consolidated Mining Co. (“Lepanto”), rising to Executive Vice President. He is well known and highly respected in the industry and is a member of the Professional Regulation Commission (Mining Engineering), a Competent Person under the Philippine Mineral Reporting Code and an accredited APEC and ASEAN Engineer. While his expertise is in underground gold vein operations, he has also had open pit experience in the St. Niño mine of Philex and in Manila Mining in Surigao del Norte. He also participated in the preparation of the feasibility study for Lepanto's Far South East project.

Mr. Anievas obtained his Bachelor of Science in Mining Engineering Degree from the Mapua Institute of Technology.

Raymundo B. Ferrer (61 years old, Filipino)

Mr. Ferrer is the Senior Vice President for Security and Administration. He joined Nickel Asia Corporation in May 2012. He is a retired Lieutenant General from the Armed Forces of the Philippines. Some of his previous assignments prior to his compulsory retirement on 23 Jan 2012 was Commander of Western Mindanao Command (WESTMINCOM) based in Zamboanga City from 10 Nov 2011 to 23 Jan 2012; Commander of Eastern Mindanao Command (EASTMINCOM) based in Davao City from 26 Jan 2009 to 10 Nov 2011; Commander of the 6th Infantry Division, Philippine Army operating in Central Mindanao on 14 March 2007 to 25 January 2009; Commander of the 1st Infantry Division, Philippine Army operating in Zamboanga Peninsula from 02 September 2006 to 14 March 2007; and Commander of 103rd Infantry Brigade in Basilan Province from 24 January 2004 to 02 September 2006.

Mr. Ferrer obtained his Bachelor of Science degree from the Philippine Military Academy and Masters in Public Administration from the National College of Business Administration. He is a Bridging Leadership Fellow from the AIM Team Energy Center.

Rolando R. Cruz (57 years old, Filipino)

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

Mr. Cruz obtained his Bachelor of Science in Mining Engineering and Masters of Science in Geotechnical Engineering from the Mapua Institute of Technology. He also earned a Post-Graduate Certificate in Strategic Business Economics from the University of Asia and the Pacific. Mr. Cruz placed second in the 1982 Licensure Examinations for Mining Engineers.

Jose Roderick F. Fernando (43 years old, Filipino)

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

Mr. Fernando obtained his Juris Doctor Degree from the Ateneo School of Law and his Master of Law from the University of Pennsylvania Law School.

Augusto C. Villaluna (68 years old, Filipino)

Mr. Villaluna is the Vice President for Operations of the Company and is responsible for the Rio Tuba and Taganito Nickel Mines of the Company. Mr. Villaluna is a licensed Mining Engineer/Fellow with over 42 years of experience in both underground and surface mining. He last served as Executive Vice President of Lepanto Consolidated Mining Company and Senior Vice President and member of the Board of Directors of Manila Mining Corporation. He is a director of the Philippine Mine Safety and Environment Association. He is a Competent Person under the Philippine Mineral Reporting Code, as well as, a registered APEC and ASEAN Engineer. Engr. Villaluna sits as a member of the Board of Mining Engineering of the Professional Regulations Commission.

Mr. Villaluna received his Bachelor of Science degree in Mining Engineering from the Mapua Institute of Technology.

Gerardo Ignacio B. Ongkingco (58 years old, Filipino)

Mr. Ongkingco is the Vice President for Human Resources of the Company and is responsible for human resources matters. His career in Human Resources started in the early 1980's and has been enriched with exposure to various industries; government, manufacturing, agriculture and hospitality. He was past President of the Philippine Quality and Productivity Movement (PQPM), Davao Chapter.

Mr. Ongkingco earned his Bachelor's Degree in Community Development as well as his Masters in Industrial Relations from the University of the Philippines.

Koichi Ishihara (43 years old, Japanese)

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

Mr. Ishihara received his Bachelor's Degree in English Language from Kanda University of International Studies, Japan

Jose Bayani D. Baylon (54 years old, Filipino)

Mr. Baylon is the Vice President for Corporate Communications. He joined Nickel Asia on 1 June 2012. He has almost two decades of experience in the field of corporate communications and public affairs. Prior to joining NAC, Mr. Baylon was Vice President and Director for Public Affairs and Communications of The Coca-Cola Export Corporation for 14 years, and, prior to that, was executive assistant and speechwriter to Mr. Enrique Zobel at E. Zobel Inc. for nine (9) years. He was a public affairs commentator at Radio Station DWWW 774 KhZ from 2001-2011 and has been contributing opinion pieces to the newspaper Malaya Business Insight since 2001.

Mr. Baylon obtained his Bachelor of Arts in Political Science Degree from the University of the Philippines.

Ma. Angela G. Villamor (51 years old, Filipino)

Ms. Villamor is a Vice President and Internal Auditor of the Company and is responsible for reviewing the Company's organizational and operational controls, risk management policies, and governance. Prior to joining the Company in 2011, she was a Senior Director in the Assurance Division of SyCip Gorres Velayo & Co. She also worked as Senior Manager in KPMG UAE.

Ms. Villamor obtained her Bachelor of Science in Commerce degree from the University of San Carlos. She completed the Management Development Programme from the Asian Institute of Management.

Significant Employees

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

Family Relationships

Director Martin Antonio G. Zamora is the son of the Chairman, Manuel B. Zamora, Jr. and is married to a niece of Director Philip T. Ang.

Aside from the above, there are no other family relationships up to the fourth civil degree either by consanguinity or affinity among any of the directors, executive officers and persons nominated or chosen to become directors or executive officers.

Involvement in Certain Legal Proceedings

None of the directors, nominees for election as a director, executive officers or control persons of the Company have been involved in any legal proceeding during the past five (5) years, including without limitation being the subject of any:

- a. bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;

- b. conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- c. order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities commodities or banking activities; and
- d. order or judgment of a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization finding him/her to have violated a securities or commodities law or regulation,

Certain Relationships and Related Transactions

The Company's significant related party transactions, which are under terms that are no less favorable than those arranged with third parties, and account balances are listed below:

Nickel Ore Sale Agreements with PAMCO

Cagdianao Mining Corporation (CMC) and Taganito Mining Corporation (TMC) supply saprolite ore to PAMCO. PAMCO is a stockholder of Nickel Asia Corporation 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 the 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 (WMT) of ore. PAMCO shall pay the Group 80% to 90% of the provisional invoice amount upon receipt of the required documents and pay the final payment of each shipment after the final dry weight and applicable assay have been determined.

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

Rio Tuba Nickel Mining Corporation (RTN) supplies saprolite ore to PAMCO under a sale agreement, which shall continue to be valid and in effect until December 2020, wherein PAMCO appointed Sojitz as agent. PAMCO owns 36% and Sojitz owns 4% of the outstanding shares in the capital stock of RTN.

Nickel Ore Sale Agreement with Mitsubishi Corporation RTM International PTE. LTD. (Mitsubishi)

Rio Tuba Nickel Mining Corporation (RTN) and Taganito Mining Corporation (TMC) supplies mid-grade saprolite ore to Mitsubishi under a sales agreement that is valid until December 31, 2016. Ore sales to Mitsubishi are benchmarked to China prices on the basis of a negotiated price per WMT of ore. Mitsubishi shall pay the Group 85% 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. Under the contract, the end user of the material is PAMCO.

Nickel Ore Sale Agreement with Sumitomo Metal Mining (SMM)

On April 1, 2011, Rio Tuba Nickel Mining Corporation (RTN) and SMM entered into an agreement to supply nickel ore to the latter. The agreement shall be valid from April 2011 and shall continue to be valid and in effect until December 2015. The Nickel Ore Sale Agreement with SMM was not renewed in 2016.

Nickel Ore Supply Agreement with Coral Bay Nickel Corporation (CBNC)

Rio Tuba Nickel Mining Corporation (RTN) entered into an agreement with CBNC to supply all of the limonite ore requirements for the Coral Bay Hydro Metallurgical Processing Plant (HPP) facility until the earlier of the cessation of operations at the Coral Bay HPP facility and exhaustion of the limonite ore reserves at the Rio Tuba mine. RTN has also entered into an

agreement with CBNC to supply limestone and provide ancillary services to the Coral Bay HPAL facility. CBNC is the owner of the Coral Bay HPP facility.

Nickel Ore Supply Agreement with Taganito HPAL Nickel Corporation (THNC)

Taganito Mining Corporation (TMC) entered into an agreement with THNC covering the sale of its ore products. Under the terms of the agreement, the base price of the ore products for a specific shipment shall be based on LME.

Service Agreements with Coral Bay Nickel Corporation (CBNC)

RTN entered into various service agreements with CBNC pertaining to materials handling and others.

Materials Handling Agreement with Taganito HPAL Nickel Corporation (THNC)

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

Funding Commitment with Sumitomo Metal Mining (SMM)

Rio Tuba Nickel Mining Corporation (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.

Funding Commitment with Taganito HPAL Nickel Corporation (THNC)

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

Taganito HPAL Nickel Corporation (THNC) Stockholder's Agreement

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

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

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

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

Coral Bay Nickel Corporation (CBNC) Stockholder Agreement

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

In a separate agreement dated October 22, 2002, SMM, which owns 54% of CBNC, agreed to assume RTN's obligation to make loans to, or guarantee the repayment of CBNC's loan obligations. RTN, in consideration for this agreement, pays SMM an annual guarantee fee of 1% of CBNC's outstanding loan obligations until August 2015.

Throughput Agreements

Taganito HPAL Nickel Corporation (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 \$1.4 million 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.

Coral Bay Nickel Corporation (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.

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 thirty (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 plant's operations.

Pursuant to the sale of 12.5% equity interest of the Parent Company to SMM in October 2016, the shareholding ratio of the Parent Company and SMM is 10% and 75%, respectively, as at December 31, 2016 and 22.5% and 62.5%, respectively as at December 31, 2015.

The agreement 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.

Also, under the Agreement, the Parent Company, SMM and Mitsui agreed to make loans to THNC or guarantee the repayment of THNC's obligations in accordance with the financial requirements of THNC and in proportion to their shareholding ratio in THNC.

The Agreement shall terminate upon the dissolution of THNC.

On November 20, 2012, the Parent Company, SMM and Mitsui made additional investment of US\$287.2 million in the form of loans to THNC. SMM had agreed to substitute for the Parent Company to make these loans for which the Parent Company pays guarantee service fee.

On August 4, 2014 and October 4, 2013, the Parent Company, SMM and Mitsui agreed to extend another loans to THNC amounting to US\$117.7 million to cover the latter's working capital requirement and US\$90.0 million for the construction of the tailings dam, respectively.

On February 15, 2016 and November 9, 2015, another loan in the amount of US\$65.0 million and US\$120.0 million, respectively, was extended by the stockholders to THNC to cover for the latter's working capital requirements.

On September 15, 2016 and August 16, 2016, the stockholders of THNC extended another US\$25.0 million and US\$124.0 million, respectively, to cover the latter's loan repayments, capital investments and working capital requirements.

Loan Guarantee/Substitution Agreements

Rio Tuba Nickel Mining Corporation (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 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 agreement has ended last August 20, 2015 due to full payment of the related loan obligation.

Nickel Asia Corporation (NAC)

Under a loan guarantee/substitution agreement dated December 9, 2011 between the Parent Company and SMM, the latter agreed to substitute for the Parent Company to make loans or guarantee the repayment of THNC pursuant to the Stockholders Agreement dated September 15, 2010.

In consideration of the loans and guarantee made by SMM, the Parent Company shall pay to SMM an annual fee equal to 1% of the relevant outstanding amount, which is payable every February 21 and August 21 of each year.

On January 26, 2015, December 18 and December 3, 2013, the Parent Company and SMM entered into another loan guarantee/substitution agreement with respect to the new loan agreement made and entered by THNC and SMM on August 4, 2014, December 3 and January 31, 2013, respectively. The annual fee is also equal to 1% of the relevant outstanding amount, which is payable every March 21 and September 21 of each year.

In case of default, such loan guarantee/substitution agreements will be terminated and the Parent Company shall provide loans to THNC or guarantee the repayment of THNC's loans payable. Failure to provide such loans or guarantee shall be considered a default under the Stockholders' Agreement.

Lease Agreement with Taganito HPAL Nickel Corporation (THNC)

On October 31, 2013, TMC and THNC executed a lease agreement wherein TMC will lease the land within the TSEZ to the lessee. The TSEZ leased area of approximately 675 hectares is located at Barangays Taganito and Hayanggabon, Claver, Surigao del Norte. The duration of the lease agreement shall be for a period of twenty (20) years starting January 1, 2013, however, rental rate shall be annually agreed by both parties.

Loan Agreements with Emerging Power, Inc. (EPI)

- a. On August 22, 2014, Nickel Asia Corporation (NAC) and EPI executed a loan agreement amounting to P551.0 million which was drawn in two (2) tranches. The first and second tranche of the loans amounted to P105.0 million and P446.0 million, respectively.

The proceeds of the first tranche loan was used by EPI to fund the activities preparatory to drilling and for the drilling of the initial two (2) wells under the Montelago Geothermal Project, while the second tranche loan was used to fund the drilling costs and related activities (to include slim or other test holes) on the said initial two (2) wells.

At the option of the Parent Company, the entire second tranche loan, and not any smaller portion thereof, may be converted into shares of stock of EPI constituting fifty 55% of its total issued and outstanding shares, at any time before the lapse of three hundred sixty five (365) days after drawdown of the entire second tranche loan.

The loan is subject to 2% interest per annum. The first tranche of the loan is payable one year after the first drawdown on the first tranche loan or upon sale of EPI's entire shareholdings in Occidental Mindoro Consolidated Power Corporation (OMCP), whichever is earlier. The second tranche loan is payable one year after the first drawdown on the second tranche loan unless the conversion right is exercised.

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

In 2014, the first tranche loan amounting to P105.0 million and 40% of the second tranche loan amounting to P178.4 million were already released to EPI. The remaining 60% of the second tranche loan amounting to P267.6 million were released to EPI in the first quarter of 2015.

On April 15, 2015, the Parent Company expressed its intention to exercise its conversion right on the entire second tranche loan of P446.0 million to 55% equity interest in EPI, which is equivalent to 312,888,889 common shares, subject to the SEC's approval of the increase in authorized capital stock of EPI.

On July 16, 2015, the Parent Company subscribed to an additional 11% equity interest in EPI, which is equivalent to 184,052,288 common shares, for a total consideration of P474.0 million, subject also to the approval of EPI's increase in authorized capital stock.

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

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

- b. In July 2016, the Parent Company agreed to provide a loan facility to EPI amounting to P1,500.0 million for EPI's overhead costs and development of its solar project. The loan bears an interest of 5% p.a. which is payable semi-annually following the date of the corresponding drawdown. The loan principal is payable within three (3) years after drawdown.

As at December 31, 2016, a total of P1,150.0 million was released to EPI.

Loan with Manta

On June 8, 2015, EPI entered into a one year loan agreement with Manta amounting to P180.0 million to finance the development expenses of EPI's geothermal power project. The loan bears an annual interest of 5%. The principal and interest is payable at the end of the loan agreement. On June 6, 2016, EPI and Manta extended the loan for another year or up to June 7, 2017 under the same terms of the original loan.

Loan with Taganito HPAL Nickel Corporation (THNC)

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

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

Loan with Sumitomo Metal Mining (SMM)

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

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

additional loan facility is payable in semi-annual installments starting on August 31, 2008 up to February 28, 2018.

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

Lease Agreement with Manta

On March 18, 2013, the Group entered into a lease agreement with Manta for its office and parking space. The lease agreement is effective for a period of five (5) years starting May 15, 2013 and is renewable subject to negotiation of the terms and conditions and mutual agreement of both parties.

Notes 34 and 39 of the Notes to Consolidated Financial Statements as of December 31, 2016, is incorporated hereto by reference.

Item 6. Compensation of Directors and Executive Officers

Directors' compensation is on a per diem basis as follow:

Type	Board Meeting	Audit and Risk Committee Meeting	Other Meetings	Stock Option
Executive Director	₱10,000	₱10,000	₱10,000	Yes
Non-executive Director	10,000	10,000	10,000	Yes, Except for the Non-Filipino Directors
Independent Director	150,000	50,000	10,000	Yes

Currently, there are no arrangements for additional compensation of directors.

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

The following table shows the compensation of the directors and officers for the past two completed fiscal years and estimated to be paid for the ensuing fiscal year:

**SUMMARY OF COMPENSATION TABLE
(In Thousands)**

DIRECTORS	
Year	Directors' Fee
2017 (estimated)	2,680
2016	2,059
2015	2,354

The following table identifies the Chief Executive Officer (“CEO”) and four most highly compensated executive officers (the “named executive officers”) and summarizes their aggregate compensation in 2015 and 2016 and estimated 2017:

NAMED EXECUTIVE OFFICERS			
<u>NAME</u>	<u>POSITION</u>		
Gerard H. Brimo	<i>President & CEO</i>		
Emmanuel L. Samson	<i>Chief Financial Officer</i>		
Jose B. Anievas	<i>Chief Operating Officer</i>		
Rolando R. Cruz	<i>Vice President of Operations</i>		
Martin Antonio G. Zamora	<i>Executive Vice President</i>		
	<u>Total Officers'</u>		
<u>Year</u>	<u>Salary</u>	<u>Bonus</u>	<u>Total</u>
2017 (estimated)	₱36,650	₱21,140	₱57,790
2016	34,905	20,134	55,039
2015	33,247	19,817	53,064

ALL DIRECTORS & OFFICERS AS A GROUP				
	<u>Year</u>	<u>Salary</u>	<u>Bonus</u>	<u>Total</u>
	2017 (estimated)	₱28,531	₱11,569	₱40,100
	2016	27,173	11,018	38,191
	2015	25,682	11,891	37,573

Compensation of Directors

There are no other arrangements under which the Company’s directors and officers were compensated, or are to be compensated, directly or indirectly, except as described above. Executive Directors are eligible participants under the 2010 Executive Stock Option Plan. All directors are eligible to participate in the 2014 Stock Option Plan approved by the shareholders during the 6 June 2014 Annual General Meeting.

Employment Contracts

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

Warrants and Options Outstanding

On 16 June 2010, the Board of Directors and stockholders approved the NAC Executive Stock Option Plan (the “Plan”) covering 12,000,000 shares of stock. The Plan was duly approved by the Securities and Exchange Commission (SEC) on 20 December 2010.

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

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

On 3 June 2013, the stockholders approved the declaration of a 25% stock dividend and the adjustment of the number of shares under the Plan in view of the effect of the stock dividend. On 2 September 2013, the SEC issued a resolution exempting 3,030,058 common shares for the Plan from the registration requirement.

Several executive officers exercised their options under the Plan totaling to 5,989,498 shares, 2,584,213 shares and 11,431,005 shares in 2016, 2015 and 2014, respectively.

On 24 March 2014, the Board of Directors approved the adoption of a new Stock Option Plan (the "New Plan") for officers of the Company and its operating subsidiaries, and Resident Mine Managers. Directors will likewise be eligible to participate in the New Plan. The New Plan was approved by the shareholders during the annual shareholders' meeting held on 6 June 2014. On 21 November 2014, the SEC issued a resolution exempting 32,000,000 common shares for the New Plan from the registration requirement.

On 18 December 2014, the stockholders approved the declaration of a 50% stock dividend and the adjustment of the number of shares under the New Plan in view of the effect of the stock dividend.

On 2 June 2015, the SEC issued a resolution approving the exemption of 11,625,987 common shares for the Plan and New Plan from registration.

On 5 June 2015, the stockholders approved the declaration of a 100% stock dividend and the adjustment of the number of shares under the Plan and the New Plan in view of the effect of the stock dividend.

On 20 May 2016, NAC filed an application with the SEC for exemption from registration requirement of the additional 31,523,262 common shares to be issued pursuant to Section 10.2 of the Securities and Regulation Code. The said application was approved by the SEC on 10 November 2016.

Item 7. Independent Public Accountants

The appointment, approval or ratification of the Company's independent public accountant will be submitted to the shareholders for approval at the Annual Stockholders' Meeting on 29 May 2017.

The Audit and Risk Committee has recommended, and the Board of Directors has approved, the reappointment of the accounting firm of SyCip Gorres Velayo & Co ("SGV & Co"). SGV & Co has been the Company's independent auditor since its incorporation in July 2008.

The Company's certifying partner, Eleanore A. Layug, signed the Company's Audited Financial Statements for 2016, a copy of which is attached to this Information Statement as an Exhibit to the Annual Report. The Corporation has been advised that the SGV auditors assigned to render audit-related services have no shareholdings in the Company, or a right, whether legally enforceable or not, to nominate persons or to subscribe to the securities of the Company, consistent with the professional standards on independence set by the Board of Accountancy and the Professional Regulation Commission.

Representatives of SGV & Co will be present at the scheduled stockholders meeting. They will have the opportunity to make a statement should they desire to do so and will be available to respond to appropriate questions.

External Audit Fees and Services

Audit and Audit-Related Fees

For 2016, 2015 and 2014, independent accountants were engaged to express an opinion on the financial statements of the Company and its subsidiaries.

A regular audit was carried out in accordance with Philippine Financial Reporting Standards. The audit fees for these services were Php13.457 million for 2016, Php11.750 million for 2015, and Php10.506 million for 2014.

The non-audit fees were Php1.574 million for 2016, Php1.832 million for 2015, and Php1.878 million for 2014. Fees for audit and non-audit work are subject to approval of the Audit Committee before the start of the engagement.

Tax Fees

There were no tax-related services rendered by the independent auditors other than the review of the income tax returns which formed part of the regular audit engagement.

All Other Fees

Aside from the transfer pricing study and seminar fees, there were no other professional services rendered by the independent auditors.

Audit and Risk Committees' Approval Policies and Procedures

At the meeting of the Board of Directors on 27 March 2015, the Board approved the creation of a Risk Committee, separate from the then existing Audit and Risk Committee, which became effective on 5 May 2015. Both the Audit and Risk Committees are comprised of Mr. Frederick Y. Dy, an Independent Director, as Chairman, and Messrs. Gerard H. Brimo and Takanori Fujimura as members.

On 3 August 2012, the Audit and Risk Committee adopted its Audit Committee Charter, which sets forth in detail the Committee's purpose, authority, duties and responsibilities, as well as its structure and procedures. A copy of the Audit Committee Charter is available on the Company's website.

The Committee's approval policies and procedures for external audit fees and services are stated in the Manual on Corporate Governance and the Charter of the Audit and Risk Committee.

The Committee performs oversight functions over the Company's external auditors. Prior to the commencement of audit work, the independent accountants shall make a presentation of their audit program and schedule to the Committee, including a discussion of anticipated issues on the audit work to be done.

After audit work, the independent accountants shall present its comprehensive report discussing the work carried out, areas of interest and their key findings and observations to the Audit and Risk Committee.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

There has been no change in the Company's independent accountants since the Company's incorporation in 2008. Since 2013, the audit engagement partner is Ms. Eleanore A. Layug. There have been no disagreements with the said independent accountants.

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

There are no authorization or issuance of securities other than for exchange for outstanding securities for the registrant.

Item 10. Modification or Exchange of Securities

No action is to be taken by the Company with respect to the modification of any class of securities of the Company or the issuance or authorization for issuance of one class of securities of the Company in exchange for outstanding securities of another class.

Item 11. Finance and Other information

Copies of the Management Report, the Audited Financial Statements for the year ended 31 December 2016 are attached hereto.

The Management's Discussion and Analysis of Financial Condition and Results of Operations are stated on pages 1 to 18 of the attached Management Report. The notes to the Consolidated Financial Statements are incorporated hereto by reference.

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

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

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No transactions to be taken by the Company with respect to any transaction involving mergers consolidations, acquisitions and similar matters.

Item 13. Acquisition or Disposition of Property

No transaction to be taken by the Company with respect to the acquisition or disposition of any Property.

Item 14. Reclassification of Accounts

No actions are to be taken with respect to the restatement of any asset, capital, or surplus account of the Company.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

Action is to be taken on the reading and approval of the following:

1. Minutes of the Previous Stockholders' Meeting

The Minutes of the Annual Stockholders' Meeting held on 06 June 2016 are available for inspection by stockholders at the principal offices of the Company. A copy of said Minutes is also posted on the Company's website. Copies of said minutes will also be made available upon request at the venue of the next annual stockholders' meeting.

Matters taken up during the 2016 Stockholders' Meeting were the: (i) Reading and approval of the Minutes of the 5 June 2015 annual stockholders' meeting and action thereon; (ii) Presentation of Annual Report and Audited Financial Statements for the year ended 31 December 2015 and action thereon; (iii) Ratification and approval of the acts of the Board of Directors and Executive Officers during the year 2015; (iv) Appointment of independent auditors; and (v) Election of directors, including independent directors

2. Management Reports

The Company's Management Report, which includes the Audited Financial Statements for 2016, will be submitted for approval by the stockholders. A copy of the Management Report is attached to this Information Statement. Upon written request, shareholders shall be provided with a copy of the Company's Annual Report on SEC Form 17-A free of charge (please see page 29).

Item 17. Amendment of Charter

There are no proposed amendment to the Articles of Incorporation or By-Laws of the Corporation that will be submitted to the stockholders for approval.

Item 18. Other Proposed Action

Action is to be taken on the ratification and approval of the acts of the Board of Directors and executive officers for the corporate year 2016 – 2017. The resolution to be adopted will be the ratification and approval of the acts of the Board of Directors and executive officers for the year 2016.

Meetings of the Board of Directors were held on the following dates:

15 March 2016	Regular Meeting of the Board of Directors
18 April 2016	Special Meeting of the Board of Directors
11 May 2016	Regular Meeting of the Board of Directors
6 June 2016	Organizational Meeting of the Board of Directors
10 August 2016	Regular Meeting of the Board of Directors
15 September 2016	Special Meeting of the Board of Directors
7 November 2016	Regular Meeting of the Board of Directors

At these meetings, principal matters discussed included the presentation of detailed operations and financial reports. Operations reports included market information and metal prices, volume of production and sales, and business development updates. Financial reports included consolidated and per segment figures on revenue, costs and expenses, other income and charges, income or loss before tax, net income or loss, balance sheet and statements of cash flows. In addition to these regular reports, the Board approved the matters set forth below.

At the meeting held on 15 March 2016, the Board approved the Audited Financial Statements for 2015. Further, the Board also approved the declaration of cash dividends in the amount of Php0.08/share to shareholders of record as of 31 March 2016, with payment date on 12 April 2016. Finally, the schedule of the Company's Annual Stockholders Meeting was approved by the Board of Directors.

On 18 April 2016, at the Special Meeting of the Board of Directors, the Board approved the additional equity infusion of Php660 Million up to Php796 Million and the granting of the Php1.5 Billion loan to EPI.

On 11 May 2016, the Board reviewed the financial highlights for the first quarter of 2016, comparing the actual results against first quarter 2015 actual and first quarter of 2016 budget. At this meeting, the Board approved the financial statements for the first quarter of 2016 and the appointment of Sycip Gorres Velayo & Co. as external auditors of the Company.

At the Meeting of the Board of Directors on 10 August 2016, the Board was presented with updates on the Nickel Market. The financial statement highlights for first quarter 2016, with comparative balances for the first half 2016 Budget was also discussed. The Board then approved the financial statements for the first half of 2016. The Board also discussed and reviewed the environmental performance of the operating subsidiaries of the Company for the first half of 2016. Finally, the Board authorized the Company to transact with Pilipinas Shell Petroleum Corporation for the purchase of lubricants necessary for the equipment used in its NAC Sur Power Plant Project.

At the Special Meeting of the Board of Directors held on 15 September 2016, the Board authorized the Company to sell its equity in THPAL which would reduce the Company's ownership to 10%, and to execute the necessary documents to proceed with the sale.

At the meeting held On 7 November 2016, the Board of Directors approved the Company's third quarter financial statements for 2016 and the Company's Group Operating Budget for 2017.

Item 19. Voting Procedures

Under the Company's policy for the effective participation by shareholders in shareholders' meetings of the Company and the exercise of shareholders' right to vote:

1. Voting shall be by balloting or poll at all shareholders' meetings.
2. Voting and vote tabulation procedures shall be explained in the materials for shareholders' meetings (which shall be distributed to shareholders at least 28 days prior to the meeting) and at the start of every meeting.
3. Validation of proxies shall be undertaken by a special committee designated by the Board for the validation of proxies. For the 2016 AGM, Sycip Gorres Velayo & Co., the Company's independent external auditor shall work with STSI, the Company's stock transfer agent, to tabulate the proxies.
4. Voting results for each item on the agenda shall be announced during the meeting and shall be made publicly available immediately.

Stockholders as of 29 March 2017 may vote at the Annual General Stockholders' Meeting on 29 May 2017. Stockholders have the right to vote in person or by proxy.

In the election of directors, cumulative voting may be adopted. On this basis, each stockholder as of 29 May 2017 may vote the number of shares registered in his name for each of the nine (9) directors to be elected, or he may multiply the number of shares registered in his name by nine (9) and cast the total of such votes for one (1) director, or he

may distribute his votes among some or all of the nine (9) directors to be elected. The nine (9) nominees with the greatest number of votes will be elected directors.

PART II.

(PLEASE SEE SEPARATE PROXY FORM)

PART III.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 20 April 2017.

By:


BARBARA ANNE C. MIGALLOS
Corporate Secretary

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

ATTY. BARBARA ANNE C. MIGALLOS
Corporate Secretary

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

PROXY

The undersigned stockholder of **NICKEL ASIA CORPORATION** (the "Company") hereby appoints _____ or in his absence, the Chairman of the meeting, as attorney-in-fact or proxy, with power of substitution, to represent and vote all shares registered in his/her name as proxy of the undersigned stockholder, at the **Annual General Meeting of Stockholders** of the Company to be held at on **Monday, 29 May 2017, 2:30 p.m. at Ascott Ballroom A, 5th Floor, Ascott Bonifacio Global City, 5th Ave. cor. 28th St., BGC, Taguig City** and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of minutes of annual stockholders' meeting held on 6 June 2016
 Yes No Abstain
2. Approval of annual reports and Audited Financial Statements for the year ending 31 December 2016
 Yes No Abstain
3. Ratification and approval of the acts of the Board of Directors and Executive Officers
 Yes No Abstain
4. Appointment of Sycip, Gorres, Velayo & Co. as independent auditors
 Yes No Abstain
5. Election of Directors
 Vote for all nominees listed below:
Manuel B. Zamora, Jr. Takanori Fujimura
Gerard H. Brimo Takeshi Kubota
Martin Antonio G. Zamora Fulgencio S. Factoran, Jr. (Independent)
Philip T. Ang Frederick Y. Dy (Independent)
Luis J. L. Virata

 Withhold authority for all nominees listed above

 Withhold authority to vote for the nominees listed below:

6. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.

Date

Printed Name of Stockholder

Signature of Stockholder/ Authorized Signatory

This proxy should be received by the Corporate Secretary on or before **19 May 2017**, the deadline for submission of proxies.

This proxy, when properly executed, will be voted in the manner as directed herein by the stockholder(s). If no direction is made, this proxy will be voted "for" the election of all nominees and for the approval of the matters stated above and for such other matters as may properly come before the meeting in the manner described in the information statement and/or as recommended by management or the board of directors.

A proxy submitted by a corporation should be accompanied by a Corporate Secretary's Certificate quoting the board resolution designating a corporate officer to execute the proxy. Proxies executed by brokers must be accompanied by a certification under oath stating that the broker has obtained the written consent of the account holder.

A stockholder giving a proxy has the power to revoke it at any time before the right granted is exercised. A proxy is also considered revoked if the stockholder attends the meeting in person and expresses his intention to vote in person. This proxy shall be valid for five (5) years from the date hereof unless otherwise indicated in the box herein provided.

No director or executive officer, nominee for election as director, or associate of such director, executive officer or nominee of the Company, at any time since the beginning of the last fiscal year, has any substantial interest, direct or indirect by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office.

CERTIFICATE OF INDEPENDENT DIRECTOR

I, **FREDERICK Y. DY**, Filipino, of legal age, with address at 3 Swallow Drive, Green Meadows, Quezon City, hereby declare that:

1. I am an independent director of Nickel Asia Corporation (the "Company"), and have been its independent director since 2010.

2. I am affiliated with the following companies or organizations:

<u>Company</u>	<u>Position / Relationship</u>	<u>Period of Service</u>
Security Bank Corporation	Chairman Emeritus	2015 to present
	Director	1989 to present
City Industrial Corporation	Chairman	1994 to present
St. Luke's Medical Center	Chairman	2011 to present
Ponderosa Leather Goods Company, Inc.	Director	1980 to present

3. I possess all of the qualifications and none of the disqualifications to serve as Independent Director of the Company as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.

4. I am not related to any director, officer, or substantial shareholder of the Company, any of its related companies, or any of its substantial shareholders.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.


6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC Issuances.


FREDERICK Y. DY
Independent Director

SUBSCRIBED AND SWORN to before me this 19 day of April 2017, affiant exhibiting to me his Competent Evidence of Identity consisting of his Driver's License No. N11-88-040617 issued on 4 February 2015 at LTO East Avenue bearing his photograph and signature, in accordance with Rule II, Section 12 and Rule IV Section 2 (b) of the 2004 Rules on Notarial Practice.

Doc. No.: 226 ;
Page No.: 41 ;
Book No.: I ;
Series of 2017.

C2352 ID Certification Dy rev2 /dfp25


LISELLE ANGELA I. BASCARA
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI
APPOINTMENT NO. M-490 (2016-2017)
COMMISSION EXPIRES ON DECEMBER 31, 2017
7th Floor, The PHINMA Plaza, 39 Plaza Drive
Rockwell Center, Makati City 1210
PTR No. 5913971; Makati City; 1/05/17
IBP O.R. No. 1061057; Quezon City; 1/10/17
TIN 453-601-052
Attorney's Roll No. 66666, JUNE 2016

CERTIFICATE OF INDEPENDENT DIRECTOR

I, **FULGENCIO S. FACTORAN, JR.**, Filipino, of legal age, with office address at No. 9, Ilang-ilang Street, Tahanan Village, Parañaque City, hereby declare that:

1. I am a nominee for independent director of Nickel Asia Corporation (the "Company"), and have been its independent director since 2010.

2. I am affiliated with the following companies or organizations:

<u>Company</u>	<u>Position / Relationship</u>	<u>Period of Service</u>
Factoran & Associates Law Offices	Principal Partner	1996-present
Atlas Consolidated Mining and Development	Independent Director	2012-present
Weather Foundation Phils., Inc.	Independent Director	2012 -2016
Agility Inc.	Chairman	1996-present
Philippine Educational Theater Association	Trustee	1994 -2015

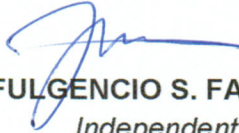
3. I possess all of the qualifications and none of the disqualifications to serve as Independent Director of the Company as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations, and other SEC issuances.

4. I am not related to any director, officer, or substantial shareholder of the Company, any of its related companies, or any of its substantial shareholders.

5. I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

<u>Offense Charged/Investigated</u>	<u>Tribunal or Agency Involved</u>	<u>Status</u>
OMB-C-C-16-0157 and OMB-C-A-16-0134 For: Violation of Republic Act No. 3019 Section 3(g) and Conduct Prejudicial to the Best Interest of the Service and Grave Misconduct	Office of the Ombudsman	Preliminary Investigation For Solution

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC Issuances.


FULGENCIO S. FACTORAN, JR.
Independent Director

SUBSCRIBED AND SWORN to before me this 19 day of April 2017, affiant exhibiting to me his Passport with number EC4081648 issued on May 4, 2015 at DFA

NCR SOUTH bearing his photograph and signature, in accordance with Rule II, Section 12 and Rule IV Section 2 (b) of the 2004 Rules on Notarial Practice.

Doc. No.: 227 ;
 Page No.: 47 ;
 Book No.: I ;

CERTIFICATE OF INDEPENDENT DIRECTOR

LISELLE ANGELA I. BASCARA
 NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI
 APPOINTMENT NO. M-490 (2016-2017)
 COMMISSION EXPIRES ON DECEMBER 31, 2017
 7th Floor, The PHINMA Plaza, 39 Plaza Drive
 Rockwell Center, Makati City 1210
 PTR No. 5913971; Makati City; 1/05/17
 IBP O.R. No. 1081057; Quezon City; 1/10/17
 TIN 453-501-052
 Attorney's Roll No. 66666, JUNE 2016

Company	Position / Relationship	Period of Service
Anchor & Associates Law Office	Principal Partner	1998-present
Anchor & Associates Marketing and Development	Independent Director	2012-present
Anchor & Associates Foundation PHIL	Independent Director	2012-2016
Anchor & Associates	Chairman	1996-present
Anchor & Associates (Trustee)	Trustee	1994-2015

I hereby certify that the qualifications and none of the disqualifications to serve as Independent Directors of the Company as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations, and other SEC issuances.

I am not related to any director, officer, or substantial shareholder of the Company, nor am I related to any of its substantial shareholders.

I declare that I am the subject of the following criminal/administrative investigations or proceedings (if any):

Name of Proceedings	Department or Agency Involved	Status
Office of the Commission	Office of the Commission	Preliminary in Association For Solicitor
Office of the Commission	Office of the Commission	

I have hereby and hereby comply with the duties and responsibilities as Independent Director with the Securities Regulation Code and its implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

MARTECKA S. FACTORAN, JR.
 Independent Director

This Certificate is signed and attested on this 11 day of June, 2016, at Manila, Philippines.

CERTIFICATION

I, **BARBARA ANNE C. MIGALLOS**, of legal age, Filipino, and with office address at 7th Floor, The PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City, after having been sworn to in accordance with law, hereby depose and say that:

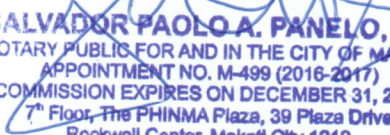
1. I am the Corporate Secretary of Nickel Asia Corporation (the "Company"), a corporation organized and existing under Philippine law, with principal office address at 28th Floor, NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, Metro Manila.
2. I hereby certify that the following incumbent Directors of the Company are not connected with any government agency or instrumentality:
 - a) Manuel B. Zamora, Jr.
 - b) Philip T. Ang
 - c) Gerard H. Brimo
 - d) Luis J. L. Virata
 - e) Fulgencio S. Factoran, Jr. (Independent)
 - f) Frederick Y. Dy (Independent)
 - g) Martin Antonio G. Zamora
 - h) Takanori Fujimura
 - i) Takeshi Kubota


BARBARA ANNE C. MIGALLOS
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 20th day of April 2017, affiant exhibiting to me her Community Tax Certificate No. 25010154 issued on 5 January 2017 at Makati City, and her Passport No. EC0356963 issued on 20 February 2014 at DFA Manila, expiring on 19 February 2019 bearing her photograph and signature, in accordance with Rule II, Section 12 and Rule IV Section 2 (b) of the 2004 Rules on Notarial Practice.

Doc. No.: 40 ;
Page No.: 1 ;
Book No.: I ;
Series of 2017.

G2352 - Certification BCM/dfp26


SALVADOR PAOLO A. PANELO, JR.
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI
APPOINTMENT NO. M-499 (2016-2017)
COMMISSION EXPIRES ON DECEMBER 31, 2017
7th Floor, The PHINMA Plaza, 39 Plaza Drive
Rockwell Center, Makati City 1210
PTR No. 5913968; Makati City; 1/05/17
IBP O.R. No. 1061055; Quezon City; 1/10/17
TIN 259-695-947
Attorney's Roll No. 59810, MAY 2011

UNDERTAKING

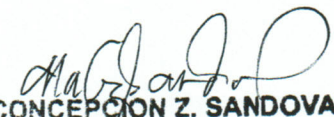
I, **BARBARA ANNE C. MIGALLOS**, of legal age, Filipino, and with office address at 7th Floor, The PHINMA Plaza, 39 Plaza Drive, Rockwell Center, Makati City, being the duly elected and incumbent Corporate Secretary of Nickel Asia Corporation (the "Company"), a corporation organized and existing under Philippine law, whose shares are registered in accordance with the Securities Regulation Code and traded in the Philippine Stock Exchange (PSE), with principal office address at 28th Floor, NAC Tower, 32nd Street, Bonifacio Global City, Taguig City, Metro Manila, do hereby undertake to do the following:

1. Upload a copy of the Company's Interim Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations or SEC Form 17-Q as of 31 March 2017 in the Company's website at least five (5) days before the Company's Annual General Meeting of the Stockholders ("AGM") to be held on 29 May 2017;
2. The Company's stockholders shall be furnished copies of the said SEC form 17-Q during the AGM upon written request of the stockholders, free of charge; and
3. The Company shall publish a notice that the above-mentioned SEC Form 17-Q is available at the company's website in two (2) newspapers of general circulation.


BARBARA ANNE C. MIGALLOS
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 5th day of April 2017, affiant exhibiting to me her Community Tax Certificate No. 25010154 issued on 5 January 2017 at Makati City, and her Passport No. EC0356963 issued on 20 February 2014 at DFA Manila, expiring on 19 February 2019 bearing her photograph and signature, in accordance with Rule II, Section 12 and Rule IV Section 2 (b) of the 2004 Rules on Notarial Practice.

Doc. No.: 372 ;
Page No.: 76 ;
Book No.: II ;
Series of 2017.


MA. CONCEPCION Z. SANDOVAL
NOTARY PUBLIC FOR AND IN THE CITY OF MAKATI
APPOINTMENT NO. M-497 (2016-2017)
COMMISSION EXPIRES ON DECEMBER 31, 2017
7th Floor, The PHINMA Plaza, 39 Plaza Drive
Rockwell Center, Makati City 1210
PTR No. 5913967; Makati City; 1/05/17
IBP O.R. No. 1061058; Rizal; 1/10/17
TIN 908-983-782
Attorney's Roll No. 54717, MAY 2007

REPORT ACCOMPANYING THE INFORMATION STATEMENT

MANAGEMENT REPORT

I. Financial Statements

The audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2016 in compliance with SRC Rule 68, as amended, is attached to the Information Statement and is incorporated by reference.

II. Information on Independent Accountants and other Related Matters

The Company's consolidated financial statements for the year ended 31 December 2016 have been audited by SyCip Gorres Velayo & Co ("SGV & Co") (a member practice of Ernst & Young Global Limited), independent auditors, as stated in their reports appearing herein.

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

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

The following table sets out the aggregate fees incurred for the year 2016 and 2015 for professional services rendered by SGV & Co.:

	2016	2015
	<i>(In Thousands)</i>	
Audit and Audit-Related Services	P13,457	P11,750
Non-Audit Services	1,574	1,832
Total	P15,031	P13,582

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

The following discussion and analysis is based on the audited consolidated financial statements as at December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014, prepared in conformity with Philippine Financial Reporting Standards (PFRS) and accompanying Notes to the Consolidated Financial Statements and should be read in conjunction with the audited consolidated financial statements.

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

Summary Financial Information

The Consolidated Financial Statements as at December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014 are hereto attached.

The following table sets forth the summary financial information for the three years ended December 31, 2016, 2015 and 2014 and as at December 31, 2016, 2015 and 2014:

	Summary Consolidated Statements of Income			Horizontal Analysis			
	For the Years Ended			Increase (Decrease)		Increase (Decrease)	
	2016	2015	2014	2016 vs. 2015	%	2015 vs. 2014	%
	<i>(In thousand pesos)</i>						
Revenues	14,122,667	15,431,646	24,745,704	(1,308,979)	-8%	(9,314,058)	-38%
Costs	(6,387,045)	(6,762,130)	(5,877,717)	375,085	-6%	(884,413)	15%
Operating expenses	(3,663,337)	(3,765,601)	(4,567,651)	(102,264)	-3%	(802,050)	-18%
Finance income	228,430	305,112	172,104	(76,682)	-25%	133,008	77%
Finance expenses	(219,933)	(179,125)	(164,369)	40,808	23%	14,756	9%
Equity in net income (losses) of associates	(413,702)	(811,369)	522,380	(397,667)	-49%	1,333,749	-255%
Other income - net	493,540	493,544	470,495	(4)	0%	23,049	-5%
Provision for income tax	(1,449,478)	(1,667,286)	(4,292,827)	(217,808)	-13%	(2,625,541)	-61%
Net income	2,711,142	3,044,791	11,008,119	(333,649)	-11%	(7,078,915)	64%
Net income attributable to:							
Equity holders of the parent	1,966,107	2,035,143	8,551,627	(69,036)	-3%	(6,516,484)	-76%
Non-controlling interests	745,035	1,009,648	2,456,492	(264,613)	-26%	(1,446,844)	-59%
	2,711,142	3,044,791	11,008,119	(333,649)	-11%	(7,963,328)	-72%

	Summary Consolidated Statements of Income			Vertical Analysis			
	For the Years Ended			Increase (Decrease)		Increase (Decrease)	
	2016	2015	2014	2016 vs. 2015	%	2015 vs. 2014	%
	<i>(In thousand pesos)</i>						
Revenues	14,122,667	15,431,646	24,745,704	(1,308,979)	185%	(9,314,058)	132%
Costs	(6,387,045)	(6,762,130)	(5,877,717)	375,085	-53%	(884,413)	12%
Operating expenses	(3,663,337)	(3,765,601)	(4,567,651)	(102,264)	14%	(802,050)	11%
Finance income	228,430	305,112	172,104	(76,682)	11%	133,008	-2%
Finance expenses	(219,933)	(179,125)	(164,369)	40,808	-6%	14,756	0%
Equity in net income (losses) of associates	(413,702)	(811,369)	522,380	(397,667)	56%	1,333,749	-19%
Other income - net	493,540	493,544	470,495	(4)	0%	23,049	0%
Provision for income tax	(1,449,478)	(1,667,286)	(4,292,827)	(217,808)	31%	(2,625,541)	37%
Net income	2,711,142	3,044,791	11,008,119	(708,734)	100%	(7,078,915)	100%
Net income attributable to:							
Equity holders of the parent	1,966,107	2,035,143	8,551,627	(69,036)	21%	(6,516,484)	82%
Non-controlling interests	745,035	1,009,648	2,456,492	(264,613)	79%	(1,446,844)	18%
	2,711,142	3,044,791	11,008,119	(333,649)	100%	(7,963,328)	100%

Summary Consolidated Statements of Financial Position

	2016	2015	2014	Horizontal Analysis			
				Increase (Decrease)		Increase (Decrease)	
				2016 vs. 2015	%	2015 vs. 2014	%
	<i>(In Thousand Pesos)</i>						
Current assets	20,522,768	16,677,942	20,611,470	3,844,826	23%	(3,933,528)	-19%
Noncurrent assets	24,828,748	25,052,413	14,572,438	(223,665)	-1%	10,479,975	72%
Total assets	45,351,516	41,730,355	35,183,908	3,621,161	9%	6,546,447	19%
Current liabilities	7,945,838	7,713,231	2,114,567	232,607	3%	5,598,664	265%
Noncurrent liabilities	6,206,025	4,603,936	2,166,995	1,602,089	35%	2,436,941	112%
Non-controlling interests	4,179,162	3,901,315	3,716,715	277,847	7%	184,600	5%
Equity attributable to equity holders of the Parent	27,020,491	25,511,873	27,185,631	1,508,618	6%	(1,673,758)	-6%
Total liabilities and equity	45,351,516	41,730,355	35,183,908	3,621,161	9%	6,546,447	19%

Summary Consolidated Statements of Financial Position

	2016	2015	2014	Vertical Analysis			
				Increase (Decrease)		Increase (Decrease)	
				2016 vs. 2015	%	2015 vs. 2014	%
	<i>(In Thousand Pesos)</i>						
Current assets	20,522,768	16,677,942	20,611,470	3,844,826	106%	(3,933,528)	-60%
Noncurrent assets	24,828,748	25,052,413	14,572,438	(223,665)	-6%	10,479,975	160%
Total assets	45,351,516	41,730,355	35,183,908	3,621,161	100%	6,546,447	100%
Current liabilities	7,945,838	7,713,231	2,114,567	232,607	6%	5,598,664	86%
Noncurrent liabilities	6,206,025	4,603,936	2,166,995	1,602,089	44%	2,436,941	37%
Non-controlling interests	4,179,162	3,901,315	3,716,715	277,847	8%	184,600	3%
Equity attributable to equity holders of the Parent	27,020,491	25,511,873	27,185,631	1,508,618	42%	(1,673,758)	-26%
Total liabilities and equity	45,351,516	41,730,355	35,183,908	3,621,161	100%	6,546,447	100%

Summary Consolidated Statements of Cash Flows

	For the Years Ended December 31		
	2016	2015	2014
	<i>(In Thousand Pesos)</i>		
Net cash flows from (used in):			
Operating activities	4,513,391	4,858,196	11,155,079
Investing activities	(1,840,227)	(9,285,465)	(2,335,864)
Financing activities	(346,594)	(2,195,157)	(5,587,843)
Net increase (decrease) in cash and cash equivalents	2,326,570	(6,622,426)	3,231,372
Cash and cash equivalents, beginning	7,073,171	13,561,803	10,234,336
Effect of exchange rate changes in cash and cash equivalents	248,202	133,794	96,095
Cash and cash equivalents, end	9,647,943	7,073,171	13,561,803

RESULTS OF OPERATIONS

Calendar year ended December 31, 2016 compared with calendar year ended December 31, 2015

Revenues

Our total revenues were ₱14,122.7 million in 2016 as compared to ₱15,431.6 million in 2015, a decrease of ₱1,308.9 million, or 8%.

Sale of ore

We sold an aggregate 19,254.1 thousand WMT of nickel ore in 2016, marginally lower compared to 19,671.6 thousand WMT of nickel ore in 2015. Our sales for this year included 7,342.1 thousand WMT of saprolite ore sold to customers in Japan, China and Australia, 4,349.6 thousand WMT of limonite ore to our customers in China and Australia, and 7,562.4 thousand WMT of limonite ore to CBNC and THNC compared to sales of 7,058.9 thousand WMT, 4,814.8 thousand WMT and 7,797.9 thousand WMT, respectively, in 2015.

Lower shipment volume coupled with the overall weakness in nickel ore prices led to a drop in the Group's value of shipments from ₱14,381.5 million in 2015 to ₱13,233.5 million in 2016.

The estimated realized nickel price on 11,691.7 thousand WMT of ore sales mainly to Japanese and Chinese customers in 2016 averaged \$20.77 per WMT compared to an average of \$22.64 per WMT realized in 2015.

With respect to low-grade limonite ore sold to both the Coral Bay and Taganito processing plants, which are linked to LME prices, the Group realized an average of \$4.39 per pound of payable nickel on 7,562.4 thousand WMT sold in 2016. This compares to an average price of \$5.36 per pound of payable nickel on 7,797.9 thousand WMT sold in 2015. The lower volume compared to the prior year was due to remedial work conducted over a one month period at the Taganito HPAL plant, which reduced ore delivery from the Group's Taganito mine. The work was completed in May 2016 and the plant has since resumed operations at full capacity.

On a per mine basis, the Group's Taganito operation accounted for 42% of total shipments. The mine shipped a total of 2,337.7 thousand WMT of saprolite ore and 5,659.0 thousand WMT of limonite ore, including 4,113.2 thousand WMT to the Taganito HPAL plant. The comparable figures for last year were 2,500.9 thousand WMT, 5,239.8 thousand WMT and 4,426.3 thousand WMT, respectively.

The Rio Tuba mine accounted for 32% of total shipments, which consists of 2,273.5 thousand WMT of saprolite ore and 3,884.0 thousand WMT of limonite ore, including 3,449.2 thousand WMT of ore delivered to the Coral Bay HPAL plant. For the comparable period last year, Rio Tuba sold 3,180.2 thousand WMT of saprolite ore and 3,371.6 thousand WMT of limonite ore to the Coral Bay plant. The drop in ore shipments was mainly due to a change in the ore grade mix brought about by the impact of lower ore prices.

The prolonged rainy season and resulting sea swells during the first half of the year resulted to delays in the start of shipments from the Group's Hinatuan and Cagdianao mines, thereby translating to slightly lower shipment volumes in 2016. Shipments from the Hinatuan mine in 2016 amounted to 3,034.3 thousand WMT compared to 3,209.5 thousand WMT in 2015, while the Cagdianao mine shipped 2,065.6 thousand WMT in 2016 versus 2,169.5 thousand WMT last year.

RTN's revenue from sale of limestone ore was ₱340.9 million in 2016 as compared to ₱414.1 million in 2015, a decrease of ₱73.2 million or 18%. The decrease was attributable to the 111.2 thousand WMT or 19% decline in limestone sales in the current year compared to last year.

Services and Others

Our revenue from services and others was ₱530.3 million in 2016 compared to ₱636.0 million in 2015, a decrease of ₱105.7 million, or 17%. Services revenue largely consists of payments made to us in consideration for hauling, manpower and other ancillary services

that RTN and TMC provides to CBNC and THNC, respectively, and usage fee charged by TMC to THNC for the use of its pier facility. The decline in revenue from services and others was attributable to the 12% and 7% drop in volume handled by TMC and RTN, respectively. In addition, the 2015 revenue from services of RTN included price adjustments for 2013 and 2014 materials handling deliveries.

Costs and Expenses

Our costs and expenses amounted to ₱10,050.4 million in 2016 as compared to ₱10,527.7 million in 2015, a decrease of ₱477.3 million, or 5%.

Cost of Sales

Our cost of sales was ₱5,907.2 million in 2016 compared to ₱6,279.2 million in 2015, a decrease of ₱372.0 million, or 6%. Decrease in cost of sales was attributable to the 2% decline in shipment volume caused by unfavorable weather conditions and the effects of sea swells during the first half of the year and due to a change in the ore grade mix brought about by the impact of lower ore prices. In addition, there was a reduction in cost of fuel due to the significant drop in fuel price. Contractor's fee and materials and supplies withdrawal also decreased because of lesser volume moved and the two conveyors of TMC were already operational, thus contract hauling of ore by truck had been substantially reduced.

Cost of Services

Cost of services was ₱441.5 million in 2016 compared to ₱482.9 million in 2015, a decrease of ₱41.4 million, or 9%. Costs of services largely consist of the cost of hauling, providing manpower and other ancillary services to CBNC and THNC, plus the costs of maintaining the pier facility used by THNC. The decline in cost of services was attributable mainly to the 12% and 7% drop in volume handled by TMC and RTN, respectively. Moreover, the fuel cost per liter was 24% lower than last year.

Shipping and Loading

Shipping and loading costs were ₱1,823.5 million for the year 2016 compared to ₱1,757.9 million for the year 2015, an increase of ₱65.6 million, or 4%. The increase in contract fees by ₱67.3 million and depreciation and amortization by ₱24.2 million, which were partially offset by the decrease in fuel, oil and lubricants by ₱31.1 million, were the main factors for the movements in the account.

Excise Taxes and Royalties

Our excise taxes and royalties were ₱1,006.7 million in 2016 compared to ₱1,089.6 million in 2015, a decrease of ₱82.9 million, or 8%. The decrease in excise taxes and royalties was attributable to the 8% decline in our sale of ore in the current year as compared to last year.

Marketing

Marketing costs were ₱95.9 million and ₱130.2 million in 2016 and 2015, respectively. The decrease in marketing cost was also brought by the decline in our sales revenue in 2016 compared with 2015 since the commission paid by CMC to its claim owner and the marketing fees paid to Mitsubishi Corporation are based on certain percentage of sales revenue.

General and Administrative

General and administrative expenses were ₱737.2 million for the year 2016 compared to ₱787.9 million for the year 2015, a decrease of ₱50.7 million, or 6%. The decrease in taxes and licenses by ₱73.7 million mainly caused the decrease in the account. Lower taxes and licenses in 2016 were attributable to lower fringe benefit tax paid on stock option exercised

during the year by ₱3.6 million. Also in 2015, SEC filing fees of ₱15.1 million was paid by the Parent Company for the increase in its authorized capital stock while there was none in 2016. DST were also paid in 2015 for the acquisition of Geogen shares amounting to ₱0.9 million and stock dividends issued by the Parent Company in August 2015 and TMC in July 2015 amounting to a total of ₱14.5 million. Deficiency tax assessments were also accrued/paid in 2015 amounting to a total of ₱59.5 million. Local business taxes paid in 2015 were also higher than 2016 since the basis used in 2015 was revenue of 2014, which was significantly higher as compared to previous and current years. Depreciation and amortization also decreased due to full depreciation of Learjet in third quarter of 2015. Donations and contributions were lower by ₱20.0 million due to absence of housing constructions in 2016. The decrease was partially offset by the increase in personnel cost due to salary increases during the year. Also, full year general and administrative expenses of Geogen and EPI group were accounted in 2016 compared to around half year expenses last year since these companies were acquired only in third quarter of 2015.

Finance Income

Our finance income was ₱228.4 million in 2016 compared to ₱305.1 million in 2015, a decrease of ₱76.7 million, or 25%. The decrease in finance income was attributable mainly to the sale of AFS financial assets in 2015 which resulted to a gain of ₱86.3 million compared to a loss of ₱11.7 million in 2016. However, the decrease was partially offset by the increase in interest income from loans and AFS debt instruments.

Finance Expenses

Our finance expense was ₱219.9 million in 2016 compared with ₱179.1 million in 2015, an increase of ₱40.8 million, or 23%. The movement in our finance expense arose from the interest on bank loans of EPI, which increased by ₱56.4 million, due to additional loans drawn during the year amounting to ₱1,190.0 million and loss on sale of AFS financial assets of ₱11.7 million. The increase was partially offset by ₱24.2 million decrease in guarantee service fee as a result of the change in the Parent Company's share to provide loans and guarantee obligations of THNC which decreased from 22.5% to 10% effective July 1, 2016.

Equity in Net Losses of Associates

Our equity in net losses of THNC and CBNC was ₱413.7 million and ₱811.4 million in 2016 and 2015, respectively. The result of THNC's operations in 2016 and 2015 was a net loss of US\$21.4 million and US\$61.7 million, respectively. On the other hand, the results of CBNC's operations in 2016 and 2015 was a net loss of US\$21.8 million and US\$34.4 million, respectively.

Other Income - net

Our other income - net in 2016 and 2015 were almost the same at ₱493.5 million. The movement in the account was attributable to the following: 1) favorable impact of changes in foreign exchange rate since the Group is in net financial asset position, net effect was ₱40.3 million; 2) recognized gain of ₱239.6 million on the sale of the Parent Company's 12.5% interest in THNC to SMM; 3) no casualty losses incurred in 2016 compared to ₱101.0 million in 2015; 4) decrease in impairment losses provided on input VAT by ₱33.0 million; and 5) increase in special projects by ₱29.2 million. However, the said increases were partially offset by: 1) demurrage incurred during the year amounting to ₱107.0 million compared to a despatch of ₱39.0 million in prior year; 2) no business acquisitions happened in 2016, thus no gain on bargain purchase was recognized; 3) decrease in reversal of allowance for impairment losses on inventories by ₱29.1 million; 4) impairment losses were also provided for property and equipment amounting to ₱12.8 million compared to a reversal of impairment losses last year of ₱98.5 million; and 5) impairment losses provided on AFS financial assets of ₱119.2 million and trade and other receivables of ₱25.0 million.

Provision for Income Tax

Provision for income tax was ₱1,449.5 million in 2016 compared to ₱1,667.3 million in 2015, a decrease of ₱217.8 million, or 13%. Our current provision for income tax in 2016 was ₱1,441.5 million compared to ₱1,605.7 million in 2015, a decrease of ₱164.2 million, or 10% primarily due to the decrease in our taxable income in 2016 resulting from lower sales revenue. Our provision for deferred income tax in 2016 was ₱8.0 million compared to ₱61.5 million in 2015, a decrease of ₱53.5 million, or 87%. In 2015, the tax impact of movements in net operating loss carry-over (NOLCO) amounted to ₱75.0 million provisions for deferred income tax as compared in 2016 wherein a benefit of ₱27.5 million was recognized. Provision for deferred income tax on allowance for impairment losses was higher in 2015 due to reversals of allowance for inventory losses and impairment losses on property and equipment amounting to around ₱44.3 million as compared to 2016 wherein the total movement in allowance resulted to a benefit of ₱9.9 million. Benefit from deferred income tax on Executive Stock Option Plan (ESOP) accrual was lower by ₱10.5 million in 2016 compared to 2015. Moreover, the Group recognized a benefit in movement of excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) in 2015 amounting to ₱13.5 million compared to a provision of ₱27.5 million in 2016. The tax impact of unrealized foreign exchange gains in 2016 was higher by ₱37.0 million as compared in 2015.

Net Income

As a result of the foregoing, our consolidated net income was ₱2,711.1 million in 2016 compared to ₱3,044.8 million in 2015. Net of non-controlling interests, our net income was 1,966.1 million in 2016 as compared to ₱2,035.1 million in 2015, a decrease of ₱69.0 million, or 3%.

Calendar year ended December 31, 2015 compared with calendar year ended December 31, 2014

Revenues

Our total revenues were ₱15,431.6 million in 2015 as compared to ₱24,745.7 million in 2014, a decrease of ₱9,314.1 million, or 38%.

Sale of ore

We sold an aggregate 19,671.6 thousand WMT of nickel ore in 2015, an increase of 10% compared to 17,873.3 thousand WMT of nickel ore in 2014. Our sales in 2015 included 7,058.9 thousand WMT of saprolite ore sold to customers in Japan, China and Australia, 4,814.8 thousand WMT of limonite ore to our customers in China and Australia, and 7,797.9 thousand WMT of limonite ore to CBNC and THNC compared to sales of 5,740.5 thousand WMT, 4,726.6 thousand WMT and 7,406.2 thousand WMT, respectively, in 2014.

The direct exports of ore mainly contributed to the higher shipments, increasing to 11,873.6 thousand WMT in 2015 from 10,467.1 thousand WMT in 2014. Ore deliveries to the two HPAL plants likewise rose, in particular to the Taganito HPAL facility, which just completed its first full year of operations at full capacity. The said plant was operating at an average 80% capacity in 2014. Total ore deliveries to the two HPAL plants reached 7,797.9 thousand WMT in 2015 compared to 7,406.2 thousand WMT in 2014.

The record volume of ore shipments achieved in 2015 was not sufficient to offset the fall in nickel prices, resulting to a decrease in the estimated value of shipments from ₱23,736.6 million in 2014 to ₱14,381.5 million in 2015.

The estimated realized nickel price on 11,873.6 thousand WMT of direct exports of ore in

2015 averaged \$22.64 per WMT, much lower than the average of \$45.10 per WMT realized in 2014. It will be recalled that there was a surge in ore prices in 2014 due to the expectation of supply tightness resulting from the effects of the Indonesian export ore ban, which did not occur.

With respect to low-grade limonite ore sold to both the Coral Bay and Taganito plants, which continues to be linked to LME prices, the Group realized an average of \$5.36 per pound of payable nickel in 2015. This compares to an average price of \$7.69 per pound of payable nickel sold in 2014.

RTN's revenue from sale of nickel ore was ₱4,646.7 million in 2015 compared to ₱6,610.4 million in 2014, a decrease of ₱1,963.7 million or 30%. RTN sold an aggregate 6,551.9 thousand WMT of nickel ore in 2015 compared to an aggregate 5,972.4 thousand WMT of nickel ore sold in 2014. The volume of saprolite ore sold to Japanese customers decreased by 160.7 thousand WMT or 18% and the volume of saprolite and limonite ore sold to Chinese customers increased by 639.9 thousand WMT or 38%. In 2015, RTN also shipped 111.5 thousand WMT of saprolite ore to Australia. Lastly, the volume of limonite ore sold to CBNC decreased by 11.2 thousand WMT.

TMC's operations became the largest and accounted for 39% of total shipments in 2015. TMC's revenue from sale of nickel ore was ₱5,069.8 million in 2015 as compared to ₱8,479.0 million in 2014, a decrease of ₱3,409.2 million, or 40%. TMC sold an aggregate 7,740.7 thousand WMT of nickel ore in 2015 as compared to an aggregate 7,087.7 thousand WMT of nickel ore in 2014. The volume of saprolite ore sold to Japanese customers decreased by 8.7 thousand WMT or 1% and the volume of saprolite and limonite ore sold to Chinese customers increased by 258.8 thousand WMT or 11%. Further, TMC was able to deliver 4,426.3 thousand WMT of limonite ore to THNC plant in 2015 as against 4,023.4 thousand WMT of limonite ore in 2014.

CMC's revenue from sale of nickel ore was ₱2,350.2 million in 2015 as compared to ₱3,595.5 million in 2014, a decrease of ₱1,245.3 million, or 35%. CMC sold an aggregate 2,169.5 thousand WMT of nickel ore in 2015 compared to an aggregate 1,350.3 thousand WMT of nickel ore in 2014. Limonite shipments from CMC mine rose more than three times to 1,441.5 thousand WMT in 2015 compared to 460.7 thousand WMT in 2014. On the other hand, the saprolite ore sales from Cagdianao mine was 728.0 thousand WMT in 2015 compared to 889.6 thousand WMT in 2014.

HMC's revenue from sale of nickel ore was ₱2,314.8 million in 2015 compared to ₱5,051.7 million in 2014, a decrease of ₱2,736.9 million, or 54%. In 2015, HMC managed to sell an aggregate 3,209.5 thousand WMT of saprolite and limonite ore to Chinese customers compared to 3,462.9 thousand WMT in 2014.

RTN's revenue from sale of limestone ore was ₱414.1 million in 2015 as compared to ₱316.1 million in 2014, an increase of ₱98.0 million or 31%. There was an increase of 164.3 thousand WMT or 38% in limestone sales in 2015 due to deliveries to UMPI, which started in August 2014 only.

Services and Others

Our revenue from services and others was ₱636.0 million in 2015 compared to ₱693.0 million in 2014, a decrease of ₱57.0 million, or 8%. Services revenue largely consists of payments made to us in consideration for hauling, manpower and other ancillary services that RTN and TMC provides to CBNC and THNC, respectively, and usage fee charged by TMC to THNC for the use of its pier facility. The decrease in our revenues from services and

others in 2015 was due to decrease in materials handling services rendered by RTN to CBNC since the processing of limestone and slake lime of CBNC was now handled by another contractor.

Costs and Expenses

Our costs and expenses amounted to ₱10,527.7 million in 2015 as compared to ₱10,445.4 million in 2014, an increase of ₱82.3 million, or 1%.

Cost of Sales

Our cost of sales was ₱6,279.2 million in 2015 compared to ₱5,356.4 million in 2014, an increase of ₱922.8 million, or 17%. Aside from the 10% increase in volume of shipments, the movement in cost of sales was also attributable to the increase in outside services from ₱1,246.4 million to ₱1,753.5 million. Since the weather allowed for saprolite mining activities in TMC mine and in-house resources were utilized for the said activities, limonite mining and hauling were done by contractors, thus the increase in cost. RTN also hired contractors for its hauling activities.

Cost of Services

Cost of services was ₱482.9 million in 2015 compared to ₱521.3 million in 2014, a decrease of ₱38.4 million, or 7%. Costs of services largely consist of the cost of hauling, providing manpower and other ancillary services to CBNC and THNC, plus the costs of maintaining the pier facility used by THNC. In 2015, the cost of materials handling services of RTN decreased by ₱30.6 million because most of the limestone and slake lime processing that was previously handled by RTN for CBNC was now handled by another contractor. The decrease was partially offset by the 4% increase in volume handled by TMC for THNC in 2015 which increased its cost by ₱19.5 million. Aside from that, there was an increase in the personnel cost which was directly attributable in rendering of service.

Shipping and Loading

Shipping and loading costs were ₱1,757.9 million for the year 2015 compared to ₱1,837.6 million for the year 2014, a decrease of ₱79.7 million, or 4%. As a result of the 13% increase in volume of our direct export of ores, contract fees increased by ₱58.7 million due to additional LCT rentals. However, the said increase was offset by the movement in fuel, oil and lubricants which decreased by ₱84.7 million as a result of the significant drop in the price of diesel, and other services and fees which decreased by ₱53.5 million.

Excise Taxes and Royalties

Our excise taxes and royalties were ₱1,089.6 million in 2015 compared to ₱1,754.8 million in 2014, a decrease of ₱665.2 million, or 38%. The decrease in excise taxes and royalties was attributable to the 38% decline in our sale of ore in 2015 as compared to 2014.

Marketing

Marketing costs were ₱130.2 million and ₱168.9 million in 2015 and 2014, respectively. The decrease in marketing cost was also brought by the decline in our sales revenue in 2015 compared with 2014. Commission paid by CMC to its claim owner and the marketing fee paid to Mitsubishi Corporation are based on certain percentage of sales revenue.

General and Administrative

General and administrative expenses were ₱787.9 million for the year 2015 compared to ₱806.3 million for the year 2014, a decrease of ₱18.4 million, or 2%. The decrease in taxes and licenses by ₱78.6 million mainly caused the decrease in the account. Lower taxes and licenses were attributable to lower fringe benefit tax paid on stock option exercised in 2015. In 2014, a total of 11.4 million shares were exercised, with corresponding fringe benefit tax

of ₱116.4 million, as compared to only 2.6 million shares in 2015, with corresponding fringe benefit tax of ₱19.0 million. Moreover, the benefit given in 2014 was higher because the Company's stock price at exercise dates ranges from ₱17.02 to ₱47.80 compared to ₱20.40 in 2015. The decrease in taxes and licenses was partially offset by the increase in local business tax since the basis used was the revenues in 2014 which was significantly higher. Donations of the Group in 2014 were also higher by ₱12.2 million since the majority of the rehabilitation and reconstruction of houses in Guiuan, Eastern Samar, which was strongly hit by the typhoon, was completed on the same year. The decrease in the account was partially offset by the care and maintenance cost incurred by HMC for its South Dinagat mine plus other publicity and promotional expenses of the Group.

Finance Income

Our finance income was ₱305.1 million in 2015 compared to ₱172.1 million in 2014, an increase of ₱133.0 million, or 77%. In 2015, due to the excess cash of the Group, the Parent Company put up additional investments in various debt instruments which led to the increase in interest income earned in 2015 compared with 2014. Total investments in debt instruments accounts for 75% of the total AFS financial assets.

Finance Expenses

Our finance expense was ₱179.1 million in 2015 compared with ₱164.4 million in 2014, an increase of ₱14.7 million, or 9%. Basically, the movement in our finance expense arises from interest on loans availed by EPI which amounted to ₱30.8 million. But the increase was partially offset by the decrease in guarantee service fee by ₱10.6 million due to principal repayments made by THNC in 2015.

Equity in Net Income (Losses) of Associates

Our equity in net income or losses of THNC and CBNC was ₱811.4 million loss and ₱522.4 million income in 2015 and 2014, respectively. The result of THNC's operations in 2015 and 2014 was a net loss of US\$61.7 million and a net income of US\$32.1 million, respectively. On the other hand, the results of CBNC 's operations in 2015 and in the last three quarters of 2014 was a net loss of US\$34.4 million and a net income of US\$59.4 million, respectively.

Other Income - net

Our other income - net in 2015 was ₱493.5 million compared to ₱470.5 million in 2014, an increase of ₱23.0 million, or 5%. The increase in the account was attributable to the following: 1) favorable impact of changes in foreign exchange rate, with net effect of ₱140.5 million; 2) increase in dividend income from AFS financial assets by ₱19.4 million; and 3) gain on bargain purchase of ₱60.0 million which arises from acquisition of Geogen. However, the said increase was partially offset by: 1) decrease in despatch income by ₱28.3 million; 2) provision for impairment losses on input VAT of LCSLC of ₱54.5 million; 3) decrease in reversal of allowance for impairment losses on inventories by ₱78.0 million; 4) decrease in other income for special projects by ₱25.8 million; and 5) management fee/trust fee incurred for our managed funds increased by ₱13.2 million due to additional acquisitions of AFS financial assets during the year 2015.

Provision for Income Tax

Provision for income tax was ₱1,667.3 million in 2015 compared to ₱4,292.8 million in 2014, a decrease of ₱2,625.5 million, or 61%. Our current provision for income tax in 2015 was ₱1,605.8 million compared to ₱4,265.5 million in 2014, a decrease of ₱2,659.7 million, or 62% primarily due to the decrease in our taxable income in 2015 resulting from lower sales revenue. Our provision for deferred income tax in 2015 was ₱61.5 million compared to ₱27.4 million in 2014, an increase of ₱34.1 million, or 124%. The movement in the account pertains mainly to the application and expiration of NOLCO in 2015 with corresponding tax

impact of ₱74.4 million and ₱9.1 million, respectively, which was higher compared to 2014 of ₱44.2 million and ₱7.4 million, respectively.

Net Income

As a result of the foregoing, our consolidated net income was ₱3,044.8 million in 2015 compared to ₱11,008.1 million in 2014. Net of non-controlling interests, our net income was ₱2,035.1 million in 2015 as compared to ₱8,551.6 million in 2014, a decrease of ₱6,516.5 million, or 76%.

Calendar year ended December 31, 2014 compared with calendar year ended December 31, 2013

Revenues

Our total revenues were ₱24,745.7 million in 2014 as compared to ₱11,109.5 million in 2013, an increase of ₱13,636.2 million, or 123%.

Sale of ore

We sold an aggregate 17,873.3 thousand WMT of nickel ore in 2014, an increase of 28% compared to 13,998.4 thousand WMT of nickel ore in 2013. Our sales in 2014 included 5,740.5 thousand WMT of saprolite ore sold to Japanese and Chinese customers, 4,568.2 thousand WMT of limonite ore to our Chinese customers, 158.4 thousand WMT of limonite ore to an Australian company and 7,406.2 thousand WMT of limonite ore to CBNC and THNC compared to sales of 3,594.2 thousand WMT, 6,124.7 thousand WMT, nil and 4,279.5 thousand WMT, respectively, in 2013.

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 in 2013. As a result, total ore deliveries to the two HPAL plants reached 7,406.2 thousand WMT in 2014 compared to 4,279.5 thousand WMT in 2013. The direct exports of ore likewise contributed to our higher shipments, increasing from 9,718.9 thousand WMT in 2013 to 10,467.1 thousand WMT in 2014.

Our revenue from sale of nickel ore was ₱23,736.6 million in 2014 compared to ₱10,321.7 million in 2013, an increase of ₱13,414.9 million or 130%. The effect of the Indonesian ore export ban has led to significantly higher ore prices in 2014. On a US dollar per WMT basis, the average realized price received for ore sales to Japanese, Chinese and Australian customers totaling 10,467.1 thousand WMT of both saprolite and limonite ore sold amounted to \$45.10. This compares to an average price of \$21.28 per WMT in 2013 on a total of 9,718.9 thousand WMT of ore sold.

With respect to low-grade limonite ore sold to both the Coral Bay and Taganito plants, which remain benchmarked to LME prices, we realized an average of \$7.69 per pound of payable nickel on 7,406.2 thousand WMT sold in 2014. This compares to an average price of \$6.70 per pound of payable nickel on 4,279.5 thousand WMT sold in 2013.

RTN's revenue from sale of nickel ore was ₱6,610.4 million in 2014 compared to ₱3,035.8 million in 2013, an increase of ₱3,574.6 million or 118%. RTN sold an aggregate 5,972.4 thousand WMT of nickel ore in 2014 compared to an aggregate 5,774.4 thousand WMT of nickel ore sold in 2013. The volume of saprolite ore sold to Japanese customers increased by 541.1 thousand WMT or 144% and the volume of saprolite and limonite ore sold to Chinese customers decreased by 320.7 thousand WMT or 16%. Further, the volume of limonite ore sold to CBNC decreased by 22.5 thousand WMT or 1%.

TMC's operations became the largest and accounted for 40% of total shipments in 2014. TMC's revenue from sale of nickel ore was ₱8,479.0 million in 2014 as compared to ₱3,109.1 million in 2013, an increase of ₱5,369.9 million, or 173%. TMC sold an aggregate 7,087.7 thousand WMT of nickel ore in 2014 as compared to an aggregate 3,893.1 thousand WMT of nickel ore in 2013. The volume of saprolite ore sold to Japanese customers increased by 210.9 thousand WMT or 47% and the volume of saprolite and limonite ore sold to Chinese customers decreased by 165.5 thousand WMT or 6%. Further, TMC was able to deliver 4,023.4 thousand WMT of limonite ore to the THNC plant in 2014 whereas there was only 874.2 thousand WMT in 2013.

CMC's revenue from sale of nickel ore was ₱3,595.5 million in 2014 as compared to ₱737.9 million in 2013, an increase of ₱2,857.6 million, or 387%. CMC sold an aggregate 1,350.3 thousand WMT of nickel ore in 2014 compared to an aggregate 888.8 thousand WMT of nickel ore in 2013.

HMC's revenue from sale of nickel ore was ₱5,051.7 million in 2014 compared to ₱3,438.9 million in 2013, an increase of ₱1,612.8 million, or 47%. In 2014, HMC managed to sell an aggregate 3,462.9 thousand WMT of saprolite and limonite ore to Chinese customers compared to 3,442.0 thousand WMT of saprolite and limonite ore to Japanese and Chinese customers in 2013.

RTN's revenue from sale of limestone ore was ₱316.1 million in 2014, as compared to ₱153.8 million in 2013, an increase of ₱162.3 million or 106%. A total of 429.0 thousand WMT of limestone ore was delivered to CBNC in 2014 compared to 211.6 thousand WMT in 2013. In 2013, most of CBNC's requirement for limestone ore was acquired from another supplier and this caused the lower limestone ore delivery for the said year. In addition, one of CBNC's plants had undergone maintenance shutdown in 2013.

Services and Others

Our revenue from services and others was ₱693.0 million in 2014 compared to ₱634.0 million in 2013, an increase of ₱59.0 million, or 9%. The main reason for the sudden increase in our revenues from services and others in 2014 was due to the increase in materials handling services rendered by TMC to THNC, being the latter's first full year of commercial operations whereas in 2013, Taganito HPAL facility was still in its pre-operating stage.

Costs and Expenses

Our costs and expenses amounted to ₱10,445.4 million in 2014 as compared to ₱7,562.1 million in 2013, an increase of ₱2,883.3 million, or 38%.

Cost of Sales

Our cost of sales was ₱5,356.4 million in 2014 as compared to ₱4,489.3 million in 2013, an increase of ₱867.1 million, or 19%. The slight increase in cost of sales was due to the combination of higher volume of production and shipments but lower production cost. The movement in cost of sales was attributable to the net effect of increase in production overhead from ₱1,938.3 million to ₱2,613.0 million, outside services from ₱869.4 million to ₱1,246.4 million, personnel cost from ₱669.7 million to ₱894.2 million, and depreciation and depletion from ₱830.5 million to ₱984.4 million.

Cost of Services

Cost of services was ₱521.3 million in 2014 as compared to ₱441.4 million in 2013, an increase of ₱79.9 million, or 18%. The surge in cost of services arises mainly from the 126%

increase in volume handled for materials handling services rendered by TMC to THNC in 2014 whereas in 2013, the volume handled was only minimal.

Shipping and Loading

Shipping and loading costs were ₱1,837.6 million for the year 2014 compared to ₱1,398.8 million for the year 2013, an increase of ₱438.8 million, or 31%. Aside from the 8% increase in volume of our direct export of ores to Japan, China and Australia, the increment in shipping and loading costs was also brought by additional barges hired/contracted due to dry-docking of three (3) tugboats of RTN, repair of one (1) LCT of TMC and dry-docking of two (2) LCTs of HMC.

Excise Taxes and Royalties

Our excise taxes and royalties were ₱1,754.8 million in 2014 compared to ₱648.6 million in 2013, an increase of ₱1,106.2 million, or 171%. The increase in excise taxes and royalties was attributable to the growth in our sales revenue in 2014 as compared to 2013, particularly from TMC and CMC.

Marketing

Marketing costs were ₱168.9 million and ₱65.6 million in 2014 and 2013, respectively. Basically, the increase in marketing cost was due to higher commission paid by CMC to its claim owner in 2014, which was based on a certain percentage of its sales revenue.

General and Administrative

General and administrative expenses were ₱806.3 million for the year 2014 compared to ₱518.1 million for the year 2013, an increase of ₱288.2 million, or 56%. The increase in taxes and licenses by ₱149.7 million, personnel cost by ₱60.8 million, outside services by ₱35.6 million and donations by ₱37.0 million caused the significant increase in the account. The increment in taxes and licenses pertains to the fringe benefit tax on stock option exercised in 2014. A total of 11.4 million shares were exercised, with corresponding fringe benefit tax of ₱116.4 million, in 2014 as compared to only 1.9 million shares, with corresponding fringe benefit tax of ₱15.4 million, in 2013. In addition, the benefit given in 2014 was higher because the Company's stock price at exercise dates ranges from ₱17.02 to ₱47.80 compared to ₱21.25 to ₱27.75 in 2013. Higher incentives were also given to employees due to favorable results of operations in 2014, thus personnel cost increased. Moreover, donations amounting to ₱31.5 million were given to the victims of super typhoon in Guiuan, Eastern Samar. The donations were used in the delivery of relief goods and building and reconstruction of houses. Aside from that, donations amounting to ₱3.5 million were also given to the Philippine General Hospital for the renovation of the wards.

Finance Income

Our finance income was ₱172.1 million in 2014 as compared to ₱166.8 million in 2013, an increase of ₱5.3 million, or 3%.

Finance Expenses

Our finance expense was ₱164.4 million in 2014 as compared to ₱128.3 million in 2013, an increase of ₱36.1 million, or 28%. Basically, the movement in our finance expense arises from the increase in our loan guarantee service fee, which moved from ₱104.2 million to ₱134.8 million, due to additional loan drawn by THNC. The guarantee service fee is related to the Taganito HPAL project.

Equity in Net Income (Losses) of Associates

Our equity in net income or losses of THNC and CBNC was ₱522.4 million income and ₱184.7 million loss in 2014 and 2013, respectively. The result of THNC's operations in 2014

and 2013 was a net income of US\$32.1 million and a net loss of US\$19.3 million, respectively. On the other hand, the results of CBNC 's operations for the last three quarters of 2014 was income of US\$59.4 million.

Other Income - net

Our other income - net in 2014 was ₱470.5 million compared to ₱309.8 million in 2013, an increase of ₱160.7 million, or 52%. The significant increase in our other income - net was brought mainly by the movement in foreign exchange gains from ₱53.3 million in 2013 to ₱182.5 million in 2014. In both periods, the Group was in net foreign currency denominated asset position but the average value of peso to dollar in 2014 of ₱44.39 was higher compared to ₱42.43 in 2013, thus the increase in foreign exchange gains. In addition, the net effect of the reversal of allowance for impairment losses resulted to an increase in other income - net by ₱362.2 million. Special projects of RTN also increased from ₱28.4 million to ₱84.8 million. However, the increase was partially offset by the decrease in dividend income and gain on sale of property and equipment and investment properties. In 2013, CBNC paid dividends of ₱60.5 million and the Group sold its condominium units at a gain of ₱222.0 million and none of these happened in 2014. Moreover, TMC recognized impairment for its conveyor amounting to ₱98.5 million which became inoperational on September 1, 2014.

Provision for (Benefit from) Income Tax

Provision for income tax was ₱4,292.8 million in 2014 compared to ₱1,124.2 million in 2013, an increase of ₱3,168.6 million, or 282%. Our current provision for income tax in 2014 was ₱4,265.5 million compared to ₱1,169.5 million in 2013, an increase of ₱3,096.0 million, or 265% primarily due to the increase in our taxable income in 2014 resulting from higher sales revenue. Our provision for deferred income tax in 2014 was ₱27.4 million compared to a benefit from deferred income tax of ₱45.3 million in 2013, an increase in provision for deferred income tax of ₱72.7 million, or 160%. The provision for deferred income tax in 2014 was higher compared to 2013 due to the application of NOLCO amounting to ₱169.8 million (with tax effect of ₱51.0 million) and application of excess of MCIT over RCIT of ₱19.9 million.

Net Income

As a result of the foregoing, our consolidated net income was ₱11,008.1 million in 2014 compared to ₱2,586.4 million in 2013. Net of non-controlling interests, our net income was ₱8,551.6 million in 2014 as compared to ₱2,053.7 million in 2013, an increase of ₱6,497.9 million, or 316%.

FINANCIAL POSITION

Calendar year as at December 31, 2016 and 2015

Total assets amounted to ₱45,351.5 million in 2016 compared to ₱41,730.4 million in 2015.

Current assets increased to ₱20,522.8 million from ₱16,677.9 million mainly because of the increase in cash and cash equivalents from ₱7,073.2 million to ₱9,647.9 million. The net increase in cash and cash equivalents arose from cash from operations amounting to ₱4,513.4 million, proceeds from sale of 12.5% interest in THNC of ₱2,037.2 million, loans availment of ₱1,182.8 million, interest received of ₱221.6 million, investments from non-controlling shareholders of ₱226.9 million and favorable foreign exchange impact in cash and cash equivalents of ₱248.2 million less acquisitions of property and equipment of ₱3,337.0 million, amount spent for geothermal exploration and evaluation of ₱463.2 million, cash dividends paid of ₱1,473.3 million and loan and interest payments of ₱293.3 million.

The decrease in noncurrent assets from ₱25,052.4 million to ₱24,828.7 million was attributable mainly to the sale of the Parent Company's 12.5% interest in THNC plus the

equity take up of net losses of associates during the year which resulted to a decrease of ₱2,182.0 million. Long-term stockpile inventory also decreased by ₱217.5 million due to ore deliveries to CBNC. However, the decrease was partially offset by the net increase in property and equipment by ₱1,656.8 million and geothermal exploration and evaluation assets by ₱463.2 million.

Total current liabilities increased to ₱7,945.8 million from ₱7,713.2 million due to increase in income tax payable by ₱312.9 million and current portion of long-term debt by ₱23.8 million. This was partially offset by the decrease in trade and other payables by ₱109.0 million.

Total noncurrent liabilities increased to ₱6,206.0 million from ₱4,603.9 million due to full drawdown of EPI's long-term bank loans amounting to ₱890.0 million and bank loans availed by Jobin amounting to ₱300.0 million. Moreover in 2016, the Group re-assessed its provision for mine rehabilitation and decommissioning which resulted to additional provisions recognized amounting to ₱263.6 million. Deferred income tax liabilities also increased from ₱731.5 million to ₱876.5 million due to the tax effect of increase in unrealized foreign exchange gains, adjustment in undepleted asset retirement obligation, capitalized borrowing costs, movement in share in cumulative translation adjustment and reduction in long-term stockpile inventory.

Our equity net of non-controlling interests as at December 31, 2016 increased to ₱27,020.5 million from ₱25,511.9 million as of year-end 2015, due to net difference of cash dividends paid and net earnings in 2016.

Calendar year as at December 31, 2015 and 2014

Total assets amounted to ₱41,730.4 million in 2015 compared to ₱35,292.5 million in 2014.

Current assets decreased to ₱16,677.9 million from ₱20,611.5 million mainly because of the decrease in cash and cash equivalents from ₱13,561.8 million to ₱7,073.2 million. The decrease in cash and cash equivalents was due to payments of cash dividends of ₱4,303.9 million, net acquisitions of various AFS financial assets and property and equipment of ₱3,229.1 million and ₱3,900.1 million, respectively, issuance of ₱1,000.0 million loan to East Coast, and acquisitions of subsidiaries, net of cash acquired, for a total amount of ₱800.8 million. However, the decrease was partially offset by the cash received from operations of ₱4,858.3 million and proceeds from the availment of long-term loans of ₱2,099.4 million.

The increase in noncurrent assets from ₱14,681.0 million to ₱25,052.4 million was attributable mainly to capital expenditures arising from reconstruction of conveyor in TMC amounting to ₱643.9 million, additional cost incurred for the NAC-SUR project of ₱460.5 million, costs related to the solar and wind project of ₱1,667.3 million, purchases of various mining equipment, and the geothermal exploration and evaluation costs incurred for the Montelago and Biliran projects amounting to ₱6,114.9 million. Aside from that, CMC issued a loan to East Coast wherein ₱842.1 million is noncurrent. The Parent Company also acquired shares of NiHAO Mineral Resources International, Inc. with market value of ₱282.8 million as at year end, and this was classified under AFS financial assets. Mining rights also increased by ₱941.1 million due to acquisition of Geogen. But the increase was partially offset by the decrease in investment in associates of ₱540.0 million due to net loss positions of CBNC and THNC in 2015.

Total current liabilities increased to ₱7,713.2 million from ₱2,114.6 million due to amounts owed by BGI to its shareholders, OGI and Biliran Geothermal Holdings Inc. amounting to ₱5,141.5 million; short-term loans availed by EPI from Manta Equities Inc. (Manta) amounting to ₱180.0 million, and deposits for future stock subscription of shareholders of CExCI amounting to ₱169.1 million.

Total noncurrent liabilities increased to ₱4,603.9 million from ₱2,275.6 million due to availment of long-term loans by EPI, in which ₱2,110.0 million was drawn during the year. Deferred income tax liabilities also increased from ₱529.6 million to ₱731.5 million due to the tax effect of business acquisitions during the year.

Our equity net of non-controlling interests as at December 31, 2015 decreased to ₱25,511.9 million from ₱27,185.6 million as of year-end 2014, due to net difference of cash dividends paid and net earnings in 2015.

CASH FLOWS

Calendar years ended December 31, 2016, 2015 and 2014

The net cash flows from operating activities amounted to ₱4,513.4 million in 2016 compared to ₱4,858.2 million in 2015 and ₱11,155.1 million in 2014, as proceeds from the sale of ore were higher in 2014 compared to 2015 and 2016 because of the surge in ore prices in 2014 due to expectation of supply tightness.

The net cash used for investment activities amounting to ₱1,840.2 million, ₱9,285.5 million and ₱2,335.9 million in 2016, 2015 and 2014, respectively, arises mainly from net acquisitions of property and equipment amounting to ₱3,337.0 million, ₱3,913.6 million and ₱1,486.6 million, respectively, and net acquisitions of AFS financial assets amounting to ₱344.8 million, ₱3,229.1 million and ₱981.3 million, respectively. In addition, in 2015 a loan amounting to ₱1,000.0 million was issued to East Coast and new subsidiaries were acquired amounting to ₱800.8 million. The Group also spent nil, ₱470.7 million and ₱463.2 million for geothermal exploration and evaluation assets for its Montelago project in 2014, 2015 and 2016, respectively. In 2016, the cash used in investing activities was partially offset by ₱2,037.2 million proceeds from the sale of the Parent Company's 12.5% interest in THNC.

In 2016, 2015 and 2014, the net cash used in financing activities amounting to ₱346.6 million, ₱2,195.2 million and ₱5,587.8 million, respectively, arises mainly from payments of cash dividends and long-term debt plus the related interest. However, these payments were partially offset by the proceeds from loans availed of ₱2,099.4 million in 2015 and ₱1,182.8 million in 2016.

As at December 31, 2016, 2015 and 2014, cash and cash equivalents amounted to ₱9,647.9 million, ₱7,073.2 million and ₱13,561.8 million, respectively.

TOP FIVE KEY PERFORMANCE INDICATORS

1) SALES VOLUME

The volume of saprolite ore that we sell largely depends on the grade of saprolite ore that we mine. The volume of limonite ore that we sell to our customers in China largely depends on the demand for NPI and carbon steel in China. PAMCO purchases our high-grade saprolite ore that we are able to extract and ship at any given time. With respect to our low-grade saprolite and limonite ore, in periods when we are able to extract more ore than we are able to ship, we generally continue our mining operations and stockpile such ore for sale when demand improves or when prices rise to more attractive levels. As stated above, the volume of our low-grade saprolite ore and limonite ore sales to our Chinese customers is roughly correlated with the LME nickel price, with volume increasing as nickel prices rise. In addition to sales of nickel ore to PAMCO, SMM and our customers in China and Australia, we sell limonite ore from our Rio Tuba mine to the Coral Bay HPAL facility, in which we have a 10% equity interest, and from our Taganito mine to the Taganito HPAL facility, in which we also have a 10% equity

interest. CBNC purchases an amount of limonite ore from us sufficient to meet its ore requirements. The annual capacity of its Coral Bay HPAL facility was originally 10,000 tonnes of contained nickel and was expanded to 20,000 tonnes of contained nickel in the second half of 2009, resulting in a higher volume of limonite ore sales from RTN. In 2010, the Coral Bay HPAL facility was able to attain an annual capacity of 23,000 tonnes as a result of the facility's expansion in 2009 which became fully operational in 2010. The Taganito HPAL facility has an annual capacity of 51,000 tonnes of mixed nickel-cobalt sulfide over an estimated thirty (30) year Project life.

Type and Grade of Ore that we Mine

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

In 2016 and 2015, we sold an aggregate of 19,254.1 thousand WMT and 19,671.6 thousand WMT, respectively.

2) CASH COST PER VOLUME SOLD

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

The cash cost includes production, shipping and loading costs, excise taxes and royalties, marketing and general and administrative expenses incurred by the Group.

The average cash cost per volume sold in 2016 is ₱395.36 per WMT on the basis of aggregate cash costs of ₱7,612.4 million and a total sales volume of 19,254.1 thousand WMT of ore. This compares to ₱431.50 per WMT in 2015 on the basis of aggregate cash costs of ₱8,488.3 million and a total sales volume of 19,671.6 thousand WMT of ore.

3) ATTRIBUTABLE NET INCOME

Attributable net income represents the portion of consolidated profit or loss for the year, net of income taxes, which is attributable to the Parent Company. This is a relevant and transparent metric of the information contained in the consolidated financial statements. The net income attributable to equity holders of the Parent Company is ₱1,966.1 million in 2016 compared to ₱2,035.1 million in 2015.

4) NUMBER OF HECTARES REHABILITATED/REFORESTED

We adhere to the principles and practices of sustainable development. We are committed to complying and following environmental regulations by implementing best practices in managing environmental impacts of our operations. To manage environmental impacts, the Parent Company's subsidiaries have an 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. A major component under our EPEP is the rehabilitation and reforestation of the areas affected by our mining operations. We also participate in the government's National Greening Program where we plant trees and/or donate seedlings outside of our mining properties. In 2016 and

2015, the Group has rehabilitated and reforested a total of 210.17 hectares and 250.70 hectares, respectively, with corresponding number of trees planted of about 452,412 and 644,907, respectively.

5) FREQUENCY RATE

Health and safety are integral parts of our personnel policies. Our comprehensive safety program is designed to minimize risks to health arising out of work activities and to assure compliance with occupational health and safety standards and rules and regulations that apply to our operations. We measure our safety effectiveness through the Frequency Rate which is the ratio of lost-time accidents to total man-hours worked for the year. In 2016 and 2015, our frequency rate is 0.05 and 0.04, respectively.

KEY VARIABLES AND OTHER QUANTITATIVE OR QUALITATIVE FACTORS

i. LIQUIDITY

The Company is not aware of any new trends, events or uncertainties that will have a material effect on its future liquidity.

ii. EVENTS THAT WILL TRIGGER DIRECT OR CONTINGENT FINANCIAL OBLIGATION - OFF-BALANCE SHEET ARRANGEMENTS

Under the Suretyship Agreement executed by and between the Parent Company and Security Bank Corporation (SBC) on August 4, 2015, the Parent Company solidarily with EPI guarantees and warrants to SBC, its assigns and successors-in-interest, prompt and full payment and performance of EPI's obligations to SBC (see Note 15 to the Consolidated Financial Statements).

Other than the Suretyship Agreement mentioned above, we have not entered into any off-balance sheet transactions or obligations (including contingent obligations), or other relationships with unconsolidated entities or other persons.

iii. MATERIAL COMMITMENTS FOR CAPITAL EXPENDITURES

Jobin also entered into Engineering, Procurement, and Construction Management contract with SunSource Energy Private Limited (SSEPL) for the implementation of the entire 92.86 MW phase of the Sta. Rita Solar Power Project. The scope of the service agreement between Jobin and SSEPL covers the designing, planning, engineering, procurement (manufacturing/supply), construction/erection management, testing and commissioning of the utility scale solar photovoltaic plant under Phase II. Funding to finance this project will come from internally generated funds, advances from related parties and/or borrowings from banks.

iv. KNOWN TRENDS, EVENTS OR UNCERTAINTIES (MATERIAL IMPACT ON SALES)

On February 13, 2017, HMC a wholly owned subsidiary of the Parent Company and whose tonnage consists of 10% of the Group's total production, received a letter from DENR stating that MPSA in Taganaan Island, Surigao is being cancelled due to alleged violations of RA No. 7942 or the Philippine Mining Act of 1995 as a result of the audit conducted in July 2016. On February 17, 2017, HMC filed a Notice of Appeal with the Office of the President. It is the Parent Company's position that there are no legal and technical grounds to support the cancellation of HMC's MPSA. The Parent Company will pursue all legal remedies to overturn the said order because of

due process violations and the absence of any basis that would warrant a suspension of HMC's operations, much less the cancellation of its MPSA.

v. SIGNIFICANT ELEMENTS OF INCOME OR LOSS

The Company is not aware of any significant elements of income or loss that did not arise from the Company's continuing operations

vi. CAUSES FOR ANY MATERIAL CHANGES FROM PERIOD TO PERIOD OF FINANCIAL STATEMENTS.

Please see previous discussion in Part II of the Management Report under Management's Discussion and Analysis, pages 1-19.

vii. CAUSES FOR ANY MATERIAL CHANGES FROM PERIOD TO PERIOD OF FINANCIAL STATEMENTS

The Company is not aware of any causes for any material changes from period to period of financial statements.

viii. SEASONAL ASPECTS THAT MAY HAVE MATERIAL EFFECT ON THE FINANCIAL STATEMENTS

The Company is not aware of any seasonal aspects that has a material effect on the Financial Statements.

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

A. Corporate Profile

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

The Company has the following subsidiaries:

Hinatuan Mining Corporation (HMC)

HMC was incorporated on October 9, 1979 and was granted rights over the Taganaan property in 1980. Development of the property commenced in 1981 and the first commercial shipment from the Taganaan mine was made in 1982. The size of the property was expanded in 1983 with the acquisition of additional claims on adjacent properties.

Cagdianao Mining Corporation (CMC)

CMC was incorporated on July 25, 1997 and acquired the right to operate the Cagdianao mine in 1998.

Samar Nickel Mining Resources Corporation (SNMRC)

SNMRC was incorporated on March 11, 2010, and is primarily engaged in the exploration, mining and exporting of mineral ores. SNMRC has not yet started commercial operations.

La Costa Shipping and Lighterage Corporation (LCSLC)

LCSLC was incorporated on October 23, 1992, and is primarily engaged in the chartering out of Landing Craft Transport (LCT) and providing complete marine services. LCSLC was acquired by HMC in April 2010. In May 2014, LCSLC sold all of its LCTs to HMC for a consideration.

Geogen Corporation

Geogen was incorporated on October 9, 1998, and is primarily engaged in the exploration, exploitation and mining of metallic and non-metallic minerals, including, but not limited to, nickel, iron, cobalt, chromite and other associated mineral deposits. Geogen was acquired by the Parent Company in August 2015.

Falck Exp Inc. (FEI)

FEI was incorporated on November 22, 2005, and is primarily engaged in the business of exploring, prospecting and operating mines and quarries of all kinds of ores and minerals, metallic and non-metallic. FEI is currently on a dissolution phase.

Cordillera Exploration Co., Inc.

CExCI was incorporated on October 19, 1994 primarily to engage in the business of large-scale exploration, development and utilization of mineral resources. CExCI has a number of mining properties at various stages of exploration. It is currently not engaged in any development or commercial production activities.

Newminco Pacific Mining Corporation

Newminco was incorporated on October 9, 2006 and is primarily engaged in the exploration, mining, development, utilization, extraction, beneficiation and marketing of minerals and mineral resources. Newminco was acquired by CExCI in December 2015.

Taganito Mining Corporation (TMC)

TMC was incorporated on March 4, 1987, and is primarily engaged in the mining and exporting of nickel saprolite and limonite ore, and exploration activities. The first commercial shipment from the Taganito mine was made in 1989. TMC also provides services to THNC which involves the handling, hauling and transportation of materials required in the processing operations of THNC.

Rio Tuba Nickel Mining Corporation (RTN)

RTN was incorporated on July 15, 1969 to develop the nickel ore deposits discovered at the Rio Tuba mine site in 1967. It was granted rights over the Rio Tuba property in 1970 and commenced mining in 1975. RTN made its first commercial shipment in 1977. RTN also provides non-mining services required in the processing operations of CBNC.

Emerging Power Inc.

EPI was incorporated on October 16, 2007, and is primarily engaged in the renewable energy business. EPI was acquired by the Parent Company by way of loan conversion into equity in July 2015. EPI is the holder of Geothermal Renewable Energy Service Contract (GRESO) No. 2014-02-054 (Service Contract). On February 16, 2016, the Department of Energy (DOE) approved EPI's application to assign its rights and obligations under the Service Contract to MGPC under Certificate of Registration No. 2016-02-060.

Mindoro Geothermal Power Corporation (MGPC)

MGPC was incorporated on May 7, 2014, and is primarily engaged in the renewable energy business. MGPC project is estimated to supply 40 MW of power over twenty five (25) years.

Manta Energy Inc. (MEI)

MEI was incorporated on May 21, 2007, and is primarily engaged in power business, including but not limited to power generation, power trading and supply to retail customers and end users.

Biliran Holdings Inc. (BHI)

BHI was incorporated on July 31, 2015, and is primarily engaged in investing in and holding of assets of every kind and description, as and to the extent permitted by law. It is also registered, within the limits prescribed by law, to engage in the business of infrastructure, power generation, real estate, manufacturing, trading and agribusiness and to pay other evidences of indebtedness or securities of this or any other corporation.

Jobin-SQM, Inc.

Jobin was incorporated on January 6, 2010, and is primarily engaged in power business, including but not limited to power generation, power trading and supply to retail customers and end users. Jobin is the holder of Solar Energy Service Contract (SESC) No. 2013-10-039 and Wind Energy Service Contract (WESC) No. 2013-10-062 which both covers an area in the municipalities of Morong and Hermosa, Bataan. Jobin was acquired by EPI in July 2015.

Biliran Geothermal Inc. (BGI)

BGI was incorporated on October 31, 2007. The principal activities of BGI are to explore, exploit, discover, develop, extract, dig and drill for, produce, utilize, refine, treat, process, transport, store, market, sell, use, supply, experiment with, distribute, manufacture, or otherwise deal in, any substance, minerals or otherwise, which by itself or in contribution with other substances generate or emanate heat or power and to enter into and perform service contracts including geothermal services. BGI's project, the Biliran Geothermal twenty-five (25) year concession, was estimated to supply 50 MW of power to the grid but according to research conducted by BGI, it can further produce up to 60 MW. BGI was acquired by BHI in December 2015. In 2014, BGI received the Confirmation of Commerciality for the Biliran Geothermal Project from the Philippine Government through the DOE.

Mantex Services Inc. (Mantex)

Mantex was incorporated on March 26, 2012. Mantex is established primarily to provide technical, financial and public relations advisory, management and investments services for infrastructure projects.

B. Business Overview

We export saprolite and limonite ore to customers in Japan, China and Australia. 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.

In 2010, we made an investment of ₱4.4 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 51,000 tonnes of mixed 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.

In 2016, the Parent Company made a strategic decision to reduce our ownership in the Taganito plant from 22.5% to 10.0%, the same equity level that we have in the Coral Bay plant. While the Taganito and Coral Bay plants are globally recognized to be of the highest quality and operating efficiency, as with most other nickel processing plants worldwide, profitable operations cannot be achieved at current low nickel prices, while the Taganito plant in particular requires further shareholder funding in order to complete a number of capital expenditure projects in the pipeline.

The reduction in our equity was achieved by a sale of shares to the majority owner of the plant and one of our major shareholders, Sumitomo Metal Mining Co., Ltd. (SMM). The sale, concluded on October 17, 2016, resulted in an inflow of ₱2,037.2 billion and a gain of ₱239.6 million.

Apart from our four operating mines, we have other properties in various stages of exploration for nickel, while continuing to seek opportunities in copper and gold. 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, SMM acquired 25% equity in CExCI with an option to purchase additional shares to increase its total equity to 40%.

In 2015, CExCI identified a new property in the province of Zambales for exploration and development under Newminco Pacific Mining Corporation (Newminco), which is also prospective for gold and copper. In relation to this, SMM put an additional investment of US\$2.8 million to increase its ownership in CExCI from 25% to 40%. Newminco is the holder of exploration permit of areas located in Zambales.

In August 2015, we also concluded the purchase of 100% equity interest in Geogen Corporation (Geogen), which is the claim owner of the Isabela Nickel Project in Dinapigue, Isabela.

We also moved into the area of renewable energy and power generation. We are completing the construction of an 11 megawatts (MW) diesel power plant at a cost close to ₱900.0 million. Power will be sold to the Surigao del Norte Electric Cooperative, Inc. under a Power Supply Agreement. The plant is designed to alleviate the shortage of power particularly in Surigao City, and expected to be operational in mid-2017.

Our entry into the renewable power business was formalized in 2015 with the conversion of a ₱446.0 million loan to equity and an additional equity infusion of ₱474.0 million, which correspond to an equity ownership in Emerging Power, Inc. (EPI) of 66%. In 2016, the Parent Company subscribed to additional common shares of EPI for ₱660.0 million and this increased the Parent Company's equity interest in EPI to 70.92%.

EPI's mission is to engage in power generation exclusively from renewable sources. In a relatively short period of time, EPI has acquired a number of Renewable Energy Service Contracts, principally a 100 MW solar and 50 MW wind service contract under Jobin-SQM, Inc. (Jobin), located in the Subic Bay Freeport Zone; a geothermal service contract under Biliran Geothermal, Inc. (BGI), in the province of Biliran, Leyte; and a geothermal service contract under Mindoro Geothermal Power Corp. (MGPC) in Naujan, Oriental Mindoro.

The construction of the Jobin solar component of the project commenced in the latter part of 2015. Defaults by the contractor, however, led to the termination of the Engineering, Procurement and Construction contract which delayed the project implementation. Jobin completed 32 MW of solar power early in 2017. In the absence of a new feed-in-tariff by government, a decision has been made to suspend any further development work.

With respect to BGI, much work had already been done by EPI's 40% partner, Orka Geothermal Investments Pte., Ltd. (OGI), including the drilling of five (5) wells, on top of the three (3) wells previously drilled by Energy Development Corporation in the early 1980s, in this potentially large geothermal field and a considerable amount of required infrastructure. Although the drilling indicated that all wells have the required temperatures for the generation of geothermal power, a number of these are acidic in nature, which necessitates fluid treatment to make the fluid fit for power generation. EPI conducted Fluid Management Testing in 2016 on one of the wells, BN6, and the treatment process was proven effective. Given this outcome, a decision has been made to proceed with the first 5 MW plant once Power Sales Agreements have been obtained. It is expected that this first plant will be operational during the second half of 2018. The well is now shut down and will be revived as soon as a Wellhead Unit Power Plant will be put in place.

In MGPC, drilling of two standard wells has been completed early in 2016. Thermal recovery is currently taking place, following which an assessment will be made as to the generation capabilities of the wells prior to a decision to develop. These wells were drilled in the southern portion of the resource. Also, efforts are now in place to re-evaluate the northern portion of the resource for further assessment. MGPC has created a local technical team to conduct resource assessment by collating the various studies done by previous geothermal teams – ISOR, ITB, FEDS, and outsource the additional studies yet to be done on the ground – LIDAR, fill-in MT, structural mapping, among others.

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

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

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

Outlook

In 2016, we saw a continued drop in nickel prices in the first half to new multi-year lows and a regulatory environment that decidedly turned hostile against our industry. All our mines, however, remained profitable.

During the second half of 2016, our four (4) mines underwent an audit by personnel of the Department of Environment and Natural Resources (DENR). This was mandated by the DENR, although in early 2016 all of our mines received their ISO 14001 Certification for Environmental Management Systems, which process already involves audits by accredited third parties. The audit team included representatives of civil society organizations, some of whom do not look favorably on our industry, and covered a review of permitting requirements and all aspects of the mining operations with emphasis on environmental compliance and social acceptability.

Of a total of about 43 operating mines in the country, reportedly 13 passed the audit, including three of our mines - Rio Tuba Nickel Mining Corporation (RTN), Taganito Mining Corporation (TMC) and Cagdianao Mining Corporation (CMC). With respect to our Hinatuan mine, certain violations were noted, which we contested. A DENR Technical Committee tasked to review the audits recommended certain penalties. Regrettably, the Secretary ignored such recommendation and Hinatuan Mining Corporation (HMC) received a closure order. We have appealed this to the Office of the President, which stays the order.

It is our understanding that the Mineral Industry Coordinating Council (MICC) will review the results of the mine audits. It is our objective to vigorously contest the adverse findings and the closure order.

V. The Market Price and Dividends

Market Information

The stock prices for the Company's common equity for the last three (3) years, after the effect of stock dividends, are as follows:

	High	Low
2014		
1 st Quarter	₱6.63	₱5.01
2 nd Quarter	₱11.00	₱6.82
3 rd Quarter	₱15.97	₱10.87
4 th Quarter	₱16.00	₱12.97
2015		
1 st Quarter	₱16.15	₱12.00
2 nd Quarter	₱14.00	₱9.50
3 rd Quarter	₱11.50	₱6.40
4 th Quarter	₱8.80	₱6.16
2016		
1 st Quarter	₱5.92	₱3.40
2 nd Quarter	₱4.20	₱5.80
3 rd Quarter	₱5.03	₱7.43
4 th Quarter	₱6.77	₱8.75
2017		
1 st Quarter	₱6.19	₱8.49

The Company's stocks share price was at ₱6.35 per share as of March 27, 2017.

Holders

The top 20 stockholders of the Company as of March 29, 2017 are:

STOCKHOLDERS' NAME	NUMBER OF SHARES	% OF OWNERSHIP
PCD Nominee Corporation (Filipino)	4,655,432,580	61.23%
Sumitomo Metal Mining Philippine Holdings Corporation	1,444,657,926	19.00%

STOCKHOLDERS' NAME	NUMBER OF SHARES	% OF OWNERSHIP
PCD Nominee Corporation (Non-Filipino)	730,147,725	09.60%
Nonillion Holding Corp.	720,000,000	10.14%
Gerard H. Brimo	15,728,247	00.21%
Pacific Metals Co., Ltd.	12,612,512	00.17%
Manuel B. Zamora, Jr.	5,982,236	00.08%
Ricardo Sy Po or Angelita Tan Po or Leonardo	4,726,876	00.06%
William T. Enrile &/or William R. Enrile II &/or Nelly R. Enrile	4,000,000	00.05%
Philip T. Ang	1,616,724	00.02%
Koh Teng Ong Chong	1,600,000	00.02%
Ronaldo B. Zamora	1,300,224	00.02%
Megastar Real Estate Corporation	1,300,000	00.02%
Rolando R. Cruz	614,952	00.01%
Eva Policar-Bautista	365,624	00.00%
Jose B. Anievas	318,750	00.00%
Berck Y. Cheng	300,000	00.00%
Steven Ivan Lim Yu	290,850	00.00%
Josephine Chua Lim	254,000	00.00%
RMJ Development Corporation	225,000	00.00%

As of March 29, 2017, the Company has eighty three (83) stockholders.

Dividends

The following tables show the dividends declared and paid to common shareholders for the years ended December 31, 2016, 2015 and 2014:

Cash Dividends

Earnings	Date			Amount	
	Declared	Record	Payable	Per Share (after the Stock Dividends)	Total Declared (in millions)
2016	March 15, 2016	March 31, 2016	April 12, 2016	₱0.08	₱607.8
2015	March 27, 2015	April 15, 2015	April 27, 2015	0.50	₱3,795.9
2014	November 10, 2014	November 24, 2014	December 10, 2014	0.17	1,264.0
2014	March 24, 2014	April 10, 2014	May 8, 2014	0.10	757.7

Stock Dividends

Earnings	Date			%	No. of Shares (in millions)	Total Declared (in millions)
	Approved	Record	Issued			
2015	June 5, 2015	July 16, 2015	August 11, 2015	100	3,798.5	₱1,899.2
2014	December 18, 2014	January 12, 2015	January 28, 2015	50	2,530.6	632.6

We declare dividends to shareholders of record, which are paid from our unrestricted retained earnings. Our dividend policy entitles holders of shares to receive annual cash dividends of up to 30% of the prior year's recurring attributable net income based on the recommendation of our Board of Directors (BOD). Such recommendation will take into

consideration factors such as dividend income from subsidiaries, debt service requirements, the implementation of business plans, operating expenses, budgets, funding for new investments and acquisitions, appropriate reserves and working capital, among others. Although the cash dividend policy may be changed by our BOD at any time, our current intention is to pay holders of our shares annual cash dividends at this ratio. Additionally, in the event that new investments, acquisitions or other capital expenditure plans do not materialize, our BOD plans to review the dividend policy and consider increasing the dividend ratio above 30% of the prior year's recurring net income.

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

Cash dividends are paid to all shareholders at the same time and within thirty (30) calendar days from declaration date. Stock dividends are also issued to all shareholders at the same time but subject to shareholder's approval.

VI. Compliance with Leading Practices on Corporate Governance

The Company adopted its Manual on Corporate Governance (the "Manual") on June 16, 2010 and the amendments thereto on March 25, 2011, so as to incorporate certain mandatory provisions of the Revised Code of Corporate Governance. The Amended Manual was submitted to the SEC on March 31, 2011. On July 30, 2014, the Company further amended its Manual to incorporate the provisions mandated under SEC Memorandum Circular No. 9, series of 2014 (based on Form 17-C filed on July 30, 2014).

The Company is committed to the principles of sound corporate governance and believes that it is a necessary component of what constitutes sound strategic business investment. The 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.

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 stockholders and other stakeholders.

Every shareholder, regardless of number of stocks held, has the right to nominate candidates for election to the Board of Directors. The members of the Board are elected during the Annual Stockholders' Meeting based on the list of nominees prepared by the Nominations Committee and sent to the shareholders through the notice of meeting. A majority vote of the shareholders is required for the election of a Director.

Qualifications of Directors

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

- a) College education or equivalent academic degree;
- b) Practical understanding of the business of the Company;

- c) Membership in good standing in relevant industry, business or professional organizations;
- d) Previous business experience.

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

The Company's Board is comprised of nine (9) Directors, with two (2) being Independent Directors, namely Atty. Fulgencio S. Factoran, Jr. and Mr. Frederick Y. Dy.

The Company espouses the definition of independence pursuant to the Securities Regulation Code. The Company thus considers as an independent Director one who, except for his director's fees and shareholdings, is independent of management and free from any business or other relationship which, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a Director. The term of the Company's Independent Directors is the same as that of the other Directors of the Company, which is one (1) year as provided in the Company's Articles of Incorporation.

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

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

Disqualification of Directors is provided under 3.5 of the Manual on Corporate Governance.

The following shall be permanently disqualified to be a Director of the Company:

- a) A person convicted by final judgment or order by a competent judicial or administrative body of any crime that: (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- b) A person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or a court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in (a) and (b) above or willfully violating the laws that govern securities and banking activities.

- c) The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking, or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Securities and Exchange Commission (SEC) or the Bangko Sentral ng Pilipinas (BSP), or under any rule or regulation issued by the SEC or BSP, or has otherwise been restrained to engage in any activity involving securities and banking, or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;
- d) A person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
- e) A person who has been adjudged by final judgment or order of the SEC, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced, or procured the violation of any provision of the Corporation Code, Securities Regulation Code, or any other law administered by the SEC or BSP, or any of its rules, regulations or orders;
- f) A person earlier elected as independent director who becomes an officer, employee or consultant of the Company;
- g) A person judicially declared as insolvent;
- h) A person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (i) to (v) above;
- i) A person convicted by final judgment of an offence punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.
- j) The Board shall provide for the temporary disqualification of a director for any of the following reasons:
- k) Refusal to comply with the disclosure requirements of the Securities Regulation Code and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists.
- l) Absence in more than fifty percent (50%) of all regular and special meetings of the Board during his incumbency, or any twelve (12) month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election.
- m) Dismissal or termination for cause as director of any corporation covered by the Governance Code. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.
- n) If the beneficial equity ownership of an Independent Director in the Company or its subsidiaries and affiliates exceeds two percent of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with.

- o) If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

In the case of the independent directors, the Nomination Committee shall further review their business relationships and activities to ensure that they have all the qualifications and none of the disqualifications for independent directors as set forth in the Company’s Manual of Corporate Governance, the Securities Regulation Code, and the SRC Implementing Rules and Regulations.

As provided under Section 3.6.3 of the Company’s Manual on Corporate Governance, all directors shall act in the best interest of the Company characterized by transparency, accountability and fairness, and shall exercise leadership, prudence and integrity in directing the Company towards sustained progress.

Directors shall observe the following norms of conduct:

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

Chairman

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

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

CHAIRMAN	CHIEF EXECUTIVE OFFICER
<p>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 sets the style and tone of Board discussions to promote constructive debate and effective decision making.</p> <p>Maintaining qualitative and timely lines of communication and information between the Board and Management. (see Section 3.3.3 of the Revised Manual on Corporate Governance).</p>	<p>The President and CEO provide the leadership for Management to develop and implement sound business strategies, plans, budgets and a system of internal controls. 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.</p> <p>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</p>

	contracts. Provide general management and administration of the business of the Company.
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Board Committees

	Number of Members		
	Executive Director	Non-executive Director	Independent Director
Audit	1	1	1
Risk	1	1	1
Nomination	1	1	1
Remuneration (Compensation)	2		1

Audit Committee

- a) Assist the Board in the performance of its oversight responsibility or the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;
- b) Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company. This function shall include regular receipt from Management of information on risk exposures and risk management activities;
- c) Perform oversight functions over the Company's internal and external auditors. It shall ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
- d) Review the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit scope, resources and budget necessary to implement it;
- e) Prior to the commencement of the audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
- f) Organize an internal audit department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
- g) Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security;
- h) Review the reports submitted by the internal and external auditors;
- i) Review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following:
 - Any changes in accounting policies and practices
 - Major judgmental areas
 - Significant adjustments resulting from the audit
 - Going concern assumptions
 - Compliance with accounting standards
 - Compliance with tax, legal and regulatory requirements.
- j) Coordinate, monitor and facilitate compliance with laws, rules and regulations;
- k) Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditor in relation to their

significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The Committee shall disallow any non-audit work that will conflict with the duties of the external auditor or may pose threat to independence. The non-audit work, if allowed, shall be disclosed in the Company's annual report;

- l) Establish and identify the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit and Risk Committee, which shall ensure that, in the performance of his work, the internal auditor shall be free from interference by outside parties.

Nomination Committee

- (a) Review and evaluate the qualifications of all persons nominated to be a director of the Company and of all nominees to other positions in the Company requirement appointment by the Board.
- (b) Assess the effectiveness of the Board's process and procedures in the election or replacement of directors.

Remuneration (Compensation) Committee

The duty of the Remuneration (Compensation Committee) is to establish 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.

Corporate Secretary

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

Corporate Governance Officer

On May 6, 2014, the Board approved the appointment of Emmanuel L. Samson as the Company's Corporate Governance Officer to assess and monitor the governance framework and ensure compliance with policies, laws and regulations related to governance. 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.

Rights of Shareholders

As provided in Section 6 of the Manual on Corporate Governance, the Board shall respect the rights of the stockholders and protect the minority stockholders' interest. The following rights of the stockholders as provided in the Corporation Code, are:

- (1) Right to vote on all matters that require their consent or approval;
- (2) Pre-emptive right to all stock issuances of the corporation;
- (3) Right to inspect corporate books and records;

- (4) Right to information;
- (5) Right to dividends; and
- (6) Appraisal right.

The Company sends timely notice of meetings to shareholders. Notice stating the date, time and place of the annual meeting are announced at least thirty (30) 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.

The Board shall be transparent and fair in the conduct of the annual and special stockholders' meetings. Stockholders shall be encouraged to personally attend. They shall be apprised in a timely manner of the right to appoint a proxy if they cannot attend. Subject to the requirements of the Company's By-laws, the exercise of the right to appoint a proxy shall not be unduly restricted and any doubt about the validity of a proxy shall be resolved in the stockholder's favor.

The Board shall promote the rights of the stockholders, remove impediments to the exercise of those rights, and provide adequate venue for stockholders to seek timely redress for breach of their rights.

The Board shall take appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information shall be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

The disclosure duties of the Board are contained in Section 8 of the Manual on Corporate Governance and are as follows:

The Board commits to cause the timely disclosure of material information and/or transactions that could potentially affect the market price of the Company's shares or the interest of its stockholders and other stakeholders and such other information which are required to be disclosed pursuant to the Securities Regulation Code and its Implementing Rules and Regulations including, without limitation, earnings results, acquisition or disposal of significant assets, off-balance sheet transactions, related party transactions, Board membership changes, shareholding of Directors and Officers and any changes thereto, and remuneration of Directors and Officers.

The Board shall therefore commit at all times to full disclosure of material information dealings. It shall cause the 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 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.

On May 28, 2014, the Board established a Code of Business Conduct and Ethics ("Code"). The Code is adopted for the guidance of 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. The Code is designed to ensure consistency in how Directors, Officers and Employees conduct themselves within the Company, and in their dealings outside of the Company with respect to matters dealing with the Company. The Code is guided by the Company's core values and the following standards of business conduct and ethics – integrity; compliance with laws, regulations and standards; safety; proper communication: disclosure; confidentiality of certain information; conflict of interest and related party transactions; insider trading; competition and fair dealing; procurement governance; gifts, hospitality and sponsored travel; environmental policy; and risk management. The Code also provides guides on employee disclosures and complaints, as well as a periodic acknowledgment of compliance with the Code (Form 17-C filed on May 6, 2014).

On March 27, 2015, in line with the thrust of continuous improvement, the Board of Directors approved the following corporate governance policies and charters:

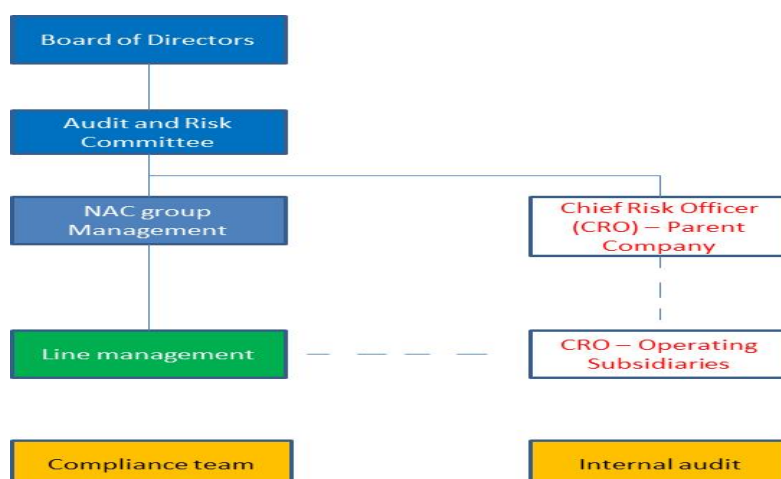
1. Policy on period for payment of dividends
2. Policy in furtherance of effective participation of shareholders at shareholders' meetings and the exercise of the right to vote. This formalizes into a policy practices for stockholders' meeting that are already done by the Company.
3. Policy on Related Party Transactions that follows definitions under Philippine Accounting Standards, which the Company already complies with, definition of material RPT, and review of material RPT by independent directors, for endorsement to BOD.
4. Policy requiring appointment of independent 3rd party to evaluate fairness of transaction price where Company is offeree in a merger or acquisition transaction requiring shareholders' approval that will result in a takeover or change of control of the Company.
5. Charter of the Compensation (Remuneration) Committee
6. Charter of the Nominations Committee

The Board has undergone a self-assessment process and has implemented a rational rating system to determine compliance by Directors and Officers with the Manual for Corporate Governance. The Company has substantially complied with its Revised Manual of Corporate Governance and there has been no deviation from the same.

Enterprise Risk Management (ERM)

The Company has adopted a risk philosophy aimed at enhancing shareholder value by adequately managing risks in a cost effective manner, thereby enabling the Company to sustain its competitive advantage and to pursue strategic growth opportunities with greater speed, skills and confidence. To put the philosophy into action, the Board of Directors, 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 Oversight Structure



The Board of Directors has the responsibility for overseeing risk management within the Company and its operating subsidiaries. Assisting the Board is the Chief Risk Officer (CRO) of the Company, who 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. The Company CRO is in turn supported by the Finance Officers of each operating subsidiary, who acts as CROs for their respective companies. In this connection, a cross-functional group of personnel with technical, financial, and legal expertise was formed to review compliance with all 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.

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

Risk Exposure	Risk Management Policy	Objective
Increased resource nationalism calling for the amendments of the Mining Act and greater government share	Work with lawmakers, relevant government agencies, and the Chamber of Mines for open discussion of a fair and equitable sharing that will ensure the industry remains competitive with other global players. Demonstrate transparency of payments of government share through participation in the Philippine EITI.	Dissemination of accurate industry information and statistics and thus manage negative perceptions about the industry.
Volatility of LME price	Review of mining plan and cost drivers.	Cushion the impact of volatile LME price.
Shortage of skilled manpower	Pay for skills and value to the company.	No interruption in operations arising from lack of manpower.
Failure to comply with the conditions in ECC	Full compliance with all regulations.	Demonstrate responsible mining.

The systems that are in place are intended to provide reasonable but not absolute assurance against material misstatements or loss, as well as to ensure the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information,

compliance with applicable legislation, regulations and best practices, and the identification and management of business risk.

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

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

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Increased resource nationalism calling for the amendments of the Mining Act and greater government share	High risk (in terms of significance and likelihood)	Active discussion with government teams on what constitutes a fair and equitable sharing arrangement. Actively support the Chamber of Mines programs in formulating and disseminating significant industry positions. Active involvement in Ph-EITI initiatives.
Volatility of LME price	High risk (in terms of significance and likelihood)	Review business plan if this continue to be appropriate with the prevailing prices. Review costs drivers. Review blending plan for optimum product mix.
Shortage of skilled manpower	Moderate risk (moderate significance, high likelihood)	Incorporate skills training in SDMP programs of communities to ensure availability of skills.
Failure to comply with the conditions in ECC	Moderate risk (high significance, low likelihood)	Embed compliance into existing processes. Regular training of personnel involved in operations. Regular review by the parent company compliance team.

Internal Audit and Control

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

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

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

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

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

The Board of Directors, through its Audit Committee, assesses the effectiveness of the Company's internal control system, including that of the operating subsidiaries. The Audit Committee has assessed the internal control system of the Company and its operating subsidiaries to be effective and adequate.

Investor Relations Program

The Company is committed to making timely, full and accurate disclosures and distributing other corporate communication materials in accordance with the disclosure rules of the Philippine Stock Exchange.

External and internal communications are handled by the Corporate Communications, Legal, and Investor Relations units. Major company announcements are reviewed and approved by the VP-Corporate Communications, VP-Legal, SVP-Strategic Planning, the Chief Financial Officer, and the President and Chief Executive Officer.

The policy is subject to regular review by senior management and the Board of Directors to ensure its effectiveness. Updates and amendments (as appropriate) will be made to reflect current best practices in our communication with the investment community.

Corporate Social Responsibility Initiatives

Social development programs are created and implemented in all the mines. The focus areas of these programs are designed to address needs of communities around the mine

sites. These programs are carried out through the Social Development Management Plans (SDMPs) and Corporate Social Responsibility (CSR) activities of the Group. The main difference between the two programs is that the SDMP is required by the government, while CSR is voluntary on the part of the Group.

Each of our operating mines manages their social expenditures through its respective SDMPs. These are five-year programs that contain a list of priority projects identified and approved for implementation, in consultation with the host communities. Each mine site has a community relations team that is in charge of identifying and implementing SDMPs, and maintaining strong relationships with communities. Annually, each company 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 Mines and Geosciences Bureau (MGB).

Our communities and employees are integral parts of our Company. We ensure the protection of their welfare and the improvement of the quality of their lives through our social responsibility programs.

We spent ₱157.43 million for SDMP in 2016.

The Company's CSR Program is anchored on 2 central elements:

1. Community Partnership and Relationship Building
 - a. Establishing and maintaining positive relationships with communities by having them as partners for community development and nation building
 - b. Partnership building with communities (both social and environmental) – community as essential partners and not as mere beneficiaries
 - c. Community serving as the primary protector of the company through strong partnership and relationship
2. Leadership
 - a. Top management strongly supports the company's CSR initiatives
 - b. Social Investment – going beyond compliance and considering CSR not as an additional cost but as an investment.

Customers' Safety and Welfare

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

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

Supplier/Contractor Selection Practice

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

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

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

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

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

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

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

Community Interactions Sustainability Program

We adhere to the principles and practices of sustainable development. We are also committed to complying and following environmental regulations by implementing best practices in managing environmental impacts of our operations. Mining is a temporary land use and once mining operations in our sites have ended, we plan to restore these properties 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.

To manage environmental impacts, the Company's subsidiaries have an 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.

It is the operational link between the environmental protection and enhancement commitments under CDAO 2010-21, consolidated implementing rules and regulations of RA No. 7942, as well as those stipulated in the ECC under P.D. 1586 and the Contractor's plan of mining operation.

Activities undertaken through our Annual EPEP include, among others:

- Rehabilitation of mine disturbed areas
- Reforestation
- Construction and/or maintenance of environmental facilities
- Solid waste management
- Hazardous waste management
- Air quality monitoring and water quality monitoring
- Preservation of downstream water quality

The Group also complies with the ECC conditions and the performance of commitments through our Annual EPEP. This program is monitored and evaluated by the Multipartite Monitoring Team - a multi-sector group headed by a representative from the Regional Mines and Geosciences Bureau (MGB) and representatives of local government units, other government agencies, non-government organizations, people's organizations, the church sector and the Company.

Rehabilitation

In line with our commitment to maintain a sustainable environment in its areas of operation and abide by the Philippine Mining Act of 1995, the Company regularly conducts onsite environmental assessment to ensure that all its subsidiaries are strictly implementing progressive rehabilitation within standard set by regulatory agencies.

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 that 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 (IPs) 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. For the year 2016, the Company spent a total of ₱363.8 million for EPEP.

As a means of restoring the disturbed areas from mining operations, the Company requires each mine site to create a decommissioning/ closure plan. The closure plan includes the process in which mined-out areas will be rehabilitated and monitored, until the rehabilitation criteria set by MGB are successfully satisfied. The program for final rehabilitation and decommissioning includes social package which include livelihood components for the host communities and the affected employees of our companies. The four operating subsidiaries have already developed their respective plans for review and approval of the MGB. As of December 31, 2016, the provision allotted for mine rehabilitation and decommissioning amounted to ₱442.5 million.

Mine Rehabilitation is contained in the Mining Act of 1995. It's part of a Sustainable Development. It's part of our Best Practice at our subsidiary, Rio Tuba Nickel Mining Corporation. The work starts by re-contouring, backfilling and leveling the land. Then we provide top soil to deliver a fertile ground for planting. Following the "Sequential Planting Method", we first plant fast growing species called Pioneer Species such as Batino, Acacia mangium, Acacia auriculiformis and others – all grown and nurtured in our nursery. These species provide vegetative cover within 3 years to enable the planting of "Climax Species" like Apitong, Ipil, Narra, Almaciga, Agoho, Kamagong and others which we need tree shade to grow. They form the core of the new forest stands. Native fruit-bearing trees are also planted to provide a source of food for wild animals that will eventually populate the forest. To ensure the survival of all these trees we have a forestry team. Composed mostly of indigenous people from the surrounding areas, the team conducts a maintenance program like watering during summer, ringweeding cultivation around seedlings, application of compost and other related activities. The work of the team has achieved a survival rate of 90% for the trees.

The end result is a sustainably managed forest far better than the stunted vegetation there before, because of the mineralized nature of the soil.

Anti-corruption programmes and procedures

The Company's Code of Business Conduct and Ethics contain explicit provisions prohibiting any Officer, Director or employee from conducting any unlawful act including inducing or using third parties to circumvent laws, rules and regulations; and avoiding any conduct that may create the impression of unlawful or unethical conduct. The Code also provides guidelines and assistance in case of doubt as to the legality of any act. Violations to the Code are dealt with accordingly.

Safeguarding Creditors' Rights

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

Employees

Health, Safety and Welfare

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

- a) We strictly require the utilization of protective equipment and safety devices.
- b) First aid and emergency equipment are installed strategically in our work areas.
- c) Safety in-house inspections are regularly conducted to identify hazards and unsafe conditions or practices.
- d) Managers and supervisors regularly conduct safety briefings and meetings.
- e) Safety orientation training is also conducted for new employees and emergency preparedness training and drills are conducted periodically.
- f) We have a rigorous system of investigating accidents and near-misses to understand causes and implement corrective measures.
- g) We record and monitor lost time injuries, medically treated injuries, minor injuries and non-injury incidents which include near-miss incidents, and property damage and their frequency rates.
- h) We provide healthcare benefit to our employees and their dependents. Every year employees are given medical and healthcare orientation and a booklet through our

health maintenance service provider. Our employees have their medical and physical examination every year. Aside from that, they are given flu vaccination once a year. In these ways, we make them aware of their health and medical condition.

Key safety statistics during 2016 follow:

Number of man-hours worked	21,907,447
Lost-time accidents	1
Frequency rate	0.05

We provide the following health benefits to all our 1,777 regular employees.

Health Insurance (via HMO provider)
Group Life & Personal Accident Insurance
Dental services
Medicine Allowance
Health & wellness programs
<i>Other Benefits</i>
Free hospitalization at RTNFI Hospital
100% Hospitalization subsidy

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

Training and Development Programs

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

During 2015, the Company conducted the several training and development programs for its officers and employees.

The Company has an Employee Stock Option Plan to reward Officers and Directors and to link the former’s interest to the Company and the stockholders. Employees are given benefits under the collective bargaining agreements which are way and above the standards provided by the Labor code, as amended, and other allied laws.

S.E.C. Number CS200811530

File Number _____

NICKEL ASIA CORPORATION

(Company's Full Name)

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(Company's Address)

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(Telephone Numbers)

December 31

(Fiscal Year Ending)

(month & day)

SEC FORM 17-A Annual Report

Form Type

Amendment Delegation (If applicable)

December 31, 2016

Period Ended Date

(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: DECEMBER 31, 2016
2. SEC Identification Number: CS200811530
3. BIR Tax Identification No.: 007-085-191-000
4. Exact name of issuer as specified in its charter: NICKEL ASIA CORPORATION
5. Province, Country or other jurisdiction of incorporation or organization: PHILIPPINES
6. Industry Classification Code: (SEC Use Only)



7. Address of principal office: 28th Floor NAC Tower, 32nd Street, Bonifacio Global City, Taguig City Postal Code: 1634
8. Issuer's telephone number, including area code: +63 2 892 6669 / +63 2 798 7622
9. Former name, former address, and former fiscal year, if changed since last report. N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	7,602,928,954 shares
Long-term Debt	₱4,616.3 Million
Short-term Debt	₱180.0 Million

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

If yes, state the name of such stock exchange and the classes of securities listed therein:

PHILIPPINE STOCK EXCHANGE Common Stock

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

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

As at December 31, 2016, 1,424,582,762 shares with a market price of ₱7.98 or an aggregate amount of ₱11,368,170,441 were held by non-affiliates.



March 29, 2017

Ms. Janet A. Encarnacion

Disclosure Department
The Philippine Stock Exchange Inc.
Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Ms. Justina F. Callangan

Corporate Finance Department
Securities and Exchange Commission
SEC Bldg. EDSA, Greenhills
Mandaluyong City

RE : 2016 SEC Form 17-A Annual Report
x ===== x

Dear Madam:

We submit to you a copy of our Company's SEC Form 17-A Annual Report for the year ended December 31, 2016.

We trust everything is in order.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Emmanuel L. Samson', written over a thin horizontal line.

Emmanuel L. Samson
SVP – Chief Financial Officer



**NICKEL ASIA CORPORATION
17-A ANNUAL REPORT 2016**

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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

A. OVERVIEW

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

We export saprolite and limonite ore to customers in Japan, China and Australia. 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.

In 2010, we made an investment of ₱4.4 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 51,000 tonnes of mixed 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.

In 2016, the Parent Company made a strategic decision to reduce our ownership in the Taganito plant from 22.5% to 10.0%, the same equity level that we have in the Coral Bay plant. While the Taganito and Coral Bay plants are globally recognized to be of the highest quality and operating efficiency, as with most other nickel processing plants worldwide, profitable operations cannot be achieved at current low nickel prices, while the Taganito plant in particular requires further shareholder funding in order to complete a number of capital expenditure projects in the pipeline.

The reduction in our equity was achieved by a sale of shares to the majority owner of the plant and one of our major shareholders, Sumitomo Metal Mining Co., Ltd. (SMM). The sale, concluded on October 17, 2016, resulted in an inflow of ₱2,037.2 billion and a gain of ₱239.6 million.

Apart from our four operating mines, we have other properties in various stages of exploration for nickel, while continuing to seek opportunities in copper and gold. 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, SMM acquired 25% equity in CExCI with an option to purchase additional shares to increase its total equity to 40%.

In 2015, CExCI identified a new property in the province of Zambales for exploration and development under Newminco Pacific Mining Corporation (Newminco), which is also prospective for gold and copper. In relation to this, SMM put an additional investment of US\$2.8 million to increase its ownership in CExCI from 25% to 40%. Newminco is the holder of exploration permit of areas located in Zambales.

In August 2015, we also concluded the purchase of 100% equity interest in Geogen Corporation (Geogen), which is the claim owner of the Isabela Nickel Project in Dinapigue, Isabela.

We also moved into the area of renewable energy and power generation. We are completing the construction of an 11 megawatts (MW) diesel power plant at a cost close to ₱900.0 million. Power will

be sold to the Surigao del Norte Electric Cooperative, Inc. under a Power Supply Agreement. The plant is designed to alleviate the shortage of power particularly in Surigao City, and expected to be operational in mid-2017.

Our entry into the renewable power business was formalized in 2015 with the conversion of a ₱446.0 million loan to equity and an additional equity infusion of ₱474.0 million, which correspond to an equity ownership in Emerging Power, Inc. (EPI) of 66%. In 2016, the Parent Company subscribed to additional common shares of EPI for ₱660.0 million and this increased the Parent Company's equity interest in EPI to 70.92%.

EPI's mission is to engage in power generation exclusively from renewable sources. In a relatively short period of time, EPI has acquired a number of Renewable Energy Service Contracts, principally a 100 MW solar and 50 MW wind service contract under Jobin-SQM, Inc. (Jobin), located in the Subic Bay Freeport Zone; a geothermal service contract under Biliran Geothermal, Inc. (BGI), in the province of Biliran, Leyte; and a geothermal service contract under Mindoro Geothermal Power Corp. (MGPC) in Naujan, Oriental Mindoro.

The construction of the Jobin solar component of the project commenced in the latter part of 2015. Defaults by the contractor, however, led to the termination of the Engineering, Procurement and Construction contract which delayed the project implementation. Jobin completed 32 MW of solar power early in 2017. In the absence of a new feed-in-tariff by government, a decision has been made to suspend any further development work.

With respect to BGI, much work had already been done by EPI's 40% partner, Orka Geothermal Investments Pte., Ltd. (OGI), including the drilling of five (5) wells, on top of the three (3) wells previously drilled by Energy Development Corporation in the early 1980s, in this potentially large geothermal field and a considerable amount of required infrastructure. Although the drilling indicated that all wells have the required temperatures for the generation of geothermal power, a number of these are acidic in nature, which necessitates fluid treatment to make the fluid fit for power generation. EPI conducted Fluid Management Testing in 2016 on one of the wells, BN6, and the treatment process was proven effective. Given this outcome, a decision has been made to proceed with the first 5 MW plant once Power Sales Agreements have been obtained. It is expected that this first plant will be operational during the second half of 2018. The well is now shut down and will be revived as soon as a Wellhead Unit Power Plant will be put in place.

In MGPC, drilling of two standard wells has been completed early in 2016. Thermal recovery is currently taking place, following which an assessment will be made as to the generation capabilities of the wells prior to a decision to develop. These wells were drilled in the southern portion of the resource. Also, efforts are now in place to re-evaluate the northern portion of the resource for further assessment. MGPC has created a local technical team to conduct resource assessment by collating the various studies done by previous geothermal teams – ISOR, ITB, FEDS, and outsource the additional studies yet to be done on the ground – LIDAR, fill-in MT, structural mapping, among others.

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

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

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

Outlook

In 2016, we saw a continued drop in nickel prices in the first half to new multi-year lows and a regulatory environment that decidedly turned hostile against our industry. All our mines, however, remained profitable.

During the second half of 2016, our four (4) mines underwent an audit by personnel of the Department of Environment and Natural Resources (DENR). This was mandated by the DENR, although in early 2016 all of our mines received their ISO 14001 Certification for Environmental Management Systems, which process already involves audits by accredited third parties. The audit team included representatives of civil society organizations, some of whom do not look favorably on our industry, and covered a review of permitting requirements and all aspects of the mining operations with emphasis on environmental compliance and social acceptability.

Of a total of about 43 operating mines in the country, reportedly 13 passed the audit, including three of our mines - Rio Tuba Nickel Mining Corporation (RTN), Taganito Mining Corporation (TMC) and Cagdianao Mining Corporation (CMC). With respect to our Hinatuan mine, certain violations were noted, which we contested. A DENR Technical Committee tasked to review the audits recommended certain penalties. Regrettably, the Secretary ignored such recommendation and Hinatuan Mining Corporation (HMC) received a closure order. We have appealed this to the Office of the President, which stays the order.

It is our understanding that the Mineral Industry Coordinating Council (MICC) will review the results of the mine audits. It is our objective to vigorously contest the adverse findings and the closure order.

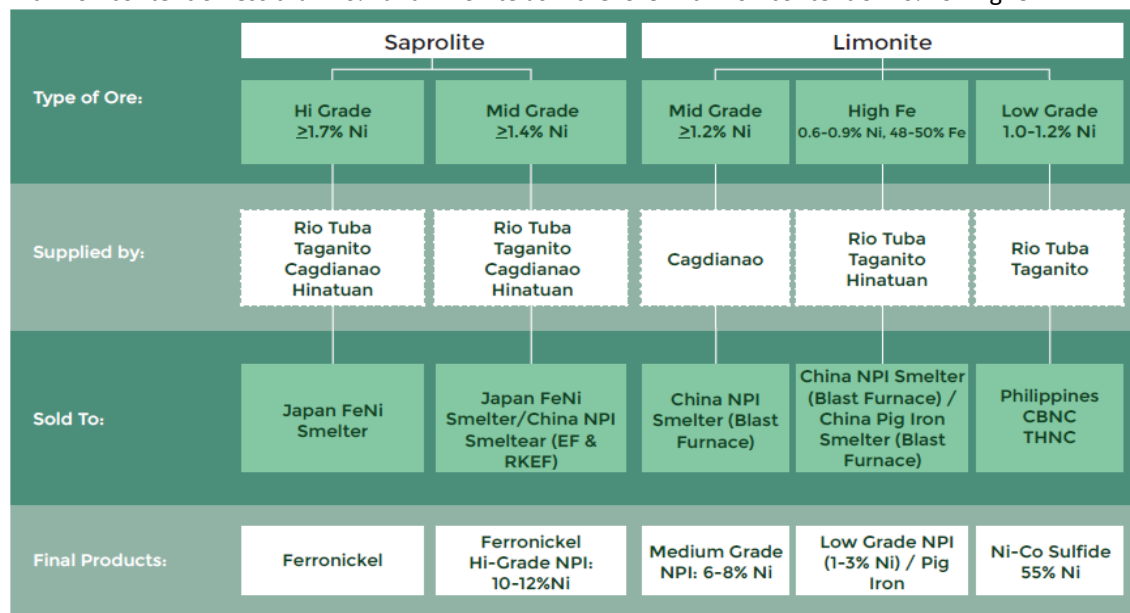
B. CORPORATE OBJECTIVE

We are focused on growth. At the same time, we take our responsibilities toward safety, environmental protection, 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.

We are also committed to provide the present and future generations a better life with clean and renewable energy which is cost effective, reliable, sustainable, and environmentally friendly.

C. PRODUCT MIX

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



We ship out two types of saprolite: high-grade and midgrade. High-grade saprolite has a nickel content of about 1.8% and above while mid-grade saprolite ore has a nickel content of between 1.3% to 1.6%.

Most of our high-grade saprolite ore were sold to Pacific Metals Co., Ltd. (PAMCO), who use the material as feed for its 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 and medium-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 1.25% and an iron content of 37% 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 Pty. Ltd., which uses the material as feed for its nickel and cobalt refinery. Our high-iron limonite ore was sold to Chinese customers who use the material as feed for blast furnaces for the production of low-grade NPI. Finally, low-grade limonite ore from Taganito and Rio Tuba were utilized as feed for the Taganito and Coral Bay HPAL plants, respectively.

D. SUBSIDIARIES

The Parent Company and its subsidiaries were separately incorporated and registered with the SEC. Below are the Parent Company's ownership interests in its subsidiaries:

	Effective Ownership	
	2016	2015
<i>Subsidiaries</i>		
Hinatuan Mining Corporation	100.00%	100.00%
Cagdianao Mining Corporation	100.00%	100.00%
Samar Nickel Mining Resources Corporation	100.00%	100.00%
La Costa Shipping and Lighterage Corporation ^(a)	100.00%	100.00%
Geogen Corporation	100.00%	100.00%
Falck Exp Inc. ^(b)	88.00%	88.00%
Cordillera Exploration Co., Inc.	71.25%	71.25%
Newminco Pacific Mining Corporation ^(c)	71.25%	71.25%
Taganito Mining Corporation	65.00%	65.00%
Rio Tuba Nickel Mining Corporation	60.00%	60.00%
Emerging Power Inc.	70.92%	66.00%
Mindoro Geothermal Power Corporation ^(d)	70.92%	66.00%
Manta Energy, Inc. ^(d)	70.92%	66.00%
Biliran Holdings Inc. ^(d)	70.92%	66.00%
Jobin-SQM, Inc. ^(d)	70.92%	66.00%
Biliran Geothermal Inc. ^(d)	42.55%	39.60%
Mantex Services, Inc. ^(d)	35.46%	33.00%

(a) Indirect ownership through HMC

(b) Indirect ownership through HMC, CMC and TMC

(c) Indirect ownership through CExCI

(d) Indirect ownership through EPI

Hinatuan Mining Corporation

HMC was incorporated on October 9, 1979 and was granted rights over the Taganaan property in 1980. Development of the property commenced in 1981 and the first commercial shipment from the Taganaan mine was made in 1982. The size of the property was expanded in 1983 with the acquisition of additional claims on adjacent properties.

Cagdianao Mining Corporation

CMC was incorporated on July 25, 1997 and acquired the right to operate the Cagdianao mine in 1998.

Samar Nickel Mining Resources Corporation (SNMRC)

SNMRC was incorporated on March 11, 2010, and is primarily engaged in the exploration, mining and exporting of mineral ores. SNMRC has not yet started commercial operations.

La Costa Shipping and Lighterage Corporation (LCSLC)

LCSLC was incorporated on October 23, 1992, and is primarily engaged in the chartering out of Landing Craft Transport (LCT) and providing complete marine services. LCSLC was acquired by HMC in April 2010. In May 2014, LCSLC sold all of its LCTs to HMC for a consideration.

Geogen Corporation

Geogen was incorporated on October 9, 1998, and is primarily engaged in the exploration, exploitation and mining of metallic and non-metallic minerals, including, but not limited to, nickel, iron, cobalt, chromite and other associated mineral deposits. Geogen was acquired by the Parent Company in August 2015.

Falck Exp Inc. (FEI)

FEI was incorporated on November 22, 2005, and is primarily engaged in the business of exploring, prospecting and operating mines and quarries of all kinds of ores and minerals, metallic and non-metallic. FEI is currently on a dissolution phase.

Cordillera Exploration Co., Inc.

CExCI was incorporated on October 19, 1994 primarily to engage in the business of large-scale exploration, development and utilization of mineral resources. CExCI has a number of mining properties at various stages of exploration. It is currently not engaged in any development or commercial production activities.

Newminco Pacific Mining Corporation

Newminco was incorporated on October 9, 2006 and is primarily engaged in the exploration, mining, development, utilization, extraction, beneficiation and marketing of minerals and mineral resources. Newminco was acquired by CExCI in December 2015.

Taganito Mining Corporation

TMC was incorporated on March 4, 1987, and is primarily engaged in the mining and exporting of nickel saprolite and limonite ore, and exploration activities. The first commercial shipment from the Taganito mine was made in 1989. TMC also provides services to THNC which involves the handling, hauling and transportation of materials required in the processing operations of THNC.

Rio Tuba Nickel Mining Corporation

RTN was incorporated on July 15, 1969 to develop the nickel ore deposits discovered at the Rio Tuba mine site in 1967. It was granted rights over the Rio Tuba property in 1970 and commenced mining in 1975. RTN made its first commercial shipment in 1977. RTN also provides non-mining services required in the processing operations of CBNC.

Emerging Power Inc.

EPI was incorporated on October 16, 2007, and is primarily engaged in the renewable energy business. EPI was acquired by the Parent Company by way of loan conversion into equity in July 2015. EPI is the holder of Geothermal Renewable Energy Service Contract (GRES) No. 2014-02-054. On February 16, 2016, the Department of Energy (DOE) approved EPI's application to assign its rights and obligations under the GRES to MGPC under Certificate of Registration No. 2016-02-060.

Mindoro Geothermal Power Corporation (MGPC)

MGPC was incorporated on May 7, 2014, and is primarily engaged in the renewable energy business. MGPC project is estimated to supply 40 MW of power over twenty five (25) years.

Manta Energy Inc. (MEI)

MEI was incorporated on May 21, 2007, and is primarily engaged in power business, including but not limited to power generation, power trading and supply to retail customers and end users.

Biliran Holdings Inc. (BHI)

BHI was incorporated on July 31, 2015, and is primarily engaged in investing in and holding of assets of every kind and description, as and to the extent permitted by law. It is also registered, within the limits prescribed by law, to engage in the business of infrastructure, power generation, real estate, manufacturing, trading and agribusiness and to pay other evidences of indebtedness or securities of this or any other corporation.

Jobin-SQM, Inc.

Jobin was incorporated on January 6, 2010, and is primarily engaged in power business, including but not limited to power generation, power trading and supply to retail customers and end users. Jobin is the holder of Solar Energy Service Contract (SESC) No. 2013-10-039 and Wind Energy Service Contract (WESC) No. 2013-10-062 which both covers an area in the municipalities of Morong and Hermosa, Bataan. Jobin was acquired by EPI in July 2015.

Biliran Geothermal Inc.

BGI was incorporated on October 31, 2007. The principal activities of BGI are to explore, exploit, discover, develop, extract, dig and drill for, produce, utilize, refine, treat, process, transport, store, market, sell, use, supply, experiment with, distribute, manufacture, or otherwise deal in, any substance, minerals or otherwise, which by itself or in contribution with other substances generate or emanate heat or power and to enter into and perform service contracts including geothermal services. BGI's project, the Biliran Geothermal twenty-five (25) year concession, was estimated to supply 50 MW of power to the grid but according to research conducted by BGI, it can further produce up to 60 MW. BGI was acquired by BHI in December 2015. In 2014, BGI received the Confirmation of Commerciality for the Biliran Geothermal Project from the Philippine Government through the DOE.

Mantex Services Inc. (Mantex)

Mantex was incorporated on March 26, 2012. Mantex is established primarily to provide technical, financial and public relations advisory, management and investments services for infrastructure projects.

E. RECENT DEVELOPMENTS

Partial Divestment of Interest in THNC

On September 15, 2016, by virtue of the Share Purchase Agreement between the Parent Company and SMM, SMM agreed to purchase 12.5% of the outstanding capital stock of THNC, at a purchase price of US\$42.0 million, which is equivalent to ₱2,037.2 million. The Parent Company received the full payment of the purchase price on October 17, 2016.

As at December 31, 2016, the Parent Company and SMM's equity interest in THNC were 10% and 75%, respectively.

Cancellation of HMC's Mineral Production Sharing Agreement (MPSA) in Taganaan Island, Surigao

On February 13, 2017, HMC received a letter from DENR stating that its MPSA in Taganaan Island, Surigao is being cancelled due to alleged violations of Republic Act (RA) No. 7942 or the "Philippine Mining Act of 1995" as a result of the audit conducted in July 2016. On February 17, 2017, HMC filed a Notice of Appeal with the Office of the President. It is the Parent Company's position that there are no legal and technical grounds to support the cancellation of HMC's MPSA. Further, on February 22, 2017, the Mining Industry Coordinating Council decided to perform a separate audit pertaining to DENR's action over the shutting down of 28 mining operations in which HMC - Taganaan Nickel Project was included.

The Parent Company, will pursue all legal remedies to overturn the said order because of due process violations and the absence of any basis that would warrant a suspension of HMC's operations, much less the cancellation of its MPSA.

Commercial Operations of Jobin's Sta. Rita Solar Power Project

On March 11, 2016, Jobin's Confirmation of Commerciality originally rated for the 100.44 MW was amended by the DOE. Jobin was issued two Amended Confirmations of Commerciality covering the 7.14 MW and 92.86 MW for Phase I and Phase II, respectively, of the Sta. Rita Solar Power Project.

On May 23, 2016, Jobin entered into the testing and commissioning phase for the 7.14 MW Sta. Rita Solar Power Project. On November 7, 2016, Jobin was granted a Provisional Authority to Operate from the Energy Regulatory Commission to transition from testing and commissioning phase to actual production and operation phase for a period of six (6) months for its 7.14 MW Solar Power Plant pending approval of Jobin's dedicated point to point limited facilities to connect to the transmission system.

Jobin is currently implementing the additional 25.19 MW Solar PV Project Phase IIA of the Sta. Rita Solar Power Project based on the mono crystalline solar module in Pastolan Village, Subic Bay Freeport Zone.

F. OUR STRATEGY

Our strategy is designed to maximize the profitability of our existing base of operations while driving growth through our continuing involvement in downstream processing, exploration of our portfolio of properties, acquiring new properties and grow our renewable business. The key elements of our strategy are to:

- 1) *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 both brownfield exploration, which consists of work at our existing operations to extend resources and to upgrade resources to reserves; and greenfield exploration, which involves exploring and delineating nickel lateritic deposits in our existing exploration properties. We own approximately 100 man-portable drilling rigs that are suitable for drilling lateritic deposits in an economic manner.
- 2) *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. In doing so, we will carefully evaluate such properties to ensure that the terms we enter into will commensurate with the potential of the properties we seek to acquire. In 2015, the Parent Company acquired 100% equity interest of Geogen, the claimowner of Isabela Nickel Project.
- 3) *Continue with gold and copper prospects* - The Philippines is well-endowed not only with lateritic nickel but also with gold and copper. World-class deposits have been discovered and substantial quantities of these metals have been mined in the past. We believe that the exploration potential nevertheless remains significant. In order to take advantage of this potential, we entered into an agreement to purchase CExCI from a subsidiary of Anglo American. CExCI has four groups of mineral claim in northern Luzon that are prospective for gold and copper mineralization. Two of these four claims are located at Mankayan and the remaining two claims are located at Manmanok property and Kutop. CExCI remains active in evaluating properties for possible acquisition. 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. In 2015, the Parent Company acquired Newminco, which is also prospective for gold and copper, through CExCI. Newminco is the holder of an EP in the municipalities of Cabangan, San Felipe, and San Marcelino, Zambales.
- 4) *Grow our renewable business* - Our goal is to develop, own, and manage a portfolio of renewable power assets in the Philippines that is diversified as to market, technology and location. We believe that our entry into the power business through EPI, 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.

G. KEY STRENGTH

Our company believes in its key strength, which is:

Profitability underpinned by low cost production.

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

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

- Historically, there was generally no market for our limonite ore, which needs to first be extracted in order to mine the more valuable saprolite ore. There was also no market for lower grades of saprolite ore. Limonite ore was then regarded as overburden and placed in stockpiles, while we undertook selective mining of high-grade saprolite ore, leading to relatively high mining costs. Since 2005, we have found customers for our limonite ore with the development of the China NPI market and the commissioning of the Coral Bay HPAL facility. In 2008, we have also experienced increasing demand from our customers for our low-grade saprolite ore and in 2010, we saw an emerging demand for the use of low-nickel, high iron limonite ore for blending with iron ore in the production of carbon steel. Our ability to sell limonite ore rather than place it in stockpiles as waste, and our ability to sell lower grades of saprolite ore allows us to mine in a more efficient manner and reduces the unit cost per wet metric tonnes (WMT) 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.
- 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.
- Because our lateritic nickel deposits are near surface and relatively shallow, the rehabilitation of our mining areas is a straightforward process. The process generally involves re-contouring of the mined areas, replacing the overburden and planting foliage. We undertake progressive rehabilitation of our mined areas in order to spread costs, and the nature of our deposits results in a relatively manageable level of rehabilitation costs.

H. PERCENTAGES OF REVENUES FOR 3 YEARS

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

Year	Japan			China			Philippines (CBNC and THNC)			Australia			Total		
	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
2016	18%	-	18%	50%	18%	68%	-	13%	13%	-	1%	1%	68%	32%	100%
2015	23%	-	23%	39%	21%	60%	-	15%	15%	1%	1%	2%	63%	37%	100%
2014	21%	-	21%	41%	24%	65%	-	13%	13%	-	1%	1%	62%	38%	100%

I. SOURCES OF RAW MATERIALS AND SUPPLIES

The main supplies that we require to operate our business include diesel fuel, tires and spare parts for our mining equipment. We buy diesel and aviation fuel and lubricants from Petron Corporation (Petron) and/or Phoenix Petroleum Philippines, Inc. (Phoenix) and heavy mining equipment, such as trucks and excavators, from four manufacturers, Volvo, Isuzu, Caterpillar and Komatsu, through their Philippine distributors. In addition, we lease 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.

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

Jobin has also entered into Engineering, Procurement, and Construction Management contract with SunSource Energy Private Limited (SSEPL) for the implementation of the entire 92.86 MW phase of the Sta. Rita Solar Power Project. The scope of the service agreement between Jobin and SSEPL covers the designing, planning, engineering, procurement (manufacturing/supply), construction/erection management, testing and commissioning of the utility scale solar photovoltaic plant under Phase II.

J. GOVERNMENT REGULATIONS AND APPROVALS

In our mining operations, we are guided by clear and stringent parameters set forth by the country's national and local laws accordingly implemented by national, regional and local agencies, namely: the DENR, the Mines and Geosciences Bureau (MGB), the Environment Management Bureau (EMB), the Protected Areas and Wildlife Bureau, and the local government units (LGU). The more significant regulations affecting our operations include the following:

RA No. 7942 (Philippine Mining Act of 1995)

- Section 69 - requires an annual Environmental Protection and Enhancement Plan (EPEP) for the rehabilitation, regeneration, revegetation, and reforestation of mineralized 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

Consolidated DENR Administrative Order (CDAO) 2010-21 (CDAO for IRR of RA No. 7942)

- Section 171 - requires an Annual EPEP (based on the approved EPEP)
- Section 173 - requires the organization of a Mine Environmental Protection and Enhancement Officer to be incorporated into the organization structure
- Section 185 - deputizes the Multipartite Monitoring Team 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 non-governmental organization (NGO)
- Section 187 - requires a Final Mine Rehabilitation/Decommissioning Plan, including financial requirements up to post-decommissioning

Executive Order (EO) No. 26 (National Greening Program) - mandatory reforestation activities outside of mining contract/permit/lease/tenement areas

RA 9003 (Ecological Solid Waste Management Program) - requires waste segregation, promotes recycling and sets guidelines for Materials Recovery Facility

RA 6969 and DAO 2013-22 - guidelines on proper handling and monitoring of toxic and hazardous waste material

RA 8749 (Philippine Clean Air Act of 1999) - framework for air quality management program

RA 9275 (Philippine Clean Water Act of 2004) - framework for comprehensive water quality management

RA 9371 (Indigenous Peoples' Rights Act) - recognition, protection and promotion of the rights of the Indigenous Cultural Communities/Indigenous Peoples

RA 9729 (Climate Change Act of 2009) - comprehensive framework for systematically integrating the concept of climate change, in synergy with disaster risk reduction, in various phases of policy formulation, development plans, poverty reduction strategies and other development tools and techniques

DAO 2004-52 - Tree cutting permit

DAO 2015-07 - mandating Mining Contractors to Secure ISO 14001 Certification

Pursuant to the Administrative Order, NAC's operating subsidiaries, TMC, RTN, CMC, and HMC, underwent a yearlong process to identify all environmental impacts, address such impacts, document an

environmental management system (EMS) that complies with the standards, and cascade down the EMS to all employees for their full appreciation and compliance. Following two (2) audits conducted by the certifying body, TÜV Rheinland, the operating subsidiaries all received their ISO 14001 Certification in 2016.

DAO 2016-1 - prescribing for an audit of metallic mining companies by the DENR

All our mining companies also abide by commitments stipulated in their Environmental Compliance Certificate (ECC) and specified in their approved Contractor's Plan of Mining Operation.

Pending Approval

TMC's application for MPSA denominated as APSA No. 73-XIII for its La Salle Exploration project is pending reconsideration.

RTN's applications for MPSA denominated as AMA IVB-144A and AMA IVB-144B for its Bulanjao project are still pending approval before the DENR-EMB.

K. COMPETITION

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

On our power business, the implementation of the Electric Power Industry Reform Act has paved the way for a more independent and market-driven Philippine power industry. This has allowed for competition, not limited by location, and driven by market forces. The sale of power and the dispatch of power plants depend on the ability to offer competitively priced power supply to the market. The Company's power projects which are still either in the exploration or development stage will face competition in the development of new power generation facilities as well as in the financing for these activities.

L. NICKEL ORE TRADE AND OUTLOOK

Nickel Ore Trade

Nickel ore in the country is mainly exported to China and Japan. Primary nickel consumption in China was estimated at 1,063 thousand tonnes in 2016, which accounted for 53% of global nickel consumption, while 7% of the global nickel consumption can be attributed to Japan.

Chinese nickel production in 2016 was estimated at 573 thousand tonnes, of which 375 thousand tonnes came from NPI. As per our research, Chinese nickel ore importation further went down to 42 million WMT in 2016 from 45 million WMT in 2015 due to: 1) low nickel price; 2) depletion of mine in Tawi-Tawi area; and 3) environmental issues in China and Philippines.

The Philippines accounted for almost 100% of nickel ore imports to China.

The nickel ore market recovered slowly as London Metal Exchange (LME) nickel price picked up from the beginning of 2016. Chinese demand for nickel ore became strong in the fourth quarter of 2016 due to the shortage in supply of nickel ore and the strong growth in Chinese stainless steel production.

Outlook for Nickel

Global nickel supply in 2016 was estimated at 1.944 million tonnes, while consumption was at 2.008 million tonnes, resulting to 64 thousand tonnes of shortage. This shortage followed four consecutive years of oversupply since 2012. The global nickel consumption increased by 6.9% on a year-on-year basis driven by the strong growth in the Chinese stainless steel industry.

Around 60% of nickel supply is used for stainless steel production. Therefore, the growth in stainless steel production is a key factor in the outlook for nickel. Global stainless steel production in 2016 was estimated at 45 million tonnes, increased by 7.7% from the previous year, of which, Chinese stainless steel production accounted for 24 million tonnes, which is 11.7% increase on a year-on-year basis.

The strong demand for nickel following the strong growth in the stainless steel production in 2016 contributed to the nickel supply shortage, thus the decrease in global nickel inventory. However, a new decision by the Indonesian government, issued in January 2017, relaxing their ban on the export of nickel ore, provides the basis for uncertainty in the nickel market. The nickel price will be volatile until we see a clearer picture of the export volume from Indonesia following this new decision.

M. EXPLORATION AND DEVELOPMENT

Nickel Resources

NAC covers a wide area of exploration properties and an exploration program encompassing:

1. Brownfield exploration- consisting of work at our existing operations to extend resources and to upgrade resources to reserves; and
2. 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 a pool of experienced geologists and laboratories at each of our mine site to assess samples as required.

Summary of our exploration and development properties:

<p>Bulanjao:</p> <ul style="list-style-type: none"> • Total area of 3,604.5 hectares • Conducted step-out drilling throughout the length of the Central Bulanjao deposit 	<p>Location: Palawan Island</p> <p>Ownership: RTNMC</p>
<p>Manicani:</p> <ul style="list-style-type: none"> • MPSA covers 1,165 hectares and expires in 2017 	<p>Location: Island of Manicani</p> <p>Ownership: HMC</p>
<p>Kepha Mining Exploration Corp. (Kepha):</p> <ul style="list-style-type: none"> • Operating Agreement covers 6,980.75 hectares and expires in 2032 • Rights to the property are governed by an Operating Agreement entered into in February 2007 with Kepha • Application for renewal of the EP for the Kepha Property has been granted • Follow-up exploration work and drilling conducted in early 2013 	<p>Location: Surigao del Norte</p> <p>Operating Rights: TMC</p>
<p>La Salle Mining Exploration Company (La Salle):</p> <ul style="list-style-type: none"> • 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 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 	<p>Location: Surigao del Norte</p> <p>Operating Rights: TMC</p>

Dinapigue:

- Covered by MPSA No. 258-2007-II

Location:

**Dinapigue,
Isabela**

Ownership:

Geogen

Description of our Exploration and Development Projects

Bulanjao - The Bulanjao property is held by RTN. It has a total area of 3,604.5 hectares and is situated immediately west of RTN's mining operations. Our rights to the property are governed by a mining lease contract.

RTN is in the process of converting its Mining Lease Contracts (MLC) on the Bulanjao Range, which is adjacent to the current existing mining claim, into a MPSA with application code AMA-IVB-144A. The Strategic Environmental Plan (SEP) clearance was issued by the Palawan Council for Sustainable Development (PSCD) on September 1, 2015. An Environmental Impact Assessment has already submitted to the EMB in order to secure it ECC. It is expected to undergo the second round of technical screening in the near future. Partial drilling conducted in the past has resulted in measured and indicated mineral resources of 22 million WMT of limonite ore with average grades of 1.17% Ni and 34% Fe and 10 million WMT of saprolite ore with an average grade of 1.80% Ni. Further drilling will be undertaken conversion of the MLCs.

The Bulanjao deposit trends northwards to an area named Central Bulanjao, situated more than a kilometer from Southern Bulanjao. 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% nickel and 35.5% iron and 11.1 million WMT of saprolite ore with an average grade of 1.77% nickel. Further drilling will be undertaken upon the issuance of the MPSA.

Manicani - The Manicani property is held by our subsidiary HMC. It has a total area of 1,165 hectares and is situated in Eastern Samar. Our rights to the property are governed by a MPSA that was entered into by HMC in 1992 and which was subsequently assigned to SNMRC. The application for the Deed of Assignment from HMC to SNMRC was endorsed to the MGB Central Office for further evaluation and final approval. However, on June 1, 2014, a mutual rescission of the said Deed of Assignment was executed by and between HMC and SNMRC and a copy of the said rescission was received by the MGB on July 14, 2014.

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

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

Once the MPSA renewal is granted and the exploration period has been extended, we shall begin our confirmatory drilling activities subsequently. We will commence mining once the suspension order is lifted. Incidentally, a Letter of Authority to Dispose Nickel Stockpile was issued by MGB Director Leo Jasareno on July 1, 2014. From May to August of 2016, five (5) shipments were realized for the disposal of said stockpiles, after which, shipments were suspended by MGB. This left behind almost 900,000 WMT of stockpiles which were already approved for disposal.

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

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

Exploration activities for 2016 at the Kepha exploration project are still under negotiations with the Mamanwa indigenous people group. The claim owner of the Kepha mining claim is also helping in the negotiations with the Mamanwa indigenous people group. Drilling activities in the said area can only resume after the favorable outcome of the said negotiations.

Despite the problem with the indigenous people community of barangay Camam-onan, TMC continued to bring development projects to the barangay. Most notably is the renovation of the barangay Camam-onan gymnasium to a suitable evacuation center. This move by TMC was warmly welcomed by the LGU and constituents of Camam-onan. The Phase I of the project was completed in the first half of 2016 and for Phase II we have already delivered our commitment in December 2016 but the project is currently on-going.

Other activities are the proposal to donate one (1) fire truck to the LGU of Gigaquit. The proposal is to condition the old fire truck of TMC and donate it to the LGU of Gigaquit. This is also supported by a resolution from the LGU. The fire truck was donated to the LGU in the second quarter of 2016.

On February 13, 2017, the DENR issued a show cause order directing Kepha to explain why its MPSA should not be cancelled for being allegedly within a watershed, which is protected under the Philippine Mining Act of 1995 and other existing applicable laws, rules and regulations. On February 24, 2017, Kepha replied to the letter stating that based on the MGB Region XIII's downloadable tenement map, the MPSA area is outside of any existing legally proclaimed watershed.

La Salle - The La Salle property is held by TMC. The property previously had a total area of 6,824 hectares but the application had been reduced to 2,234 hectares and further reduced to 972 hectares and is situated in the province of Surigao del Norte. It shares a common boundary with the Kepha property on the southwest side of the property. Our rights to the property are governed by an Operating Agreement that we entered into with La Salle in December 2006. La Salle's application for a MPSA is pending and TMC is responsible for completing the requirements for approval of the MPSA.

Under the terms of the Operating Agreement, TMC will have the right to explore, develop and operate the property once the MPSA is approved, in return for the payment of a royalty of 5% on gross revenues from all metallic minerals sold from the property.

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

Dinapigue - In 2015, the Parent Company acquired Geogen which holds the mineral property within the area subject of MPSA No. 258-2007-II on August 4, 2015. The property is located in the northeastern portion of Luzon, at the eastern foothills of the Sierra Madre mountains near the coast in Brgy.

Dimaluade, municipality of Dinapigue, province of Isabela. The project is known as the Isabela Nickel Project which covers an area of 2,392 hectares. It is approximately 425 kilometers from Manila and accessible through 10 hours land travel.

Exploration drilling was performed in the northernmost part of the MPSA contract area to confirm the accuracy of previous drilling results and to block additional resources. A total of 192 holes with an aggregate length of 3,146.82 meters were completed during the year. Drilling works will be continued in March 2017 with target additional holes of 560 by the end of 2017.

While the construction of a permanent causeway was deferred pending the necessary permits and additional engineering and design considerations, other development works within the tenement was undertaken. These include repair & maintenance of access roads, construction of offices and staff accommodation, topographic surveys of priority areas for development, and establishment of environmental control measures and nursery facilities.

Gold and Copper Resources

The Philippines is located in a very complex tectonic and geological terrain. It is bounded on the west by the east-dipping Manila Trench and on the east by the west-dipping Philippine Trench. Because of the interaction of both these geological features, a resulting northwest-trending Philippine fault, with its numerous major and associated branches, has rendered a distinct archipelagic character to the ground. On a more global scale, the Philippines lie within the "Pacific Rim of Fire", also known as the circum-Pacific belt, an area with a nearly continuous series of oceanic trenches, volcanic arcs and/or plate movements.

But while the Philippine inhabitants have to suffer the devastating effects of earthquakes and volcanic eruptions, these same geological processes have provided the favorable geological settings for the deposition and/or emplacement of rich gold, copper, chromite, nickel and other mineral deposits. The Philippines has long been acknowledged as one of the most richly endowed in mineral resources. This claim is validated by the country's long mining history which can be traced back to the 15th century. In the 50's to 70's, particularly, the Philippines maintained its position as one of the world's top ten producers in gold, copper, chromite and nickel.

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

In May 2011, we entered into a Participation and Shareholders' Agreement with SMM outlining the terms of SMM's equity participation in CExCI. In November 2011, based on the terms of the said Agreement, SMM invested \$1.5 million in CExCI in return for a 25% equity interest. In 2015, SMM exercised its option to invest \$2.8 million for an additional 15% equity, which, after the approval of the increase in the authorized capital stock of CExCI would bring SMM's total equity in CExCI to 40%.

Zambales

In December 2015, CExCI acquired 100% equity interest of Newminco, which holds an EP for copper, gold, and related base and precious metals over an area located in Cabangan, San Felipe, and San Marcelino in the province of Zambales. The decision to acquire Newminco was made following the discovery of outcropping gold veins, the sampling of which in part returned good assays for gold.

Exploration activities being conducted in the properties area include geologic mapping, sampling and trenching. In 2016, Newminco proceeded to implement its exploration program in the tenement designated as EP-001-2015-III which is located in the Municipalities of Cabangan, San Felipe and San Marcelino in the Province of Zambales. Roughly twenty-five (25) kilometers of old farm to market and logging roads were rehabilitated and maintained to gain access to the property. Six hundred and sixty meters (660m) of exploratory trenches were dug, logged, sampled and rehabilitated. Diamond core

drilling was conducted with a total meterage of three thousand seven hundred ninety nine and one half meters (3,799.5 m). A total of four hundred and one (401) samples were sent to the laboratory for multi-element geochemical analysis.

Results of the 2016 exploration campaign verified gold mineralization in a portion of the area drilled. However, the work so far conducted precludes Newminco from defining any commercial viability to the project. A continuing exploration program is planned for 2017 which will cover other areas of the tenement.

An environmental baseline study was conducted over the tenement area prior to the drilling program. Environmental rehabilitation of all affected areas was conducted throughout 2016. Newminco has also begun to implement its Community Development Program as approved by the MGB. This is currently being conducted in cooperation with the Provincial office of National Commission on Indigenous People (NCIP).

Mankayan

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

Mankayan/Cervantes

The FPIC over the Mankayan area was started in late 2015, but was suspended before the general elections in May 2016. FPIC in Cervantes has advanced to consensus building, and as of year-end, the consensus of 6 out of 9 barangays have been achieved. The 3rd General Assembly, which is the final assembly to officially proclaim the acceptance of the exploration work by CExCI, will be conducted within the first quarter of 2017.

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

Manmanok

The Manmanok property is located within the Municipality of Conner, Apayao Province. The property is covered by EP-004-2006-CAR, which was first granted in October 2006 and subsequently renewed twice with the corresponding reduction in area coverage. Following geophysical and geochemical work in an area that was deemed to be prospective for gold mineralization, drilling activities were conducted from June 2012 to March 2013, with poor results. Given this outcome and the difficulties experienced in operating in such a remote area, a decision has been made to terminate all work and relinquish the EP.

Kutop

The Kutop property is located within the municipalities of Malibcong and Daguioman in the Province of Abra, and the municipality of Balbalan in the Province of Kalinga. The property, with a total area of 13,268 hectares, is covered by an application for EP designated as EXPA-014-CAR.

As the area is ancestral land, CExCI is required to obtain a FPIC from the tribal group prior to the grant of the EP. Considerable delays have been experienced with the NCIP in moving this process forward. In the meantime, a deadline imposed by the MGB to complete this process has not been met. A letter requesting for the extension of the deadline remains pending.

N. ENVIRONMENT AND REHABILITATION

Environmental Responsibility

We adhere to the principles and practices of sustainable development. We are committed to complying and following environmental regulations by implementing best practices in managing environmental impacts of our operations. Mining is a temporary land use and once mining operations in our sites have ended, we plan to restore these properties 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. We are also committed to investing in programs and technologies to mitigate the anticipated impacts of mining activities.

To manage environmental impacts, NAC's subsidiaries have an 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.

It is the operational link between the environmental protection and enhancement commitments under CDAO 2010-21, consolidated implementing rules and regulations of RA No. 7942, as well as those stipulated in the ECC under Presidential Decree 1586 and the Contractor's plan of mining operation.

Activities undertaken through our Annual EPEP include, among others:

- Rehabilitation of mine disturbed areas
- Reforestation
- Construction and/or maintenance of environmental facilities
- Solid waste management
- Hazardous waste management
- Air quality monitoring and water quality monitoring
- Preservation of downstream water quality

NAC also complies with the ECC conditions and the performance of commitments through our Annual EPEP. This program is monitored and evaluated by the Multipartite Monitoring Team - a multi-sector group headed by a representative from the Regional MGB and representatives of LGUs, other government agencies, NGO, people's organization, the church sector and the Group.

In 2016, we spent approximately ₱363.8 million on our EPEP.

Rehabilitation

In line with our commitment to maintain a sustainable environment in our areas of operation and abide by the Philippine Mining Act of 1995, NAC regularly conducts onsite environmental assessment to ensure that all its subsidiaries are strictly implementing progressive rehabilitation within standard set by regulatory agencies.

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 twelve (12) to eighteen (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 bearing trees will eventually be a source of food for a variety of wildlife species that 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 twelve (12) to eighteen (18) months.

The end result is a sustainably managed forest far better than the stunted vegetation before, because of the mineralized nature of the soil.

As a means of restoring the disturbed areas from mining operations, NAC requires each mine site to create a decommissioning/ closure plan. The closure plan includes the process in which mined-out areas will be rehabilitated and monitored, until the rehabilitation criteria set by MGB are successfully satisfied. The program for final rehabilitation and decommissioning includes social package which include livelihood components for the host communities and the affected employees of our companies. The four operating subsidiaries have already developed their respective plans for review and approval of the MGB.

Mine Rehabilitation is contained in the Philippine Mining Act of 1995. It's part of a Sustainable Development. It's part of our best practice at our subsidiary, RTN. Following the "Sequential Planting Method", we first plant fast growing species called Pioneer Species such as Batino, Acacia mangium, Acacia auriculiformis and others – all grown and nurtured in our nursery. These species provide vegetative cover within three (3) years to enable the planting of "Climax Species" like Apitong, Ipil, Narra, Almaciga, Agoho, Kamagong and others which we need tree shade to grow. They form the core of the new forest stands. Native fruit-bearing trees are also planted to provide a source of food for wild animals that will eventually populate the forest. To ensure the survival of all these trees we have a forestry team. Composed mostly of indigenous people from the surrounding areas, the team conducts a maintenance program like watering during summer, ringweeding cultivation around seedlings, application of compost and other related activities. The work of the team has achieved a survival rate of 80%-90% for the trees.

As of December 31, 2016, the Group recognized a provision for mine rehabilitation and decommissioning of ₱442.5 million. Funds for mine rehabilitation and other environmental guarantee funds are established and deposited in trust funds, as required by the Philippine Mining Act. We have ₱302.9 million maintained in such funds as of December 31, 2016. This amount complies with the minimum requirement under the law.

In 2016 and 2015, the Group has rehabilitated and reforested a total of 210.17 hectares and 250.70 hectares, respectively, with corresponding number of trees planted of about 452,412 and 644,907, respectively.

O. SOCIAL RESPONSIBILITY

We endeavor 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 country. 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.

Social development programs are created and implemented in all the mines. The focus areas of these programs are designed to address needs of communities around the mine sites. These programs are carried out through the Social Development Management Plans (SDMPs) and Corporate Social Responsibility (CSR) activities of the Group. The main difference between the two programs is that the SDMP is required by the government, while CSR is voluntary on the part of the Group.

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. Each of our operating mines manages their social expenditures through its respective SDMPs. These are five (5) year programs that contain a list of priority projects identified and approved for implementation, in consultation with the host communities. Each mine site has a community relations team that is in charge of identifying and implementing SDMPs, and maintaining strong relationships with communities. 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.

We also recognize the rights of the indigenous peoples and Indigenous Cultural Communities and in compliance with the Indigenous Peoples Rights Act, we entered into agreements for royalty payments and other assistance for their socio-economic well-being.

We respect and value each of our employees and observe the fundamental tenets of human rights, occupational safety and non-discrimination in the work place. We implement a Safety and Health Program in all our operating mines and we provide the equipment, training and resources necessary to enable our employees to perform their work safely and without risk to their health. We have committees and labor management groups that monitor our health and safety programs. We believe that security, goes hand in hand with safety in the workplace and we have security policies and systems founded on the protection of basic human rights and respect for people.

Beyond the mandatory SDMP programs, we carry out our own CSR programs. The NAC's CSR Program is anchored on 2 central elements:

1. Community Partnership and Relationship Building
 - a) Establishing and maintaining positive relationships with communities by having them as partners for community development and nation building
 - b) Partnership building with communities (both social and environmental) - community as essential partners and not as mere beneficiaries
 - c) Community serving as the primary protector of the Company through strong partnership and relationship
2. Leadership
 - a) Top management strongly supports the Group's CSR initiatives
 - b) Social Investment - going beyond compliance and considering CSR not as an additional cost but as an investment

P. EMPLOYEES

As at December 31, 2016, we had 1,777 employees. Of these, 850 are employed in mining operations.

The table below shows the distribution of our workforce (full time regular employees only):

Head Office

	NAC	CMC	HMC	TMC	RTN	CEXCI	Geogen	EPI	JSI	BGI	MGPC	MEI	Total
Senior Management	15	1	1	2	1	-	-	2	-	-	-	1	23
Managers	8	1	2	2	2	2	-	9	-	-	-	-	26
Supervisors	15	6	5	6	6	2	-	-	-	-	-	-	40
Rank & File	20	3	6	8	11	4	1	7	3	1	7	4	75
Total	58	11	14	18	20	8	1	18	3	1	7	5	164

Minesite/Project Field Office

	NAC	CMC	HMC	TMC	RTN	CEXCI	Geogen	EPI	JSI	BGI	MGPC	MEI	Total
Senior Management	-	1	-	1	1	-	-	-	-	-	-	-	3
Managers	3	5	14	34	36	-	3	-	1	-	1	-	97
Supervisors	4	46	62	167	129	-	4	-	-	1	-	-	413
Rank & File	9	132	90	331	501	-	1	-	17	8	11	-	1,100
Total	16	184	166	533	667	-	8	-	18	9	12	-	1,613

Each mine site and project field office also provides work opportunities for the communities. The table below shows a breakdown of the workforce (full time, contractual, probationary and casual) hired from the local communities in each area of operation:

Minesite	Manpower from local community	Indigenous People
Regular	1,328	88
Probationary	25	-
Seasonal	1,770	6
Total	3,123	94

NAC complies with the government standards on the wages and labor practices in the Philippine mining and renewable energy industries. 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. Generally, CBAs have terms of 5 years (with a provision for wage renegotiation after 3 years).

HMC's CBA has been negotiated for a five (5) year period and subject for renegotiation in December 2017. The five (5) year CBA of RTN took effect in January 2016. CMC's three (3) year CBA has been agreed upon in 2016 and subject for renegotiation in 2019 while TMC's five (5) year CBA has been negotiated and agreed upon in 2015, with a wage renegotiation after 3 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.

Pension Costs

The Company provides its regular employees with a retirement benefit as part of its employment benefits. 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. The assumptions include among others, discount rates and future salary increase rates.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Re-measurements of net defined benefit liability or asset

These amounts are calculated periodically by independent qualified actuaries.

Q. RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Changes in, or more aggressive enforcement of, laws and regulations could adversely impact our business - Mining operations and exploration activities are subject to extensive laws and regulations. These relate to production, development, exploration, exports, imports, taxes and royalties, labor standards, occupational health, waste disposal, protection and remediation of the environment, mine decommissioning and rehabilitation, mine safety, toxic substances, transportation safety and emergency response and other matters. In 2016, we saw a regulatory environment that decidedly turned hostile against our industry. During the second half of 2016, our four mines underwent an audit by personnel of the DENR. This was mandated by the DENR, although in early 2016 all of our mines received their ISO 14001 Certification for Environmental Management Systems, which process already involves audits by accredited third parties. The audit team included representatives of civil society organizations, some of who do not look favorably on our industry, and covered a review of permitting requirements and all aspects of the mining operations with emphasis on environmental compliance and social acceptability. Of a total of about forty-three (43) operating mines in the country, reportedly 13 passed the audit, including three (3) of our mines - RTN, TMC and CMC. With respect to our Hinatuan mine, certain

violations were noted, which we contested. A DENR Technical Committee tasked to review the audits recommended certain penalties. Regrettably, the Secretary ignored such recommendation and Hinatuan received a closure order. We have appealed this to the Office of the President, which stays the order. It is our understanding that the MICC will review the results of the mine audits. It is our objective to vigorously contest the adverse findings and the closure order.

Continued moratorium and delay in getting permits - The issuance of EO No. 79 put a moratorium on the issuance of new permits pending legislation rationalizing the existing revenue sharing schemes and mechanism have taken effect. We rely on permits, licenses, including MPSA, operating agreements with third-party claim owners and land access agreements to conduct our mining operations. The MPSAs and Operating Agreement with respect to our five operating mines expire at different times between 2017 and 2047 and require renewal upon expiration. We believe that we currently hold or have applied for all necessary licenses, permits, operating agreements and land access agreements to carry on the activities that we are currently conducting under applicable laws and regulations, licenses, permits, operating agreements and land access agreements. We may be required to prepare and present to government authorities data pertaining to the impact that any proposed exploration or production of ore may have on the environment, as well as efficient resource utilization and other factors our operations may influence. The process of obtaining environmental approvals, including the completion of any necessary environmental impact assessments, can be lengthy, subject to public input and expensive. Regulatory authorities can exercise considerable discretion in the terms and the timing of permit issuance or whether a permit may be issued at all. Accordingly, the approvals we need for our mining operations may not be issued or renewed or, if issued or renewed, may not be issued in a timely fashion, or may involve requirements that may be changed or interpreted in a manner which restricts our ability to conduct our mining operations profitably.

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

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

Mine security - Our operations are prone to terrorist attacks and other insurgent atrocities 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, or at the very least, reduce terror-related incidents.

Each mining operation also employs a safety team under an accredited safety officer to promulgate safety measures and procedures and to ensure that these are followed. Training programs are also being conducted regularly.

On October 3, 2011, around 200 armed men occupied the TMC mine site and destroyed, among others, equipment, building structures, materials and supplies by setting them on fire. Accounting, personnel, laboratory and administrative records were destroyed. Approximately ₱239.5 million worth of damages were sustained. Fortunately, no life or limb was lost. In response to the incident, security was increased, not just in TMC, but all our mine sites. This was done in close coordination with the Armed Forces of the Philippines tapping the services of the Special Citizen Armed Forces Geographical Unit Active Auxiliary Companies.

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. Our facilities operate under various operating and environmental permits, licenses and approvals to satisfy these conditions. Failure to meet these conditions could result in interruption or closure of exploration, development or mining operations or material fines or penalties.

Aside from the above, we face a number of risks and the occurrence of any of these risks could have an adverse impact on our business, results of operations and financial condition.

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

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

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

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

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

Changes in Chinese demand may negatively impact world nickel demand and prices - Approximately, 69% of our revenue in 2016 was derived from sale of nickel ore into China. The Chinese market has become a significant source of global demand for commodities.

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

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

A prolonged decrease in production by the Coral Bay HPAL facility or the Taganito HPAL facility - Approximately, 13% of our revenue in 2016 was derived from sale of limonite ore to the Coral Bay HPAL facility and Taganito HPAL facility. CBNC, the owner of the Coral Bay HPAL facility, is only required to pay for limonite ore that is actually delivered to the plant and there are no minimum take-or-pay provisions in the ore supply agreement governing our sales of ore to the facility. The ore supply agreement with Taganito HPAL facility is also subject to similar terms. In the event that the Coral Bay HPAL facility or the Taganito HPAL facility, decreases production or experiences an unexpected prolonged shutdown, we would reduce the volume of limonite ore that we deliver to the applicable facility or cease such deliveries altogether.

Our reserves may not be replaced, and failure to identify, acquire and develop additional reserves could have an adverse impact on our business, results of operations and financial condition - Our sources of nickel ore are currently limited to the Rio Tuba, Taganito, Cagdianao and Taganaan mines. Our profitability depends substantially on our ability to mine, in a cost-effective manner, nickel ore that possesses the quality characteristics desired by our customers. Because our reserves decline as we mine our nickel ore, our future success and growth depend upon our ability to identify and acquire additional nickel ore resources that are economically recoverable. We currently have seven mining exploration properties in the Philippines and if we fail to define additional reserves on any of our existing or future properties, our existing reserves will eventually be depleted. The acquisition of Geogen in 2015 will increase our current sources of nickel ore of the Group.

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

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

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

Item 2. PROPERTIES

A. MINING PROPERTIES AND PERMITS

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

RIO TUBA NICKEL MINING CORPORATION

A. Rio Tuba mine

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

MPSA No. 213-2005-IVB for Rio Tuba Nickel's Limestone Quarry - On April 28, 2005, RTN was issued another MPSA for a total area of 84.5364 hectares in Bataraza, Palawan. This MPSA was also given a validity of twenty-five (25) years renewable for another twenty-five (25) years subject to mutually agreed upon terms and conditions. This MPSA covers the Sitio Gotok limestone pit, whereby limestones are being sold to CBNC and Unichamp Mineral Philippines, Inc. (UMPI). The terms and conditions of this MPSA mirror the terms of MPSA No. 114-98-IV granted to RTN, albeit covering mining of limestone rather than nickel products.

B. Bulanjao exploration

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

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

HINATUAN MINING CORPORATION

A. Taganaan mine

MPSA 246-2007-XIII - On July 25, 2007, HMC was granted a MPSA covering 773.77 hectares of mineral land in Talavera, Taganaan, Surigao del Norte within Parcel II of the Surigao Mineral Reservation for a period of twenty-five (25) years renewable for another twenty-five (25) years subject to mutually agreed upon terms and conditions.

As discussed in the preceding section, we are contesting adverse findings and a closure order on our Taganaan mine as we believe there is no basis for such actions.

B. Manicani mine

MPSA No. 012-92-VIII - The Manicani mine is subject to 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 May 1, 2002, the DENR ordered the suspension of mining operations in Manicani pending a conduct of investigation in view of the complaints of the Roman Catholic Bishop. In a decision dated August 2, 2004, an arbitral panel of the Mines Adjudication Board, MGB, Region 8, the MPSA was ordered cancelled. The basis for the decision of the Board was a violation of the ECC with respect to dust pollution, reforestation and wastewater discharge. As a result of the decision, mining operations in Manicani remain suspended. The mining operations were found by the Board to be causing pollution of the seawater of Manicani Island. A Memorandum of Appeal dated December 23, 2004 was filed by HMC and our MPSA was upheld by the Mines Adjudication Board on September 4, 2009. Incidentally, a Letter of Authority to Dispose Nickel Stockpile was issued by MGB Director Leo Jasareno on July 1, 2014. From May to August of 2016, five (5) shipments were realized for the disposal of said stockpiles, after which, shipments were suspended by MGB. This left behind almost 900,000 WMT of stockpiles which were already approved for disposal.

TAGANITO MINING CORPORATION

A. Taganito Mine

MPSA No. 266-2008-XIII - TMC was granted a MPSA on June 18, 2009 for a period of twenty-five (25) years subject to renewal as may be mutually agreed upon. The MPSA covers an area of 4,862.7116 hectares located at the Barangays of Hayanggabon, Urbiztondo, Taganito and Cagdianao, Municipality of Claver, Province of Surigao del Norte.

B. Kepha Exploration

MPSA No. 284-2009-XIII - 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.

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

An Operating Agreement dated February 14, 2007 was executed by and between TMC and Kepha for a term of twenty-five (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.

C. La Salle Exploration

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

On December 18, 2006, La Salle entered into an Operating agreement with TMC for a term of twenty-five (25) years whereby TMC shall maintain the mining rights of La Salle covering the aforesaid properties and to keep the rights in current and good standing for and on behalf of La Salle. On August 12, 2010, La Salle submitted to the MGB an amended MPSA plan, reducing the area from 6,824 hectares to 2,234.96 hectares.

On January 11, 2016, TMC issued a Notice of Exclusion of the limestone deposit from the Operating Agreement to La Salle as TMC is no longer interested in the exploration and/or development of the limestone deposit inside the property.

CAGDIANAO MINING CORPORATION

Cagdianao Mine

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

On the same date, a MOA was executed between CMC, as Operator, and East Coast for a period of ten (10) years from the effectivity of the MOA whereby East Coast grants CMC the exclusive right to explore, develop and utilize the mineral property covered by the MPSA. On November 19, 2007, the MOA was renewed for a period of fifteen (15) years, covering the remaining term of the MPSA. On December 18, 2015, a Supplemental Agreement was executed by CMC and East Coast, providing for, among others, an automatic renewal of the MOA for another twenty-five (25) years, or from 2022 to 2047.

GEOGEN CORPORATION

On July 30, 2007, the Platinum Group Metals Corporation (PGMC) and the Government entered into an MPSA, which allows PGMC to explore, develop and mine nickel ore within the contract area covering 2,392 hectares in the Municipality of Dinapigue, Province of Isabela.

On January 6, 2009, PGMC and Geogen executed a Deed of Assignment transferring to Geogen all the rights, title and interest in and into the MPSA over the contract area.

Under the MPSA, Geogen shall pay the Government a 2% excise tax. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of Geogen, with approval from the Government.

CORDILLERA EXPLORATION CO., INC.

CExCI has an 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 FTAA over the Mankayan Property, within the adjoining provinces of Benguet, Ilocos Sur and Mountain Province, part of which is in the process of conversion to EPs.

NEWMINCO PACIFIC MINING CORPORATION

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

B. MINERAL RESOURCES AND RESERVES

As of December 31, 2016, the Company's Total Mineral Resources and Ore Reserves in accordance with Philippine Mineral Reporting Code (PMRC) are as follows:

Ore	Class	Tonnes (kWMT)	Tonnes (kDMT)	% Ni	% Fe	Contained Ni (kt)
<i>Ore Reserves*</i>						
Saprolite	Proved and Probable	111,717	76,240	1.51	12.41	1,151
Limonite	Proved and Probable	263,778	177,075	1.13	41.32	1,993
<i>Mineral Resources**</i>						
Saprolite	Measured & Indicated	161,027	107,509	1.47	11.95	1,578
Limonite	Measured & Indicated	277,914	186,281	1.10	41.94	2,051
Saprolite	Inferred	53,370	35,920	1.31	12.94	472
Limonite	Inferred	22,465	15,001	1.05	36.41	159

* This ore reserves estimate was prepared by Engr. Rolando R. Cruz. (BSEM), Vice President for Operations of Nickel Asia Corporation. Engr. Cruz is a Competent Person under the definition of the PMRC and has sufficient experience as to the type of deposit and mineralization. He is a licensed mining engineer with PRC registration number 1803. He has given his consent to the attachment of this statement to the 17-A 2016 Annual Report concerning Ore Reserve Estimation.

** This mineral resources estimate was prepared by Mr. Radegundo S. De Luna, Consultant of Nickel Asia Corporation.

Mr. De Luna is a Competent Person under the definition of the PMRC and has sufficient experience as to the type of deposit and mineralization. He is a licensed geologist with License number 218. He has given his consent to the attachment of this statement to the 17-A 2016 Annual Report concerning Mineral Resources Estimation.

C. PROCESSING FACILITIES

CBNC

Facility	.....	Coral Bay HPAL nickel processing plant
Location	.....	In a Special Economic Zone adjacent to Rio Tuba mine
Ownership	.....	NAC (10%) Mitsui and Co., Ltd. (Mitsui; 18%) Sojitz Corporation (18%) SMM (54%)
Operations	.....	Commissioned in 2005 with design capacity of 10,000 tonnes per year of contained nickel. Capacity doubled to 20,000 tonnes per year of contained nickel in June 2009 and attained annual capacity of 24,000 tonnes in 2010 due to facility expansion.
Technology	.....	HPAL process
Source of ore	.....	Rio Tuba mine
Product	.....	Nickel-cobalt sulfide sold exclusively to SMM

The Company acquired its 10% equity interest in CBNC, the Philippine's first HPAL nickel processing plant, by way of property dividend distributed by RTN in March 2014. A consortium of Japanese companies led by SMM holds the remaining 90% equity interest. The plant was constructed adjacent to the Rio Tuba mine in an area designated as a Special Economic Zone by the Philippine Export Zone Authority (PEZA). As such, CBNC enjoys tax incentives, including a tax holiday. All of the limonite ore required for the plant is supplied by RTN from its extensive stockpile and from newly mined ore. RTN also supplies limestone and undertakes certain materials handling and transportation services. The plant produces a nickel sulfide precipitate containing approximately 57% nickel and 4% cobalt, which is sold exclusively to SMM for refining at its Nihama refinery. The facility uses proprietary SMM technology under a non-exclusive license.

THNC

Facility	.....	Taganito HPAL nickel processing plant
Location	.....	In a Special Economic Zone adjacent to the Taganito mine

Ownership.	NAC (10.0%) SMM (75.0%) Mitsui (15.0%)
Operations.	Commenced commercial operations at full capacity in October 2013 and expected to produce approximately 51,000 tonnes of mixed nickel-cobalt sulfide in 2014, the first full year of commercial operations at full capacity
Technology	HPAL process
Investment cost/financing	US\$1,420 million, which further increased to US\$1,590.0 million, to be majority debt-financed, with remaining balance to be equity-financed based on ownership
Source of ore	Taganito Mine
Product	Nickel-cobalt sulfide to be sold exclusively to SMM

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

Pursuant to the Taganito HPAL Stockholders Agreement that we entered into on September 15, 2010, the project will be undertaken by THNC, a company that will be jointly owned by us (as to 22.5%), SMM (as to 62.5%) and Mitsui (as to 15.0%). The agreement contains a term sheet with principal terms of an offtake agreement to be entered into between THNC and TMC for the supply of limonite ore. Similar to the Coral Bay HPAL facility, the plant is located in a Special Economic Zone approved by the PEZA and should enjoy tax incentives. The operation of the facility provides an additional dedicated customer for limonite ore from our Taganito mine allows us to benefit from the higher percentage of payable nickel available further downstream in the nickel value chain.

The estimated total cost is US\$1.7 billion, which includes capital expenditures of US\$1.6 billion for the plant, working capital and US\$100.0 million of interest accrued during the construction phase. An estimated of US\$1.1 billion of the project costs will be financed with debt financing that will be incurred by THNC. Under the terms of the Stockholders Agreement, we will be required to guarantee a portion of such debt financing equal to our 22.5% equity interest in THNC. On September 15, 2010, we entered into an agreement with SMM whereby SMM will guarantee our pro-rata portion of THNC's loan obligation in exchange for the payment of an annual guarantee service fee to SMM of 1% of our pro-rata share of the outstanding loan obligation.

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 latter pays guarantee service fee.

On August 4, 2014 and October 4, 2013, the Parent Company, SMM and Mitsui agreed to extend another loan of US\$117.7 million for the working capital requirement of THNC, and US\$90.0 million for the construction of the tailings dam, respectively.

On February 15, 2016 and November 9, 2015, another loan facility in the amount of US\$65.0 million and US\$120.0 million, respectively, were extended by the stockholders to THNC to cover for the latter's working capital requirements.

On September 15, 2016 and August 16, 2016, the stockholders of THNC extended another US\$25.0 million and US\$124.0 million, respectively, to cover the latter's loan repayments, capital investments and working capital requirements.

In 2016, we made a strategic decision to reduce our ownership in the Taganito plant from 22.5% to 10.0%, the same equity level that we have in the Coral Bay plant. The reduction in our equity was achieved by a sale of shares to the majority owner of the plant and one of our major shareholders, SMM.

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

D. REAL PROPERTIES

TMC owns the following parcels of land located in Surigao City:

- 1) land with a total area of 43,237 square meters in Barangay Rizal and with Transfer Certificate of Title (TCT) No. 162-2011000392; and
- 2) another parcel of land with a total area of 88,640 square meters in Barangay Ipil and with TCT No. 162-2012000481, which is intended for leasing to THNC in the future

Likewise, HMC owns a land with a total area of 3,500 square meters located in Barangay Luna, Surigao del Norte under TCT No. 162-2013000096. HMC constructed a building on the said land which is currently being used as a liaison office of NAC's mining companies in Surigao.

RTN has parcels of land located in Manggahan, Pasig and Cainta, Rizal covering a total area of 3,324 square meters. These parcels of land are held for future use.

NAC owned a land with a total area of more or less 20,000 square meters which is located in Barangay Quezon, Surigao del Norte. NAC constructed its diesel power plant on the said land.

E. SERVICE CONTRACTS

Our power companies hold the following service contracts:

Solar Energy Service Contract No. 2013-10-039

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

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

On March 11, 2016, Jobin's Certificate of Confirmation of Commerciality originally rated for the 100.44 MW was amended by DOE to 7.14 MW and 92.86 MW Sta. Rita Solar Power Project Phase I and II, respectively.

Wind Energy Service Contract No. 2013-10-062

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

Geothermal Renewable Energy Service Contract No. 2010-02-010

By virtue of RA 9513 known as the Renewable Energy Act of 2008, on February 1, 2010, the DOE issued to BGI GRESC No. 2010-02-010, converting its Geothermal Services Contract (GSC-09) issued on July 10, 2008 for the exploration, development and exploitation of geothermal resources covering the geothermal field in Biliran Province (previously a municipality of Leyte). By virtue of such agreement, BGI is entitled to enjoy an income tax holiday for a period of seven (7) years from the start of its commercial operation, duty free importation of machinery for ten (10) years, and 0% VAT, among others.

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

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

The Project is in the exploration drilling stage as at December 31, 2016.

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

Certificate of Registration No. 2014-02-054 shall remain in force for the remainder of twenty-five (25) years from date of effectivity if geothermal resources in commercial quantity are discovered during the pre-development stage, or any extension thereof. Moreover, if EPI has not been in default in its obligations under the GRESC, the DOE may grant an additional extension of twenty-five (25) years, provided that the total term is not to exceed fifty (50) years from the date of effectivity.

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

Solar Energy Service Contract No. 2015-01-099

On January 20, 2015, EPI entered into a SESC No. 2015-01-099 with the DOE which grant EPI the right to explore, develop and utilize the solar energy resources within the contract area of 324 hectares in the province of Pili, Camarines Sur.

The SESC carries a non-extendible two (2) year period of pre-development stage, which involves the preliminary assessment and feasibility study. The SESC shall remain in force for the remainder of twenty-five (25) years from date of effectivity if the solar energy resources are discovered to be in commercial quantities. If EPI has not been in default of any material obligations under the SESC, the DOE may grant EPI an extension of the SESC for another twenty-five (25) years. The full recovery of the project development costs incurred in connection with the SESC is dependent upon the discovery of solar energy resources in commercial quantities from the contract area and the success of future development thereof.

F. LIENS AND ENCUMBRANCES

- a. SMM's mortgage over RTN's pier facilities
- b. Chattel mortgage over Jobin's solar assets in favor of Land Bank of the Philippines

Item 3. LEGAL PROCEEDINGS

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

NCIP Case

There is an ongoing case involving TMC whereby the complainants filed a case with the NCIP seeking to invalidate the MOA between TMC and the AMPANTRIMTU, the organization representing the Mamanwa tribe, which has a Certificate of Ancestral Domain Title over the mining area of TMC.

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

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

Also, there is currently an ongoing case before the NCIP Office of Region 2 involving Geogen, which was filed by the indigenous people of Dinapigue, Isabela for alleged violation of the FPIC requirement under the old Geogen management. The new Geogen management has exerted efforts to settle amicably with the Petitioners and is now at the tail-end of executing an Agreement supplemental to the current MOA between the indigenous people of Dinapigue and Geogen's predecessor-in-interest, Platinum Group Metals Corp.

Petition for the Issuance of a Writ of Kalikasan

Finally, the Petition for the issuance of a Writ of Kalikasan and a Temporary Environmental Protection Order filed against TMC and four (4) other mining companies was ordered dismissed by the Court of Appeals-Cagayan de Oro in a Resolution dated April 22, 2016 and became final and executory on June 22, 2016.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters covered under this item submitted in 2016 to the security holders for a vote.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. MARKET FOR ISSUER’S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

A. MARKET INFORMATION

The stock prices for the Parent Company’s common equity for the last three (3) years, after the effect of stock dividends, are as follows:

	High	Low
2014		
1 st Quarter	₱6.63	₱5.01
2 nd Quarter	₱11.00	₱6.82
3 rd Quarter	₱15.97	₱10.87
4 th Quarter	₱16.00	₱12.97
2015		
1 st Quarter	₱16.15	₱12.00
2 nd Quarter	₱14.00	₱9.50
3 rd Quarter	₱11.50	₱6.40
4 th Quarter	₱8.80	₱6.16
2016		
1 st Quarter	₱5.92	₱3.40
2 nd Quarter	₱4.20	₱5.80
3 rd Quarter	₱5.03	₱7.43
4 th Quarter	₱6.77	₱8.75
2017		
1 st Quarter	₱6.19	₱8.49

The Parent Company’s stocks share price was at ₱6.35 per share as of March 27, 2017.

B. HOLDERS

The Company has 82 shareholders as of the end of 2016, with 7,602,928,954 common shares issued and outstanding. The top 20 stockholders of the Company as at December 31, 2016 are as follows:

Name	Citizenship	Shares	% of Ownership
PCD Nominee Corporation (Filipino)	Filipino	4,582,147,264	60.27%
Sumitomo Metal Mining Philippine Holdings Corporation	Japanese	1,444,657,926	19.00%
PCD Nominee Corporation (Non-Filipino)	Foreign	803,300,166	10.57%
Nonillion Holding Corp.	Filipino	720,000,000	09.47%
Gerard H. Brimo	Filipino	15,728,247	00.21%
Pacific Metals Co., Ltd.	Japanese	12,612,512	00.17%
Manuel B. Zamora, Jr.	Filipino	5,982,236	00.08%
Ricardo Sy Po or Angelita Tan Po or Leonardo Arthur Tan Po	Filipino	4,726,876	00.06%
William T. Enrile &/or William R. Enrile II &/or Nelly R. Enrile	Filipino	4,000,000	00.05%
Philip T. Ang	Filipino	1,616,724	00.02%
Koh Teng Ong Chong	Filipino	1,600,000	00.02%
Ronaldo B. Zamora	Filipino	1,300,224	00.02%
Megastar Real Estate Corporation	Filipino	1,300,000	00.02%
Rolando R. Cruz	Filipino	614,952	00.01%
Eva Policar-Bautista	Filipino	365,624	00.00%
Jose B. Anievas	Filipino	318,750	00.00%

Name	Citizenship	Shares	% of Ownership
Berck Y. Cheng	Filipino	300,000	00.00%
Steven Ivan Lim Yu	Filipino	290,850	00.00%
Josephine Chua Lim	Filipino	254,000	00.00%
RMJ Development Corporation	Filipino	225,000	00.00%

C. DIVIDENDS

The following tables show the dividends declared and paid to common shareholders for the years ended December 31, 2016, 2015 and 2014:

Cash Dividends

<i>Earnings</i>	<i>Date</i>			<i>Amount</i>	
	<i>Declared</i>	<i>Record</i>	<i>Payable</i>	<i>Per Share (after the Stock Dividends)</i>	<i>Total Declared (in millions)</i>
2016	March 15, 2016	March 31, 2016	April 12, 2016	₱0.08	₱607.8
2015	March 27, 2015	April 15, 2015	April 27, 2015	0.50	₱3,795.9
2014	November 10, 2014	November 24, 2014	December 10, 2014	0.17	1,264.0
2014	March 24, 2014	April 10, 2014	May 8, 2014	0.10	757.7

Stock Dividends

<i>Earnings</i>	<i>Date</i>			<i>%</i>	<i>No. of Shares (in millions)</i>	<i>Total Declared (in millions)</i>
	<i>Approved</i>	<i>Record</i>	<i>Issued</i>			
2015	June 5, 2015	July 16, 2015	August 11, 2015	100	3,798.5	₱1,899.2
2014	December 18, 2014	January 12, 2015	January 28, 2015	50	2,530.6	632.6

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

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

Cash dividends are paid to all shareholders at the same time and within thirty (30) calendar days from declaration date. Stock dividends are also issued to all shareholders at the same time but subject to shareholder's approval.

D. RECENT SALES OF UNREGISTERED OR EXEMPT SECURITIES

No unregistered securities were sold in 2016.

Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

The following discussion and analysis is based on the audited consolidated financial statements as at December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014, prepared in conformity with Philippine Financial Reporting Standards and accompanying Notes to the Consolidated Financial Statements and should be read in conjunction with the audited consolidated financial statements.

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

Summary Financial Information

The Consolidated Financial Statements as at December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014 are hereto attached.

The following table sets forth the summary financial information for the three years ended December 31, 2016, 2015 and 2014 and as at December 31, 2016, 2015 and 2014:

	Summary Consolidated Statements of Income			Horizontal Analysis			
	For the Years Ended			Increase (Decrease)		Increase (Decrease)	
	2016	2015	2014	2016 vs. 2015	%	2015 vs. 2014	%
	<i>(In thousand pesos)</i>						
Revenues	14,122,667	15,431,646	24,745,704	(1,308,979)	-8%	(9,314,058)	-38%
Costs	(6,387,045)	(6,762,130)	(5,877,717)	375,085	-6%	(884,413)	15%
Operating expenses	(3,663,337)	(3,765,601)	(4,567,651)	(102,264)	-3%	(802,050)	-18%
Finance income	228,430	305,112	172,104	(76,682)	-25%	133,008	77%
Finance expenses	(219,933)	(179,125)	(164,369)	40,808	23%	14,756	9%
Equity in net income (losses) of associates	(413,702)	(811,369)	522,380	(397,667)	-49%	1,333,749	-255%
Other income - net	493,540	493,544	470,495	(4)	0%	23,049	-5%
Provision for income tax	(1,449,478)	(1,667,286)	(4,292,827)	(217,808)	-13%	(2,625,541)	-61%
Net income	<u>2,711,142</u>	<u>3,044,791</u>	<u>11,008,119</u>	<u>(333,649)</u>	<u>-11%</u>	<u>(7,078,915)</u>	<u>64%</u>
Net income attributable to:							
Equity holders of the parent	1,966,107	2,035,143	8,551,627	(69,036)	-3%	(6,516,484)	-76%
Non-controlling interests	745,035	1,009,648	2,456,492	(264,613)	-26%	(1,446,844)	-59%
	<u>2,711,142</u>	<u>3,044,791</u>	<u>11,008,119</u>	<u>(333,649)</u>	<u>-11%</u>	<u>(7,963,328)</u>	<u>-72%</u>

	Summary Consolidated Statements of Income			Vertical Analysis			
	For the Years Ended			Increase (Decrease)		Increase (Decrease)	
	2016	2015	2014	2016 vs. 2015	%	2015 vs. 2014	%
	<i>(In thousand pesos)</i>						
Revenues	14,122,667	15,431,646	24,745,704	(1,308,979)	185%	(9,314,058)	132%
Costs	(6,387,045)	(6,762,130)	(5,877,717)	375,085	-53%	(884,413)	12%
Operating expenses	(3,663,337)	(3,765,601)	(4,567,651)	(102,264)	14%	(802,050)	11%
Finance income	228,430	305,112	172,104	(76,682)	11%	133,008	-2%
Finance expenses	(219,933)	(179,125)	(164,369)	40,808	-6%	14,756	0%
Equity in net income (losses) of associates	(413,702)	(811,369)	522,380	(397,667)	56%	1,333,749	-19%
Other income - net	493,540	493,544	470,495	(4)	0%	23,049	0%
Provision for income tax	(1,449,478)	(1,667,286)	(4,292,827)	(217,808)	31%	(2,625,541)	37%
Net income	<u>2,711,142</u>	<u>3,044,791</u>	<u>11,008,119</u>	<u>(708,734)</u>	<u>100%</u>	<u>(7,078,915)</u>	<u>100%</u>
Net income attributable to:							
Equity holders of the parent	1,966,107	2,035,143	8,551,627	(69,036)	21%	(6,516,484)	82%
Non-controlling interests	745,035	1,009,648	2,456,492	(264,613)	79%	(1,446,844)	18%
	<u>2,711,142</u>	<u>3,044,791</u>	<u>11,008,119</u>	<u>(333,649)</u>	<u>100%</u>	<u>(7,963,328)</u>	<u>100%</u>

Summary Consolidated Statements of Financial Position

	2016	2015	2014	Horizontal Analysis			
				Increase (Decrease)		Increase (Decrease)	
				2016 vs. 2015	%	2015 vs. 2014	%
	<i>(In Thousand Pesos)</i>						
Current assets	20,522,768	16,677,942	20,611,470	3,844,826	23%	(3,933,528)	-19%
Noncurrent assets	24,828,748	25,052,413	14,572,438	(223,665)	-1%	10,479,975	72%
Total assets	45,351,516	41,730,355	35,183,908	3,621,161	9%	6,546,447	19%
Current liabilities	7,945,838	7,713,231	2,114,567	232,607	3%	5,598,664	265%
Noncurrent liabilities	6,206,025	4,603,936	2,166,995	1,602,089	35%	2,436,941	112%
Non-controlling interests	4,179,162	3,901,315	3,716,715	277,847	7%	184,600	5%
Equity attributable to equity holders of the Parent	27,020,491	25,511,873	27,185,631	1,508,618	6%	(1,673,758)	-6%
Total liabilities and equity	45,351,516	41,730,355	35,183,908	3,621,161	9%	6,546,447	19%

Summary Consolidated Statements of Financial Position

	2016	2015	2014	Vertical Analysis			
				Increase (Decrease)		Increase (Decrease)	
				2016 vs. 2015	%	2015 vs. 2014	%
	<i>(In Thousand Pesos)</i>						
Current assets	20,522,768	16,677,942	20,611,470	3,844,826	106%	(3,933,528)	-60%
Noncurrent assets	24,828,748	25,052,413	14,572,438	(223,665)	-6%	10,479,975	160%
Total assets	45,351,516	41,730,355	35,183,908	3,621,161	100%	6,546,447	100%
Current liabilities	7,945,838	7,713,231	2,114,567	232,607	6%	5,598,664	86%
Noncurrent liabilities	6,206,025	4,603,936	2,166,995	1,602,089	44%	2,436,941	37%
Non-controlling interests	4,179,162	3,901,315	3,716,715	277,847	8%	184,600	3%
Equity attributable to equity holders of the Parent	27,020,491	25,511,873	27,185,631	1,508,618	42%	(1,673,758)	-26%
Total liabilities and equity	45,351,516	41,730,355	35,183,908	3,621,161	100%	6,546,447	100%

Summary Consolidated Statements of Cash Flows

	For the Years Ended December 31		
	2016	2015	2014
	<i>(In Thousand Pesos)</i>		
Net cash flows from (used in):			
Operating activities	4,513,391	4,858,196	11,155,079
Investing activities	(1,840,227)	(9,285,465)	(2,335,864)
Financing activities	(346,594)	(2,195,157)	(5,587,843)
Net increase (decrease) in cash and cash equivalents	2,326,570	(6,622,426)	3,231,372
Cash and cash equivalents, beginning	7,073,171	13,561,803	10,234,336
Effect of exchange rate changes in cash and cash equivalents	248,202	133,794	96,095
Cash and cash equivalents, end	9,647,943	7,073,171	13,561,803

RESULTS OF OPERATIONS

Calendar year ended December 31, 2016 compared with calendar year ended December 31, 2015

Revenues

Our total revenues were ₱14,122.7 million in 2016 as compared to ₱15,431.6 million in 2015, a decrease of ₱1,308.9 million, or 8%.

Sale of ore

We sold an aggregate 19,254.1 thousand WMT of nickel ore in 2016, marginally lower compared to 19,671.6 thousand WMT of nickel ore in 2015. Our sales for this year included 7,342.1 thousand WMT of saprolite ore

sold to customers in Japan, China and Australia, 4,349.6 thousand WMT of limonite ore to our customers in China and Australia, and 7,562.4 thousand WMT of limonite ore to CBNC and THNC compared to sales of 7,058.9 thousand WMT, 4,814.8 thousand WMT and 7,797.9 thousand WMT, respectively, in 2015.

Lower shipment volume coupled with the overall weakness in nickel ore prices led to a drop in the Group's value of shipments from ₱14,381.5 million in 2015 to ₱13,233.5 million in 2016.

The estimated realized nickel price on 11,691.7 thousand WMT of ore sales mainly to Japanese and Chinese customers in 2016 averaged \$20.77 per WMT compared to an average of \$22.64 per WMT realized in 2015.

With respect to low-grade limonite ore sold to both the Coral Bay and Taganito processing plants, which are linked to LME prices, the Group realized an average of \$4.39 per pound of payable nickel on 7,562.4 thousand WMT sold in 2016. This compares to an average price of \$5.36 per pound of payable nickel on 7,797.9 thousand WMT sold in 2015. The lower volume compared to the prior year was due to remedial work conducted over a one month period at the Taganito HPAL plant, which reduced ore delivery from the Group's Taganito mine. The work was completed in May 2016 and the plant has since resumed operations at full capacity.

On a per mine basis, the Group's Taganito operation accounted for 42% of total shipments. The mine shipped a total of 2,337.7 thousand WMT of saprolite ore and 5,659.0 thousand WMT of limonite ore, including 4,113.2 thousand WMT to the Taganito HPAL plant. The comparable figures for last year were 2,500.9 thousand WMT, 5,239.8 thousand WMT and 4,426.3 thousand WMT, respectively.

The Rio Tuba mine accounted for 32% of total shipments, which consists of 2,273.5 thousand WMT of saprolite ore and 3,884.0 thousand WMT of limonite ore, including 3,449.2 thousand WMT of ore delivered to the Coral Bay HPAL plant. For the comparable period last year, Rio Tuba sold 3,180.2 thousand WMT of saprolite ore and 3,371.6 thousand WMT of limonite ore to the Coral Bay plant. The drop in ore shipments was mainly due to a change in the ore grade mix brought about by the impact of lower ore prices.

The prolonged rainy season and resulting sea swells during the first half of the year resulted to delays in the start of shipments from the Group's Hinatuan and Cagdianao mines, thereby translating to slightly lower shipment volumes in 2016. Shipments from the Hinatuan mine in 2016 amounted to 3,034.3 thousand WMT compared to 3,209.5 thousand WMT in 2015, while the Cagdianao mine shipped 2,065.6 thousand WMT in 2016 versus 2,169.5 thousand WMT last year.

RTN's revenue from sale of limestone ore was ₱340.9 million in 2016 as compared to ₱414.1 million in 2015, a decrease of ₱73.2 million or 18%. The decrease was attributable to the 111.2 thousand WMT or 19% decline in limestone sales in the current year compared to last year.

Services and Others

Our revenue from services and others was ₱530.3 million in 2016 compared to ₱636.0 million in 2015, a decrease of ₱105.7 million, or 17%. Services revenue largely consists of payments made to us in consideration for hauling, manpower and other ancillary services that RTN and TMC provides to CBNC and THNC, respectively, and usage fee charged by TMC to THNC for the use of its pier facility. The decline in revenue from services and others was attributable to the 12% and 7% drop in volume handled by TMC and RTN, respectively. In addition, the 2015 revenue from services of RTN included price adjustments for 2013 and 2014 materials handling deliveries.

Costs and Expenses

Our costs and expenses amounted to ₱10,050.4 million in 2016 as compared to ₱10,527.7 million in 2015, a decrease of ₱477.3 million, or 5%.

Cost of Sales

Our cost of sales was ₱5,907.2 million in 2016 compared to ₱6,279.2 million in 2015, a decrease of ₱372.0 million, or 6%. Decrease in cost of sales was attributable to the 2% decline in shipment volume

caused by unfavorable weather conditions and the effects of sea swells during the first half of the year and due to a change in the ore grade mix brought about by the impact of lower ore prices. In addition, there was a reduction in cost of fuel due to the significant drop in fuel price. Contractor's fee and materials and supplies withdrawal also decreased because of lesser volume moved and the two conveyors of TMC were already operational, thus contract hauling of ore by truck had been substantially reduced.

Cost of Services

Cost of services was ₱441.5 million in 2016 compared to ₱482.9 million in 2015, a decrease of ₱41.4 million, or 9%. Costs of services largely consist of the cost of hauling, providing manpower and other ancillary services to CBNC and THNC, plus the costs of maintaining the pier facility used by THNC. The decline in cost of services was attributable mainly to the 12% and 7% drop in volume handled by TMC and RTN, respectively. Moreover, the fuel cost per liter was 24% lower than last year.

Shipping and Loading

Shipping and loading costs were ₱1,823.5 million for the year 2016 compared to ₱1,757.9 million for the year 2015, an increase of ₱65.6 million, or 4%. The increase in contract fees by ₱67.3 million and depreciation and amortization by ₱24.2 million, which were partially offset by the decrease in fuel, oil and lubricants by ₱31.1 million, were the main factors for the movements in the account.

Excise Taxes and Royalties

Our excise taxes and royalties were ₱1,006.7 million in 2016 compared to ₱1,089.6 million in 2015, a decrease of ₱82.9 million, or 8%. The decrease in excise taxes and royalties was attributable to the 8% decline in our sale of ore in the current year as compared to last year.

Marketing

Marketing costs were ₱95.9 million and ₱130.2 million in 2016 and 2015, respectively. The decrease in marketing cost was also brought by the decline in our sales revenue in 2016 compared with 2015 since the commission paid by CMC to its claim owner and the marketing fees paid to Mitsubishi Corporation are based on certain percentage of sales revenue.

General and Administrative

General and administrative expenses were ₱737.2 million for the year 2016 compared to ₱787.9 million for the year 2015, a decrease of ₱50.7 million, or 6%. The decrease in taxes and licenses by ₱73.7 million mainly caused the decrease in the account. Lower taxes and licenses in 2016 were attributable to lower fringe benefit tax paid on stock option exercised during the year by ₱3.6 million. Also in 2015, SEC filing fees of ₱15.1 million was paid by the Parent Company for the increase in its authorized capital stock while there was none in 2016. DST were also paid in 2015 for the acquisition of Geogen shares amounting to ₱0.9 million and stock dividends issued by the Parent Company in August 2015 and TMC in July 2015 amounting to a total of ₱14.5 million. Deficiency tax assessments were also accrued/paid in 2015 amounting to a total of ₱59.5 million. Local business taxes paid in 2015 were also higher than 2016 since the basis used in 2015 was revenue of 2014, which was significantly higher as compared to previous and current years. Depreciation and amortization also decreased due to full depreciation of Learjet in third quarter of 2015. Donations and contributions were lower by ₱20.0 million due to absence of housing constructions in 2016. The decrease was partially offset by the increase in personnel cost due to salary increases during the year. Also, full year general and administrative expenses of Geogen and EPI group were accounted in 2016 compared to around half year expenses last year since these companies were acquired only in third quarter of 2015.

Finance Income

Our finance income was ₱228.4 million in 2016 compared to ₱305.1 million in 2015, a decrease of ₱76.7 million, or 25%. The decrease in finance income was attributable mainly to the sale of AFS financial assets in 2015 which resulted to a gain of ₱86.3 million compared to a loss of ₱11.7 million in 2016. However, the decrease was partially offset by the increase in interest income from loans and AFS debt instruments.

Finance Expenses

Our finance expense was ₱219.9 million in 2016 compared with ₱179.1 million in 2015, an increase of ₱40.8 million, or 23%. The movement in our finance expense arose from the interest on bank loans of EPI, which increased by ₱56.4 million, due to additional loans drawn during the year amounting to ₱1,190.0 million and loss on sale of AFS financial assets of ₱11.7 million. The increase was partially offset by ₱24.2 million decrease in guarantee service fee as a result of the change in the Parent Company's share to provide loans and guarantee obligations of THNC which decreased from 22.5% to 10% effective July 1, 2016.

Equity in Net Losses of Associates

Our equity in net losses of THNC and CBNC was ₱413.7 million and ₱811.4 million in 2016 and 2015, respectively. The result of THNC's operations in 2016 and 2015 was a net loss of US\$21.4 million and US\$61.7 million, respectively. On the other hand, the results of CBNC's operations in 2016 and 2015 was a net loss of US\$21.8 million and US\$34.4 million, respectively.

Other Income - net

Our other income - net in 2016 and 2015 were almost the same at ₱493.5 million. The movement in the account was attributable to the following: 1) favorable impact of changes in foreign exchange rate since the Group is in net financial asset position, net effect was ₱40.3 million; 2) recognized gain of ₱239.6 million on the sale of the Parent Company's 12.5% interest in THNC to SMM; 3) no casualty losses incurred in 2016 compared to ₱101.0 million in 2015; 4) decrease in impairment losses provided on input VAT by ₱33.0 million; and 5) increase in special projects by ₱29.2 million. However, the said increases were partially offset by: 1) demurrage incurred during the year amounting to ₱107.0 million compared to a despatch of ₱39.0 million in prior year; 2) no business acquisitions happened in 2016, thus no gain on bargain purchase was recognized; 3) decrease in reversal of allowance for impairment losses on inventories by ₱29.1 million; 4) impairment losses were also provided for property and equipment amounting to ₱12.8 million compared to a reversal of impairment losses last year of ₱98.5 million; and 5) impairment losses provided on AFS financial assets of ₱119.2 million and trade and other receivables of ₱25.0 million.

Provision for Income Tax

Provision for income tax was ₱1,449.5 million in 2016 compared to ₱1,667.3 million in 2015, a decrease of ₱217.8 million, or 13%. Our current provision for income tax in 2016 was ₱1,441.5 million compared to ₱1,605.7 million in 2015, a decrease of ₱164.2 million, or 10% primarily due to the decrease in our taxable income in 2016 resulting from lower sales revenue. Our provision for deferred income tax in 2016 was ₱8.0 million compared to ₱61.5 million in 2015, a decrease of ₱53.5 million, or 87%. In 2015, the tax impact of movements in net operating loss carry-over (NOLCO) amounted to ₱75.0 million provisions for deferred income tax as compared in 2016 wherein a benefit of ₱27.5 million was recognized. Provision for deferred income tax on allowance for impairment losses was higher in 2015 due to reversals of allowance for inventory losses and impairment losses on property and equipment amounting to around ₱44.3 million as compared to 2016 wherein the total movement in allowance resulted to a benefit of ₱9.9 million. Benefit from deferred income tax on Executive Stock Option Plan (ESOP) accrual was lower by ₱10.5 million in 2016 compared to 2015. Moreover, the Group recognized a benefit in movement of excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) in 2015 amounting to ₱13.5 million compared to a provision of ₱27.5 million in 2016. The tax impact of unrealized foreign exchange gains in 2016 was higher by ₱37.0 million as compared in 2015.

Net Income

As a result of the foregoing, our consolidated net income was ₱2,711.1 million in 2016 compared to ₱3,044.8 million in 2015. Net of non-controlling interests, our net income was 1,966.1 million in 2016 as compared to ₱2,035.1 million in 2015, a decrease of ₱69.0 million, or 3%.

Calendar year ended December 31, 2015 compared with calendar year ended December 31, 2014

Revenues

Our total revenues were ₱15,431.6 million in 2015 as compared to ₱24,745.7 million in 2014, a decrease of ₱9,314.1 million, or 38%.

Sale of ore

We sold an aggregate 19,671.6 thousand WMT of nickel ore in 2015, an increase of 10% compared to 17,873.3 thousand WMT of nickel ore in 2014. Our sales in 2015 included 7,058.9 thousand WMT of saprolite ore sold to customers in Japan, China and Australia, 4,814.8 thousand WMT of limonite ore to our customers in China and Australia, and 7,797.9 thousand WMT of limonite ore to CBNC and THNC compared to sales of 5,740.5 thousand WMT, 4,726.6 thousand WMT and 7,406.2 thousand WMT, respectively, in 2014.

The direct exports of ore mainly contributed to the higher shipments, increasing to 11,873.6 thousand WMT in 2015 from 10,467.1 thousand WMT in 2014. Ore deliveries to the two HPAL plants likewise rose, in particular to the Taganito HPAL facility, which just completed its first full year of operations at full capacity. The said plant was operating at an average 80% capacity in 2014. Total ore deliveries to the two HPAL plants reached 7,797.9 thousand WMT in 2015 compared to 7,406.2 thousand WMT in 2014.

The record volume of ore shipments achieved in 2015 was not sufficient to offset the fall in nickel prices, resulting to a decrease in the estimated value of shipments from ₱23,736.6 million in 2014 to ₱14,381.5 million in 2015.

The estimated realized nickel price on 11,873.6 thousand WMT of direct exports of ore in 2015 averaged \$22.64 per WMT, much lower than the average of \$45.10 per WMT realized in 2014. It will be recalled that there was a surge in ore prices in 2014 due to the expectation of supply tightness resulting from the effects of the Indonesian export ore ban, which did not occur.

With respect to low-grade limonite ore sold to both the Coral Bay and Taganito plants, which continues to be linked to LME prices, the Group realized an average of \$5.36 per pound of payable nickel in 2015. This compares to an average price of \$7.69 per pound of payable nickel sold in 2014.

RTN's revenue from sale of nickel ore was ₱4,646.7 million in 2015 compared to ₱6,610.4 million in 2014, a decrease of ₱1,963.7 million or 30%. RTN sold an aggregate 6,551.9 thousand WMT of nickel ore in 2015 compared to an aggregate 5,972.4 thousand WMT of nickel ore sold in 2014. The volume of saprolite ore sold to Japanese customers decreased by 160.7 thousand WMT or 18% and the volume of saprolite and limonite ore sold to Chinese customers increased by 639.9 thousand WMT or 38%. In 2015, RTN also shipped 111.5 thousand WMT of saprolite ore to Australia. Lastly, the volume of limonite ore sold to CBNC decreased by 11.2 thousand WMT.

TMC's operations became the largest and accounted for 39% of total shipments in 2015. TMC's revenue from sale of nickel ore was ₱5,069.8 million in 2015 as compared to ₱8,479.0 million in 2014, a decrease of ₱3,409.2 million, or 40%. TMC sold an aggregate 7,740.7 thousand WMT of nickel ore in 2015 as compared to an aggregate 7,087.7 thousand WMT of nickel ore in 2014. The volume of saprolite ore sold to Japanese customers decreased by 8.7 thousand WMT or 1% and the volume of saprolite and limonite ore sold to Chinese customers increased by 258.8 thousand WMT or 11%. Further, TMC was able to deliver 4,426.3 thousand WMT of limonite ore to THNC plant in 2015 as against 4,023.4 thousand WMT of limonite ore in 2014.

CMC's revenue from sale of nickel ore was ₱2,350.2 million in 2015 as compared to ₱3,595.5 million in 2014, a decrease of ₱1,245.3 million, or 35%. CMC sold an aggregate 2,169.5 thousand WMT of nickel ore in 2015 compared to an aggregate 1,350.3 thousand WMT of nickel ore in 2014. Limonite shipments from CMC mine rose more than three times to 1,441.5 thousand WMT in 2015 compared to 460.7 thousand WMT in 2014. On the other hand, the saprolite ore sales from Cagdianao mine was 728.0 thousand WMT in 2015 compared to 889.6 thousand WMT in 2014.

HMC's revenue from sale of nickel ore was ₱2,314.8 million in 2015 compared to ₱5,051.7 million in 2014, a decrease of ₱2,736.9 million, or 54%. In 2015, HMC managed to sell an aggregate 3,209.5 thousand WMT of saprolite and limonite ore to Chinese customers compared to 3,462.9 thousand WMT in 2014.

RTN's revenue from sale of limestone ore was ₱414.1 million in 2015 as compared to ₱316.1 million in 2014, an increase of ₱98.0 million or 31%. There was an increase of 164.3 thousand WMT or 38% in limestone sales in 2015 due to deliveries to UMPI, which started in August 2014 only.

Services and Others

Our revenue from services and others was ₱636.0 million in 2015 compared to ₱693.0 million in 2014, a decrease of ₱57.0 million, or 8%. Services revenue largely consists of payments made to us in consideration for hauling, manpower and other ancillary services that RTN and TMC provides to CBNC and THNC, respectively, and usage fee charged by TMC to THNC for the use of its pier facility. The decrease in our revenues from services and others in 2015 was due to decrease in materials handling services rendered by RTN to CBNC since the processing of limestone and slake lime of CBNC was now handled by another contractor.

Costs and Expenses

Our costs and expenses amounted to ₱10,527.7 million in 2015 as compared to ₱10,445.4 million in 2014, an increase of ₱82.3 million, or 1%.

Cost of Sales

Our cost of sales was ₱6,279.2 million in 2015 compared to ₱5,356.4 million in 2014, an increase of ₱922.8 million, or 17%. Aside from the 10% increase in volume of shipments, the movement in cost of sales was also attributable to the increase in outside services from ₱1,246.4 million to ₱1,753.5 million. Since the weather allowed for saprolite mining activities in TMC mine and in-house resources were utilized for the said activities, limonite mining and hauling were done by contractors, thus the increase in cost. RTN also hired contractors for its hauling activities.

Cost of Services

Cost of services was ₱482.9 million in 2015 compared to ₱521.3 million in 2014, a decrease of ₱38.4 million, or 7%. Costs of services largely consist of the cost of hauling, providing manpower and other ancillary services to CBNC and THNC, plus the costs of maintaining the pier facility used by THNC. In 2015, the cost of materials handling services of RTN decreased by ₱30.6 million because most of the limestone and slake lime processing that was previously handled by RTN for CBNC was now handled by another contractor. The decrease was partially offset by the 4% increase in volume handled by TMC for THNC in 2015 which increased its cost by ₱19.5 million. Aside from that, there was an increase in the personnel cost which was directly attributable in rendering of service.

Shipping and Loading

Shipping and loading costs were ₱1,757.9 million for the year 2015 compared to ₱1,837.6 million for the year 2014, a decrease of ₱79.7 million, or 4%. As a result of the 13% increase in volume of our direct export of ores, contract fees increased by ₱58.7 million due to additional LCT rentals. However, the said increase was offset by the movement in fuel, oil and lubricants which decreased by ₱84.7 million as a result of the significant drop in the price of diesel, and other services and fees which decreased by ₱53.5 million.

Excise Taxes and Royalties

Our excise taxes and royalties were ₱1,089.6 million in 2015 compared to ₱1,754.8 million in 2014, a decrease of ₱665.2 million, or 38%. The decrease in excise taxes and royalties was attributable to the 38% decline in our sale of ore in 2015 as compared to 2014.

Marketing

Marketing costs were ₱130.2 million and ₱168.9 million in 2015 and 2014, respectively. The decrease in marketing cost was also brought by the decline in our sales revenue in 2015 compared with 2014. Commission paid by CMC to its claim owner and the marketing fee paid to Mitsubishi Corporation are based on certain percentage of sales revenue.

General and Administrative

General and administrative expenses were ₱787.9 million for the year 2015 compared to ₱806.3 million for the year 2014, a decrease of ₱18.4 million, or 2%. The decrease in taxes and licenses by ₱78.6 million mainly caused the decrease in the account. Lower taxes and licenses were attributable to lower fringe benefit tax paid on stock option exercised in 2015. In 2014, a total of 11.4 million shares were exercised, with corresponding fringe benefit tax of ₱116.4 million, as compared to only 2.6 million shares in 2015, with corresponding fringe benefit tax of ₱19.0 million. Moreover, the benefit given in 2014 was higher because the Company's stock price at exercise dates ranges from ₱17.02 to ₱47.80 compared to ₱20.40 in 2015. The decrease in taxes and licenses was partially offset by the increase in local business tax since the basis used was the revenues in 2014 which was significantly higher. Donations of the Group in 2014 were also higher by ₱12.2 million since the majority of the rehabilitation and reconstruction of houses in Guiuan, Eastern Samar, which was strongly hit by the typhoon, was completed on the same year. The decrease in the account was partially offset by the care and maintenance cost incurred by HMC for its South Dinagat mine plus other publicity and promotional expenses of the Group.

Finance Income

Our finance income was ₱305.1 million in 2015 compared to ₱172.1 million in 2014, an increase of ₱133.0 million, or 77%. In 2015, due to the excess cash of the Group, the Parent Company put up additional investments in various debt instruments which led to the increase in interest income earned in 2015 compared with 2014. Total investments in debt instruments accounts for 75% of the total AFS financial assets.

Finance Expenses

Our finance expense was ₱179.1 million in 2015 compared with ₱164.4 million in 2014, an increase of ₱14.7 million, or 9%. Basically, the movement in our finance expense arises from interest on loans availed by EPI which amounted to ₱30.8 million. But the increase was partially offset by the decrease in guarantee service fee by ₱10.6 million due to principal repayments made by THNC in 2015.

Equity in Net Income (Losses) of Associates

Our equity in net income or losses of THNC and CBNC was ₱811.4 million loss and ₱522.4 million income in 2015 and 2014, respectively. The result of THNC's operations in 2015 and 2014 was a net loss of US\$61.7 million and a net income of US\$32.1 million, respectively. On the other hand, the results of CBNC's operations in 2015 and in the last three quarters of 2014 was a net loss of US\$34.4 million and a net income of US\$59.4 million, respectively.

Other Income - net

Our other income - net in 2015 was ₱493.5 million compared to ₱470.5 million in 2014, an increase of ₱23.0 million, or 5%. The increase in the account was attributable to the following: 1) favorable impact of changes in foreign exchange rate, with net effect of ₱140.5 million; 2) increase in dividend income from AFS financial assets by ₱19.4 million; and 3) gain on bargain purchase of ₱60.0 million which arises from acquisition of Geogen. However, the said increase was partially offset by: 1) decrease in despatch income by ₱28.3 million; 2) provision for impairment losses on input VAT of LCSLC of ₱54.5 million; 3) decrease in reversal of allowance for impairment losses on inventories by ₱78.0 million; 4) decrease in other income for special projects by ₱25.8 million; and 5) management fee/trust fee incurred for our managed funds increased by ₱13.2 million due to additional acquisitions of AFS financial assets during the year 2015.

Provision for Income Tax

Provision for income tax was ₱1,667.3 million in 2015 compared to ₱4,292.8 million in 2014, a decrease of ₱2,625.5 million, or 61%. Our current provision for income tax in 2015 was ₱1,605.8 million compared to ₱4,265.5 million in 2014, a decrease of ₱2,659.7 million, or 62% primarily due to the decrease in our taxable income in 2015 resulting from lower sales revenue. Our provision for deferred income tax in 2015 was ₱61.5 million compared to ₱27.4 million in 2014, an increase of ₱34.1 million, or 124%. The movement in the account pertains mainly to the application and expiration of NOLCO in 2015 with corresponding tax impact of ₱74.4 million and ₱9.1 million, respectively, which was higher compared to 2014 of ₱44.2 million and ₱7.4 million, respectively.

Net Income

As a result of the foregoing, our consolidated net income was ₱3,044.8 million in 2015 compared to ₱11,008.1 million in 2014. Net of non-controlling interests, our net income was ₱2,035.1 million in 2015 as compared to ₱8,551.6 million in 2014, a decrease of ₱6,516.5 million, or 76%.

Calendar year ended December 31, 2014 compared with calendar year ended December 31, 2013

Revenues

Our total revenues were ₱24,745.7 million in 2014 as compared to ₱11,109.5 million in 2013, an increase of ₱13,636.2 million, or 123%.

Sale of ore

We sold an aggregate 17,873.3 thousand WMT of nickel ore in 2014, an increase of 28% compared to 13,998.4 thousand WMT of nickel ore in 2013. Our sales in 2014 included 5,740.5 thousand WMT of saprolite ore sold to Japanese and Chinese customers, 4,568.2 thousand WMT of limonite ore to our Chinese customers, 158.4 thousand WMT of limonite ore to an Australian company and 7,406.2 thousand WMT of limonite ore to CBNC and THNC compared to sales of 3,594.2 thousand WMT, 6,124.7 thousand WMT, nil and 4,279.5 thousand WMT, respectively, in 2013.

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 in 2013. As a result, total ore deliveries to the two HPAL plants reached 7,406.2 thousand WMT in 2014 compared to 4,279.5 thousand WMT in 2013. The direct exports of ore likewise contributed to our higher shipments, increasing from 9,718.9 thousand WMT in 2013 to 10,467.1 thousand WMT in 2014.

Our revenue from sale of nickel ore was ₱23,736.6 million in 2014 compared to ₱10,321.7 million in 2013, an increase of ₱13,414.9 million or 130%. The effect of the Indonesian ore export ban has led to significantly higher ore prices in 2014. On a US dollar per WMT basis, the average realized price received for ore sales to Japanese, Chinese and Australian customers totaling 10,467.1 thousand WMT of both saprolite and limonite ore sold amounted to \$45.10. This compares to an average price of \$21.28 per WMT in 2013 on a total of 9,718.9 thousand WMT of ore sold.

With respect to low-grade limonite ore sold to both the Coral Bay and Taganito plants, which remain benchmarked to LME prices, we realized an average of \$7.69 per pound of payable nickel on 7,406.2 thousand WMT sold in 2014. This compares to an average price of \$6.70 per pound of payable nickel on 4,279.5 thousand WMT sold in 2013.

RTN's revenue from sale of nickel ore was ₱6,610.4 million in 2014 compared to ₱3,035.8 million in 2013, an increase of ₱3,574.6 million or 118%. RTN sold an aggregate 5,972.4 thousand WMT of nickel ore in 2014 compared to an aggregate 5,774.4 thousand WMT of nickel ore sold in 2013. The volume of saprolite ore sold to Japanese customers increased by 541.1 thousand WMT or 144% and the volume of saprolite and limonite ore sold to Chinese customers decreased by 320.7 thousand WMT or 16%. Further, the volume of limonite ore sold to CBNC decreased by 22.5 thousand WMT or 1%.

TMC's operations became the largest and accounted for 40% of total shipments in 2014. TMC's revenue from sale of nickel ore was ₱8,479.0 million in 2014 as compared to ₱3,109.1 million in 2013, an increase of ₱5,369.9 million, or 173%. TMC sold an aggregate 7,087.7 thousand WMT of nickel ore in 2014 as compared to an aggregate 3,893.1 thousand WMT of nickel ore in 2013. The volume of saprolite ore sold to Japanese customers increased by 210.9 thousand WMT or 47% and the volume of saprolite and limonite ore sold to Chinese customers decreased by 165.5 thousand WMT or 6%. Further, TMC was able to deliver 4,023.4 thousand WMT of limonite ore to the THNC plant in 2014 whereas there was only 874.2 thousand WMT in 2013.

CMC's revenue from sale of nickel ore was ₱3,595.5 million in 2014 as compared to ₱737.9 million in 2013, an increase of ₱2,857.6 million, or 387%. CMC sold an aggregate 1,350.3 thousand WMT of nickel ore in 2014 compared to an aggregate 888.8 thousand WMT of nickel ore in 2013.

HMC's revenue from sale of nickel ore was ₱5,051.7 million in 2014 compared to ₱3,438.9 million in 2013, an increase of ₱1,612.8 million, or 47%. In 2014, HMC managed to sell an aggregate 3,462.9 thousand WMT of saprolite and limonite ore to Chinese customers compared to 3,442.0 thousand WMT of saprolite and limonite ore to Japanese and Chinese customers in 2013.

RTN's revenue from sale of limestone ore was ₱316.1 million in 2014, as compared to ₱153.8 million in 2013, an increase of ₱162.3 million or 106%. A total of 429.0 thousand WMT of limestone ore was delivered to CBNC in 2014 compared to 211.6 thousand WMT in 2013. In 2013, most of CBNC's requirement for limestone ore was acquired from another supplier and this caused the lower limestone ore delivery for the said year. In addition, one of CBNC's plants had undergone maintenance shutdown in 2013.

Services and Others

Our revenue from services and others was ₱693.0 million in 2014 compared to ₱634.0 million in 2013, an increase of ₱59.0 million, or 9%. The main reason for the sudden increase in our revenues from services and others in 2014 was due to the increase in materials handling services rendered by TMC to THNC, being the latter's first full year of commercial operations whereas in 2013, Taganito HPAL facility was still in its pre-operating stage.

Costs and Expenses

Our costs and expenses amounted to ₱10,445.4 million in 2014 as compared to ₱7,562.1 million in 2013, an increase of ₱2,883.3 million, or 38%.

Cost of Sales

Our cost of sales was ₱5,356.4 million in 2014 as compared to ₱4,489.3 million in 2013, an increase of ₱867.1 million, or 19%. The slight increase in cost of sales was due to the combination of higher volume of production and shipments but lower production cost. The movement in cost of sales was attributable to the net effect of increase in production overhead from ₱1,938.3 million to ₱2,613.0 million, outside services from ₱869.4 million to ₱1,246.4 million, personnel cost from ₱669.7 million to ₱894.2 million, and depreciation and depletion from ₱830.5 million to ₱984.4 million.

Cost of Services

Cost of services was ₱521.3 million in 2014 as compared to ₱441.4 million in 2013, an increase of ₱79.9 million, or 18%. The surge in cost of services arises mainly from the 126% increase in volume handled for materials handling services rendered by TMC to THNC in 2014 whereas in 2013, the volume handled was only minimal.

Shipping and Loading

Shipping and loading costs were ₱1,837.6 million for the year 2014 compared to ₱1,398.8 million for the year 2013, an increase of ₱438.8 million, or 31%. Aside from the 8% increase in volume of our direct export of ores to Japan, China and Australia, the increment in shipping and loading costs was also brought by additional barges hired/contracted due to dry-docking of three (3) tugboats of RTN, repair of one (1) LCT of TMC and dry-docking of two (2) LCTs of HMC.

Excise Taxes and Royalties

Our excise taxes and royalties were ₱1,754.8 million in 2014 compared to ₱648.6 million in 2013, an increase of ₱1,106.2 million, or 171%. The increase in excise taxes and royalties was attributable to the growth in our sales revenue in 2014 as compared to 2013, particularly from TMC and CMC.

Marketing

Marketing costs were ₱168.9 million and ₱65.6 million in 2014 and 2013, respectively. Basically, the increase in marketing cost was due to higher commission paid by CMC to its claim owner in 2014, which was based on a certain percentage of its sales revenue.

General and Administrative

General and administrative expenses were ₱806.3 million for the year 2014 compared to ₱518.1 million for the year 2013, an increase of ₱288.2 million, or 56%. The increase in taxes and licenses by ₱149.7 million, personnel cost by ₱60.8 million, outside services by ₱35.6 million and donations by ₱37.0 million caused the significant increase in the account. The increment in taxes and licenses pertains to the fringe benefit tax on stock option exercised in 2014. A total of 11.4 million shares were exercised, with corresponding fringe benefit tax of ₱116.4 million, in 2014 as compared to only 1.9 million shares, with corresponding fringe benefit tax of ₱15.4 million, in 2013. In addition, the benefit given in 2014 was higher because the Company's stock price at exercise dates ranges from ₱17.02 to ₱47.80 compared to ₱21.25 to ₱27.75 in 2013. Higher incentives were also given to employees due to favorable results of operations in 2014, thus personnel cost increased. Moreover, donations amounting to ₱31.5 million were given to the victims of super typhoon in Guiuan, Eastern Samar. The donations were used in the delivery of relief goods and building and reconstruction of houses. Aside from that, donations amounting to ₱3.5 million were also given to the Philippine General Hospital for the renovation of the wards.

Finance Income

Our finance income was ₱172.1 million in 2014 as compared to ₱166.8 million in 2013, an increase of ₱5.3 million, or 3%.

Finance Expenses

Our finance expense was ₱164.4 million in 2014 as compared to ₱128.3 million in 2013, an increase of ₱36.1 million, or 28%. Basically, the movement in our finance expense arises from the increase in our loan guarantee service fee, which moved from ₱104.2 million to ₱134.8 million, due to additional loan drawn by THNC. The guarantee service fee is related to the Taganito HPAL project.

Equity in Net Income (Losses) of Associates

Our equity in net income or losses of THNC and CBNC was ₱522.4 million income and ₱184.7 million loss in 2014 and 2013, respectively. The result of THNC's operations in 2014 and 2013 was a net income of US\$32.1 million and a net loss of US\$19.3 million, respectively. On the other hand, the results of CBNC's operations for the last three quarters of 2014 was income of US\$59.4 million.

Other Income - net

Our other income - net in 2014 was ₱470.5 million compared to ₱309.8 million in 2013, an increase of ₱160.7 million, or 52%. The significant increase in our other income - net was brought mainly by the movement in foreign exchange gains from ₱53.3 million in 2013 to ₱182.5 million in 2014. In both periods, the Group was in net foreign currency denominated asset position but the average value of peso to dollar in 2014 of ₱44.39 was higher compared to ₱42.43 in 2013, thus the increase in foreign exchange gains. In addition, the net effect of the reversal of allowance for impairment losses resulted to an increase in other income - net by ₱362.2 million. Special projects of RTN also increased from ₱28.4 million to ₱84.8 million. However, the increase was partially offset by the decrease in dividend income and gain on sale of property and equipment and investment properties. In 2013, CBNC paid dividends of ₱60.5 million and the Group sold its condominium units at a gain of ₱222.0 million and none of these happened in 2014. Moreover, TMC recognized impairment for its conveyor amounting to ₱98.5 million which became inoperational on September 1, 2014.

Provision for (Benefit from) Income Tax

Provision for income tax was ₱4,292.8 million in 2014 compared to ₱1,124.2 million in 2013, an increase of ₱3,168.6 million, or 282%. Our current provision for income tax in 2014 was ₱4,265.5 million compared to ₱1,169.5 million in 2013, an increase of ₱3,096.0 million, or 265% primarily due to the increase in our taxable

income in 2014 resulting from higher sales revenue. Our provision for deferred income tax in 2014 was ₱27.4 million compared to a benefit from deferred income tax of ₱45.3 million in 2013, an increase in provision for deferred income tax of ₱72.7 million, or 160%. The provision for deferred income tax in 2014 was higher compared to 2013 due to the application of NOLCO amounting to ₱169.8 million (with tax effect of ₱51.0 million) and application of excess of MCIT over RCIT of ₱19.9 million.

Net Income

As a result of the foregoing, our consolidated net income was ₱11,008.1 million in 2014 compared to ₱2,586.4 million in 2013. Net of non-controlling interests, our net income was ₱8,551.6 million in 2014 as compared to ₱2,053.7 million in 2013, an increase of ₱6,497.9 million, or 316%.

FINANCIAL POSITION

Calendar year as at December 31, 2016 and 2015

Total assets amounted to ₱45,351.5 million in 2016 compared to ₱41,730.4 million in 2015.

Current assets increased to ₱20,522.8 million from ₱16,677.9 million mainly because of the increase in cash and cash equivalents from ₱7,073.2 million to ₱9,647.9 million. The net increase in cash and cash equivalents arose from cash from operations amounting to ₱4,513.4 million, proceeds from sale of 12.5% interest in THNC of ₱2,037.2 million, loans availment of ₱1,182.8 million, interest received of ₱221.6 million, investments from non-controlling shareholders of ₱226.9 million and favorable foreign exchange impact in cash and cash equivalents of ₱248.2 million less acquisitions of property and equipment of ₱3,337.0 million, amount spent for geothermal exploration and evaluation of ₱463.2 million, cash dividends paid of ₱1,473.3 million and loan and interest payments of ₱293.3 million.

The decrease in noncurrent assets from ₱25,052.4 million to ₱24,828.7 million was attributable mainly to the sale of the Parent Company's 12.5% interest in THNC plus the equity take up of net losses of associates during the year which resulted to a decrease of ₱2,182.0 million. Long-term stockpile inventory also decreased by ₱217.5 million due to ore deliveries to CBNC. However, the decrease was partially offset by the net increase in property and equipment by ₱1,656.8 million and geothermal exploration and evaluation assets by ₱463.2 million.

Total current liabilities increased to ₱7,945.8 million from ₱7,713.2 million due to increase in income tax payable by ₱312.9 million and current portion of long-term debt by ₱23.8 million. This was partially offset by the decrease in trade and other payables by ₱109.0 million.

Total noncurrent liabilities increased to ₱6,206.0 million from ₱4,603.9 million due to full drawdown of EPI's long-term bank loans amounting to ₱890.0 million and bank loans availed by Jobin amounting to ₱300.0 million. Moreover in 2016, the Group re-assessed its provision for mine rehabilitation and decommissioning which resulted to additional provisions recognized amounting to ₱263.6 million. Deferred income tax liabilities also increased from ₱731.5 million to ₱876.5 million due to the tax effect of increase in unrealized foreign exchange gains, adjustment in undepleted asset retirement obligation, capitalized borrowing costs, movement in share in cumulative translation adjustment and reduction in long-term stockpile inventory.

Our equity net of non-controlling interests as at December 31, 2016 increased to ₱27,020.5 million from ₱25,511.9 million as of year-end 2015, due to net difference of cash dividends paid and net earnings in 2016.

Calendar year as at December 31, 2015 and 2014

Total assets amounted to ₱41,730.4 million in 2015 compared to ₱35,292.5 million in 2014.

Current assets decreased to ₱16,677.9 million from ₱20,611.5 million mainly because of the decrease in cash and cash equivalents from ₱13,561.8 million to ₱7,073.2 million. The decrease in cash and cash equivalents

was due to payments of cash dividends of ₱4,303.9 million, net acquisitions of various AFS financial assets and property and equipment of ₱3,229.1 million and ₱3,900.1 million, respectively, issuance of ₱1,000.0 million loan to East Coast, and acquisitions of subsidiaries, net of cash acquired, for a total amount of ₱800.8 million. However, the decrease was partially offset by the cash received from operations of ₱4,858.3 million and proceeds from the availment of long-term loans of ₱2,099.4 million.

The increase in noncurrent assets from ₱14,681.0 million to ₱25,052.4 million was attributable mainly to capital expenditures arising from reconstruction of conveyor in TMC amounting to ₱643.9 million, additional cost incurred for the NAC-SUR project of ₱460.5 million, costs related to the solar and wind project of ₱1,667.3 million, purchases of various mining equipment, and the geothermal exploration and evaluation costs incurred for the Montelago and Biliran projects amounting to ₱6,114.9 million. Aside from that, CMC issued a loan to East Coast wherein ₱842.1 million is noncurrent. The Parent Company also acquired shares of NiHAO Mineral Resources International, Inc. with market value of ₱282.8 million as at year end, and this was classified under AFS financial assets. Mining rights also increased by ₱941.1 million due to acquisition of Geogen. But the increase was partially offset by the decrease in investment in associates of ₱540.0 million due to net loss positions of CBNC and THNC in 2015.

Total current liabilities increased to ₱7,713.2 million from ₱2,114.6 million due to amounts owed by BGI to its shareholders, OGI and Biliran Geothermal Holdings Inc. amounting to ₱5,141.5 million; short-term loans availed by EPI from Manta Equities Inc. (Manta) amounting to ₱180.0 million, and deposits for future stock subscription of shareholders of CExCI amounting to ₱169.1 million.

Total noncurrent liabilities increased to ₱4,603.9 million from ₱2,275.6 million due to availment of long-term loans by EPI, in which ₱2,110.0 million was drawn during the year. Deferred income tax liabilities also increased from ₱529.6 million to ₱731.5 million due to the tax effect of business acquisitions during the year.

Our equity net of non-controlling interests as at December 31, 2015 decreased to ₱25,511.9 million from ₱27,185.6 million as of year-end 2014, due to net difference of cash dividends paid and net earnings in 2015.

CASH FLOWS

Calendar years ended December 31, 2016, 2015 and 2014

The net cash flows from operating activities amounted to ₱4,513.4 million in 2016 compared to ₱4,858.2 million in 2015 and ₱11,155.1 million in 2014, as proceeds from the sale of ore were higher in 2014 compared to 2015 and 2016 because of the surge in ore prices in 2014 due to expectation of supply tightness.

The net cash used for investment activities amounting to ₱1,840.2 million, ₱9,285.5 million and ₱2,335.9 million in 2016, 2015 and 2014, respectively, arises mainly from net acquisitions of property and equipment amounting to ₱3,337.0 million, ₱3,913.6 million and ₱1,486.6 million, respectively, and net acquisitions of AFS financial assets amounting to ₱344.8 million, ₱3,229.1 million and ₱981.3 million, respectively. In addition, in 2015 a loan amounting to ₱1,000.0 million was issued to East Coast and new subsidiaries were acquired amounting to ₱800.8 million. The Group also spent nil, ₱470.7 million and ₱463.2 million for geothermal exploration and evaluation assets for its Montelago project in 2014, 2015 and 2016, respectively. In 2016, the cash used in investing activities was partially offset by ₱2,037.2 million proceeds from the sale of the Parent Company's 12.5% interest in THNC.

In 2016, 2015 and 2014, the net cash used in financing activities amounting to ₱346.6 million, ₱2,195.2 million and ₱5,587.8 million, respectively, arises mainly from payments of cash dividends and long-term debt plus the related interest. However, these payments were partially offset by the proceeds from loans availed of ₱2,099.4 million in 2015 and ₱1,182.8 million in 2016.

As at December 31, 2016, 2015 and 2014, cash and cash equivalents amounted to ₱9,647.9 million, ₱7,073.2 million and ₱13,561.8 million, respectively.

TOP FIVE KEY PERFORMANCE INDICATORS

1) SALES VOLUME

The volume of saprolite ore that we sell largely depends on the grade of saprolite ore that we mine. The volume of limonite ore that we sell to our customers in China largely depends on the demand for NPI and carbon steel in China. PAMCO purchases our high-grade saprolite ore that we are able to extract and ship at any given time. With respect to our low-grade saprolite and limonite ore, in periods when we are able to extract more ore than we are able to ship, we generally continue our mining operations and stockpile such ore for sale when demand improves or when prices rise to more attractive levels. As stated above, the volume of our low-grade saprolite ore and limonite ore sales to our Chinese customers is roughly correlated with the LME nickel price, with volume increasing as nickel prices rise. In addition to sales of nickel ore to PAMCO, SMM and our customers in China and Australia, we sell limonite ore from our Rio Tuba mine to the Coral Bay HPAL facility, in which we have a 10% equity interest, and from our Taganito mine to the Taganito HPAL facility, in which we also have a 10% equity interest. CBNC purchases an amount of limonite ore from us sufficient to meet its ore requirements. The annual capacity of its Coral Bay HPAL facility was originally 10,000 tonnes of contained nickel and was expanded to 20,000 tonnes of contained nickel in the second half of 2009, resulting in a higher volume of limonite ore sales from RTN. In 2010, the Coral Bay HPAL facility was able to attain an annual capacity of 23,000 tonnes as a result of the facility's expansion in 2009 which became fully operational in 2010. The Taganito HPAL facility has an annual capacity of 51,000 tonnes of mixed nickel-cobalt sulfide over an estimated thirty (30) year Project life.

Type and Grade of Ore that we Mine

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

In 2016 and 2015, we sold an aggregate of 19,254.1 thousand WMT and 19,671.6 thousand WMT, respectively.

2) CASH COST PER VOLUME SOLD

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

The cash cost includes production, shipping and loading costs, excise taxes and royalties, marketing and general and administrative expenses incurred by the Group.

The average cash cost per volume sold in 2016 is ₱395.36 per WMT on the basis of aggregate cash costs of ₱7,612.4 million and a total sales volume of 19,254.1 thousand WMT of ore. This compares to ₱431.50 per WMT in 2015 on the basis of aggregate cash costs of ₱8,488.3 million and a total sales volume of 19,671.6 thousand WMT of ore.

3) ATTRIBUTABLE NET INCOME

Attributable net income represents the portion of consolidated profit or loss for the year, net of income taxes, which is attributable to the Parent Company. This is a relevant and transparent metric of the information contained in the consolidated financial statements. The net income attributable to equity holders of the Parent Company is ₱1,966.1 million in 2016 compared to ₱2,035.1 million in 2015.

4) NUMBER OF HECTARES REHABILITATED/REFORESTED

We adhere to the principles and practices of sustainable development. We are committed to complying and following environmental regulations by implementing best practices in managing environmental impacts of our operations. To manage environmental impacts, the Parent Company's subsidiaries have

an 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. A major component under our EPEP is the rehabilitation and reforestation of the areas affected by our mining operations. We also participate in the government's National Greening Program where we plant trees and/or donate seedlings outside of our mining properties. In 2016 and 2015, the Group has rehabilitated and reforested a total of 210.17 hectares and 250.70 hectares, respectively, with corresponding number of trees planted of about 452,412 and 644,907, respectively.

5) FREQUENCY RATE

Health and safety are integral parts of our personnel policies. Our comprehensive safety program is designed to minimize risks to health arising out of work activities and to assure compliance with occupational health and safety standards and rules and regulations that apply to our operations. We measure our safety effectiveness through the Frequency Rate which is the ratio of lost-time accidents to total man-hours worked for the year. In 2016 and 2015, our frequency rate is 0.05 and 0.04, respectively.

OFF-BALANCE SHEET ARRANGEMENTS

Under the Suretyship Agreement executed by and between the Parent Company and Security Bank Corporation (SBC) on August 4, 2015, the Parent Company solidarily with EPI guarantees and warrants to SBC, its assigns and successors-in-interest, prompt and full payment and performance of EPI's obligations to SBC (see Note 15 to the Consolidated Financial Statements).

Other than the Suretyship Agreement mentioned above, we have not entered into any off-balance sheet transactions or obligations (including contingent obligations), or other relationships with unconsolidated entities or other persons.

Item 7. FINANCIAL STATEMENTS

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

Item 8. INFORMATION ON INDEPENDENT ACCOUNTANTS AND OTHER RELATED MATTERS

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

Ms. Eleanore A. Layug is our current audit partner and has served the Company during the four most recent years following the regulatory policy of audit partner rotation every five years. We have not had any disagreements on accounting and financial disclosures with our current external auditors for the same periods or any subsequent interim period.

Audit and Audit-Related Fees

For the years 2016, 2015 and 2014, SGV & Co. were engaged primarily to express an opinion on the financial statements of the Parent Company and some of its subsidiaries.

Non-Audit Services Fees

Non-audit services fees pertain to fees paid to SGV & Co. for the transfer pricing studies and seminar fees.

The following table sets out the aggregate fees incurred in 2016 and 2015 for professional services rendered by SGV & Co.:

	2016	2015
	<i>(In Thousands)</i>	
Audit and Audit-Related Services	₱13,457	₱11,750
Non-Audit Services	1,574	1,832
Total	₱15,031	₱13,582

Audit Committee’s Approval of Policies and Procedures

Prior to the commencement of the year-end audit work, SGV & Co. present their program and schedule to the Company’s Audit Committee, which include discussion of issues and concerns regarding the audit work to be done. At the completion of the audit works, the Group’s audited financial statements for the year are likewise presented by SGV & Co. to the Audit Committee for committee approval and endorsement to the Board for final approval. The Audit Committee pre-approve the terms of the annual audit services engagement. They also approve, if necessary, any changes in terms resulting from changes in audit scope.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

A. LIST OF DIRECTORS, EXECUTIVE OFFICERS AND COMMITTEES OF THE ISSUER

The BOD is principally responsible for the Company's overall direction and governance. The Company's Articles of Incorporation provide for nine (9) members of the BOD, who shall be elected by the stockholders. At present, two (2) of the Company's nine directors are independent directors. The BOD holds office for one (1) year and until their successors are elected and qualified in accordance with the by-laws.

DIRECTORS

The following are the present directors of the Company:

Name	Age	Citizenship	Position	Date First Elected	Date Last Elected	No. of Years served as Director
Manuel B. Zamora, Jr.	78	Philippine National	Executive Director, Chairman	July 11, 2008	June 6, 2016	8 years and 8 months
Philip T. Ang	75	Philippine National	Executive Director and Vice-Chairman	July 11, 2008	June 6, 2016	8 years and 8 months
Luis J. L. Virata	63	Philippine National	Non-Executive Director	July 11, 2008	June 6, 2016	8 years and 8 months
Gerard H. Brimo	65	Philippine National	Executive Director, President and Chief Executive Officer	August 1, 2009	June 6, 2016	7 years and 7 months
Martin Antonio G. Zamora	44	Philippine National	Executive Director, Executive Vice President	July 30, 2013	June 6, 2016	3 years and 8 months
Takanori Fujimura	73	Japanese National	Non-Executive Director	September 20, 2010	June 6, 2016	6 years and 6 months
Takeshi Kubota	62	Japanese National	Non-Executive Director	September 20, 2010	June 6, 2016	6 years and 6 months
Fulgencio S. Factoran, Jr.	73	Philippine National	Independent Director	September 20, 2010	June 6, 2016	6 years and 6 months
Frederick Y. Dy	62	Philippine National	Independent Director	September 24, 2010	June 6, 2016	6 years and 6 months

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

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

MANUEL B. ZAMORA, JR. is the Chairman and a founder of the Company and the Chairman of the Nomination and Remuneration (Compensation) Committees of the Board. He is the Chairman of RTN, TMC, CExCI and CBNC. He is also a director of a number of other companies in the Philippines, including CLSA Exchange Capital Inc. (CLSA). He once served as Chairman of the Chamber of Mines of the Philippines. Mr. Zamora is a lawyer and a member of the Integrated Bar of the Philippines. He received his Bachelor of Science degree from the University of the Philippines. He placed third in the 1961 Bar Examinations after receiving his Bachelor of Laws degree from the University of the Philippines. The Chairman has not been Chief Executive Officer (CEO) of the Company since August 2009.

PHILIP T. ANG is the Vice Chairman of the Company. He is the Chairman of HMC, CMC and Director of RTN and TMC. He is an Independent Director of SBC and a Director in two of its subsidiaries, namely, SB Capital Investment Corp. and Security Bank Marubeni Leasing, Inc. He was previously involved in the textile business as Chairman and President of Solid Mills, Inc. and Unisol Industries and Manufacturing Corp., and as a Director of Investors Assurance Corp. and International Garments Corp. He received his Bachelor of Science in Business Administration degree from Oregon State University and his Master of Business Administration degree from the University of Denver, USA.

LUIS J. L. VIRATA is a director of the Company. He is the Chairman and CEO of CLSA. Mr. Virata is also the President and CEO of Coastal Road Corp., Chairman and President of Exchange Properties Resources Corp., founder and Trustee of Asia Society and a Director of Benguet Corporation, Huntsman Foundation and Group 4 Securitas. Mr. Virata previously held positions with Dillon, Read and Co., Crocker National Bank, Bankers Trust Company, Philippine Airlines, NSC Properties, Inc., the Philippine Stock Exchange, the Makati Stock Exchange, and National Steel Corp. He received his Bachelor of Arts and Master of Arts degrees in Economics from Trinity College, Cambridge University and his Master of Business Administration degree from the Wharton School, USA.

GERARD H. BRIMO is a director and the President and CEO of the Company since August 2009 and a member of the Audit, Risk and Remuneration (Compensation) Committees of the Board. He is the President of RTN, TMC, CMC, HMC, CExCI, Newminco Nickel Mining Corp. and Newminco. Prior to his career in mining, he worked for Citibank for a period of eight (8) years, resigning as Vice President in the bank's Capital Markets Group in Hong Kong prior to joining Philex Mining Corporation as Vice President-Finance. Mr. Brimo served as Chairman and CEO of Philex Mining Corporation from 1994 until his retirement in December 2003. He served as President of the Chamber of Mines of the Philippines from 1993 to 1995, as Chairman from 1995 to 2003, and is currently a Director. He received his Bachelor of Science degree in Business Administration from Manhattan College, USA and his Master of Business Management degree from the Asian Institute of Management.

MARTIN ANTONIO G. ZAMORA is the Executive Vice President of the Company and head of the operations and legal groups, as well as marketing and procurement functions of the NAC Group. He also serves as Director of all the subsidiaries of the Company. He is the President of Geogen Corp. and Senior Vice President of RTN and HMC. Before joining NAC in 2007, Mr. Zamora was the Philippine Country Manager and a Director of UPC Renewables, a global developer, owner and operator of wind farms and solar facilities. Prior to that, he worked for ten (10) years for finance and investment banking firms such as CLSA, Robert Fleming & Co. (UK), Jardine Fleming, and SyCip Gorres Velayo & Co. He received his BSC in Management from Ateneo de Manila University (Philippines), his MBA from London Business School (UK), and his Masters in Organizational Psychology from INSEAD.

TAKANORI FUJIMURA is a director of the Company. He is a member of the Audit and Risk Committees of the Board. Mr. Fujimura is also a Director of the following subsidiaries of SMM: SMM Philippines, THNC, and CBNC. Prior to joining SMM in 2002, Mr. Fujimura was the Director and General Manager of the Overseas Business Department of PAMCO. He began his professional career in PAMCO in 1970, and was once assigned as the General Manager of PAMCO's New Caledonia and Manila offices. As PAMCO's representative in the Philippines, he was seconded as Vice President of RTN and TMC. He received his Bachelor of Science degree in Mining Engineering from Waseda University, Japan.

TAKESHI KUBOTA is a director of the Company. He is a member of the Nomination Committee of the Board. Mr. Kubota is also a qualified executive of SMM and President of SMM Philippines, CBNC and THNC. He began his career with SMM in 1977 and occupied the following positions prior to assuming his current post: chief representative of the SMM London office, Manager of the Copper & Precious Metal Sales and Raw Materials Department, General Manager of the Nickel Sales and Raw Materials Department, General Manager of the Nickel Business Unit, Managing Executive Officer of the Non-Ferrous Division, and Director and Senior Managing Executive Officer of SMM. He received his Bachelor of Arts degree in Economics from Keio University, Japan.

FULGENCIO S. FACTORAN, JR. is an independent director of the Company and a member of the Nomination Committee of the Board. Mr. Factoran is also a Director of Banco de Oro Leasing and Finance, Chairman of GAIA South, Inc., Chairman of Agility, Inc., and a Director of Geo-Surveys & Mapping, Inc. He was previously a Director of Central Azucarera de Tarlac and Business Certification International, Ltd. He previously held several government positions, such as Trustee of the Government Service and Insurance System, Secretary of the DENR, Chairman of the National Electrification Administration, Chairman of the Philippine Charity Sweepstakes, Director of the National Development Corp., Trustee of the Development Academy of the Philippines and Deputy Executive Secretary under the Corazon Aquino administration. He received his Bachelor of Arts in Humanities and Bachelor of Laws degrees, the latter as Valedictorian, from the University of the Philippines and his Master of Laws degree from Harvard Law School, USA.

FREDERICK Y. DY is an independent director of the Company, Chairman of the Audit and Risk Committees and a member of the Remuneration (Compensation) Committee of the Board. Mr. Dy is also the Chairman - Emeritus of SBC, the Chairman of City Industrial Corp., the Vice Chairman of St. Luke's Medical Center, a Trustee of St. Luke's College of Medicine, a Trustee of JD Foundation, Inc. and a Director of Ponderosa Leather Goods Company, Inc. He received his Bachelor of Science degree in Industrial Engineering from Cornell University, USA.

EXECUTIVE OFFICERS

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

Name	Age	Citizenship	Position
Jose B. Anievas	72	Philippine National	Senior Vice President - Chief Operating Officer
Emmanuel L. Samson	57	Philippine National	Senior Vice President - Chief Financial Officer
Raymundo B. Ferrer	61	Philippine National	Senior Vice President for Security
Rolando R. Cruz	56	Philippine National	Vice President of Operations
Augusto C. Villaluna	67	Philippine National	Vice President - Operations
Jose Roderick F. Fernando	43	Philippine National	Vice President for Legal and Special Projects/Assistant Corporate Secretary/Compliance Officer
Koichi S. Ishihara	43	Japanese National	Vice President for Marketing & Purchasing
Jose Bayani D. Baylon	54	Philippine National	Vice President for Corporate Communications
Ma. Angela G. Villamor	51	Philippine National	Vice President for Internal Audit
Gerardo Ignacio B. Ongkingco	58	Philippine National	Vice President - Human Resources
Marnelle A. Jalandon	46	Philippine National	Assistant Vice President - MIS and Administration
Barbara Anne C. Migallos	62	Philippine National	Corporate Secretary

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

JOSE B. ANIEVAS is the Senior Vice President for Operations and Chief Operating Officer of the Company. He started working with TMC in 2009 as its Resident Mine Manager and later as its Vice President for Operations. He has worked with the mining industry for fifty (50) years, thirty-seven (37) years with Philex Mining Corporation and Philex Gold Philippines as its Vice President for Operations until his retirement in December 2002, four (4) years as a freelance mining engineer, two (2) years with Carrascal Nickel Corporation, five (5) years with TMC and two (2) years with NAC. He also served the Government in the Professional Regulation Commission as a member of the Board of Examiners for Mining Engineering in 1997-2000 and was President of the Philippine Society of Mining Engineers in the Caraga region in 2010-2012. He is a Fellow of the Society of Mining Engineers and a Competent Person in the Copper and Gold operations. Mr. Anievas earned his Bachelor of Science in Mining Engineering from Mapua Institute of Technology and subsequently passed the Board Exams in 1967. He also received a certificate for completing the Management Development Program from the Asian Institute of Management in 1978.

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

RAYMUNDO B. FERRER is the Senior Vice President for Security. He joined the Company in May 2012. He is a retired Lieutenant General from the Armed Forces of the Philippines. Some of his previous assignments prior to his compulsory retirement on January 23, 2012 was Commander of Western Mindanao Command, Commander of Eastern Mindanao Command, Commander of the 6th Infantry Division, Philippine Army operating in Central Mindanao; Commander of the 1st Infantry Division, Philippine Army operating in Zamboanga Peninsula; and Commander of 103rd Infantry Brigade in Basilan Province.

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

AUGUSTO C. VILLALUNA is the Vice President for Operations responsible for the Rio Tuba and Taganito mines of the Company. Engr. Villaluna is a licensed Mining Engineer/Fellow with over forty-two (42) years' experience in both underground and surface mining. He last served as Executive Vice President of Lepanto Consolidated Mining Company and Senior Vice President and member of the BOD of Manila Mining Corporation. He received his Bachelor of Science degree in Mining Engineering from Mapua Institute of Technology. He is a director of the Philippine Mine Safety and Environment Association. He is a Competent Person under the PMRC, as well as, a registered APEC and ASEAN Engineer. Engr. Villaluna sits as member of the Board of Mining Engineering of the Professional Regulation Commission.

JOSE RODERICK F. FERNANDO is the Vice President for Legal and Special Projects and the Assistant Corporate Secretary of the Company, being primarily responsible for the Group's legal matters, including claims and tenements. He is likewise the Compliance Officer of the Company and the Corporate Secretary of the Company's subsidiaries. Prior to joining the Company in 2008, Mr. Fernando was a practicing lawyer with Balane Tamase Alampay Law Office for seven (7) years, specializing in commercial litigation, labor and corporate law. He obtained his Juris Doctor from Ateneo Law School and he has a Master of Laws from the University of Pennsylvania Law School. Mr. Fernando is admitted to both the Philippine Bar and the New York State Bar.

KOICHI ISHIHARA is the Vice President for Marketing and Purchasing. Prior to joining NAC in 2011, he was a Manager and Philippine Representative of PAMCO handling nickel and stainless market analysis and update in Asian countries. He has also supported establishing a Hydro Metallurgical Processing Plant.

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

MA. ANGELA G. VILLAMOR is the Vice President for Internal Audit. She is responsible for reviewing the Company's organizational and operational controls, risk management policies, and governance. Prior to joining NAC in 2011, she was a Senior Director in the Assurance Division of SyCip Gorres Velayo & Co. She also worked as Senior Manager in KPMG UAE.

GERARDO IGNACIO B. ONGKINGCO is the Vice President for Human Resources. His career in Human Resources started in the early 80's and has been enriched with exposure to various industries; government, manufacturing, agriculture and hospitality. He was past President of the Philippine Quality and Productivity Movement, Davao Chapter. He earned his Bachelor's Degree in Community Development as well as his Masters in Industrial Relations from the University of the Philippines.

MARNELLE A. JALANDOON is the Assistant Vice President - MIS and Administration of the Company and is responsible for the technology, communications infrastructure and administrative operations of the Group. Prior to joining NAC in 2008, Mr. Jalandoon was the Technical Operations Director of Concentrix Technologies, Inc, driving both the Technical Department and the Application Development Teams. He has held various IT positions with Grand International Airways, First Internet Alliance, WebScape, I-Next Internet and PSINET Philippines, garnering more than twenty (20) years experience in IT Infrastructure and Communications.

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

No director or senior officer of the Company is or has been in the past two years, a former employee or partner of the current external auditor.

Also, the Company discloses the transactions of its directors and officers as required by applicable laws and regulation.

B. SIGNIFICANT EMPLOYEES/EXECUTIVE OFFICERS

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

C. FAMILY RELATIONSHIP

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

D. INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

None of the members of our Board, nor any of our executive officers, has been or is involved in any criminal, bankruptcy or insolvency investigations or proceedings for the past five years and up to the date of this Prospectus. None of the members of our Board, nor any of our executive officers, has been convicted by final judgment of any offense punishable by the laws of the Republic of the Philippines or of any other nation or country. None of the members of our Board nor any of our executive officers have been or are subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities. None of the members of our Board nor any of our executive officers

have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation.

Item 10. EXECUTIVE COMPENSATION

The table set out on the next page identifies our CEO and four most highly compensated executive officers (the “named executive officers”) and summarizes their aggregate compensation in 2015 and 2016 and their estimated compensation for 2017. The amounts set forth in the table have been prepared based on what we paid for the compensation of our executive officers for the years indicated and what we expect to pay on the ensuing year.

	December 31, 2015			December 31, 2016			December 31, 2017 (Estimated)		
	Salary	Bonus	Total	Salary	Bonus	Total	Salary	Bonus	Total
(In Php Thousands)									
Named executive officers ⁽¹⁾	₱33,247	₱19,817	₱53,064	₱34,905	₱20,134	₱55,039	₱36,650	₱21,140	₱57,790
All other officers and directors as a group unnamed	25,682	11,891	37,573	27,173	11,018	38,191	28,531	11,569	40,100

¹The named executive officers are: Gerard H. Brimo (President and CEO), Emmanuel L. Samson (Chief Financial Officer), Jose B. Anievas (Chief Operating Officer), Rolando R. Cruz (Vice President of Operations), Martin Antonio G. Zamora (Executive Vice President).

COMPENSATION OF DIRECTORS

Each of the directors of the Parent Company is entitled to a director’s fee for each meeting attended. In addition, the directors who serve in the committees of the BOD, namely, the Audit, Risk, Nomination and Remuneration (Compensation) Committees, are each entitled to a fee for each committee meeting attended.

The table below shows the compensation of our Directors for each meeting:

Type	Board Meeting	Audit Committee Meeting	Other Meetings	Stock Option
Executive Director	₱10,000	₱10,000	₱10,000	Yes
Non-executive Director	10,000	10,000	10,000	Yes, Except for Japanese Directors
Independent Director	150,000	50,000	10,000	Yes

Currently, there are no arrangements for additional compensation of directors.

STOCK OPTION PLANS

On March 24, 2014 and June 6, 2014, our BOD and stockholders, respectively, approved the 2014 Executive Stock Option Plan (the 2014 ESOP or the New Plan) covering up to 32,000,000 shares allocated to our directors, officers, corporate secretary and the officers of our subsidiaries, specifically those with positions of Assistant Vice President and higher, including all Resident Mine Managers of our subsidiaries. The optionees of the 2014 ESOP may avail of the ESOP shares at ninety percent (90%) of the Offer Price for a number of ESOP Shares equivalent to up to four (4) times the annual salary of the optionees. In case of non-executive directors and the corporate secretary, their grants shall be the average of the highest and lowest grants within the ESOP. The 2014 ESOP shall be valid for five (5) years commencing from the date of the approval of the New Plan. Options shall vest yearly at a rate of 25% of the entitlement, with the first vesting occurring one year after the grant. The optionee can exercise the vested option by giving notice to the Parent Company within the term of the New Plan, and can opt to either purchase the shares directly 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.

On June 16, 2010, our BOD and stockholders approved the 2010 Executive Stock Option Plan (the 2010 ESOP or the Plan) covering up to 12,000,000 shares allocated to our officers and the officers of our subsidiaries, specifically those with positions of Assistant Vice President and higher, including all Resident Mine Managers of our subsidiaries. The optionees of the 2010 ESOP may avail of the ESOP shares at ninety percent (90%) of the Offer Price for a number of ESOP Shares equivalent to up to three (3) years annual salary of the optionee. The term of the 2010 ESOP shall be six (6) years commencing from the date of the approval of the Plan. Options shall vest yearly at a rate of 25% of the entitlement, with the first vesting occurring one year after the grant. The optionee can exercise the vested option by giving notice to the Parent Company within the term of the Plan, and can opt to either purchase the shares directly 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 cost of share-based payment plan in 2016, 2015 and 2014 amounted to ₱25.7 million, ₱57.8 million and ₱43.0 million, respectively.

Several executive officers have exercised their option under the ESOP totaling to 5,989,498 shares at an exercise price of ₱2.40 per share in 2016, 2,584,213 shares at an exercise price of ₱4.80 per share (or ₱2.40 per share after the effect of stock dividends) in 2015, and 11,431,005 shares at an exercise price of ₱7.20 per share (or ₱2.40 per share after the effect of stock dividends) in 2014.

On November 10, 2016 and June 2, 2015, the SEC approved the exemption from registration of 31,523,262 common shares and 11,625,987 common shares, respectively, which shall form part of the ESOP.

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

A. SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS

The list of registered stockholders owning 5% or more of the Company's stock as of December 31, 2016 follows:

Title of class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common Stock	PCD Nominee Corporation (Filipino)		Filipino	1,360,998,128	17.90%
Common Stock	Mantra Resources Corporation 30 th Floor NAC Tower, 32 nd Street, Bonifacio Global City, Taguig	Manuel B. Zamora, Jr. - Chairman	Filipino	1,953,479,738*	25.69%
Common Stock	Sumitomo Metal Mining Philippine Holdings Corporation 24F Pacific Star Building Makati Avenue, Makati City		Foreign	1,444,657,926 550,932,800*	26.25%
Common Stock	Ni Capital Corporation 28 th Floor NAC Tower, 32 nd Street, Bonifacio Global City, Taguig	Philip T. Ang - Vice Chairman	Filipino	1,016,831,382*	13.37%
Common Stock	Nonillion Holding Corporation 3/F Corporate Business Centre, 151 Paseo de Roxas Makati City	Luis J. L. Virata	Filipino	720,000,000 250,838,016*	12.77%
Common Stock	PCD Nominee Corporation (Non-Filipino)		Foreign	252,367,366	3.32%

*Lodged with a PCD Nominee Corporation

B. SECURITY OWNERSHIP OF MANAGEMENT

The beneficial ownership of the Company's directors and executive officers as of December 31, 2016 follows:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent
Common Stock	Manuel B. Zamora Jr.	5,982,236 - Direct 932,128 - through PCD Nominee Corporation 1,953,479,738 - through Mantra Resources Corporation (also lodged with a PCD Nominee Corporation)	Filipino	25.78%
Common Stock	Gerard H. Brimo	15,728,247 - Direct 698,425 - through PCD Nominee Corporation	Filipino	0.22%
Common Stock	Philip T. Ang	1,616,724 - Direct 147,036 - through PCD Nominee Corporation 1,016,831,382 - through Ni Capital Corporation	Filipino	13.40%
Common Stock	Luis J. L. Virata	400 - Direct 720,000,000 - through Nonillion Holding Corp. 250,838,016 - through Nonillion Holding Corp. lodged with a PCD Nominee Corporation	Filipino	12.77%
Common Stock	Martin Antonio G. Zamora	300 - Direct 8,706 - through PCD Nominee Corporation	Filipino	0%
Common Stock	Fulgencio S. Factoran, Jr.	842	Filipino	0%
Common Stock	Frederick Y. Dy	842	Filipino	0%
Common Stock	Takanori Fujimura	1,124	Japanese	0%
Common Stock	Takeshi Kubota	1,124	Japanese	0%
Common Stock	Jose B. Anievas	318,750 - Direct 2,737,494 - through a PCD Nominee Corporation	Filipino	0.04%
Common Stock	Emmanuel L. Samson	-	Filipino	0%
Common Stock	Raymundo B. Ferrer	-	Filipino	0%
Common Stock	Rolando R. Cruz	614,952 - Direct 944,952 - through a PCD Nominee Corporation	Filipino	0.02%
Common Stock	Jose Roderick F. Fernando	544,150 - through a PCD Nominee Corporation	Filipino	0.01%
Common Stock	Koichi Ishihara	350,000 - through a PCD Nominee Corporation	Japanese	0%
Common Stock	Jose Bayani D. Baylon	10,000 - through a PCD Nominee Corporation	Filipino	0%
Common Stock	Augusto C. Villaluna	-	Filipino	0%
Common Stock	Gerardo Ignacio B. Ongkingco	-	Filipino	0%
Common Stock	Barbara Anne C. Migallos	-	Filipino	0%
Common Stock	Ma. Angela G. Villamor	565,308 - through a PCD Nominee Corporation	Filipino	0%

C. VOTING TRUST HOLDERS OF 5% OR MORE

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

D. CHANGES IN CONTROL

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

Item 12. CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS

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.

All sales and purchases from related parties are made at prevailing market prices.

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 LME. Effective April 2014, ore sales to PAMCO are benchmarked to China prices on the basis of a negotiated price per WMT of ore. PAMCO shall pay the Group 80% to 90% of the provisional invoice amount upon receipt of the required documents and pay the final payment of each shipment after the final dry weight and applicable assay have been determined.

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

RTN supplies saprolite ore to PAMCO under a sale agreement, which shall continue to be valid and in effect until December 2020, wherein PAMCO appointed Sojitz as agent. PAMCO owns 36% and Sojitz owns 4% of the outstanding shares in the capital stock of RTN.

Nickel Ore Sale Agreement with Mitsubishi Corporation RTM International PTE. LTD. (Mitsubishi)

RTN and TMC supplies mid-grade saprolite ore to Mitsubishi under a sales agreement that is valid until December 31, 2016. Ore sales to Mitsubishi are benchmarked to China prices on the basis of a negotiated price per WMT of ore. Mitsubishi shall pay the Group 85% 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. Under the contract, the end user of the material is PAMCO.

Nickel Ore Sale Agreement with SMM

On April 1, 2011, RTN and SMM entered into an agreement to supply nickel ore to the latter. The agreement shall be valid from April 2011 and shall continue to be valid and in effect until December 2015. The Nickel Ore Sale Agreement with SMM was not renewed in 2016.

Nickel Ore Supply Agreement with CBNC

RTN entered into an agreement with CBNC to supply all of the limonite ore requirements for the Coral Bay Hydro Metallurgical Processing Plant (HPP) facility until the earlier of the cessation of operations at the Coral Bay HPP facility and exhaustion of the limonite ore reserves at the Rio Tuba mine. RTN has also entered into an agreement with CBNC to supply limestone and provide ancillary services to the Coral Bay HPAL facility. CBNC is the owner of the Coral Bay HPP facility.

Nickel Ore Supply Agreement with THNC

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

Service Agreements with CBNC

RTN entered into various service agreements with CBNC pertaining to materials handling and others.

Materials Handling Agreement with THNC

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

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.

Funding Commitment with THNC

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

THNC Stockholder's Agreement

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

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

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

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

CBNC Stockholder Agreement

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

In a separate agreement dated October 22, 2002, SMM, which owns 54% of CBNC, agreed to assume RTN's obligation to make loans to, or guarantee the repayment of CBNC's loan obligations. RTN, in consideration for this agreement, pays SMM an annual guarantee fee of 1% of CBNC's outstanding loan obligations until August 2015.

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 \$1.4 million 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.

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.

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 thirty (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 plant's operations.

Pursuant to the sale of 12.5% equity interest of the Parent Company to SMM in October 2016, the shareholding ratio of the Parent Company and SMM is 10% and 75%, respectively, as at December 31, 2016 and 22.5% and 62.5%, respectively as at December 31, 2015.

The agreement 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.

Also, under the Agreement, the Parent Company, SMM and Mitsui agreed to make loans to THNC or guarantee the repayment of THNC's obligations in accordance with the financial requirements of THNC and in proportion to their shareholding ratio in THNC.

The Agreement shall terminate upon the dissolution of THNC.

On November 20, 2012, the Parent Company, SMM and Mitsui made additional investment of US\$287.2 million in the form of loans to THNC. SMM had agreed to substitute for the Parent Company to make these loans for which the Parent Company pays guarantee service fee.

On August 4, 2014 and October 4, 2013, the Parent Company, SMM and Mitsui agreed to extend another loans to THNC amounting to US\$117.7 million to cover the latter's working capital requirement and US\$90.0 million for the construction of the tailings dam, respectively.

On February 15, 2016 and November 9, 2015, another loan in the amount of US\$65.0 million and US\$120.0 million, respectively, was extended by the stockholders to THNC to cover for the latter's working capital requirements.

On September 15, 2016 and August 16, 2016, the stockholders of THNC extended another US\$25.0 million and US\$124.0 million, respectively, to cover the latter's loan repayments, capital investments and working capital requirements.

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 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 agreement has ended last August 20, 2015 due to full payment of the related loan obligation.

NAC

Under a loan guarantee/substitution agreement dated December 9, 2011 between the Parent Company and SMM, the latter agreed to substitute for the Parent Company to make loans or guarantee the repayment of THNC pursuant to the Stockholders Agreement dated September 15, 2010.

In consideration of the loans and guarantee made by SMM, the Parent Company shall pay to SMM an annual fee equal to 1% of the relevant outstanding amount, which is payable every February 21 and August 21 of each year.

On January 26, 2015, December 18 and December 3, 2013, the Parent Company and SMM entered into another loan guarantee/substitution agreement with respect to the new loan agreement made and entered by THNC and SMM on August 4, 2014, December 3 and January 31, 2013, respectively. The annual fee is also equal to 1% of the relevant outstanding amount, which is payable every March 21 and September 21 of each year.

In case of default, such loan guarantee/substitution agreements will be terminated and the Parent Company shall provide loans to THNC or guarantee the repayment of THNC's loans payable. Failure to provide such loans or guarantee shall be considered a default under the Stockholders' Agreement.

Lease Agreement with THNC

On October 31, 2013, TMC and THNC executed a lease agreement wherein TMC will lease the land within the TSEZ to the lessee. The TSEZ leased area of approximately 675 hectares is located at Barangays Taganito and Hayanggabon, Claver, Surigao del Norte. The duration of the lease agreement shall be for a period of twenty (20) years starting January 1, 2013, however, rental rate shall be annually agreed by both parties.

Loan Agreements with EPI

- a. On August 22, 2014, the Parent Company and EPI executed a loan agreement amounting to ₱551.0 million which was drawn in two (2) tranches. The first and second tranche of the loans amounted to ₱105.0 million and ₱446.0 million, respectively.

The proceeds of the first tranche loan was used by EPI to fund the activities preparatory to drilling and for the drilling of the initial two (2) wells under the Montelago Geothermal Project, while the second tranche loan was used to fund the drilling costs and related activities (to include slim or other test holes) on the said initial two (2) wells.

At the option of the Parent Company, the entire second tranche loan, and not any smaller portion thereof, may be converted into shares of stock of EPI constituting fifty 55% of its total issued and outstanding shares, at any time before the lapse of three hundred sixty five (365) days after drawdown of the entire second tranche loan.

The loan is subject to 2% interest per annum. The first tranche of the loan is payable one year after the first drawdown on the first tranche loan or upon sale of EPI's entire shareholdings in Occidental Mindoro Consolidated Power Corporation (OMCP), whichever is earlier. The second tranche loan is payable one year after the first drawdown on the second tranche loan unless the conversion right is exercised.

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

In 2014, the first tranche loan amounting to ₱105.0 million and 40% of the second tranche loan amounting to ₱178.4 million were already released to EPI. The remaining 60% of the second tranche loan amounting to ₱267.6 million were released to EPI in the first quarter of 2015.

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

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

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

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

- b. In July 2016, the Parent Company agreed to provide a loan facility to EPI amounting to ₱1,500.0 million for EPI's overhead costs and development of its solar project. The loan bears an interest of 5% p.a. which is payable semi-annually following the date of the corresponding drawdown. The loan principal is payable within three (3) years after drawdown.

As at December 31, 2016, a total of ₱1,150.0 million was released to EPI.

Loan with Manta

On June 8, 2015, EPI entered into a one year loan agreement with Manta amounting to ₱180.0 million to finance the development expenses of EPI's geothermal power project. The loan bears an annual interest of 5%. The principal and interest is payable at the end of the loan agreement. On June 6, 2016, EPI and Manta extended the loan for another year or up to June 7, 2017 under the same terms of the original loan.

Loan with THNC

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

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

Loan with SMM

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

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

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

Lease Agreement with Manta

On March 18, 2013, the Group entered into a lease agreement with Manta for its office and parking space. The lease agreement is effective for a period of five (5) years starting May 15, 2013 and is renewable subject to negotiation of the terms and conditions and mutual agreement of both parties.

Notes 34 and 39 of the Notes to Consolidated Financial Statements of the Exhibits in Part IV is incorporated hereto by reference.

PART IV – EXHIBITS AND SCHEDULES

Item 13. EXHIBITS AND REPORTS ON SEC FORM 17-C

Exhibits

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

Reports on SEC Form 17-C

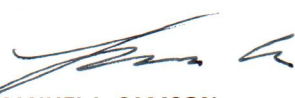
The Parent Company filed the following reports on SEC Form 17-C during the year 2016.

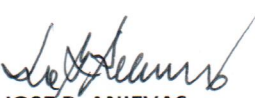
Items Reported	Date Reported
2015 Annual Summary Report on the Application of Proceeds from the Initial Public Offering	January 8, 2016
Minutes of the Annual Meeting of Stockholders held on June 5, 2016	June 6, 2016
Nickel Asia Reduces Stake in Taganito HPAL Plant	September 15, 2016
Letter Response to SEC following the recommendation of the DENR to suspend the mining operations of HMC	October 3, 2016
Receipt of the Official DENR Audit Report on HMC	November 3, 2016

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned, thereunto duly authorized, in the City of Taguig on MAR 24 2017, 2017.

By: 
GERARD H. BRIMO
President and Chief Executive Officer


EMMANUEL L. SAMSON
Senior Vice President and
Chief Financial Officer


JOSE B. ANIEVAS
Senior Vice President and
Chief Operating Officer


BARBARA ANNE C. MIGALLOS
Corporate Secretary

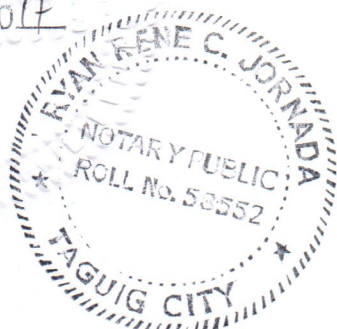

IRYAN JEAN U. PADILLO
Senior Finance Manager

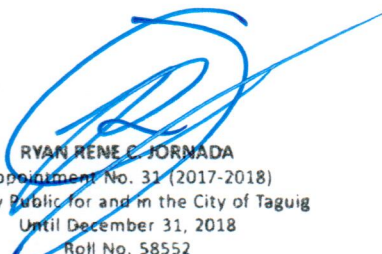
MAR 24 2017

Subscribed and sworn to before me this _____ day of _____, 2017 affiant (s) exhibiting to me his/their Passport Number, as follows:

Names	Passport No.	Date of Issue	Place of Issue
Gerard H. Brimo	P1914438A	02/11/2017	Manila
Emmanuel L. Samson	EB6948468	12/13/2012	Manila
Jose B. Anievas	EB7886029	04/16/2013	Manila
Barbara Anne C. Migallos	EC0356963	02/20/2014	Manila
Iryan Jean U. Padillo	EC1477706	06/25/2014	Manila

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BOOK NO. 3
SERIES OF 2017




RYAN RENE C. JORNADA
Appointment No. 31 (2017-2018)
Notary Public for and in the City of Taguig
Until December 31, 2018
Roll No. 58552
PTR No. A-3295929/19 January 2017/Taguig City
HF No. 015794 (Lifetime)/O.R. No. 1070904 / 30 January 2017
MCLE Compliance No. V-0018775, until 19 April 2019
28F NAC Tower, 32nd Street, BGC, Taguig City

NICKEL ASIA CORPORATION
SEC FORM 17-A
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

CONSOLIDATED FINANCIAL STATEMENTS

Statement of Management's Responsibility for Financial Statements

Independent Auditor's Report

Consolidated Statements of Financial Position as at December 31, 2016 and 2015

Consolidated Statements of Income for the years ended December 31, 2016, 2015 and 2014

Consolidated Statements of Comprehensive Income for the years ended December 31, 2016, 2015 and 2014

Consolidated Statements of Changes in Equity for the years ended December 31, 2016, 2015 and 2014

Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014

Notes to Consolidated Financial Statements

SUPPLEMENTARY SCHEDULES

Independent Auditor's Report on Supplementary Schedules

Schedule I: Retained Earnings Available for Dividend Declaration

Schedule II: Schedule of Effective Standards and Interpretations under the PFRS

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- A. Financial Assets
- B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Affiliates)
- C. Amounts Receivable from Related Parties which are Eliminated during the Consolidated Financial Statements
- D. Intangible Assets - Other Assets
- E. Long-Term Debt
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Schedule IV: A Map Showing the Relationships Between and Among the Company and its

Ultimate Parent Company, Middle Parent, Subsidiaries, Co-Subsidiaries and Associates

Schedule V: Schedule Showing Financial Soundness

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

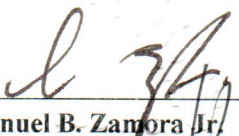
The management of **Nickel Asia Corporation and Subsidiaries** (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members of the Group.

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



Manuel B. Zamora Jr.
Chairman of the Board



Gerard H. Brimo
President and Chief Executive Officer



Emmanuel L. Samson
Senior Vice President/Chief Financial Officer

Signed this 15th day of March 2017

ACKNOWLEDGMENT

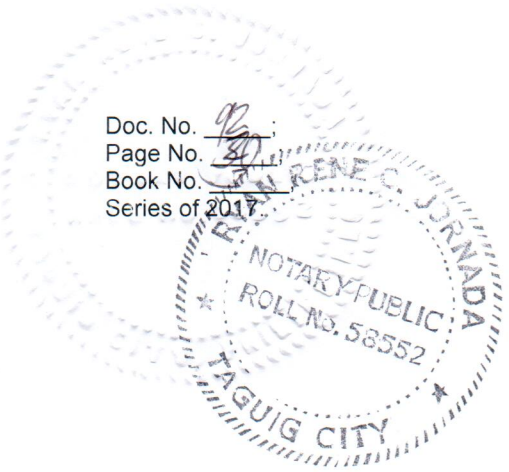
Republic of the Philippines)
Taguig City) S.S.

BEFORE ME, a Notary Public for and in Taguig City, Philippines, personally appeared:

Name	Identification	Date/Place Issued
Manuel B. Zamora Jr.	Passport EB9270874	01 October 2013 / Manila
Gerard H. Brimo	Passport P1914438A	11 February 2017 / Manila
Emmanuel L. Samson	Passport EB6948468	13 December 2012 / Manila

known to me and to me known to be the same person who executed the foregoing instrument and acknowledged to me that the same is his free and voluntary act and deed and the company he represents.

WITNESS MY HAND AND SEAL this MAR 24 2017 at the place above written.



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Page No. 30
Book No. 1
Series of 2017

A handwritten signature in blue ink, appearing to read "RYAN RENE C. JORNADA", is written over the printed name and appointment details.

RYAN RENE C. JORNADA
Appointment No. 31 (2017-2018)
Notary Public for and in the City of Taguig
Until December 31, 2018
Roll No. 58552
PTR No. A-3295929/19 January 2017/Taguig City
IBP No. 015794 (Lifetime)/O.R. No. 1070904/ 30 January 2017
MCLE Compliance No. V-0018775, until 19 April 2019
28F NAC Tower, 32nd Street, BGC, Taguig City

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Nickel Asia Corporation and Subsidiaries
28th Floor NAC Tower, 32nd Street
Bonifacio Global City, Taguig City

Opinion

We have audited the consolidated financial statements of Nickel Asia Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



Estimation of ore reserves

The estimation of ore reserves involves significant management estimates and assumptions. Reserves are key inputs to depletion, depreciation, amortization and decommissioning provisions. As discussed in Note 9 to the consolidated financial statements, the Group's mining properties and development costs amounting to Php524.0 million as of December 31, 2016, are amortized using the units of production method. The land improvements, machinery and equipment, and buildings and improvements are depreciated and amortized using the straight line method, where the estimated useful life is based on the mineable ore reserves. This matter is significant to our audit because the estimation of the mineable ore reserves for mining projects located in Palawan and Surigao del Norte, for the remaining life of the mines, requires significant estimation from the management.

Audit response

We obtained an understanding of management's processes and controls in the estimation of mineable ore reserves. We evaluated the competence, capabilities and objectivity of the internal specialist engaged by the Group to perform an independent assessment of its ore reserves. We reviewed the specialist's report and obtained an understanding of the nature, scope and objectives of their work, and basis of the estimates including any changes in the reserves during the year. In addition, we tested the reserves estimates applied to the relevant areas of the consolidated financial statements including depletion, depreciation, amortization and decommissioning provisions.

Recoverability of geothermal exploration and evaluation assets and deferred mine exploration costs

The ability of the Group to recover its geothermal exploration and evaluation assets and deferred mine exploration costs would depend on the commercial viability of the reserves. The carrying values of geothermal exploration and evaluation assets and deferred mine exploration costs as of December 31, 2016 are disclosed in Notes 11 and 13 to the consolidated financial statements. The substantial amount of this account, the level of additions during the year, and the significant management judgment required in assessing whether there is any indication of impairment are key areas of focus in our audit.

Audit response

We obtained an understanding of the Group's capitalization policy and tested whether the policy has been applied consistently. We obtained management's assessment on whether there are impairment indicators affecting the recoverability of the geothermal exploration and evaluation assets and deferred mine exploration costs. We inquired into the status of these projects and their plans on operations. We reviewed contracts and agreements, and budgets for exploration and development costs. We inspected the licenses, permits and correspondences with regulatory agencies of each exploration project, to determine that the period for which the Group has the right to explore in the specific area, has not been cancelled or has not expired, will not expire in the near future, and will be renewed accordingly. We also inquired about the existing concession areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas.

Recoverability of solar project and construction in-progress

The Group is adversely affected by the continued decline in wholesale electricity prices. In the event that an impairment indicator is identified, the assessment of the recoverable amount of the solar project and construction in-progress related to solar farms and geothermal projects, requires significant judgment and



is based on assumptions. The carrying values of the Group's solar project and construction in-progress recorded as part of property and equipment as of December 31, 2016 are disclosed in Note 9 to the consolidated financial statements. The assessment of the recoverable amounts of the Sta. Rita Solar Power and the Biliran Geothermal Power Projects, which require estimation and assumptions about future production levels and costs, as well as external inputs such as commodity prices, discount rate, and foreign currency exchange rates, is a key audit matter in our audit.

Audit response

We obtained an understanding of the Group's impairment assessment process and the related controls. We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include the expected life of the plant, forecasted annual energy output, forecasted average price of wholesale electricity, forecasted contributions to the government based on current regulations, inflation rate, planned debt ratio, and interest rate. We compared the key assumptions used against the industry benchmark plant life, production reports from operations department, average market price of electricity on Wholesale Electric Spot Market (WESM), current tax laws and Department of Energy regulations, Bangko Sentral ng Pilipinas (BSP) forecasted inflation rate, industry debt ratio and discount rate based on industry weighted average capital cost. We tested the parameters used in the determination of the discount rate against the market data.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Eleanore A. Layug.

SYCIP GORRES VELAYO & CO.


Eleanore A. Layug

Partner

CPA Certificate No. 0100794

SEC Accreditation No. 1250-A-1 (Group A),

January 7, 2016, valid until January 6, 2019

Tax Identification No. 163-069-453

BIR Accreditation No. 08-001998-97-2015

January 5, 2015, valid until January 4, 2018

PTR No. 5908708, January 3, 2017, Makati City

March 15, 2017



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



	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱9,647,943	₱7,073,171
Trade and other receivables (Note 5)	1,145,271	962,151
Inventories (Note 6)	3,210,838	3,211,269
Available-for-sale (AFS) financial assets (Note 7)	5,572,285	5,013,919
Prepayments and other current assets (Note 8)	946,431	417,432
Total Current Assets	20,522,768	16,677,942
Noncurrent Assets		
Property and equipment (Note 9)	15,566,425	13,909,595
Investments in associates (Note 10)	2,582,087	4,764,087
Geothermal exploration and evaluation assets (Note 11)	1,775,799	1,290,603
AFS financial assets - net of current portion (Note 7)	746,793	817,118
Deferred income tax assets (Note 36)	370,052	237,407
Long-term stockpile inventory - net of current portion (Note 12)	367,244	584,740
Other noncurrent assets (Note 13)	3,420,348	3,448,863
Total Noncurrent Assets	24,828,748	25,052,413
TOTAL ASSETS	₱45,351,516	₱41,730,355
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	₱7,016,683	₱7,125,713
Short-term debt (Note 15)	180,000	180,000
Income tax payable	426,802	113,939
Other current liability (Note 39k)	169,079	169,058
Current portion of:		
Long-term debt (Note 15)	148,274	124,521
Long-term payable (Note 17)	5,000	-
Total Current Liabilities	7,945,838	7,713,231
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 15)	4,468,059	3,357,733
Deferred income tax liabilities - net (Note 36)	876,467	731,518
Provision for mine rehabilitation and decommissioning (Note 16)	442,484	169,926
Pension liability (Note 35)	332,320	250,079
Deferred income - net of current portion	62,849	67,039
Long-term payable - net of current portion (Note 17)	23,846	27,641
Total Noncurrent Liabilities	6,206,025	4,603,936
Total Liabilities	14,151,863	12,317,167
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 18)	3,808,665	3,805,670
Additional paid-in capital (Note 18)	8,300,002	8,284,767
Other components of equity:		
Share in cumulative translation adjustment (Note 10)	409,286	406,609
Cost of share-based payment plan (Note 19)	126,622	104,824
Asset revaluation surplus	32,480	32,863
Net valuation gains (losses) on AFS financial assets (Note 7)	12,954	(134,467)
Retained earnings:		
Unappropriated	13,221,526	11,300,347
Appropriated (Note 18)	1,108,956	1,711,260
Total Equity	27,020,491	25,511,873
Non-controlling Interests (NCI)	4,179,162	3,901,315
Total Equity	31,199,653	29,413,188
TOTAL LIABILITIES AND EQUITY	₱45,351,516	₱41,730,355

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		
	2016	2015	2014
REVENUES (Note 34)			
Sale of ore	₱13,574,382	₱14,795,649	₱24,052,734
Services and others	530,275	635,997	692,970
Sale of power	18,010	–	–
	14,122,667	15,431,646	24,745,704
COSTS			
Sale of ore (Note 21)	5,907,249	6,279,248	5,356,411
Services (Note 22)	441,501	482,882	521,306
Power generation (Note 23)	38,295	–	–
	6,387,045	6,762,130	5,877,717
OPERATING EXPENSES			
Shipping and loading costs (Note 24)	1,823,549	1,757,943	1,837,568
Excise taxes and royalties (Note 25)	1,006,712	1,089,603	1,754,834
General and administrative (Note 26)	737,207	787,889	806,306
Marketing (Notes 39e and 39l)	95,869	130,166	168,943
	3,663,337	3,765,601	4,567,651
FINANCE INCOME (Note 29)	228,430	305,112	172,104
FINANCE EXPENSES (Note 30)	(219,933)	(179,125)	(164,369)
EQUITY IN NET INCOME (LOSSES) OF ASSOCIATES (Note 10)	(413,702)	(811,369)	522,380
OTHER INCOME - net (Note 31)	493,540	493,544	470,495
INCOME BEFORE INCOME TAX	4,160,620	4,712,077	15,300,946
PROVISION FOR INCOME TAX (Note 36)			
Current	1,441,526	1,605,750	4,265,468
Deferred	7,952	61,536	27,359
	1,449,478	1,667,286	4,292,827
NET INCOME	₱2,711,142	₱3,044,791	₱11,008,119
Net income attributable to:			
Equity holders of the parent	₱1,966,107	₱2,035,143	₱8,551,627
NCI	745,035	1,009,648	2,456,492
	₱2,711,142	₱3,044,791	₱11,008,119
Basic/Diluted Earnings Per Share (EPS; Note 20)	₱0.26	₱0.27	₱1.13

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2016	2015	2014
NET INCOME	₱2,711,142	₱3,044,791	₱11,008,119
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Other comprehensive income (loss) to be reclassified to consolidated statements of income in subsequent periods:</i>			
Share in translation adjustment of associates (Note 10)	29,270	360,506	(54,876)
Income tax effect	(26,593)	(36,051)	(3,171)
	2,677	324,455	(58,047)
Net valuation gains (losses) on AFS financial assets (Note 7)	153,124	(369,761)	96,806
Income tax effect (Note 7)	(3,035)	65,435	(22,649)
	150,089	(304,326)	74,157
Net other comprehensive income to be reclassified to consolidated statements of income in subsequent periods	152,766	20,129	16,110
<i>Other comprehensive income (loss) not to be reclassified to consolidated statements of income in subsequent periods:</i>			
Remeasurement gain (loss) on pension liability (Note 35)	(83,731)	(9,047)	62,960
Income tax effect	25,119	2,715	(18,888)
	(58,612)	(6,332)	44,072
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	(58,995)	(6,715)	43,689
TOTAL OTHER COMPREHENSIVE INCOME - NET OF TAX	93,771	13,414	59,799
TOTAL COMPREHENSIVE INCOME - NET OF TAX	₱2,804,913	₱3,058,205	₱11,067,918
Total comprehensive income attributable to:			
Equity holders of the parent	₱2,076,466	₱2,052,080	₱8,592,028
NCI	728,447	1,006,125	2,475,890
	₱2,804,913	₱3,058,205	₱11,067,918

See accompanying Notes to Consolidated Financial Statements.



NICKEL ASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014
(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent										Total	NCI	Total
	Capital Stock (Note 18)	Stock Dividends Distributable (Note 18)	Additional Paid-in Capital (Note 18)	Share in Cumulative Translation Adjustment (Note 10)	Net Valuation Gains (Losses) on AFS Financial Assets (Note 7)	Cost of Share-based Payment Plan (Note 19)	Asset Revaluation Surplus	Retained Earnings		Total			
							Unappropriated	Appropriated (Note 18)					
Balances at December 31, 2015	₱3,805,670	₱-	₱8,284,767	₱406,609	(₱134,467)	₱104,824	₱32,863	₱11,300,347	₱1,711,260	₱25,511,873	₱3,901,315	₱29,413,188	
Net income	-	-	-	-	-	-	-	1,966,107	-	1,966,107	745,035	2,711,142	
Other comprehensive income (loss)	-	-	-	2,677	147,421	-	(383)	(39,356)	-	110,359	(16,588)	93,771	
Total comprehensive income (loss)	-	-	-	2,677	147,421	-	(383)	1,926,751	-	2,076,466	728,447	2,804,913	
Exercise of stock options (Note 19)	2,995	-	15,235	-	-	(3,855)	-	-	-	14,375	-	14,375	
Cost of share-based payment plan (Note 19)	-	-	-	-	-	25,653	-	-	-	25,653	-	25,653	
Cash dividends (Note 18)	-	-	-	-	-	-	-	(607,755)	-	(607,755)	-	(607,755)	
7% Cash dividends - Preferred share (Note 34)	-	-	-	-	-	-	-	(504)	-	(504)	-	(504)	
Cash dividends to NCI	-	-	-	-	-	-	-	-	-	-	(677,500)	(677,500)	
Reversal of appropriation (Note 18)	-	-	-	-	-	-	-	711,260	(711,260)	-	-	-	
Appropriation of retained earnings (Note 18)	-	-	-	-	-	-	-	(108,956)	108,956	-	-	-	
Asset revaluation surplus transferred to retained earnings	-	-	-	-	-	-	-	383	-	383	-	383	
Investments from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	226,900	226,900	
Balances at December 31, 2016	₱3,808,665	₱-	₱8,300,002	₱409,286	₱12,954	₱126,622	₱32,480	₱13,221,526	₱1,108,956	₱27,020,491	₱4,179,162	₱31,199,653	

See accompanying Notes to Consolidated Financial Statements.



	Equity Attributable to Equity Holders of the Parent											
	Capital Stock (Note 18)	Stock Dividends Distributable (Note 18)	Additional Paid-in Capital (Note 18)	Share in Cumulative Translation Adjustment (Note 10)	Net Valuation Gains (Losses) on AFS Financial Assets (Note 7)	Cost of Share-based Payment Plan (Note 19)	Asset Revaluation Surplus	Retained Earnings		Total	NCI	Total
								Unappropriated	Appropriated (Note 18)			
Balances at December 31, 2014	₱1,272,495	₱632,648	₱8,273,655	₱82,154	₱171,322	₱47,060	₱33,246	₱15,098,051	₱1,575,000	₱27,185,631	₱3,716,715	₱30,902,346
Net income	-	-	-	-	-	-	-	2,035,143	-	2,035,143	1,009,648	3,044,791
Other comprehensive income (loss)	-	-	-	324,455	(305,789)	-	(383)	(1,346)	-	16,937	(3,523)	13,414
Total comprehensive income (loss)	-	-	-	324,455	(305,789)	-	(383)	2,033,797	-	2,052,080	1,006,125	3,058,205
Exercise of stock options (Note 19)	1,292	-	11,112	-	-	-	-	-	-	12,404	-	12,404
Stock dividends (Note 18)	2,531,883	(632,648)	-	-	-	-	-	(1,899,235)	-	-	-	-
Cost of share-based payment plan (Note 19)	-	-	-	-	-	57,764	-	-	-	57,764	-	57,764
Cash dividends (Note 18)	-	-	-	-	-	-	-	(3,795,885)	-	(3,795,885)	-	(3,795,885)
7% Cash dividends - Preferred share (Note 34)	-	-	-	-	-	-	-	(504)	-	(504)	-	(504)
Cash dividends to NCI	-	-	-	-	-	-	-	-	-	-	(1,055,000)	(1,055,000)
Appropriation of retained earnings (Note 18)	-	-	-	-	-	-	-	(136,260)	136,260	-	-	-
Asset revaluation surplus transferred to retained earnings	-	-	-	-	-	-	-	383	-	383	-	383
Investments from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	233,475	233,475
Balances at December 31, 2015	₱3,805,670	₱-	₱8,284,767	₱406,609	(₱134,467)	₱104,824	₱32,863	₱11,300,347	₱1,711,260	₱25,511,873	₱3,901,315	₱29,413,188

See accompanying Notes to Consolidated Financial Statements.



Equity Attributable to Equity Holders of the Parent

	Capital Stock (Note 18)	Stock Dividends Distributable (Note 18)	Additional Paid-in Capital (Note 18)	Share in Cumulative Translation Adjustment (Note 10)	Net Valuation Gains on AFS Financial Assets (Note 7)	Cost of Share-based Payment Plan (Note 19)	Asset Revaluation Surplus	Retained Earnings		Total	NCI	Total
								Unappropriated	Appropriated (Note 18)			
Balances at December 31, 2013	₱1,266,780	₱-	₱8,151,603	₱140,201	₱99,506	₱49,524	₱33,629	₱8,158,905	₱2,590,000	₱20,490,148	₱4,721,640	₱25,211,788
Net income	-	-	-	-	-	-	-	8,551,627	-	8,551,627	2,456,492	11,008,119
Other comprehensive income (loss)	-	-	-	(58,047)	71,816	-	(383)	27,015	-	40,401	19,398	59,799
Total comprehensive income (loss)	-	-	-	(58,047)	71,816	-	(383)	8,578,642	-	8,592,028	2,475,890	11,067,918
Exercise of stock options (Note 19)	5,715	-	122,052	-	-	(45,464)	-	-	-	82,303	-	82,303
Stock dividends (Note 18)	-	632,648	-	-	-	-	-	(632,648)	-	-	-	-
Cost of share-based payment plan (Note 19)	-	-	-	-	-	43,000	-	-	-	43,000	-	43,000
Cash dividends (Note 18)	-	-	-	-	-	-	-	(2,021,727)	-	(2,021,727)	-	(2,021,727)
7% Cash dividends - Preferred share (Note 34)	-	-	-	-	-	-	-	(504)	-	(504)	-	(504)
Cash dividends to NCI	-	-	-	-	-	-	-	-	-	-	(3,480,815)	(3,480,815)
Reversal of appropriation (Note 18)	-	-	-	-	-	-	-	1,590,000	(1,590,000)	-	-	-
Appropriation of retained earnings (Note 18)	-	-	-	-	-	-	-	(575,000)	575,000	-	-	-
Asset revaluation surplus transferred to retained earnings	-	-	-	-	-	-	-	383	-	383	-	383
Balances at December 31, 2014	₱1,272,495	₱632,648	₱8,273,655	₱82,154	₱171,322	₱47,060	₱33,246	₱15,098,051	₱1,575,000	₱27,185,631	₱3,716,715	₱30,902,346

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱4,160,620	₱4,712,077	₱15,300,946
Adjustments for:			
Depreciation, amortization and depletion (Notes 9 and 28)	1,475,139	1,439,872	1,373,334
Equity in net losses (income) of associates (Note 10)	413,702	811,369	(522,380)
Unrealized foreign exchange gains - net (Note 31)	(300,086)	(157,954)	(91,147)
Interest income (Note 29)	(228,430)	(212,806)	(160,847)
Loss (gain) on:			
Sale of interest in an associate (Notes 10 and 31)	(239,620)	-	-
Sale of AFS financial assets (Notes 7, 29 and 30)	11,715	(86,250)	(8,479)
Sale of property and equipment (Note 31)	(6,644)	(6,919)	(9,693)
Write-off of advances to claimowners (Note 31)	5,350	-	-
Write-off of AFS financial assets (Notes 7 and 31)	3,000	-	-
Write-off of deferred mine exploration costs (Note 31)	2,278	5,461	1,941
Bargain purchase (Notes 31 and 32)	-	(59,921)	-
Provisions for (reversals of allowance for) impairment losses on:			
AFS financial assets (Notes 7 and 31)	119,220	-	-
Property and equipment (Notes 9 and 31)	12,825	-	98,487
Deferred mine exploration costs (Notes 13 and 31)	460	1,233	1,520
Interest expense (Notes 22 and 30)	135,741	77,530	47,717
Dividend income (Notes 7 and 31)	(35,117)	(25,827)	(6,473)
Cost of share-based payment plan (Note 19)	25,653	57,764	43,000
Movements in pension liability	(17,119)	5,851	(14,341)
Accretion interest on provision for mine rehabilitation and decommissioning (Notes 16 and 30)	8,942	8,520	8,893
Accretion income (Note 29)	-	(3,933)	(573)
Casualty losses (Note 31)	-	2,516	-
Day 1 loss (gain) (Notes 29 and 30)	-	(2,123)	2,123
Effect of change in estimate on provision for mine rehabilitation and decommissioning (Note 16)	-	(88)	756
Operating income before working capital changes	5,547,629	6,566,372	16,064,784
Decrease (increase) in:			
Trade and other receivables	(235,789)	406,673	(574,383)
Inventories	217,927	(120,068)	(650,009)
Prepayments and other current assets	(7,108)	214,586	(242,854)
Increase (decrease) in trade and other payables	119,395	(203,958)	572,792
Net cash generated from operations	5,642,054	6,863,605	15,170,330
Income taxes paid	(1,128,663)	(2,005,409)	(4,015,251)
Net cash flows from operating activities	4,513,391	4,858,196	11,155,079

(Forward)



	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
AFS financial assets (Note 7)	(₱8,641,008)	(₱13,392,836)	(₱1,397,019)
Property and equipment (Note 9)	(3,349,750)	(3,922,099)	(1,557,072)
Proceeds from:			
Sale of interest in an associate (Note 10)	2,037,188	-	-
Sale of AFS financial assets (Note 7)	8,296,174	10,163,700	415,713
Sale of property and equipment (Note 9)	12,794	8,538	70,485
Insurance claims	-	1,010	-
Decrease (increase) in:			
Geothermal exploration and evaluation assets (Note 11)	(463,184)	(470,720)	-
Other noncurrent assets	10,861	(184,163)	(22,202)
Interest received	221,560	197,080	147,758
Dividends received (Notes 7 and 10)	35,138	114,817	6,473
Issuance of loans (Note 39a)	-	(1,000,000)	-
Acquisition of subsidiaries, net of cash acquired (Note 32)	-	(800,792)	-
Net cash flows used in investing activities	(1,840,227)	(9,285,465)	(2,335,864)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Cash dividends (Notes 18 and 34)	(1,473,259)	(4,303,909)	(5,502,542)
Long-term debt	(114,827)	(114,827)	(115,321)
Rehabilitation cost (Note 16)	-	(670)	(10,401)
Proceeds from:			
Availment of long-term debt (Note 15)	1,182,846	2,099,449	-
Exercise of stock options (Note 19)	14,375	12,404	82,303
Investments from non-controlling shareholders	226,900	-	-
Interest paid	(178,460)	(52,472)	(37,692)
Decrease in deferred income	(4,190)	(4,190)	(4,190)
Increase in other current liability (Note 39k)	21	169,058	-
Net cash flows used in financing activities	(346,594)	(2,195,157)	(5,587,843)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,326,570	(6,622,426)	3,231,372
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,073,171	13,561,803	10,234,336
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS (Note 31)	248,202	133,794	96,095
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱9,647,943	₱7,073,171	₱13,561,803

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 and in the business of generation, transmission, distribution and supply of electricity to cities and other localities and to the public in general.

The common shares of the Parent Company were listed on the Philippine Stock Exchange (PSE) on November 22, 2010. The registered office address of the Parent Company is at 28th floor NAC Tower, 32nd Street, Bonifacio Global City, Taguig City.

The Subsidiaries

Hinatuan Mining Corporation (HMC)

HMC was registered with the SEC on October 9, 1979, is a 100% owned subsidiary of the Parent Company and is primarily engaged in the exploration, mining and exporting of nickel ore located in Hinatuan and Nonoc Islands, Surigao del Norte and Manicani Island, Eastern Samar. HMC is also engaged in the chartering out of Landing Craft Transport (LCT) and providing complete marine services.

Cagdianao Mining Corporation (CMC)

CMC was registered with the SEC on July 25, 1997, is a 100% owned subsidiary of the Parent Company and is primarily engaged in the exploration, mining and exporting of nickel ore located in Barangay Valencia, Municipality of Cagdianao, Province of Dinagat Island.

Samar Nickel Mining Resources Corporation (SNMRC)

SNMRC was registered with the SEC on March 11, 2010, is a 100% owned subsidiary of the Parent Company and is primarily engaged in the exploration, mining and exporting of mineral ores. SNMRC has not yet started commercial operations.

La Costa Shipping and Lighterage Corporation (LCSLC)

LCSLC was registered with the SEC on October 23, 1992, is a 100% owned subsidiary of the Parent Company through HMC, and is primarily engaged in the chartering out of LCT and providing complete marine services. LCSLC was acquired by HMC in April 2010. In a resolution dated May 6, 2014, the Board of Directors (BOD) of LCSLC authorized the sale of all of its LCT to HMC for a consideration.

Geogen Corporation (Geogen)

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



Falck Exp Inc. (FEI)

FEI was registered with the SEC on November 22, 2005, is an 88% owned subsidiary of the Parent Company through HMC, CMC and Taganito Mining Corporation (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. On November 17, 2016, the termination of FEI's registration with the Bureau of Internal Revenue (BIR) was approved.

Cordillera Exploration Co., Inc. (CExCI)

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

Newminco Pacific Mining Corporation (Newminco)

Newminco was registered with the SEC on October 9, 2006, is a 71.25% owned subsidiary of the Parent Company through CExCI, and is primarily engaged in the exploration, mining, development, utilization, extraction, beneficiation and marketing of minerals and mineral resources. It is currently not engaged in any development or commercial production activities.

Taganito Mining Corporation

TMC was registered with the SEC on March 4, 1987, is a 65% owned subsidiary of the Parent Company and is primarily engaged in the exploration, mining and exporting of nickel ore located in Claver, Surigao del Norte. TMC also provides services which involves the handling, hauling and transportation of materials required in the processing operations of Taganito HPAL Nickel Corporation (THNC).

Rio Tuba Nickel Mining Corporation (RTN)

RTN was registered with the SEC on July 15, 1969, is a 60% owned subsidiary of the Parent Company and is primarily engaged in the exploration, mining and exporting of nickel ore located in Barangay Rio Tuba, Municipality of Bataraza, Palawan and providing non-mining services required in the processing operations of Coral Bay Nickel Corporation (CBNC).

Emerging Power Inc. (EPI)

EPI was registered with the SEC on October 16, 2007, is a 70.92% owned subsidiary of the Parent Company and is primarily engaged in the renewable energy business.

Mindoro Geothermal Power Corporation (MGPC)

MGPC was registered with the SEC on May 7, 2014, is a 70.92% owned subsidiary of the Parent Company through EPI, and is primarily engaged in the renewable energy business. By virtue of a Deed of Assignment of rights and obligations of EPI under Geothermal Renewable Energy Service Contract (GRESO) No. 2010-02-013 on November 24, 2014, MGPC acquired the exclusive rights to explore, develop and exploit geothermal resources covering a geothermal field in the municipality of Naujan, Oriental Mindoro. The project is estimated to supply 40 megawatts (MW) of power over twenty-five (25) years.



Manta Energy Inc. (MEI)

MEI was registered with the SEC on May 21, 2007, is a 70.92% owned subsidiary of the Parent Company through EPI, and is primarily engaged in power business, including but not limited to power generation, power trading and supply to retail customers and end users. On July 5, 2016, the Energy Regulatory Commission (ERC) approved MEI's registration as Registered Electric Supplier for a period of five (5) years, and renewable thereafter.

Biliran Holdings Inc. (BHI)

BHI was registered with the SEC on July 31, 2015, is a 70.92% owned subsidiary of the Parent Company through EPI, and is primarily engaged in investing in and holding of assets of every kind and description, as and to the extent permitted by law. It is also registered, within the limits prescribed by law, to engage in the business of infrastructure, power generation, real estate, manufacturing, trading and agribusiness and to pay other evidences of indebtedness or securities of this or any other corporation.

Jobin-SQM, Inc. (Jobin)

Jobin was registered with the SEC on January 6, 2010, is a 70.92% owned subsidiary of the Parent Company through EPI, and is primarily engaged in power business, including but not limited to power generation, power trading and supply to retail customers and end users. Jobin was acquired by EPI on September 11, 2015. On May 23, 2016, Jobin entered into the testing and commissioning phase for the 7.14 MW Sta. Rita Solar Power Project. On November 7, 2016, Jobin was granted by ERC a Provisional Authority to Operate to transition from testing and commissioning phase to actual production and operation phase for a period of six (6) months for its 7.14 MW Sta. Rita Solar Power Plant pending approval of Jobin's dedicated point to point limited facilities to connect to the transmission system. Jobin is currently implementing the additional 25.19 MW Solar PV Project Phase IIA of the Sta. Rita Solar Power Project based on the mono crystalline solar module in Pastolan Village, Subic Bay Freeport Zone (SBFZ).

Biliran Geothermal Inc. (BGI)

BGI was registered with the SEC on October 31, 2007, is a 42.55% owned subsidiary of the Parent Company through EPI. The principal activities of BGI are to explore, exploit, discover, develop, extract, dig and drill for, produce, utilize, refine, treat, process, transport, store, market, sell, use, supply, experiment with, distribute, manufacture, or otherwise deal in, any substance, minerals or otherwise, which by itself or in contribution with other substances generate or emanate heat or power and to enter into and perform service contracts including geothermal services. BGI's project, the Biliran Geothermal twenty five (25)-year concession was estimated to supply 50 MW of power to the grid but according to research conducted by BGI, it can further produce up to 60 MW. On December 28, 2014, BGI received the Confirmation of Commerciality for the Biliran Geothermal Project from the Philippine Government through the Department of Energy (DOE). BGI was acquired by BHI on December 17, 2015.

Mantex Services Inc. (Mantex)

Mantex was registered with the SEC on March 26, 2012, is a 35.46% owned subsidiary of the Parent Company through EPI. Mantex is established primarily to provide technical, financial and public relations advisory, management and investments services for infrastructure projects.

Updates in the Philippine Mining Industry

In line with the issuance of Department of Environment and Natural Resources (DENR) Memorandum Order No. 2016-01 mandating a comprehensive review of all operating mines and mines under suspended and/or care and maintenance status, and a moratorium on the acceptance, processing and/or approval of mining applications and/or new mining projects for all metallic and non-metallic minerals, an industry-wide audit was carried on since July 2016.



On February 2, 2017, the Secretary of the DENR ordered the closure and suspension of several mines in the country for alleged environmental violations noted during the industry-wide audit.

In light of concerns expressed by various industry stakeholders, the Mineral Industry Coordinating Council (MICC) issued a resolution on February 9, 2017, which called for the review of the audit conducted on mining companies, and the closure and suspension orders by the DENR Secretary. This mandate of the MICC covers all mining contracts in the Philippines, although the review will start with mining companies affected by the closure order. The multi-stakeholder review shall be based on the guidelines and parameters set forth in mining contracts and in other pertinent laws, and will advise the DENR on the performance of existing mining operations in consultation with local government units. Five technical review teams (TRT) will conduct the review over a three (3) month period starting in March 2017. The TRTs will check the compliance of affected mining companies with applicable agreements, and laws and regulations taking into account the technical, legal, social, environmental and economic aspects of their mining operations. The results of the review will be submitted to the multi-stakeholder Technical Working Group (TWG) of the MICC. The TWG will verify the results before the final presentation to the MICC. The MICC will then present the findings and submit its recommendations to the Office of the President, which shall make the final decision on the DENR's closure and suspension orders.

On February 14, 2017, the Secretary of the DENR announced the cancellation of a total of 75 Mineral Production Sharing Agreements (MPSAs) considered to be situated in watersheds. Show cause orders were issued to the concerned mining companies, which were given seven (7) days to respond.

On February 13, 2017, HMC received a letter from DENR stating that MPSA in Taganaan Island, Surigao is being cancelled due to alleged violations of Republic Act (RA) No. 7942 or the "Philippine Mining Act of 1995" as a result of the audit conducted in July 2016. On February 17, 2017, HMC filed a Notice of Appeal with the Office of the President. It is the Parent Company's position that that there are no legal and technical grounds to support the cancellation of HMC's MPSA.

The Parent Company will pursue all legal remedies to overturn the said order because of due process violations and the absence of any basis that would warrant a suspension of HMC's operations, much less the cancellation of its MPSA.

RTN, TMC and CMC were not included in the list of mining operations recommended for suspension or closure by the DENR.

The consolidated financial statements as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016 were authorized for issuance by the Parent Company's BOD on March 15, 2017.

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

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for AFS financial assets which are measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency. The Parent Company and its subsidiaries (collectively referred to as the Group) have the



Philippine Peso as their functional currency and items included in the financial statements of each entity are measured using that functional and presentation (or reporting) currency. All amounts are rounded to the nearest thousand (₱000), except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements include the Group and its associates:

	Principal Place of Business	Principal Activities	Effective Ownership	
			2016	2015
<i>Subsidiaries</i>				
HMC	Philippines	Mining and Services	100.00%	100.00%
CMC	Philippines	Mining	100.00%	100.00%
SNMRC	Philippines	Mining	100.00%	100.00%
LCSLC ^(a)	Philippines	Services	100.00%	100.00%
Geogen	Philippines	Mining	100.00%	100.00%
FEI ^(b)	Philippines	Mining	88.00%	88.00%
CExCI	Philippines	Mining	71.25%	71.25%
Newminco ^(c)	Philippines	Mining	71.25%	71.25%
TMC	Philippines	Mining and Services	65.00%	65.00%
RTN	Philippines	Mining and Services	60.00%	60.00%
EPI	Philippines	Renewable Energy Developer	70.92%	66.00%
MGPC ^(d)	Philippines	Renewable Energy Developer	70.92%	66.00%
MEI ^(d)	Philippines	Power Generation, Trading and Services	70.92%	66.00%
BHI ^(d)	Philippines	Services	70.92%	66.00%
Jobin ^(d)	Philippines	Power Generation	70.92%	66.00%
BGI ^(d)	Philippines	Power Generation	42.55%	39.60%
Mantex ^(d)	Philippines	Management and Advisory Services	35.46%	33.00%
<i>Associates</i>				
THNC	Philippines	Manufacturing	10.00%	22.50%
CBNC	Philippines	Manufacturing	10.00%	10.00%

(a) Indirect ownership through HMC

(b) Indirect ownership through HMC, CMC and TMC

(c) Indirect ownership through CExCI

(d) Indirect ownership through EPI

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2016 and 2015. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using uniform accounting policies. When necessary, adjustments are made to the separate financial statements of the subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Subsidiaries

Subsidiaries are entities over which the Parent Company has control.

The Parent Company controls an investee if and only if the Parent Company has:

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



When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Parent Company's voting rights and potential voting rights.

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

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

NCI

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

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

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

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

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

Statement of Compliance

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



Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2016. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and Philippine Accounting Standards (PAS) 28, *Investments in Associates and Joint Ventures, Investment Entities: Applying the Consolidation Exception*
These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity of an associate or joint venture to its interests in subsidiaries when applying the equity method.

These amendments are not applicable to the Group since none of the entities within the Group is an investment entity nor does the Group have investment entity associates or joint ventures.

- Amendments to PFRS 11, *Joint Arrangements, Accounting for Acquisitions of Interests in Joint Operations*
The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to 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.

These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

- 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 income and other comprehensive income (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.



- Amendments to PAS 1, *Presentation of Financial Statements, Disclosure Initiative*
The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They clarify the following:
 - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
 - That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated
 - That entities have flexibility as to the order in which they present the notes to financial statements
 - That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

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

- Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortization*
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.

These amendments are applied prospectively and do not have any impact to the Group, given that the Group has not used a revenue-based method to depreciate or amortize its property and equipment and/or intangible assets.

- Amendments to PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants*
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 applied retrospectively and do not have any impact on the Group as the Group does not have any bearer plants.

- Amendments to PAS 27, *Separate Financial Statements, Equity Method in Separate Financial Statements*
The amendments 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.



These amendments do not have any impact on the Group's consolidated financial statements.

Annual Improvements to PFRSs 2012 - 2014 Cycle

- *Amendment to PFRS 5, Non-current Assets Held for Sale and Discontinued Operations, Changes in Methods of Disposal*
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. This improvement has no impact on the Group's consolidated financial statements.
- *Amendment to 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 for continuing involvement 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 have no impact to the Group as it does not have any servicing contracts.
- *Amendment to 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. The amendment affects disclosures only and has no impact on the Group's financial position or performance.
- *Amendment to PAS 19, Employee Benefits, Discount Rate: Regional Market Issue*
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. This amendment is not relevant to the Group.
- *Amendment to PAS 34, Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'*
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The amendment affects disclosures only and has no impact on the Group's financial position or performance.



Standards and Interpretations Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective January 1, 2017:

- *Amendment to PFRS 12, Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments are not expected to have any impact on the Group's financial position and results of operation. The Group will include the required disclosures in its 2017 consolidated financial statements.
- *Amendments to PAS 7, Statement of Cash Flows, Disclosure Initiative*
The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

- *Amendments to PAS 12, Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

The Group is currently assessing the potential effect of adopting the amendments on its consolidated financial statements.



Effective January 1, 2018:

- *Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The Group is assessing the potential effect of the amendments on its consolidated financial statements.

- *Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in OCI, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- *PFRS 9, Financial Instruments*

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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

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 Group is currently assessing the impact of adopting this standard on its consolidated financial statements.



- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018.

The Group is currently assessing the impact of PFRS 15.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss (FVPL). They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized;

(b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted. The amendments are not expected to have any significant impact on the consolidated financial statements of the Group.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight. The amendments are not expected to have a significant impact on the Group's consolidated financial statements.

- Philippine Interpretation based on International Financial Reporting Interpretations Committee (IFRIC) 22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective



basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The interpretation is not expected to have any significant impact on the consolidated financial statements of the Group.

Effective January 1, 2019:

- PFRS 16, *Leases*

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

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

Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

Deferred Effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures. The Group is currently assessing the impact of adopting the amendments to this standard on its consolidated financial statements.

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



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 the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at functional currency rate of exchange ruling at the end of the financial reporting period. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates prevailing as at the date of the initial transactions.

Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. All differences are taken to "Other income (charges) - net" in the consolidated statement of income.

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

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve (12) months after the end of the financial reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the end of the financial reporting period.

The Group classifies all other assets as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve (12) months after the end of the financial reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the end of the financial reporting period.

The Group classifies all other liabilities as noncurrent.



Cash and Cash Equivalents

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

Financial Instruments

Date of Recognition

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

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

Initial Recognition, Classification and Measurement of Financial Instruments

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

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

Financial Assets

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

The Group's financial assets are in the nature of loans and receivables and AFS financial assets. The Group has no financial assets at FVPL, HTM investments and derivatives designated as hedging instruments in an effective hedge as at December 31, 2016 and 2015.

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, 2016 and 2015.



Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the Level 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:

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 “Other income (charges) - net” in the consolidated statement of income. Gains and losses are recognized in the consolidated statement of income when the loans are derecognized or impaired as well as through the amortization process.

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

The Group’s loans and receivables include “Cash and cash equivalents”, “Trade and other receivables”, loan receivable and long-term negotiable instrument which are included under “Other noncurrent assets” (see Notes 4, 5 and 13).

AFS Financial Assets

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

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

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

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



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

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

Other Financial Liabilities

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

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

Other financial liabilities are included in current liabilities if settlement is within twelve (12) months from the end of the financial reporting period, otherwise, these are classified as noncurrent liabilities.

This accounting policy applies primarily to the Group's trade and other payables, short-term and long-term debts, long-term payable and other obligations that meet the above definition (excluding government payables and other liabilities that are covered by other accounting standards, such as income tax payable and pension; see Notes 14, 15 and 17).

Offsetting of Financial Instruments

Financial instruments 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. The Group assesses that it has a currently enforceable right of offset and the right is not contingent on a future event, event of default and event of insolvency or bankruptcy of the Group and all of the counterparties, and is legally enforceable in the normal course of business.

Impairment of Financial Assets

The Group assesses at each end of the financial reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and Receivables

For financial assets carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually



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

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

The carrying amount of the assets is reduced through the use of an allowance account and the amount of loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "Finance income" in the consolidated statement of income.

Loans, together with the associated allowance, are written-off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

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

AFS Financial Assets

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

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

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

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



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

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

Derecognition of Financial Instruments

Financial Assets

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

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

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

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Financial Liabilities

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

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



Inventories

Inventories, including the long-term stockpile inventory, are carried at the lower of cost and net realizable value (NRV). Cost is determined by the moving average production cost during the year for beneficiated nickel ore and limestone exceeding a determined cut-off grade and average handling costs of limonite ores. The NRV of beneficiated nickel ore and limestone inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Periodic ore inventory survey is performed to determine the volume of ore inventory.

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

The long-term stockpile inventory cost is represented by the fair value of the long-term stockpile inventory related to the acquisition of the controlling interest in RTN in August 2006. The fair value was determined using the present value of the estimated cash flows, which RTN will derive from the sale of this inventory to CBNC under its Nickel Ore Supply Agreement with CBNC (see Note 34a). After initial recognition, the long-term stockpile inventory is subsequently charged to cost of sales based on actual tonnage delivered to CBNC. NRV of long-term stockpile inventory is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Prepayments and Other Current Assets

Prepayments and other current assets include input VAT, advances and deposits, tax credit certificates and various prepayments which the Group expects to realize or consume the assets within twelve (12) months after the end of the financial reporting period.

VAT

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

Property and Equipment

Property and equipment, except land, is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, amortization and depletion and accumulated impairment loss. The initial cost of property and equipment consists of its purchase price including import duties and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Such cost also includes the cost of replacing part of such property and equipment when the recognition criteria are met. When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. Land is carried at cost less any impairment loss.



Depreciation and amortization are computed using the straight-line method 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
Solar and wind project	10-40

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. This also include interest on borrowed funds incurred during the construction period.

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

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

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

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

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

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



Borrowing Cost

Borrowing costs directly attributable to the development of the Group's projects that necessarily take a substantial period of time to get ready for its intended use are capitalized. Borrowing costs consist of interest on borrowed funds used to finance the construction of the asset and other financing costs that the Group incurs in connection with the borrowing of funds. The capitalization of the borrowing cost as part of the cost of the asset: (a) commences when the expenditures and borrowing costs are being incurred during the construction and related activities necessary to prepare the asset for its intended use are in progress; and (b) ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. Capitalized borrowing costs are based on the applicable borrowing rate agreed in the agreement.

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 considerations made in determining significant influence are 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.

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.

If the ownership interest in an associate is reduced, but the investment continues to be an associate, the Group shall reclassify to profit or loss the proportionate gain or loss that had previously been recognized in OCI relating to the reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related asset.

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

Business Combinations and Goodwill

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



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

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

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

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

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

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

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

Geothermal Exploration and Evaluation Assets

The Group follows the full cost method of accounting for its geothermal exploration and evaluation assets determined on the basis of the service contract. Under this method, all exploration costs relating to each service contract are accumulated and deferred under "Geothermal exploration and evaluation assets" account in the consolidated statement of financial position pending the determination of whether the wells have proved reserves. Capitalized expenditures include costs of license acquisition, technical services and studies, exploration drilling and testing, and appropriate technical and administrative expenses. General overhead or costs incurred prior to having obtained the legal rights to explore an area are recognized as expense in the profit or loss when incurred.

If tests conducted on the drilled exploratory wells reveal that these wells cannot produce proved reserves, the capitalized costs are charged to expense except when the management decides to use the unproductive wells, for recycling or waste disposal.



Once the technical feasibility and commercial viability of the project to produce proved reserves are established, the geothermal exploration and evaluation assets are reclassified to property and equipment.

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

Geothermal exploration and evaluation assets also include interest on borrowed funds that are directly attributable to the construction and development of the Group's projects.

Other Noncurrent Assets

Other noncurrent assets of the Group include deferred mine exploration costs, loan receivable, input VAT, mine rehabilitation fund (MRF), advances and deposits, Social Development Management Program (SDMP) fund, investment properties, long-term negotiable instrument, project development costs, pension asset, and other deposits. Aside from MRF, SDMP fund and restricted cash which are restricted as to withdrawal for specified purpose, these are classified as noncurrent since the Group expects to utilize the assets beyond twelve (12) months from the end of the financial reporting period.

Deferred Mine Exploration Costs

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

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

Deferred Stripping Costs

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



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

Project Development Costs

Project development costs are expensed as incurred until management determines that the project is technically, commercially, and financially viable, at which time project development costs are capitalized. Project's viability generally occurs in tandem with management's determination that a project should be classified as an advanced project as evidenced by a favorable system impact study, interconnection agreements, or when project financing is in place.

Following initial recognition of the project development cost as an asset, the cost model is applied requiring the asset to be carried at cost less accumulated amortization and any accumulated impairment losses. Amortization of the asset begins when the development of the wind and solar energy projects is complete and the asset is available for use. It is amortized using the straight-line method over the period of expected future benefit. During the period in which the asset is not yet available for use, the project development costs are tested for impairment annually, irrespective of whether there is indication of impairment.

Investment Properties

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

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

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

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

Impairment of Nonfinancial Assets

Inventories and Long-term Stockpile Inventory

The Group determines the NRV of inventories and long-term stockpile inventory at each end of the financial reporting period. If the cost of the inventories and long-term stockpile inventory exceeds its NRV, the asset is written down to its NRV and impairment loss is recognized in the



consolidated statement of income in the year the impairment is incurred. In the case when NRV of the inventories and long-term stockpile inventory increased subsequently, the NRV will increase the carrying amounts of inventories but only to the extent of their original acquisition costs.

Property and Equipment and Nonfinancial Prepayments and Other Current and Noncurrent Assets

The Group assesses, at each end of the financial reporting period, whether there is an indication that an asset may be impaired. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or CGU is written down to its recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. The fair value less costs to sell is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less the costs of disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. These calculations are corroborated by valuation multiples or other available fair value indicators. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the consolidated statement of income.

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

Geothermal Exploration and Evaluation Assets and Deferred Mine Exploration Costs

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

Facts and circumstances that would require an impairment assessment as set forth in PFRS 6, *Exploration for and Evaluation of Mineral Resources*, are as follows:

- The period for which the Group has the right to explore in the specific area has expired or will expire in the near future and is not expected to be renewed;
- Substantive expenditure on further exploration and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- When a service contract where the Group has participating interest in is permanently abandoned; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.



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

Investments in Associates

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

Other Current Liability

Other current liability pertains to deposits for future stock subscription which represents advance payments from stockholders for the subscription of future issuance of shares.

The Group classifies its deposits for future stock subscription as a separate account under equity if and only if, all of the following elements are present as at the end of the financial reporting period:

- There is a lack of or insufficiency in unissued authorized capital stock;
- The BOD and stockholders have approved the proposed increase in authorized capital stock; and
- An application for the approval of the proposed increase in authorized capital stock has been presented for filing or has been filed with the SEC.

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

Deferred Income

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

Provisions

General

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

Provision for Mine Rehabilitation and Decommissioning

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when



the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognized in the consolidated statement of income as “Finance expense”. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and provision for mine rehabilitation and decommissioning when they occur. When rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each end of the financial reporting period and the cost is charged to consolidated statement of income.

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

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

OCI

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

Capital Stock

Common shares are classified as equity 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 as “Interest expense” in the consolidated statement of income as accrued.

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

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

Retained Earnings

Retained earnings represent the cumulative balance of periodic net income or loss, prior period adjustments, effect of changes in accounting policies in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* and other capital adjustments, net of any dividend declaration.



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

Share-based Payment Transactions

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

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

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

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

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

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

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

Basic/Diluted EPS

Basic EPS

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

Diluted EPS

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



Revenue Recognition

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

Sale of Beneficiated Nickel Ore and Limestone

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer which, in the case of deliveries other than to CBNC and THNC, coincides with the loading of the ores into the buyer's vessel and the date of the bill of lading issued by the buyer's shipping agent. In the case of deliveries to CBNC and THNC, this occurs at the time the ore passes into the ore preparation hopper of the respective plants. Under the terms of the arrangements with customers, other than CBNC and THNC, the Group bills the remaining balance, generally at 5% to 20% of the ore shipped, based on the assay results agreed by both the Group and the customers. Where the assay results are not yet available as at the end of the financial reporting period, the Group accrues the remaining 5% to 20% of the revenue based on the amount of the initial billing made. For CBNC and THNC, 100% of the revenue is billed monthly.

Rendering of Services

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

Sale of Power

Revenue from sale of solar power is based on sales price and is composed of generation fees from spot sales to the Wholesale Electricity Spot Market. Revenue is recognized monthly based on the actual energy delivered.

Interest

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

Dividend

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

Rental

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

Despatch

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

Issuance of Fuel, Oil and Lubricants

Revenue is recognized upon release of inventory from the depot.

Other Income

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



Cost and Expense Recognition

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

Cost of Sales

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

Cost of Services

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

Cost of Power Generation

Cost of power generation using solar energy include expenses incurred directly for the generation of revenues from power at operating project locations. Cost of power generation are expensed when incurred.

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

A reassessment is made after inception of the lease only if one of the following applies:

- a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b) A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c) There is a change in the determination of whether fulfilment 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 pension liability at the end of the financial reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and
- Remeasurements of net defined benefit liability or asset.

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

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

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

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

If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.



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

Income Taxes

Current Income Tax

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

Deferred Income Tax

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

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

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

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

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

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

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



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

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

Business Segments

For management purposes, the Group is organized into operating segments (mining, power and services) according to the nature of the products and the services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The segment locations are the basis upon which the Group reports its primary segment information for the mining segment. All of the segments operate and generate revenue only in the Philippines. Financial information on business segments is presented in Note 42.

Contingencies

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

Events after the End of the Financial Reporting Period

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

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



Judgments

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

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be the Philippine peso. The 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.

Determining Operating Lease Commitments - Group as a Lessee

The Group has entered into commercial, personal and real property leases. The Group has determined that all significant risks and rewards of ownership of these spaces remain with the lessors due to the following:

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

Determining Operating Lease Commitments - Group as a Lessor

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

Distinction between Investment Properties and Owner - Occupied Properties

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

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



qualify as investment property. The Group considers each property separately in making its judgment.

Assessing Production Start Date

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

Some of the criteria include, but are not limited to the following:

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

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

Assessing Units-of-Production Depletion

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

Determining Whether Significant Influence Exists

As discussed in Note 10, the Parent Company sold its 12.5% ownership interest in THNC, retaining an ownership interest of 10% as at December 31, 2016. The Parent Company recognized its ownership interest in THNC and CBNC as investments in associates. In accordance with the provisions of PAS 28 (2011), *Investments in Associates and Joint Ventures*, the existence of significant influence by an entity is usually evidenced in one or more of the following ways:

- Representation on the BOD or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends or other distributions;
- Material transactions between the entity and its investee;
- Interchange of managerial personnel; or
- Provision of essential technical information.

Due to the nature of the Parent Company's involvement in THNC and CBNC and other various factors, the Parent Company assessed that significant influence exists (see Note 10).



Determining Capitalizability of Geothermal Exploration and Evaluation Assets and Deferred Mine Exploration Costs

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

Determining Applicability of IFRIC 12, Service Concession Arrangements on the Solar Energy Service Contract (SESC)

An arrangement would fall under IFRIC 12 if the two conditions below are met:

- a) the grantor controls or regulates the services that the operator must provide using the infrastructure, to whom it must provide them, and at what price, and
- b) the grantor controls any significant residual interest in the property at the end of the concession term through ownership, beneficial entitlement or otherwise.

However, infrastructure used for its entire useful life ('whole of life assets') is within the scope if the arrangement meets the conditions in (a).

Based on management's judgment, the SESC entered into by Jobin is outside the scope of IFRIC 12 since Jobin controls the significant residual interest in the properties at the end of the concession term through ownership.

Estimates and Assumptions

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

Estimating Beneficiated Nickel Ore and Limestone 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 Recoverability of Geothermal Exploration and Evaluation Assets and Deferred Mine Exploration Costs

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

The carrying values of geothermal exploration and evaluation assets amounted to ₱1,775.8 million and ₱1,290.6 million as at December 31, 2016 and 2015, respectively (see Note 11).

Deferred mine exploration costs, included in "Other noncurrent assets", as at December 31, 2016 and 2015 amounted to ₱1,218.3 million and ₱1,132.2 million, respectively (net of allowance for impairment losses of ₱142.3 million and ₱146.9 million as at December 31, 2016 and 2015, respectively; see Note 13). The Group has directly written-off deferred mine exploration costs amounting to ₱2.3 million and ₱5.5 million in 2016 and 2015, respectively (see Note 31).

Estimating Allowance for Impairment Losses on Property and Equipment

The Group assesses impairment on property and equipment 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. As at December 31, 2016 and 2015, the Group provided an allowance for



impairment losses on property and equipment amounting to ₱12.8 million and nil, respectively (see Notes 9 and 31).

The carrying values of property and equipment amounted to ₱15,566.4 million and ₱13,909.6 million as at December 31, 2016 and 2015, respectively (see Note 9).

Estimating Allowance for Impairment Losses on Trade and Other Receivables

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

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

The carrying values of trade and other receivables amounted to ₱1,145.3 million and ₱962.2 million as at December 31, 2016 and 2015, respectively (net of allowance for impairment losses of ₱45.7 million and ₱19.5 million as at December 31, 2016 and 2015, respectively; see Note 5).

Estimating Allowance for Impairment Losses on Inventories

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

As at December 31, 2016 and 2015, inventories carried at lower of cost and NRV amounted to ₱3,210.8 million and ₱3,211.3 million, respectively (net of allowance for inventory losses of ₱84.4 million and ₱104.5 million as at December 31, 2016 and 2015, 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 ₱367.2 million and ₱584.7 million as at December 31, 2016 and 2015, 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 20% or more of the original cost of investment, and “Prolonged” as greater than one (1) year. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and discount factors for unquoted equities in determining the amount to be impaired.

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

In 2016 and 2015, the Group recognized a provision for impairment losses on its quoted AFS financial assets amounting to ₱119.2 million and nil, respectively (see Note 31). The carrying values of AFS financial assets amounted to ₱6,319.1 million and ₱5,831.0 million as at December 31, 2016 and 2015, respectively (see Note 7).

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 2016 and 2015.

The carrying values of property and equipment, except land, as at December 31, 2016 and 2015 amounted to ₱15,298.0 million and ₱13,641.2 million, respectively (net of accumulated depreciation, amortization and depletion of ₱8,874.3 million and ₱7,461.6 million and accumulated impairment losses of ₱12.8 million and nil as at December 31, 2016 and 2015, respectively; see Note 9).

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 2016 and 2015 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 2016 and 2015. The carrying values of the Group’s investments in associates amounted to ₱2,582.1 million and ₱4,764.1 million as at December 31, 2016 and 2015, respectively (see Note 10).



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 ₱946.4 million and ₱417.4 million as at December 31, 2016 and 2015, respectively, while nonfinancial other noncurrent assets amounted to ₱2,559.8 million and ₱2,576.8 million as at December 31, 2016 and 2015, respectively (see Notes 8 and 13).

The allowance for impairment losses on the Group's nonfinancial prepayments and other current assets amounted to ₱71.5 million and ₱71.3 million as at December 31, 2016 and 2015, respectively (see Note 8). The allowance for impairment losses on the Group's nonfinancial other noncurrent assets as at December 31, 2016 and 2015 amounted to ₱253.1 million and ₱236.4 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 financial reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated statement of financial position by adjusting the rehabilitation asset and liability. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of income.

Provision for mine rehabilitation and decommissioning amounted to ₱442.5 million and ₱169.9 million as at December 31, 2016 and 2015, respectively (see Note 16).

Determining Pension Benefits

The cost of defined benefit retirement as well as the present value of the pension liability is determined using actuarial valuations. The actuarial valuation involves making various assumptions, as described in Note 35. These include the determination of the discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit pension liability are highly sensitive to changes in these assumptions. In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit pension liability. All assumptions are reviewed at each end of the financial reporting period. While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's pension liability.

As at December 31, 2016 and 2015, pension asset included under "Other noncurrent assets" amounted to ₱1.3 million and nil, respectively, and pension liability amounted to ₱332.3 million and ₱250.1 million, respectively (see Notes 13 and 35).



Estimating Fair Value of Share-based Payment Transactions

The Parent Company's Executive Stock Option Plan (ESOP) grants qualified participants the right to purchase common shares of the Parent Company at a grant price. The ESOP recognizes the services received from the eligible employees and an equivalent adjustment to the equity account over the vesting period. The Parent Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant.

This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield. The assumptions and models used for estimating the fair value of share-based payment transactions are disclosed in Note 19. 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 2016, 2015 and 2014, with a corresponding charge to the equity account, amounted to ₱25.7 million, ₱57.8 million and ₱43.0 million, respectively (see Note 27). As at December 31, 2016 and 2015, the balance of the cost of share-based payment plan in the equity section of the consolidated statements of financial position amounted to ₱126.6 million and ₱104.8 million, respectively (see Note 19).

Assessing Recoverability of Deferred Income Tax Assets

The Group reviews the carrying amounts of deferred income tax assets at each end of the financial reporting period and reduces the amounts to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Group has deferred income tax assets amounting to ₱370.1 million and ₱237.4 million as at December 31, 2016 and 2015, respectively (see Note 36).

As at December 31, 2016 and 2015, the Group has temporary difference amounting to ₱998.4 million and ₱542.9 million, respectively, for which no deferred income tax assets were recognized because it is more likely than not that the carry-forward benefits will not be realized in the future (see Note 36).

Determining Fair Values of Financial Instruments

Where the fair values of financial assets and liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation. Certain financial assets and liabilities were initially recorded at its fair value (see Note 38).

Estimating Fair Value of Identifiable Net Assets of an Acquiree in a Business Combination

In accounting for business combinations, the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) on the basis of fair value at the date of acquisition. The determination of fair values requires estimates of economic conditions and other factors (see Note 32).



4. Cash and Cash Equivalents

	2016	2015
Cash on hand and with banks	₱1,213,398	₱1,535,372
Cash under managed funds	188,508	199,300
Short-term cash investments	8,246,037	5,338,499
	₱9,647,943	₱7,073,171

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

The Group has United States dollar (US\$) denominated cash and cash equivalents amounting to US\$131.1 million, equivalent to ₱6,518.8 million, and US\$87.1 million, equivalent to ₱4,100.6 million, as at December 31, 2016 and 2015, respectively (see Note 37).

Interest income earned from cash and cash equivalents amounted to ₱75.9 million, ₱109.1 million and ₱140.8 million in 2016, 2015 and 2014, respectively (see Note 29).

5. Trade and Other Receivables

	2016	2015
Trade (see Note 34a)	₱865,608	₱573,689
Current portion of loan receivable (see Note 39a)	98,161	157,896
Advances to officers and employees	51,357	68,404
Receivable from CBNC (see Note 34a)	47,570	48,173
Interest receivable	47,317	40,448
Amounts owed by related parties (see Note 34)	6,489	15,964
Advances to Ludgoron Mining Corporation (Ludgoron; see Note 39e)	-	23,394
Others	74,515	53,694
	1,191,017	981,662
Less allowance for impairment losses	45,746	19,511
	₱1,145,271	₱962,151

The movements of allowance for impairment losses follows:

2016	Trade	Others	Total
Balances at January 1	₱17,323	₱2,188	₱19,511
Provisions (see Note 31)	22,432	2,529	24,961
Foreign exchange adjustments	1,274	-	1,274
Acquisition of subsidiaries	-	-	-
Write-off	-	-	-
Balances at December 31	₱41,029	₱4,717	₱45,746



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

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

Loan receivable represent the loan agreement executed by CMC and East Coast Mineral Resources Co., Inc. (East Coast), which will be settled based on the agreed repayment terms.

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

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

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

Advances to Ludgoron represent advances to claim owner which are collectible upon approval of Mines and Geosciences Bureau (MGB) of the transfer of the operating agreement to Kafugan Mining Incorporated (KMI). The advances were collected in January 2016.

Other receivables include advances to third party companies which are noninterest-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.

The Group has US\$ denominated trade and other receivables amounting to US\$14.8 million, equivalent to ₱735.7 million, and US\$8.1 million, equivalent to ₱381.0 million, as at December 31, 2016 and 2015, respectively (see Note 37).

6. Inventories

	2016	2015
Beneficiated nickel ore and limestone - at cost	₱2,291,470	₱2,329,234
Beneficiated nickel ore - at NRV	362,363	329,076
Materials and supplies:		
At NRV	242,395	262,091
At cost	138,814	130,942
Current portion of long-term stockpile inventory (see Note 12)	175,796	159,926
	₱3,210,838	₱3,211,269



The movements of allowance for impairment losses on inventories follows:

2016	Beneficiated nickel ore	Materials and supplies	Total
Balances at January 1	₱94,419	₱10,036	₱104,455
Reversals (see Note 31)	(20,074)	–	(20,074)
Balances at December 31	₱74,345	₱10,036	₱84,381

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

As at December 31, 2016 and 2015, the cost of beneficiated nickel ore and limestone provided with allowance for impairment losses amounted to ₱2,904.0 million and ₱2,912.7 million, respectively, while the cost of materials and supplies provided with allowance for impairment losses amounted to ₱391.2 million and ₱403.1 million, respectively.

Costs of inventories charged as expense amounted to ₱6,228.8 million, ₱6,655.7 million and ₱5,803.9 million in 2016, 2015 and 2014, respectively (see Notes 21, 22, 24, 26 and 31).

7. AFS Financial Assets

	2016	2015
Quoted instruments:		
Debt securities	₱4,513,565	₱4,362,829
Equity securities	1,599,263	1,265,389
Unquoted equity instruments	206,250	202,819
	6,319,078	5,831,037
Less noncurrent portion	746,793	817,118
Current portion	₱5,572,285	₱5,013,919

The movements in AFS financial assets follows:

	2016	2015
Balances at January 1	₱5,831,037	₱2,804,429
Additions	8,651,980	13,393,767
Disposals	(8,308,106)	(10,086,770)
Effect of changes in foreign exchange rate (see Note 31)	113,263	89,372
Valuation gains (losses) on AFS financial assets	153,124	(369,761)
	6,441,298	5,831,037
Less:		–
Provision for impairment losses (see Note 31)	119,220	–
Write-off (see Note 31)	3,000	–
Balances at December 31	₱6,319,078	₱5,831,037



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

	2016	2015
Balances at January 1	(P134,467)	P171,322
Movements recognized in equity:		
Gains (losses) recognized in equity	141,409	(283,511)
Reclassification adjustments for income included in the consolidated statements of income (see Notes 29 and 30)	11,715	(86,250)
Income tax effect	(3,035)	65,435
Valuation gains (losses) taken into the consolidated statements of comprehensive income	150,089	(304,326)
Share of NCI in gains recognized in equity	2,668	1,463
Balances at December 31	P12,954	(P134,467)

AFS financial assets pertain to investments in common and preferred shares of various local and foreign public and private companies, mutual funds, golf club shares and debt securities which are either unquoted or with quoted market prices. Quoted instruments are carried at fair market value as at the end of the financial reporting period. Unquoted equity instruments are carried at cost as at the end of the financial reporting period, since the fair values of these investments cannot be reliably measured.

As at December 31, 2016 and 2015, quoted and unquoted debt and equity securities amounting to P5,572.3 million and P5,013.9 million, respectively, were classified as current based on management’s intention to dispose the instruments within one (1) year from the end of the financial reporting period.

The noncurrent portion of AFS financial assets amounted to P746.8 million and P817.1 million as at December 31, 2016 and 2015, respectively. The Group has no intention to dispose its unquoted equity shares within the next year.

Dividend income from AFS equity securities amounted to P35.1 million, P25.8 million and P6.5 million in 2016, 2015 and 2014, respectively, of which P15.3 million, P7.6 million and nil relates to dividends coming from investments in unquoted equity securities (see Note 31), while interest income from AFS debt securities amounted to P121.8 million, P99.3 million and P16.6 million in 2016, 2015 and 2014, respectively (see Note 29).

The valuation gains of P150.1 million and valuation losses of P304.3 million taken into the consolidated statements of comprehensive income is inclusive of share of NCI amounting to a valuation gains of P2.7 million and P1.5 million as at December 31, 2016 and 2015, respectively.

In 2016, 2015 and 2014, the Group sold some of its AFS financial assets at a loss of P11.7 million and at a gain of P86.3 million and P8.5 million, respectively (see Notes 29 and 30).

In 2016, the Group recognized a provision for impairment losses on its AFS equity security amounting to P119.2 million and written-off AFS financial assets amounting to P3.0 million. In 2015 and 2014, there were no provision for impairment losses recognized and no AFS financial assets were written-off (see Note 31).



The Group has US\$ denominated AFS financial assets amounting to US\$53.4 million, equivalent to ₱2,657.5 million, and US\$50.4 million, equivalent to ₱2,373.9 million, as at December 31, 2016 and 2015, respectively (see Note 37).

8. Prepayments and Other Current Assets

	2016	2015
Advances and deposits to suppliers and contractors	₱579,085	₱94,618
Input VAT (net of allowance for impairment losses of ₱71.0 million and ₱70.8 million as at December 31, 2016 and 2015, respectively)	138,125	112,239
Prepaid taxes	119,257	141,034
Prepaid rent and others	54,774	37,500
Prepaid insurance	27,730	26,855
Tax credit certificates (net of allowance for impairment losses of ₱0.5 million as at December 31, 2016 and 2015)	27,460	5,186
	₱946,431	₱417,432

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

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

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

Tax credit certificates are tax refunds received by the Group.



9. Property and Equipment

	2016						
	Land and Land Improvements	Mining Properties and Development Costs	Machinery and Equipment	Buildings and Improvements	Solar and Wind Project	Construction In-progress	Total
Cost:							
Balances at January 1	₱292,209	₱511,033	₱9,631,174	₱3,173,757	₱-	₱7,762,984	₱21,371,157
Acquisition of subsidiaries	-	-	-	-	-	-	-
Additions	134	-	601,305	37,802	157,591	2,593,048	3,389,880
Capitalized borrowing cost (see Note 15)	-	-	-	-	51,403	9,253	60,656
Adjustment for capitalized cost of mine rehabilitation and decommissioning (see Note 16)	-	263,616	-	-	-	-	263,616
Transfers/reclassification	-	-	459,436	157,523	2,100,682	(3,240,719)	(523,078)
Disposals	-	-	(108,694)	-	-	-	(108,694)
Balances at December 31	292,343	774,649	10,583,221	3,369,082	2,309,676	7,124,566	24,453,537
Accumulated depreciation, amortization and depletion:							
Balances at January 1	2,924	234,488	6,053,868	1,170,282	-	-	7,461,562
Depreciation, amortization and depletion (see Note 28)	2,405	16,154	1,189,465	250,900	16,215	-	1,475,139
Capitalized depreciation (see Note 28)	-	-	-	5	-	40,125	40,130
Disposals	-	-	(102,544)	-	-	-	(102,544)
Balances at December 31	5,329	250,642	7,140,789	1,421,187	16,215	40,125	8,874,287
Allowance for impairment losses	-	-	12,825	-	-	-	12,825
Net book values	₱287,014	₱524,007	₱3,429,607	₱1,947,895	₱2,293,461	₱7,084,441	₱15,566,425



2015

	Land and Land Improvements	Mining Properties and Development Costs	Machinery and Equipment	Buildings and Improvements	Solar and Wind Project	Construction In-progress	Total
Cost:							
Balances at January 1	₱291,657	₱469,179	₱8,630,490	₱2,900,979	₱-	₱519,130	₱12,811,435
Acquisition of subsidiaries (see Note 32)	-	27,848	6,583	3,875	-	4,794,551	4,832,857
Additions	552	14,006	1,126,928	82,070	-	2,698,658	3,922,214
Transfers/reclassification	-	-	53,111	194,873	-	(249,355)	(1,371)
Disposals	-	-	(185,938)	(8,040)	-	-	(193,978)
Balances at December 31	292,209	511,033	9,631,174	3,173,757	-	7,762,984	21,371,157
Accumulated depreciation, amortization and depletion:							
Balances at January 1	582	217,302	4,950,277	945,794	-	-	6,113,955
Depreciation, amortization and depletion (see Note 28)	2,342	17,071	1,195,524	224,935	-	-	1,439,872
Capitalized depreciation (see Note 28)	-	115	-	-	-	-	115
Transfers/reclassification	-	-	(1,666)	-	-	-	(1,666)
Disposals	-	-	(90,267)	(447)	-	-	(90,714)
Balances at December 31	2,924	234,488	6,053,868	1,170,282	-	-	7,461,562
Allowance for impairment losses							
Balances at January 1	-	-	90,893	7,594	-	-	98,487
Reversal of allowance for impairment losses	-	-	(90,893)	(7,594)	-	-	(98,487)
Balances at December 31	-	-	-	-	-	-	-
Net book values	₱289,285	₱276,545	₱3,577,306	₱2,003,475	₱-	₱7,762,984	₱13,909,595

Pier facilities (included under “Buildings and improvements”) with a carrying value of ₱37.6 million and ₱75.1 million as at December 31, 2016 and 2015, 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 2016, 2015 and 2014.



10. Investments in Associates

	2016	2015
THNC	₱1,825,096	₱4,042,891
CBNC	756,991	721,196
	₱2,582,087	₱4,764,087

The movements in investments in associates follows:

	2016			2015		
	THNC	CBNC	Total	THNC	CBNC	Total
Acquisition cost	₱4,443,075	₱724,410	₱5,167,485	₱4,443,075	₱724,410	₱5,167,485
Disposal	(2,468,375)	-	(2,468,375)	-	-	-
	1,974,700	724,410	2,699,110	4,443,075	724,410	5,167,485
Accumulated equity in net earnings (losses):						
Balances at January 1	(827,611)	(52,408)	(880,019)	(177,440)	197,880	20,440
Equity in net losses	(310,364)	(103,338)	(413,702)	(650,171)	(161,198)	(811,369)
Disposal	670,807	-	670,807	-	-	-
Dividends declared	-	-	-	-	(89,090)	(89,090)
	(467,168)	(155,746)	(622,914)	(827,611)	(52,408)	(880,019)
Share in cumulative translation adjustment:						
Balances at January 1	427,427	49,194	476,621	202,701	(86,586)	116,115
Movements	126,798	139,133	265,931	224,726	135,780	360,506
Reclassification adjustments for income included in the consolidated statements of income (see Note 31)	(236,661)	-	(236,661)	-	-	-
	317,564	188,327	505,891	427,427	49,194	476,621
Balances at December 31	₱1,825,096	₱756,991	₱2,582,087	₱4,042,891	₱721,196	₱4,764,087

The share in cumulative translation adjustment of associates is gross of deferred income tax liability of ₱96.6 million and ₱70.0 million as at December 31, 2016 and 2015, respectively (see Note 36).

THNC

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

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

THNC, a private entity that is not listed on any public exchange, was incorporated and registered with the Philippine SEC on August 22, 2008. THNC is engaged in the manufacture and export of nickel/cobalt mixed sulfide, nickel hydroxide and any and all ingredient and products and by-products, wherein TMC has a Nickel Ore Supply Agreement to supply all of the limonite ore requirements of the Taganito High Pressure Acid Leach (HPAL) facility. TMC also provides services related to the handling, hauling and transportation of materials required in the processing operations of THNC. THNC started commercial operations in October 2013.



On October 17, 2016, the Parent Company sold a portion of its shareholdings in THNC, equivalent to 511,875,000 shares or 12.5% interest in THNC, to SMM for US\$42.0 million, which is equivalent to ₱2,037.2 million (see Note 39o). A net gain of ₱239.6 million was recognized on the sale of its investment interest in THNC (see Note 31). As at December 31, 2016 and 2015, the Parent Company's equity interest in THNC is 10% and 22.5%, respectively. Due to the change in the nature of the Parent Company's involvement in THNC, the Parent Company evaluated various factors and assessed that significant influence exists.

THNC's financial statements are stated in US\$ and translated at the closing rate of US\$1 = ₱49.72 and US\$1 = ₱47.06 as at December 31, 2016 and 2015, respectively, for assets and liabilities accounts, historical rates for equity accounts and average rate of US\$1 = ₱47.48 and US\$1 = ₱46.80, respectively, for the statement of income accounts for the years then ended. The following are the summarized financial information of THNC as at December 31, 2016 and 2015.

	2016	2015
Current assets	₱7,058,636	₱6,443,446
Noncurrent assets	75,549,097	72,637,740
Current liabilities	(6,144,555)	(19,999,727)
Noncurrent liabilities	(59,036,694)	(41,581,400)
Net assets	₱17,426,484	₱17,500,059
Income	₱12,004,941	₱12,858,150
Expenses	(12,998,338)	(15,747,797)
Net loss	(₱993,397)	(₱2,889,647)

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 supplies limestone and provide ancillary services to Coral Bay HPAL facility.

The Parent Company acquired its 10% equity interest in CBNC by way of property dividend distributed by RTN in March 2014. In accordance with the provisions of PAS 28 (2011), *Investment in Associates and Joint Ventures*, and due to the change in the nature of the Parent Company's involvement in CBNC, the Parent Company evaluated various factors and assessed that significant influence exists. The Group recognized its 10% interest in CBNC amounting to ₱724.4 million as an investment in associate.

CBNC's financial statements are stated in US\$ and translated at the closing rate of US\$1 = ₱49.72 and US\$1 = ₱47.06 as at December 31, 2016 and 2015, respectively, for assets and liabilities accounts, historical rates for equity accounts and average rate of US\$1 = ₱47.48 and US\$1 = ₱46.80, respectively, for the statement of income accounts for the years then ended.



The following are the summarized financial information of CBNC as at December 31, 2016 and 2015.

	2016	2015
Current assets	₱4,497,923	₱3,566,056
Noncurrent assets	23,029,484	23,340,317
Current liabilities	(1,538,386)	(1,299,280)
Noncurrent liabilities	(152,068)	(128,096)
Net assets	₱25,836,953	₱25,478,997

	2016	2015
Income	₱8,467,035	₱9,717,727
Expenses	(9,500,415)	(11,329,710)
Net loss	(₱1,033,380)	(₱1,611,983)

11. Geothermal Exploration and Evaluation Assets

	2016	2015
Balances at:		
January 1	₱1,290,603	₱-
Acquisition date (see Note 32)	-	819,883
Additions	463,184	470,720
Capitalized borrowing cost (see Note 15)	22,012	-
Balances at December 31	₱1,775,799	₱1,290,603

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

As at December 31, 2016 and 2015, no allowance for impairment losses was recognized on geothermal exploration and evaluation assets.

12. Long-term Stockpile Inventory

The long-term stockpile inventory pertains to low grade ore extracted from RTN's minesite. This amount was not recognized in RTN's books but was recognized by the Parent Company when it acquired the controlling interest in RTN. The low grade ore inventory was initially recognized at fair value. The fair value of the long-term stockpile inventory was computed using the present value of the estimated future cash flows of RTN which it will derive from the long-term Nickel Ore Supply Agreement with CBNC (see Note 34a). Subsequently, this fair value represented the cost of the long-term stockpile inventory. The fair value of the inventory in August 2006 amounted to ₱2,036.7 million.



The cost of the long-term stockpile inventory is periodically charged to cost of sales based on the actual tonnage delivered to CBNC from the long-term stockpile. The cost of long-term stockpile inventory amounting to ₱201.6 million, ₱208.7 million and ₱216.5 million were charged to “Cost of sales” in 2016, 2015 and 2014, respectively (see Note 21).

A portion amounting to ₱175.8 million and ₱159.9 million, representing the estimated costs of the long-term stockpile inventory that will be delivered to CBNC in the next financial reporting period, were shown as part of “Inventories” as at December 31, 2016 and 2015, respectively (see Note 6).

The carrying value of long-term stockpile - net of current portion amounted to ₱367.2 million and ₱584.7 million as at December 31, 2016 and 2015, respectively.

13. Other Noncurrent Assets

	2016	2015
Deferred mine exploration costs (see Note 32)	₱1,218,332	₱1,132,246
Loan receivable - net of current portion (see Note 39a)	830,514	842,104
Input VAT - net of current portion	823,164	850,081
MRF	302,864	214,932
Advances to claimowners (see Note 39e)	174,843	220,324
Deposit for aircraft acquisition	97,781	97,781
Advance royalties	65,904	66,104
SDMP funds	57,164	59,264
Investment properties	30,623	30,623
Long-term negotiable instrument	30,000	30,000
Project development costs	22,687	123,949
Pension asset (see Note 35)	1,294	-
Others	18,235	17,866
	3,673,405	3,685,274
Less allowance for impairment losses	253,057	236,411
	₱3,420,348	₱3,448,863

The movements of allowance for impairment losses follows:

2016	Deferred mine exploration costs	Input tax	Total
Balances at January 1	₱146,908	₱89,503	₱236,411
Acquisition of subsidiaries	-	-	-
Provisions (see Note 31)	460	21,209	21,669
Write-off	(5,023)	-	(5,023)
Balances at December 31	₱142,345	₱110,712	₱253,057



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

Deferred mine exploration costs include mining rights of ₱945.6 million as at December 31, 2016 and 2015, respectively.

Input VAT 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.

MRF, which includes the Final Mine Rehabilitation and Decommissioning Fund, 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 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, La Salle Mining Exploration Company (La Salle), Kepha Mining Exploration Company (Kepha) and Ludgoron (see Note 39e).

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

Advance royalties pertain to royalty payments to Government.

The SDMP fund shall be used for the sustainable development of the host and neighboring communities of the mine site. The programs are intended for health, education, livelihood, public utilities and socio-cultural preservation. Its implementation is under the audit, monitoring and evaluation of the MGB.

Investment properties consist of parcels of land located in Surigao City, which is intended for leasing to THNC in the future, and parcels of land located in Manggahan, Pasig and Cainta, Rizal.

As at December 31, 2016 and 2015, the carrying values of the Group's investment properties amounted to ₱30.6 million and the fair value of the land amounted to ₱53.0 million. In 2016, 2015 and 2014, no income was earned and no direct expenses, other than real property tax, were incurred related to the investment properties.

The long-term negotiable instrument earns interest at 5.25% per annum (p.a.) and will mature in October 2019. Interest income from long-term negotiable instrument amounted to ₱1.3 million in 2016, 2015, and 2014 (see Note 29).



Project development cost pertains to the development cost incurred for various projects of the Group.

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

14. Trade and Other Payables

	2016	2015
Trade (see Note 34)	₱790,425	₱692,257
Amounts owed to related parties (see Note 34)	5,310,193	5,142,066
Dividends payable	325,187	493,250
Accrued expenses:		
Third parties	227,824	394,206
Related party (see Note 34)	33,262	43,868
Government payables:		
Withholding taxes payable	115,292	144,178
Excise taxes and royalties payable	72,308	60,760
Documentary stamp taxes (DST) payable	17,141	6,750
Fringe benefit taxes (FBT) payable	15,857	230
Output VAT	5,055	3,976
Retention fees payable	44,629	23,043
Interest payable (see Note 34)	30,511	17,778
Others	28,999	103,351
	₱7,016,683	₱7,125,713

Trade, accrued expenses and other payables are noninterest-bearing and are generally settled within one (1) year. Trade payables relate to payables to suppliers in the ordinary course of business. Accrued expenses substantially consist of contractor's fees, trucking and stevedoring services, hauling and rental expenses, guarantee service fees and others which are usual in the business operations of the Group.

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

Dividends payable refers to the cash dividends declared by TMC and RTN to Pacific Metals Co., Ltd. (PAMCO) and Sojitz Corporation (Sojitz) on December 6, 2016 and paid on January 31, 2017. The amount is net of final withholding tax.

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



Retention fees payable pertains to the amount retained by the Group from its suppliers/contractors and will be paid after the completion of the construction of the projects and conveyor system.

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

The Group has US\$ denominated trade and other payables amounting to US\$29.9 million, equivalent to ₱1,488.6 million, and US\$111.0 million, equivalent to ₱5,221.5 million as at December 31, 2016 and 2015, respectively (see Note 37).

15. Short-term and Long-term Debts

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

On June 8, 2015, EPI entered into a one (1) year loan agreement with Manta amounting to ₱180.0 million to finance the development expenses of EPI's geothermal power project (see Note 34). The loan bears an annual interest of 5%. The principal and interest is payable at the end of the loan agreement. On June 6, 2016, EPI and Manta extended the loan for another year or up to June 7, 2017 under the same terms of the original loan.

Interest expense incurred in connection with the loans amounted to ₱9.0 million, ₱5.1 million and nil in 2016, 2015 and 2014, respectively, of which ₱3.0 million, ₱1.0 million and ₱0.7 million were capitalized as part of solar and wind project under "Property and equipment", "Geothermal exploration and evaluation assets" and project development costs under "Other noncurrent assets", respectively, in 2016 and nil in 2015 and 2014 (see Notes 30 and 34).

Long-term debt

Long-term debt consists of:

	2016	2015
EPI	₱2,990,338	₱2,100,336
TMC	1,261,645	1,276,503
Jobin	297,526	-
RTN	66,824	105,415
	4,616,333	3,482,254
Less noncurrent portion:		
EPI	2,990,338	2,100,336
TMC	1,174,635	1,194,148
Jobin	280,811	-
RTN	22,275	63,249
	4,468,059	3,357,733
Current portion	₱148,274	₱124,521

EPI Loan

On July 15, 2015, Security Bank Corporation (SBC) approved the loan facility of EPI amounting to ₱3,000.0 million which will be used by EPI in funding its investments and working capital requirements. Staggered releases of loans are allowed up to August 31, 2016 with terms of up to three (3) years from date of every drawdown and payable upon maturity. In the event of default, the loans, together with accrued interest and any other sums payable under the promissory notes will immediately become due and payable.



The loans are secured by a continuing suretyship of the Parent Company. Under the Suretyship Agreement executed by and between the Parent Company and SBC on August 4, 2015, the Parent Company solidarily with EPI, guarantees and warrants to SBC, its assigns and successors-in-interest, prompt and full payment and performance of EPI's obligations to SBC (see Note 39p).

Details of the drawdowns received from the ₱3,000.0 million loan facility as at December 31, 2016 and 2015 are as follows:

Drawdowns	Date	Amount	Debt Issue Costs	Stated Rate	Effective Rate	Term
First	August 5, 2015	₱510,000	₱2,551	4.60%	4.78%	3 years
Second	September 21, 2015	1,200,000	6,000	4.60%	4.78%	3 years
Third	December 2, 2015	400,000	2,000	4.90%	5.08%	3 years
		2,110,000	10,551			
Fourth	February 9, 2016	200,000	1,000	4.90%	5.08%	3 years
Fifth	March 1, 2016	200,000	1,000	5.00%	5.18%	3 years
Sixth	March 1, 2016	200,000	1,000	4.85%	5.03%	3 years
Seventh	May 12, 2016	150,000	751	4.85%	5.03%	3 years
Eight	May 25, 2016	140,000	701	4.85%	5.03%	3 years
		890,000	4,452			
		₱3,000,000	₱15,003			

The carrying amount of long-term debt with SBC, net of unamortized debt issue cost, follows:

	2016	2015
Loans payable	₱3,000,000	₱2,110,000
Less unamortized debt issue cost	(9,662)	(9,664)
Balances at December 31	₱2,990,338	₱2,100,336

Debt issue costs pertain to DST and other transaction costs incurred in connection with the availment of the loans. These are deducted from the amount of loans payable and are amortized using the EIR method. The movements of the unamortized debt issue costs in 2016 and 2015 are as follows:

	2016	2015
Balances at January 1	₱9,664	₱-
Additions	4,452	10,551
Amortization (see Note 30)	(4,454)	(887)
Balances at December 31	₱9,662	₱9,664

Interest expense, including capitalized borrowing cost, in 2016 and 2015 are summarized below:

	2016	2015
Loans payable	₱141,805	₱24,876
Amortization of debt issue costs	4,454	887
	₱146,259	₱25,763

Interest expense capitalized as part of solar and wind project under "Property and equipment" and "Geothermal exploration and evaluation assets" amounted to ₱48.4 million and ₱21.0 million, respectively, in 2016 and nil in 2015 (see Notes 9 and 11).



The Term Loan Agreement with SBC provides for restrictions with respect to creation or permission to exist any mortgage or pledge, lien or any encumbrance on all free assets owned or acquired by EPI. Also, the Term Loan Agreement restricts EPI to assume, guarantee, endorse or otherwise become directly or contingently liable in connection with any obligation of any other person, firm or corporation; participate or enter into any merger or consolidation; sell, lease, dispose or convey all or substantially all of EPI's assets; make advances or loans to any of the affiliates, subsidiaries, stockholders, directors and officers except in compliance with formally established and existing fringe benefit program of EPI; suspend its business operation or dissolve its affairs; and to enter into any credit or loan agreement or arrangement with any creditor under such terms and conditions that would place SBC in an inferior position risk-wise such other creditors. Moreover, the Term Loan Agreement provides for certain conditions, which include, among others, prompt disclosure in writing of any material change in EPI's financial position and conduct of its operations or any substantial change in its management or ownership, conduct operations in accordance with sound business practice, maintenance and preservation of corporate existence, and prompt payment of all taxes, assessment and other governmental charges due. As at December 31, 2016 and 2015, EPI is in compliance with the restrictions.

TMC Loan

On October 4, 2010, TMC entered into an Omnibus Agreement with THNC, wherein the latter granted the former a total loan facility amounting to US\$35.0 million at a prevailing one hundred eighty (180)-day British Banker Association London Inter-Bank Offered Rate (LIBOR) plus 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, 2016 and 2015, the total loan was fully drawn by TMC.

The interest on the loan is payable semi-annually, on October 10 and April 10. The total principal is payable in semi-annual installments of 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, 2016 and 2015, TMC is in compliance with the restrictions.

Interest expense in 2016, 2015 and 2014 amounting to ₱36.5 million, ₱31.1 million and ₱31.3 million, respectively, were included in equipment operating cost under "Cost of services" (see Note 22).

As at December 31, 2016 and 2015, the carrying amount of long-term debt with THNC amounted to ₱1,261.6 million and ₱1,276.5 million, respectively (see Note 34).

Jobin Loan

On April 26, 2016, Jobin entered into a twelve-year (12) term loan agreement with Land Bank of the Philippines (LBP) amounting to ₱300.0 million to partially finance the construction and development of a 7.14 MW Sta. Rita Solar Power Plant and inter-connection assets located in SBFZ. The loan bears an annual floating interest rate of at least



4.75%. The loan is payable in forty-four (44) equal quarterly payments, starting at the end of the fifth (5th) quarter from the date of the initial loan and interest is payable quarterly in arrears from the date of initial loan. Jobin is also required to pay gross receipt tax equal to 1% of each interest payment.

The loan shall be secured by the following:

- a) Chattel mortgage on all project assets of Jobin
- b) Corporate guarantee of EPI
- c) Assignment of leasehold rights between Jobin and Subic Bay Metropolitan Authority (SBMA) on the lot at Mt. Sta. Rita, SBFZ, and 2,300 square meter (sq.m.) lot and 280 sq.m. building located near the National Grid Corporation of the Philippines (NGCP) facility, Subic Gateway Park, SBFZ
- d) Pledge of shares of stock of Jobin

The loan agreement contains positive, negative and financial covenants which include, among others, payment of interest, strict compliance with regulatory provisions regarding internal revenue taxes and environmental requirements, the maintenance of certain financial and project ratios such as:

- a) debt-to-equity ratio of 70:30
- b) debt service coverage ratio of at least 1.10x; and
- c) current ratio of at least 1.0

As at December 31, 2016, Jobin is in compliance with the covenants contained in the loan agreement.

The carrying amount of long-term debt with LBP, net of unamortized debt issue cost, follows:

	2016	2015
Loans payable	₱300,000	₱-
Less unamortized debt issue cost	(2,474)	-
Balances at December 31	₱297,526	₱-

The movements of the unamortized debt issue cost in 2016 and 2015 are as follows:

	2016	2015
Additions	₱2,702	₱-
Amortization (see Note 30)	(228)	-
Balances at December 31	₱2,474	₱-

Interest expense, including capitalized borrowing cost, in 2016 and 2015 are summarized below:

	2016	2015
Interest expense	₱9,253	₱-
Amortization of debt issue costs	228	-
	₱9,481	₱-

Interest expense capitalized as part of construction in-progress under "Property and equipment" amounted to ₱9.3 million and nil in 2016 and 2015, respectively (see Note 9).



RTN Loan

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

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

In consideration, and to ensure payment of these loans, RTN assigned, transferred, and set over to SMM, absolutely and unconditionally, all of RTN's rights, title, and interest over its future receivable from CBNC under the Throughput Agreements (see Note 39b). RTN also constituted a first ranking mortgage on the pier facilities (see Note 9).

The Omnibus Agreement provides for restrictions with respect to creation, assumption, incurrence and permission to exist any lien upon the pier facilities and all RTN's other real rights over the same except as permitted under the Omnibus Agreement. Also, the Omnibus Agreement provides for certain conditions which include, among others, maintenance and preservation of RTN's corporate existence, rights, privileges and licenses, prompt submission of written notice to SMM of any and all litigations or administrative or arbitration proceedings before any Governmental authority affecting RTN. As at December 31, 2016 and 2015, RTN is in compliance with the restrictions.

Interest expense amounted to ₱2.4 million, ₱2.9 million and ₱3.7 million in 2016, 2015 and 2014, respectively (see Note 30).

As at December 31, 2016 and 2015, the carrying amount of long-term debt with SMM amounted to ₱66.8 million and ₱105.4 million, respectively (see Note 34).

16. Provision for Mine Rehabilitation and Decommissioning

	2016	2015
Balances at January 1	₱169,926	₱130,175
Effect of change in estimate (see Notes 9 and 31)	263,616	(88)
Accretion interest on provision for mine rehabilitation and decommissioning (see Note 30)	8,942	8,520
Acquisition of a subsidiary (see Note 32)	-	31,989
Payments of rehabilitation cost	-	(670)
Balances at December 31	₱442,484	₱169,926

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. Long-term Payable

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

Upon execution of the SPA, a downpayment of ₱30.8 million was paid and the remaining balance of ₱34.0 million, which is noninterest-bearing, is payable over a seven (7) year period. The total principal is payable in annual installment of ₱5.0 million starting in 2017 up to 2020 and annual installment of ₱7.0 million for the remaining term of the SPA. The unamortized discount on deferred payment, at 4.58% risk free rate, amounted to ₱5.2 million and ₱6.4 million as at December 31, 2016 and 2015, respectively.

The carrying amount of long-term payable, net of unamortized discount, amounted to ₱28.8 million and ₱27.6 million as at December 31, 2016 and 2015, respectively.

	2016	2015
Long-term payable	₱34,000	₱34,000
Less unamortized discount	5,154	6,359
	28,846	27,641
Less noncurrent portion	23,846	27,641
Current portion	₱5,000	₱-

In 2016, 2015 and 2014, the accretion interest on long-term payable amounted to ₱1.2 million, ₱0.1 million and nil, respectively (see Note 30).



18. **Equity**

Capital Stock

The capital structure of the Parent Company follows:

	2016	2015
Common stock - ₱0.50 par value		
Authorized - 19,265,000,000 shares in 2016 and 2015		
Issued - 7,602,928,954 shares in 2016 and 7,596,939,456 shares in 2015	₱3,801,465	₱3,798,470
Preferred stock - ₱0.01 par value		
Authorized and Issued - 720,000,000 shares	7,200	7,200
	₱3,808,665	₱3,805,670

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

Increase in Authorized Capital Stock

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

Issued Capital Stock

Beginning November 22, 2010, the common shares of the Parent Company were listed and traded in PSE with an initial public offering of 304,500,000 common shares (consisting of 132,991,182 shares held in treasury and new common shares of 171,508,818) with an offer price of ₱15.00 per share, which is equivalent to ₱2.67 per share after the stock dividends.

As at December 31, 2016 and 2015, the Parent Company has eighty-two (82) and sixty-six (66) stockholders, respectively.

As at December 31, 2016 and 2015, a total of 2,217,481,524 or 29% and 2,258,870,964 or 30%, respectively, of the outstanding common shares of the Parent Company are registered in the name of eighty (80) and sixty-four (64) shareholders, respectively, while the balance of 5,385,447,430 common shares or 71% and 5,338,068,492 common shares or 70%, respectively, are lodged with the Philippine Depository, Inc. (now known as Philippine Depository and Trust Corporation).

The movements in common stock follows:

	2016	
	Number of Shares	Amount
Balances at January 1	7,596,939,456	₱3,798,470
Issuance of stock dividends	-	-
Exercise of stock options (see Note 19)	5,989,498	2,995
Balances at December 31	7,602,928,954	₱3,801,465



	2015	
	Number of Shares	Amount
Balances at January 1	2,530,590,350	₱1,265,295
Issuance of stock dividends		
50%	1,265,295,165	632,648
100%	3,798,469,728	1,899,235
Exercise of stock options (see Note 19)	2,584,213	1,292
Balances at December 31	7,596,939,456	₱3,798,470

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

On March 24, 2014, the BOD of the Parent Company approved the adoption of a new ESOP (2014 ESOP; the New Plan) which was ratified by the Parent Company's stockholders on June 6, 2014. On November 21, 2014, the New Plan was approved by the SEC. A total of 32.0 million shares of stock were reserved for issue under the New Plan.

The basic terms and conditions of the stock option plans are disclosed in Note 19.

Additional Paid-In Capital

The movements in additional paid-in capital follows:

	2016	2015
Balances at January 1	₱8,284,767	₱8,273,655
Exercise of stock options	11,380	11,112
Reclassification adjustment from cost of share-based payment plan upon exercise of stock options	3,855	-
Balances at December 31	₱8,300,002	₱8,284,767

Dividends

Dividends declared and paid by the Parent Company follows:

Year	Type of Dividend	Date of Declaration	Date of Record	Amount Declared	Dividend per Share	Date of Payment/Issuance	
2016	<i>Cash Dividends</i>	March 15, 2016	March 31, 2016	₱607,755	₱0.08	April 12, 2016	
2015	<i>Cash Dividends</i>	Regular	March 27, 2015	April 15, 2015	2,657,120	0.70	April 27, 2015
		Special	March 27, 2015	April 15, 2015	1,138,765	0.30	April 27, 2015
	<i>Stock Dividends</i>	June 5, 2015	July 16, 2015	1,899,235	100%	August 11, 2015	
2014	<i>Cash Dividends</i>	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
	<i>Stock Dividends</i>	December 18, 2014	January 12, 2015	632,648	50%	January 28, 2015	



Appropriated Retained Earnings

On November 5, 2013, the Parent Company's BOD approved the appropriation of retained earnings amounting to ₱1,000.0 million, for the construction, operation and maintenance of a bunker-fired diesel power station (see Note 39g). The project is expected to be completed in 2017.

On June 9, 2014, the BOD of TMC approved the appropriation of retained earnings amounting to ₱575.0 million for TMC's planned business expansion that involves capital expenditures mainly for the construction of another conveyor system.

On February 12, 2016, the BOD of HMC approved the appropriation of retained earnings amounting to ₱94.8 million as at December 31, 2015 for capital expenditures for the year 2016 mainly for acquisition of mining equipment. An additional appropriation amounting to ₱41.5 million was also approved for HMC's final mine rehabilitation fund.

On July 4, 2016, the BOD of TMC approved the reversal of ₱575.0 million appropriation following the completion and full operation of TMC's second conveyor system.

On November 7, 2016, the BOD of HMC approved the reversal of ₱136.3 million following the completion of the acquisition of mining equipment in 2016. On the same date, the BOD of HMC approved the appropriation of retained earnings amounting to ₱41.5 million for the final mine rehabilitation and decommissioning plan and ₱67.5 million for the capital expenditures for the year 2017.

19. Executive Stock Option Plan

2014 ESOP

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

1. The New Plan covers up to 32.0 million shares allocated to the Parent Company's officers and the officers of the subsidiaries.
2. The eligible participants are the directors and officers of the Parent Company and its subsidiaries, specifically those with positions of Assistant Vice President and higher, including the Resident Mine Managers of the subsidiaries.
3. The exercise price is ₱25.52, which is equivalent to ₱8.51 after the effect of stock dividends.
4. The New Plan was partially granted on June 6, 2014 and January 13, 2015.
5. The term of the New Plan shall be five (5) years and the shares will vest to the participant at the rate of 25% after the first year of the New Plan or July 18, 2015.
6. The participant can exercise the vested options by giving notice within the term of the New Plan, and can opt to either purchase the shares at the exercise price or request the Parent Company to advance the purchase price and to sell the shares in which case the participant will receive the sales proceeds less the exercise price.

The fair values of the stock option are ₱7.53 and ₱8.42, which was estimated as at grant date, June 6, 2014 and January 13, 2015, respectively, using the Black Scholes-Merton model, taking into consideration the terms and conditions upon which the options were granted.



2010 ESOP

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

1. The Plan covers up to 12.0 million shares allocated to the Parent Company's officers and the officers of the subsidiaries.
2. The eligible participants are the directors and officers of the Parent Company and its subsidiaries, specifically those with positions of Assistant Vice President and higher, including the Resident Mine Managers of the subsidiaries.
3. The exercise price is ₱13.50, which is equivalent to ₱2.40 after the effect of stock dividends.
4. The grant date of the Plan is January 3, 2011 as determined by the Compensation Committee.
5. The term of the Plan shall be six (6) years and the shares will vest to the participant at the rate of 25% per year after the first year of the Plan or December 21, 2011.
6. The participant can exercise the vested options by giving notice within the term of the Plan, and can opt to either purchase the shares at the exercise price or request the Parent Company to advance the purchase price and to sell the shares in which case the participant will receive the sales proceeds less the exercise price.

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

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

	2014 ESOP		2010 ESOP
Grant date	January 13, 2015	June 6, 2014	January 3, 2011
Spot price per share	₱15.63	₱28.55	₱15.00
Exercise price	₱8.51	₱25.52	₱13.50
Expected volatility	33.52%	33.28%	53.42%
Option life	4.40 years	5.00 years	3.97 years
Dividend yield	0.58%	3.88%	2.06%
Risk-free rate	3.23%	3.30%	4.50%

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

Except for the effect of stock dividends, there have been no modifications or cancellations in 2016 and 2015.



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

	Number of Options		Weighted Average Exercise Price	
	2016	2015	2016	2015
<i>2014 ESOP</i>				
Balances at January 1	57,442,278	17,764,849	₱8.51	₱25.52
Granted	–	2,100,595	–	25.52
Forfeited	(1,219,514)	(718,012)	8.51	25.52
Stock dividends	–	38,294,846	–	8.51
Balances at December 31	56,222,764	57,442,278	₱8.51	₱8.51
<i>2010 ESOP</i>				
Balances at January 1	5,989,498	3,719,308	₱2.40	₱7.20
Exercised (see Note 18)	(5,989,498)	(2,584,213)	2.40	4.80
Stock dividends	–	4,854,403	–	2.40
Balances at December 31	–	5,989,498	₱–	₱2.40

In 2015, the number of shares and exercise price were adjusted for the effect of 50% and 100% stock dividends (see Note 18).

On November 10, 2016 and June 2, 2015, the SEC approved the exemption from registration of 31,523,262 common shares and 11,625,987 common shares, respectively, which shall form part of the ESOP.

The number of exercisable vested stock options as at December 31, 2016 and 2015 are 28,111,422 common shares and 10,175,059 common shares, respectively.

In 2016 and 2015, the weighted average stock prices at exercise dates were ₱7.87 and ₱20.40 (which is equivalent to ₱10.20 per share after the stock dividends), respectively.

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

	2016	2015
Balances at January 1	₱104,824	₱47,060
Stock option expense (see Note 27)	25,653	57,764
Cost of share-based payment recognized as capital upon exercise	(3,855)	–
Movements during the year	21,798	57,764
Balances at December 31	₱126,622	₱104,824

The weighted average remaining contractual life of options outstanding under the New Plan was approximately two and a half (2.5) years and three and a half (3.5) years as at December 31, 2016 and 2015, respectively.

The weighted average remaining contractual life of options outstanding under the Plan was nil and half (0.5) year as at December 31, 2016 and 2015, respectively.



In 2016, 2015 and 2014, the cost of share-based payment plan amounted to ₱25.7 million, ₱57.8 million and ₱43.0 million, respectively (see Note 27).

20. Earnings Per Share

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

	2016	2015	2014
Net income attributable to equity holders of the parent	₱1,966,107	₱2,035,143	₱8,551,627
Preferred stock dividends	504	504	504
Net income attributable to equity holders of the parent for basic earnings	1,965,603	2,034,639	8,551,123
Dividends on dilutive potential ordinary shares	-	-	-
Net income attributable to ordinary equity holders of the parent adjusted for the effect of dilution	₱1,965,603	₱2,034,639	₱8,551,123
Weighted average number of common shares for basic EPS	7,597,438,581	7,594,355,243	7,578,989,913
Effect of dilution from stock options	-	14,097,601	14,365,378
Weighted average number of common shares adjusted for the effect of dilution	7,597,438,581	7,608,452,844	7,593,355,291
Basic/Diluted EPS	₱0.26	₱0.27	₱1.13

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

21. Cost of Sales

	2016	2015	2014
Production overhead	₱2,160,707	₱2,676,492	₱2,613,414
Outside services	1,592,452	1,753,513	1,246,424
Depreciation, amortization and depletion (see Note 28)	1,099,255	1,060,175	984,366
Personnel costs (see Note 27)	828,658	869,345	893,839
Long-term stockpile inventory sold (see Note 12)	201,625	208,714	216,539
	5,882,697	6,568,239	5,954,582
Net changes in beneficiated nickel ore and limestone	24,552	(288,991)	(598,171)
	₱5,907,249	₱6,279,248	₱5,356,411



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

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

22. Cost of Services

	2016	2015	2014
Personnel costs (see Note 27)	₱182,682	₱199,751	₱228,916
Depreciation (see Note 28)	110,733	127,814	129,502
Overhead	77,710	90,107	78,384
Equipment operating cost	55,873	52,083	62,202
Outside services	14,503	13,127	22,302
	₱441,501	₱482,882	₱521,306

Equipment operating cost includes interest expense amounting to ₱36.5 million, ₱31.1 million and ₱31.3 million in 2016, 2015 and 2014 respectively (see Note 15).

23. Cost of Power Generation

	2016	2015	2014
Depreciation and amortization (see Note 28)	₱18,673	₱-	₱-
Overhead	10,211	-	-
Personnel costs (see Note 27)	4,403	-	-
Outside services	3,875	-	-
Materials and supplies	871	-	-
Purchased power	262	-	-
	₱38,295	₱-	₱-

Overhead in cost of power generation consists of insurance, taxes and licenses, utilities and other miscellaneous charges.

24. Shipping and Loading Costs

	2016	2015	2014
Contract fees	₱1,262,207	₱1,194,955	₱1,136,292
Supplies and fuel, oil and lubricants	249,714	284,023	368,735
Depreciation and amortization (see Note 28)	152,124	127,280	123,795
Personnel costs (see Note 27)	61,311	61,588	65,187
Other services and fees	98,193	90,097	143,559
	₱1,823,549	₱1,757,943	₱1,837,568



25. Excise Taxes and Royalties

	2016	2015	2014
Royalties (see Notes 39e and 39p)	₱735,224	₱793,690	₱1,273,780
Excise taxes (see Note 39e)	271,488	295,913	481,054
	₱1,006,712	₱1,089,603	₱1,754,834

26. General and Administrative

	2016	2015	2014
Personnel costs (see Note 27)	₱207,286	₱178,273	₱146,364
Outside services	118,668	92,747	97,378
Taxes and licenses	77,900	151,557	230,174
Rentals	59,143	28,513	23,693
Depreciation and amortization (see Note 28)	51,493	78,820	87,846
Transportation and travel	41,081	33,421	26,409
Repairs and maintenance	22,913	27,850	22,941
Entertainment, amusement and recreation	19,507	16,527	16,161
Donations	16,636	36,670	49,043
Dues and subscription	16,235	13,039	9,093
Publicity and promotion	12,365	10,078	6,661
Communications, light and water	10,759	9,637	8,634
Others	83,221	110,757	81,909
	₱737,207	₱787,889	₱806,306

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

27. Personnel Costs

	2016	2015	2014
Salaries, wages and employee benefits	₱1,198,056	₱1,190,967	₱1,220,203
Pension cost (see Note 35)	62,253	60,226	71,103
Cost of share-based payment plan (see Note 19)	25,653	57,764	43,000
	₱1,285,962	₱1,308,957	₱1,334,306



The amounts of personnel costs are distributed as follows:

	2016	2015	2014
Cost of:			
Sale of ore (see Note 21)	₱828,658	₱869,345	₱893,839
Services (see Note 22)	182,682	199,751	228,916
Power generation (see Note 23)	4,403	–	–
General and administrative (see Note 26)	207,286	178,273	146,364
Shipping and loading costs (see Note 24)	61,311	61,588	65,187
Other income - net	1,622	–	–
	₱1,285,962	₱1,308,957	₱1,334,306

28. Depreciation, Amortization and Depletion

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

	2016	2015	2014
Cost of:			
Sale of ore (see Note 21)	₱1,099,255	₱1,060,175	₱984,366
Services (see Note 22)	110,733	127,814	129,502
Power generation (see Note 23)	18,673	–	–
Shipping and loading costs (see Note 24)	152,124	127,280	123,795
General and administrative (see Note 26)	51,493	78,820	87,846
Others	82,991	45,898	47,825
	₱1,515,269	₱1,439,987	₱1,373,334



29. Finance Income

	2016	2015	2014
Interest income from:			
AFS financial assets (see Note 7)	₱121,820	₱99,320	₱16,631
Cash and cash equivalents (see Note 4)	75,927	109,075	140,779
Loans (see Note 39a)	29,423	1,757	–
Long-term negotiable instrument (see Note 13)	1,260	1,260	1,260
Short-term cash investment	–	1,159	1,641
Cash held in escrow	–	235	536
Gain on sale of AFS financial assets (see Note 7)	–	86,250	10,684
Accretion income (see Note 34f)	–	3,933	573
Day 1 gain (see Note 34f)	–	2,123	–
	₱228,430	₱305,112	₱172,104

30. Finance Expenses

	2016	2015	2014
Guarantee service fee (see Note 39f)	₱100,009	₱124,194	₱134,766
Interest expense on:			
Long-term debts (see Notes 15 and 34)	79,493	28,623	3,650
Pension (see Note 35)	14,335	12,663	12,732
Short-term debt (see Notes 15 and 34)	4,234	5,066	–
Long-term payable (see Note 17)	1,205	59	–
Loss on sale of AFS financial assets (see Note 7)	11,715	–	2,205
Accretion interest on provision for mine rehabilitation and decommissioning (see Note 16)	8,942	8,520	8,893
Day 1 loss	–	–	2,123
	₱219,933	₱179,125	₱164,369



31. Other Income - net

	2016	2015	2014
Foreign exchange gains - net	₱363,241	₱322,963	₱182,510
Gain (loss) on:			
Sale of interest in an associate (see Note 10)	239,620	-	-
Sale of property and equipment	6,644	6,919	9,693
Write-off of advances to claimowners (see Note 39e)	(5,350)	-	-
Write-off of AFS financial assets (see Note 7)	(3,000)	-	-
Write-off of deferred mine exploration cost (see Note 39e)	(2,278)	(5,461)	(1,941)
Write-off of input VAT	(15)	(8)	(12,548)
Bargain purchase (see Note 32)	-	59,921	-
Write-off of trade and other receivables	-	-	(3,108)
Reversals of allowance for (provisions for) impairment losses on:			
AFS financial assets (see Note 7)	(119,220)	-	-
Trade and other receivables (see Note 5)	(24,961)	-	19
Input VAT (see Notes 8 and 13)	(21,494)	(54,484)	-
Beneficiated nickel ore inventory (see Note 6)	20,074	13,239	225,995
Property and equipment (see Note 9)	(12,825)	-	(98,487)
Deferred mine exploration costs (see Note 13)	(460)	(1,233)	(1,520)
Materials and supplies (see Note 6)	-	35,961	(5,394)
Despatch (demurrage)	(106,971)	38,995	67,296
Special projects	81,681	52,477	84,773
Dividend income (see Note 7)	35,117	25,827	6,473
Issuance of fuel, oil and lubricants	33,018	29,874	16,859
Management fee	(19,024)	(13,622)	(402)
Rent income	12,382	11,275	11,307
Other services	2,383	2,864	3,649
Casualty losses	-	(2,516)	-
Others - net (see Note 39g)	14,978	(29,447)	(14,679)
	₱493,540	₱493,544	₱470,495

Others include miscellaneous services provided to CBNC on per job order basis, net of related cost incurred and cost of testing and commissioning - net.



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

	2016	2015	2014
Realized foreign exchange gains - net	₱146,139	₱149,488	₱93,894
Unrealized foreign exchange gains (losses) - net on:			
Cash and cash equivalents	248,202	133,794	96,095
AFS financial assets (see Note 7)	113,263	89,372	3,310
Trade and other payables	(82,224)	17,149	(110)
Long-term debt	(61,379)	(65,212)	(8,258)
Trade and other receivables	(760)	(1,628)	(2,421)
	₱363,241	₱322,963	₱182,510

32. Business Combination

Loan Conversion and Additional Subscription to EPI

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

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

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

	% of Ownership
MEI	100%
MGPC	100%
BHI	100%
Mantex ^(a)	50%

(a) Indirect ownership through MEI

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

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



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

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

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

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

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

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

Cash flow on acquisition follows:

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

Acquisition of Geogen

On August 4, 2015, the Parent Company acquired 240,000,000 shares, or 100% interest, of Geogen for a total consideration of ₱484.8 million. On the same date, a Deed of Assignment of Receivables was also executed between the Parent Company and the previous shareholders of



Geogen wherein the Parent Company paid the amount of ₱209.2 million representing the advances from stockholders of Geogen prior to acquisition. Geogen is the claimowner of the Isabela Nickel Project with an aggregate area of 2,392 hectares located in Dinapigue, Isabela covered by MPSA No. 258-2007-II.

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

	Fair Value
Assets	
Cash	₱509
Trade and other receivables	402
Prepayments and other current assets	32,800
Property and equipment	28,992
Deferred mine exploration costs	852,840
Other noncurrent assets	35,533
Total assets	951,076
Liabilities	
Trade and other payables	209,339
Provision for mine rehabilitation and decommissioning	31,989
Deferred income tax liabilities	164,262
Total liabilities	405,590
Net assets acquired	₱545,486

Income from acquisition is computed as follows:

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

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

Cash flow on acquisition follows:

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



Acquisition of Jobin

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

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

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

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

Cash flow on acquisition follows:

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

Acquisition of Newminco

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

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



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

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

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

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

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

Cash flow on acquisition follows:

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

Acquisition of BGI

On August 24, 2015, EPI and BHI entered into an Investment Agreement with OGI and BGHI to acquire 60% equity interest of BGI for ₱1.8 million, subject to the SEC's approval of the increase in authorized capital stock of BGI. The increase in authorized capital stock of BGI was approved by the SEC on December 17, 2015 and the corresponding shares were subsequently issued to BHI. BGI is the holder of GRESC No. 2010-02-010 which covers the geothermal field in Biliran, Leyte.



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

	Fair Value
Assets	
Cash	₱13,787
Trade and other receivables	72,668
Prepayments and other current assets	3,210
Property and equipment	4,798,021
Other noncurrent assets	254,327
Total assets	5,142,013
Liabilities	
Trade and other payables	5,187,541
Deferred income tax liabilities	87,485
Total liabilities	5,275,026
Net liabilities, including share of NCI	(133,013)
Share of NCI	134,858
Net assets acquired	₱1,845

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

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

The excess of the Group's cost of investment in BGI over its proportionate share in the underlying net assets at the date of acquisition amounting to ₱291.6 million was allocated to the construction in-progress account under "Property and equipment" in the consolidated statements of financial position.

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

Cash flow on acquisition follows:

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



33. Material Partly-Owned Subsidiaries

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

Proportion of equity interest held by NCI:

	Principal Place of Business	2016	2015
RTN	Philippines	40.00%	40.00%
TMC	Philippines	35.00%	35.00%

Equity attributable to material NCI:

	2016	2015
RTN	₱1,258,862	₱1,031,568
TMC	2,358,964	2,324,965

Net income attributable to material NCI:

	2016	2015
RTN	₱479,779	₱597,515
TMC	474,045	497,302

Other comprehensive income (loss) attributable to material NCI:

	2016	2015
RTN	(₱12,973)	(₱7,234)
TMC	(3,614)	3,712

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

The summarized statements of comprehensive income for the years ended December 31, 2016 and 2015 follows:

	2016		2015	
	RTN	TMC	RTN	TMC
Revenues	₱4,267,185	₱5,425,636	₱5,257,005	₱5,509,619
Cost of sales and services	(2,057,373)	(2,284,077)	(2,488,429)	(2,329,682)
Operating expenses	(619,109)	(1,332,357)	(775,960)	(1,247,665)
Other income - net	132,235	115,776	130,484	81,646
Finance income (expense) - net	(14,595)	15,837	10,863	20,777
Income before income tax	1,708,343	1,940,815	2,133,963	2,034,695
Provision for income tax	(508,895)	(586,400)	(640,175)	(613,832)
Net income	1,199,448	1,354,415	1,493,788	1,420,863
Other comprehensive income (loss) - net	(32,434)	(10,327)	(18,086)	10,606
Total comprehensive income - net	₱1,167,014	₱1,344,088	₱1,475,702	₱1,431,469
Attributable to NCI	₱466,806	₱470,431	₱590,281	₱501,014
Dividends paid to NCI	240,000	437,500	600,000	455,000



The summarized statements of financial position as at December 31, 2016 and 2015 follows:

	RTN		TMC	
	2016	2015	2016	2015
Current assets	₱3,098,888	₱2,390,416	₱4,733,096	₱4,753,550
Noncurrent assets	1,227,396	1,335,484	4,620,249	4,717,085
Current liabilities	(955,737)	(1,047,563)	(1,098,052)	(1,388,816)
Noncurrent liabilities	(223,391)	(99,418)	(1,515,396)	(1,439,063)
Total equity	₱3,147,156	₱2,578,919	₱6,739,897	₱6,642,756
Attributable to equity holders of parent	₱1,888,294	₱1,547,351	₱4,380,933	₱4,317,791
NCI	1,258,862	1,031,568	2,358,964	2,324,965

The summarized cash flow information for the years ended December 31, 2016 and 2015 follows:

	RTN		TMC	
	2016	2015	2016	2015
Operating	₱1,029,588	₱1,685,649	₱1,902,424	₱1,966,420
Investing	(185,034)	(197,236)	(396,836)	(1,004,472)
Financing	(389,281)	(1,042,820)	(1,610,633)	(403,742)
Net increase (decrease) in cash and cash equivalents	₱455,273	₱445,593	(₱105,045)	₱558,206

34. Related Party Transactions

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

Set out on next page are the Group's transactions with related parties in 2016, 2015 and 2014, including the corresponding assets and liabilities arising from the said transactions as at December 31, 2016 and 2015.



	Amount			Trade and Other Receivables (see Note 5)		Trade and Other Payables (see Note 14)		Amounts Owed by Related Parties (see Note 5)		Amounts Owed to Related Parties (see Note 14)		Short-term and Long-term Debts (see Note 15)		Terms	Conditions
	2016	2015	2014	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015		
<i>Stockholders</i>															
PAMCO															
Sale of ore	₱2,333,894	₱2,853,830	₱4,120,959	₱266,297	₱136,048	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	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	483	359	630	-	-	95	86	-	-	-	-	-	-	Payable on demand; noninterest-bearing	Unsecured; no guarantee
Despatch income	1,309	7,228	6,419	-	-	-	-	-	-	-	-	-	-	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Other service fee	-	224	262	-	-	-	-	-	-	-	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
SMM/ Sumitomo Metal Mining Philippine Holdings Corporation															
Sale of ore	-	438,851	879,528	-	241	-	-	-	-	-	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Guarantee service fee (see Note 30)	100,009	124,194	134,766	-	-	33,262	43,868	-	-	-	-	-	-	Every twenty first (21st) of February, March, August and September	Unsecured
Short-term advances	1,250	1,250	-	-	-	-	-	-	-	-	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Loan facility	-	-	-	-	-	-	-	-	-	-	-	66,824	105,415	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
Interest expense on long-term debt (see Note 30)	2,383	2,861	3,650	-	-	447	593	-	-	-	-	-	-	Payable semi-annually on February 28 and August 31	Secured; with guarantee
NAHI															
Short-term advances	-	14	21	-	-	-	-	-	-	-	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Dividends	504	504	504	-	-	-	-	-	-	504	-	-	-	Payable on demand	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)		Amounts Owed to Related Parties (see Note 14)		Short-term and Long-term Debts (see Note 15)		Terms	Conditions
	2016	2015	2014	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015		
<i>With Common Stockholders</i>															
Manta															
Rentals, dues and utilities	₱27,657	₱26,687	₱25,639	₱-	₱-	₱25	₱30	₱-	₱-	₱-	₱-	₱-	₱-	Payable upon billing; noninterest-bearing	Unsecured; no guarantee
Rental deposits	10,184	10,163	9,917	-	-	-	-	-	-	-	-	-	-	Collectible upon end of the lease; noninterest-bearing	Unsecured; no guarantee
Short-term advances	-	3	64	-	-	-	-	-	2,166	-	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Loan facility	-	180,000	-	-	-	-	-	-	-	-	-	180,000	180,000	Principal is payable at the end of loan agreement; interest is at 5%	Unsecured; no guarantee
Interest expense on short-term debt (see Note 30)	4,234	5,066	-	-	-	5,066	5,066	-	-	-	-	-	-	Interest is payable at the end of loan agreement	Unsecured; no guarantee
<i>Associates</i>															
CBNC															
Sale of ore and services	1,204,738	1,543,469	2,087,569	165,838	157,165	-	-	-	-	-	-	-	-	Seven (7) to thirty (30) days; noninterest-bearing	Unsecured; no guarantee
Infralease and throughput	52,092	50,640	47,829	35,191	30,180	-	-	-	-	-	-	-	-	Collectible at the end of February and August; noninterest-bearing	Unsecured; no guarantee
Other income	95,637	49,402	60,698	12,379	17,993	-	-	-	-	-	-	-	-	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Short-term advances	-	544	-	-	-	-	-	-	-	-	544	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
THNC															
Sale of ore	915,150	1,114,844	1,434,220	102,193	77,348	-	-	-	-	-	-	-	-	30 days term; noninterest-bearing	Unsecured; no guarantee
Rendering of service (see Note 39b)	133,241	129,202	130,310	33,474	31,683	-	-	-	-	-	-	-	-	Semi-annual term; noninterest-bearing	Unsecured; no guarantee
Materials handling (see Note 34a)	225,298	270,185	267,504	37,110	69,168	-	-	-	-	-	-	-	-	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Rental income (see Note 39m)	6,703	6,703	6,703	-	-	-	-	-	-	-	-	-	-	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Rental deposit payable	3,352	3,352	3,352	-	-	-	-	-	-	-	-	-	-	Collectible upon end of the lease term; noninterest-bearing	Unsecured; no guarantee

(Forward)



	Amount			Trade and Other Receivables (see Note 5)		Trade and Other Payables (see Note 14)		Amounts Owed by Related Parties (see Note 5)		Amounts Owed to Related Parties (see Note 14)		Short-term and Long-term Debts (see Note 15)		Terms	Conditions
	2016	2015	2014	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015		
THNC															
Loan facility	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱-	₱1,261,645	₱1,276,503	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	Unsecured; with guarantee
Interest expense on long-term debt (see Note 22)	36,474	31,118	31,335	-	-	7,592	5,949	-	-	-	-	-	-	Payable semi-annually on April 10 and October 10	Unsecured; no guarantee
Rendering of other service	863	2,208	2,054	-	125	-	-	-	-	-	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Short-term advances	19,945	21,484	21,621	-	-	-	-	5,842	8,362	-	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
<i>Affiliates</i>															
OGI															
Short-term advances	-	-	-	-	-	-	-	-	-	1,344,160	1,254,270	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Orka Geothermal Holdings, Inc.															
Short-term advances	-	-	-	-	-	-	-	628	598	-	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
BGHI															
Short-term advances	-	-	-	-	-	-	-	19	-	3,965,529	3,887,252	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Others															
Short-term advances	-	-	-	-	-	-	-	-	4,838	-	-	-	-	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
				₱652,482	₱519,951	₱46,487	₱55,592	₱6,489	₱15,964	₱5,310,193	₱5,142,066	₱1,508,469	₱1,561,918		



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, 2016 and 2015 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 CBNC, THNC and EPI's Loan Obligations (see Note 39f and 39p), there have been no guarantees received or provided for any related party receivables or payables, respectively. This assessment is undertaken at each end of the financial reporting period through the examination of the financial position of the related party and the market in which the related party operates.

a. Sales and Service Agreements

Nickel Ore Sale Agreements with PAMCO

CMC and TMC supply saprolite ore to PAMCO. PAMCO is a stockholder of the Parent Company and TMC. All sales made to PAMCO are transacted at prevailing market prices. Under the terms of the agreement, the base price of the ore products for a specific shipment shall be based on London Metal Exchange (LME). Effective April 2014, ore sales to PAMCO are benchmarked to China prices on the basis of a negotiated price per wet metric ton (WMT) of ore. PAMCO shall pay the Group 80% to 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, 2016 and 2015 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

RTN supplies saprolite ore to PAMCO under a sale agreement, which shall continue to be valid and in effect until December 2020, wherein PAMCO appointed Sojitz as agent. PAMCO owns 36% and Sojitz owns 4% of the outstanding shares in the capital stock of RTN.

Nickel Ore Sale Agreement with SMM

On April 1, 2011, RTN and SMM entered into an agreement to supply nickel ore to the latter. The agreement shall be valid from April 2011 and shall continue to be valid and in effect until December 2015. The Nickel Ore Sale Agreement with SMM was not renewed in 2016.

Nickel Ore Supply Agreement with CBNC

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

Nickel Ore Supply Agreement with THNC

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



Service Agreements with CBNC

RTN entered into various service agreements with CBNC pertaining to materials handling and others.

Materials Handling Agreement with THNC

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

b. Stockholder Agreements

THNC Stockholder's Agreement

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

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

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

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

CBNC Stockholder Agreement

On July 1, 2002, RTN, together with the other stockholders of CBNC, agreed to make loans to CBNC or guarantee the repayment of CBNC's loan obligations in accordance with the financial requirements of CBNC, in proportion to their shareholding ratio in CBNC.

In a separate agreement dated October 22, 2002, SMM, which owns 54% of CBNC, agreed to assume RTN's obligation to make loans to, or guarantee the repayment of CBNC's loan obligations. RTN, in consideration for this agreement, pays SMM an annual guarantee fee of 1% of CBNC's outstanding loan obligations until August 2015.



c. Other Agreements

Funding Commitment with SMM

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

d. Compensation of Key Management Personnel

The Group considers as key management personnel all employees holding managerial positions up to the chairman. The short-term benefits of key management personnel of the Group in 2016, 2015 and 2014 amounted to about ₱236.7 million, ₱273.9 million and ₱253.5 million, respectively, inclusive of cost of share-based payment of ₱25.7 million, ₱57.8 million and ₱43.0 million, respectively. The post-employment benefits of key management personnel of the Group amounted to ₱15.5 million, ₱9.0 million, and ₱14.3 million in 2016, 2015, and 2014, respectively.

e. Lease Agreement

On March 18, 2013, the Group entered into a lease agreement with Manta for its office and parking space. The lease agreement is effective for a period of five (5) years starting May 15, 2013 and is renewable subject to negotiation of the terms and conditions and mutual agreement of both parties. Rent expense pertaining to the lease amounted to ₱21.5 million, ₱20.5 million and ₱19.2 million in 2016, 2015 and 2014, respectively.

The future minimum rent payable under the lease as at December 31, 2016 and 2015 are as follows:

	2016	2015
Within one (1) year	₱21,742	₱20,745
After one (1) year but not more than five (5) years	10,165	31,946
	₱31,907	₱52,691

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 was drawn in two (2) tranches. The first and second tranche of the loans amounted to ₱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 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 100% of OMCP's issued and outstanding shares. The terms and conditions of the loan agreement are disclosed in Note 39a.



The table below shows the movement of the convertible loan as at December 31, 2016 and 2015.

	2016	2015
Balances at January 1	₱-	₱276,342
Undiscounted loan	-	267,600
Less derivative asset	-	8,263
Carrying value	-	535,679
Add:		
Movement in day 1 difference (see Note 29)	-	2,123
Accretion of interest (see Note 29)	-	3,933
Less:		
Collection of loans	-	105,000
Loan conversion into equity	-	436,735
Net carrying values at December 31	₱-	₱-

The Parent Company exercised its conversion right and converted the loan into a 66% interest in EPI in July 2015.

35. Pension Liability

The existing regulatory framework, 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:

	2016	2015
<i>Funded pension liabilities:</i>		
TMC	₱163,898	₱136,994
RTN	64,060	18,178
HMC	-	14,885
<i>Unfunded pension liabilities:</i>		
NAC	54,096	39,643
CMC	50,266	40,379
	₱332,320	₱250,079
<i>Funded pension asset:</i>		
HMC (see Note 13)	₱1,294	₱-



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

Changes in net defined benefit liability and fair value of pension assets in 2016, 2015 and 2014 are as follows:

	December 31, 2016													December 31, 2016
	Net benefit cost in consolidated statements of income					Remeasurements in other comprehensive income							Contributions	
	January 1, 2016	Current service cost	Net interest	Past service cost	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from demographic adjustments	Actuarial changes arising from experience adjustments	Actuarial changes arising from financial assumptions	Effect of asset ceiling	Subtotal		
RTN	₱377,308	₱24,641	₱24,298	₱-	₱48,939	(₱38,259)	₱-	₱-	₱22,841	₱29,210	₱-	₱52,051	₱-	₱440,039
TMC	257,295	23,716	15,463	-	39,179	(7,133)	-	-	5,972	12,768	-	18,740	-	308,081
HMC	28,781	4,167	1,851	-	6,018	(214)	-	-	(6,220)	2,657	-	(3,563)	-	31,022
Defined benefit liability	663,384	52,524	41,612	-	94,136	(45,606)	-	-	22,593	44,635	-	67,228	-	779,142
RTN	(359,130)	-	(22,753)	-	(22,753)	38,259	(5,716)	-	-	-	-	(5,716)	(26,639)	(375,979)
TMC	(120,301)	-	(7,917)	-	(7,917)	7,133	6,902	-	-	-	-	6,902	(30,000)	(144,183)
HMC	(13,896)	-	(1,478)	-	(1,478)	-	1,238	-	-	-	-	1,238	(18,180)	(32,316)
Fair value of plan assets	(493,327)	-	(32,148)	-	(32,148)	45,392	2,424	-	-	-	-	2,424	(74,819)	(552,478)
RTN	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TMC	-	-	-	-	-	-	-	-	-	-	-	-	-	-
HMC	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restrictions on asset recognized	-	-	-	-	-	-	-	-	-	-	-	-	-	-
RTN	18,178	24,641	1,545	-	26,186	-	(5,716)	-	22,841	29,210	-	46,335	(26,639)	64,060
TMC	136,994	23,716	7,546	-	31,262	-	6,902	-	5,972	12,768	-	25,642	(30,000)	163,898
HMC	14,885	4,167	373	-	4,540	(214)	1,238	-	(6,220)	2,657	-	(2,325)	(18,180)	(1,294)
Pension liability	₱155,172	₱48,357	₱9,091	₱-	₱57,448	₱-	₱1,186	₱-	₱28,813	₱41,978	₱-	₱71,977	(₱56,639)	₱227,958
Pension liability (asset)	₱14,885	₱4,167	₱373	₱-	₱4,540	(₱214)	₱1,238	₱-	(₱6,220)	₱2,657	₱-	(₱2,325)	(₱18,180)	(₱1,294)



December 31, 2015

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



December 31, 2014

	Net benefit cost in consolidated statements of income					Remeasurements in other comprehensive income							December 31, 2014	
	January 1, 2014	Current service cost	Net interest	Past service cost	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from demographic adjustments	Actuarial changes arising from experience adjustments	Actuarial changes arising from financial assumptions	Effect of asset ceiling	Subtotal		Contributions
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



Changes in unfunded pension liability as at December 31, 2016, 2015 and 2014 are as follows:

December 31, 2016										
Net benefit cost in consolidated statements of income					Remeasurements in other comprehensive income					
	January 1, 2016	Current service cost	Interest cost	Subtotal	Benefits paid	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	December 31, 2016
NAC	₱39,643	₱6,068	₱2,509	₱8,577	(₱1,411)	₱-	₱1,884	₱5,403	₱7,287	₱54,096
CMC	40,379	3,661	2,362	6,023	(2,928)	-	5,276	1,516	6,792	50,266
Pension liability	₱80,022	₱9,729	₱4,871	₱14,600	(₱4,339)	₱-	₱7,160	₱6,919	₱14,079	₱104,362

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

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



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

2016	RTN	TMC	HMC
Fixed income securities	62.87%	89.26%	61.29%
Investments in shares of stock	15.81%	7.10%	9.86%
Others	21.32%	3.64%	28.85%
	100.00%	100.00%	100.00%

2015	RTN	TMC	HMC
Fixed income securities	53.49%	85.33%	73.93%
Investments in shares of stock	12.21%	1.08%	20.38%
Others	34.30%	13.59%	5.69%
	100.00%	100.00%	100.00%

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

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

2016	NAC	RTN	TMC	HMC	CMC
Discount rate	5.86%	5.68%	5.67%	5.84%	5.55%
Expected salary increase rate	6.00%	5.00%	10.00%	5.00%	5.00%

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

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

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 - net as at the end of the financial reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	2016	2015
Discount rates	+100 basis points	(₱86,125)	(₱72,950)
	-100 basis points	103,294	77,483
Salary increase rate	+100 basis points	₱92,790	₱69,222
	-100 basis points	(79,386)	(67,554)

As at March 15, 2017, the Group has not yet reasonably determined the amount of 2017 contributions to the retirement fund.



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

	2016	2015
Within the next twelve (12) months	₱97,299	₱75,052
Between two (2) and five (5) years	234,266	176,042
Between six (6) and ten (10) years	482,112	303,511
Total expected payments	₱813,677	₱554,605

The weighted average duration of the pension liability as at December 31, 2016 and 2015 is 10.5 years and 12.8 years, respectively.

36. Income Taxes

The provision for current income tax shown in the consolidated statements of income includes the Regular Corporate Income Tax (RCIT) of TMC, RTN, CMC, HMC and NAC, Gross Income Tax (GIT) of TMC and RTN and Minimum Corporate Income Tax (MCIT) of EPI and BGI in 2016, RCIT of TMC, RTN, CMC, HMC and MEI, GIT of TMC and RTN and MCIT of NAC, Geogen and CEXCI in 2015, RCIT of TMC, RTN, CMC, HMC and LCSLC, GIT of TMC and RTN and MCIT of NAC and CEXCI in 2014, as follows:

	2016	2015	2014
TMC	₱574,908	₱583,088	₱1,623,117
RTN	517,143	635,063	1,287,084
CMC	163,235	197,325	585,702
HMC	120,875	173,753	736,995
NAC	65,226	13,562	7,899
EPI	108	-	-
BGI	30	-	-
Geogen	1	20	-
MEI	-	2,937	-
CEXCI	-	2	3
LCSLC	-	-	24,668
	₱1,441,526	₱1,605,750	₱4,265,468

All other companies under the Group were in a gross and/or net taxable loss positions in 2016, 2015 and 2014.



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

	2016	2015	2014
Income tax at statutory rates from non-Philippine Export Zone Authority (PEZA) registered activities	₱1,829,232	₱2,621,842	₱7,444,331
Add (deduct) tax effects of:			
Dividend income exempt from income tax	(613,377)	(903,049)	(2,706,217)
Nondeductible expenses	174,304	40,012	16,010
Change in unrecognized deferred income tax assets	135,853	(2,481)	(530)
Interest income subjected to final tax	(44,569)	(48,214)	(47,370)
Movements in deductible temporary differences for which deferred income taxes were recognized	(41,874)	(66,001)	(68,349)
Expired net operating loss carry over (NOLCO) and excess of MCIT over RCIT	11,894	29,013	10,826
Realized benefit from ESOP exercised	(8,857)	(10,207)	(65,505)
Gain on revaluation of AFS financial asset	-	-	(208,294)
Benefits from availment of optional standard deduction	-	-	(80,089)
Others	5,098	4,807	(3,477)
	1,447,704	1,665,722	4,291,336
Income tax at statutory rates from PEZA registered activities	(2,296)	(2,168)	475
Add (deduct) tax effects of:			
Nondeductible expenses	4,111	3,755	1,019
Interest income subjected to final tax	(41)	(23)	(3)
	1,774	1,564	1,491
Income tax at effective rates	₱1,449,478	₱1,667,286	₱4,292,827



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

	2016	2015
<i>Deferred income tax assets:</i>		
<i>At 30%</i>		
Provision for mine rehabilitation and decommissioning	₱132,745	₱41,381
Pension costs	107,732	80,677
Allowance for impairment losses on:		
Inventories	25,314	31,337
Trade and other receivables	11,787	4,549
Property and equipment	3,848	-
Deferred mine exploration costs	-	1,507
Others	7,459	1,096
Costs of share-based payment plan	37,361	30,637
NOLCO	36,022	8,549
Unrealized valuation losses on AFS financial assets	3,024	6,059
Accrued SDMP costs	898	-
Excess of MCIT over RCIT	493	28,036
<i>At 5%</i>		
Deferred income	3,369	3,579
	₱370,052	₱237,407
<i>Deferred income tax liabilities:</i>		
<i>At 30%</i>		
Fair value adjustment arising from business combination	₱251,590	₱251,590
Asset revaluation surplus	157,406	160,676
Unrealized foreign exchange gains - net	141,884	71,045
Long-term stockpile inventory	99,925	160,412
Undepleted asset retirement obligation	98,736	14,601
Capitalized borrowing cost	24,659	-
Unamortized debt issue costs	5,315	2,899
Others	-	158
<i>At 10%</i>		
Share in cumulative translation adjustment (see Note 10)	96,605	70,012
<i>At 5%</i>		
Unrealized foreign exchange gains - net	347	125
	₱876,467	₱731,518



The Group did not recognize net 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 net deferred income tax assets can be utilized in the future.

	2016	2015
NOLCO	₱636,567	₱265,898
Unrealized foreign exchange losses - net	202,293	115,500
Allowance for impairment losses	157,677	155,920
Interest expense on long-term payable	1,264	59
Levelized rent expense	496	19
Excess of MCIT over RCIT	143	1,317
Provision for mine rehabilitation and decommissioning	-	31,989
Undepleted asset retirement obligation	-	(27,847)
	₱998,440	₱542,855

As at December 31, 2016 and 2015, 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:

Year Incurred	Year of Expiration	NOLCO		Excess of MCIT over RCIT	
		2016	2015	2016	2015
2016	2019	₱499,023	₱-	₱139	₱-
2015	2018	181,720	181,720	22	13,584
2014	2017	74,889	74,889	475	8,374
2013	2016	-	36,704	-	7,395
		₱755,632	₱293,313	₱636	₱29,353

As at December 31, 2016 and 2015, FEI has NOLCO that can be claimed as deduction from future taxable income as follows:

Year Incurred	Year of Expiration	2016	2015
2016	2021	₱134	₱-
2015	2020	191	191
2014	2019	146	146
2013	2018	272	272
2012	2017	267	267
2011	2016	-	208
		₱1,010	₱1,084

The movements in NOLCO are as follows:

	2016	2015
Balances at January 1	₱294,397	₱355,512
Additions	499,157	120,695
Expirations	(36,912)	(50,554)
Applications	-	(248,866)
Acquisition of subsidiaries	-	117,610
Balances at December 31	₱756,642	₱294,397



The movements in excess of MCIT over RCIT are as follows:

	2016	2015
Balances at January 1	₱29,353	₱14,479
Applications	(28,035)	(65)
Expirations	(821)	(2)
Additions	139	13,584
Acquisition of subsidiaries	-	1,357
Balances at December 31	₱636	₱29,353

37. Financial Risk Management Objectives and Policies and Capital Management

The Group's main financial instruments are cash and cash equivalents, AFS financial assets and short-term and long-term debts. The main purpose of these financial instruments is to raise funds and maintain continuity of funding and financial flexibility for the Group. The Group has various other financial assets and liabilities such as trade and other receivables, loan receivable and long-term negotiable instrument which are under "Other noncurrent assets", trade and other payables and long-term payable which arise directly from its operations, investing and financing activities.

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

Credit Risk

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

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

For investments in debt instruments, funds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield and capital appreciation. Investments in foreign and local equity funds are made in mutual funds with investments in A-rated companies, with good dividend track record as well as capital appreciation. The investment portfolio mix between debt and equities is reviewed regularly by the Chief Finance Officer and the Audit and Risk Committee.



Credit Risk Exposure

With respect to credit risk arising from cash and cash equivalents, trade and other receivables, AFS financial assets, and loan receivable and long-term negotiable instrument which are under “Other noncurrent assets”, the Group’s exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Credit Quality and Aging Analysis of Financial Assets

The credit quality and aging analysis of the Group’s financial assets as at December 31, 2016 and 2015 are summarized in the following tables:

2016	Neither Past Due Nor Impaired (High)	Past Due But Not Impaired (30-180 days)	Past Due and Individually Impaired	Total
Cash and cash equivalents	₱9,642,224	₱–	₱–	₱9,642,224
Cash with banks	1,207,679	–	–	1,207,679
Cash under managed funds	188,508	–	–	188,508
Short-term cash investments	8,246,037	–	–	8,246,037
Trade and other receivables	995,813	98,225	45,622	1,139,660
Trade	740,581	83,998	41,029	865,608
Current portion of loan receivable	98,161	–	–	98,161
Receivable from CBNC	33,343	14,227	–	47,570
Interest receivable	47,317	–	–	47,317
Amounts owed by related parties	6,489	–	–	6,489
Advances to Ludgoron	–	–	–	–
Others	69,922	–	4,593	74,515
AFS financial assets	6,319,078	–	–	6,319,078
Quoted debt securities	4,513,565	–	–	4,513,565
Quoted equity securities	1,599,263	–	–	1,599,263
Unquoted equity securities	206,250	–	–	206,250
Other noncurrent assets	860,514	–	–	860,514
Loan receivable - net of current portion	830,514	–	–	830,514
Long-term negotiable instrument	30,000	–	–	30,000
	₱17,817,629	₱98,225	₱45,622	₱17,961,476



2015	Neither Past Due Nor Impaired (High)	Past Due But Not Impaired (30-180 days)	Past Due and Individually Impaired	Total
Cash and cash equivalents	₱7,069,343	₱—	₱—	₱7,069,343
Cash with banks	1,531,544	—	—	1,531,544
Cash under managed funds	199,300	—	—	199,300
Short-term cash investments	5,338,499	—	—	5,338,499
Trade and other receivables	769,571	124,299	19,388	913,258
Trade	462,108	94,258	17,323	573,689
Current portion of loan receivable	157,896	—	—	157,896
Receivable from CBNC	18,138	30,035	—	48,173
Interest receivable	40,448	—	—	40,448
Amounts owed by related parties	15,964	—	—	15,964
Advances to Ludgoron	23,394	—	—	23,394
Others	51,623	6	2,065	53,694
AFS financial assets	5,831,037	—	—	5,831,037
Quoted debt securities	4,362,829	—	—	4,362,829
Quoted equity securities	1,265,389	—	—	1,265,389
Unquoted equity securities	202,819	—	—	202,819
Other noncurrent assets	872,104	—	—	872,104
Loan receivable - net of current portion	842,104	—	—	842,104
Long-term negotiable instrument	30,000	—	—	30,000
	₱14,542,055	₱124,299	₱19,388	₱14,685,742

Credit Quality of Financial Assets

The credit quality of financial assets is managed by the Group using internal 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 are placed in various foreign and local banks. Material amounts are held by local banks that have good reputation and with low probability of insolvency. The rest are held by various foreign banks having a Standard and Poor's (S&P) credit rating of at least A. Management assesses the quality of these assets as high grade.
- Trade receivables, loan receivable, receivable from CBNC and advances to Ludgoron pertain to receivables from customers or related parties which have good financial capacity and with which the Group has already established a long outstanding and good business relationship. Management assesses the quality of these assets as high grade. Trade and other receivables which are not foreseen to be collected are classified as substandard grade.
- Interest receivables derived from short-term cash investments placed in various foreign banks with S&P credit rating of at least A and with local banks with low probability of insolvency, are assessed as high grade. Interest receivable from AFS debt securities and long term



negotiable instrument are also assessed as high grade since these are invested in companies with good reputation and sound financial condition. Interest receivable from loans are also assessed as high grade since these are collectible from third parties which are capable of repaying the amount due.

- Amounts owed by related parties are advances that are due and demandable. The related parties are operating firms and/or capable of repaying the amount due. Management assesses the quality of these assets as high grade.
- Management assesses the quality of other receivables as standard grade since amounts are settled after due date.
- AFS financial assets in debt and equity securities are investments that can be traded and from companies with good financial capacity, making the investment secured and realizable. Management assesses the quality of these assets as high grade.
- Long-term negotiable instrument is an investment placed in a local bank with good financial capacity and with low probability of insolvency. Management assessed the quality of this asset as high grade.

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, mining and power generation activities through internally generated funds, advances from related parties and borrowings from banks. Aside from yielding good returns, the Group ensures that investments have ample liquidity to finance operations and capital requirements. The Group considers its available funds and its liquidity in managing its long-term financial requirements. For its short-term funding, the Group's policy is to ensure that there are sufficient capital inflows to match repayments of short-term debt.

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2016 and 2015 based on contractual undiscounted payments.

2016	On Demand	Less Than Three (3) Months	Three (3) to Twelve (12) Months	More Than One (1) Year	Total
Trade and other payables					
Trade	₱391,441	₱304,836	₱94,148	₱-	₱790,425
Amounts owed to related parties	5,310,193	-	-	-	5,310,193
Dividends payable	-	325,187	-	-	325,187
Accrued expenses	191,525	57,674	11,887	-	261,086
Retention fees payable	44,629	-	-	-	44,629
Interest payable	30,511	-	-	-	30,511
Others	14,336	1,766	-	-	16,102
Short-term debt	-	-	180,000	-	180,000
Long-term debt					
Carrying amount	-	22,274	126,000	4,468,059	4,616,333
Unamortized debt issue cost	-	-	-	12,136	12,136
Long-term payable					
Carrying amount	-	-	5,000	23,846	28,846
Unamortized discount	-	-	-	5,154	5,154
	₱5,982,635	₱711,737	₱417,035	₱4,509,195	₱11,620,602



2015	On Demand	Less Than Three (3) Months	Three (3) to Twelve (12) Months	More Than One (1) Year	Total
Trade and other payables					
Trade	₱356,070	₱188,207	₱147,980	₱–	₱692,257
Amounts owed to related parties	5,142,066	–	–	–	5,142,066
Dividends payable	–	493,250	–	–	493,250
Accrued expenses	424,568	6,509	6,997	–	438,074
Retention fees payable	23,043	–	–	–	23,043
Interest payable	17,778	–	–	–	17,778
Others	85,550	2,016	–	–	87,566
Short-term debt	–	–	180,000	–	180,000
Long-term debt					
Carrying amount	–	21,083	103,438	3,357,733	3,482,254
Unamortized debt issue cost	–	–	–	9,664	9,664
Long-term payable					
Carrying amount	–	–	–	27,641	27,641
Unamortized discount	–	–	–	6,359	6,359
	₱6,049,075	₱711,065	₱438,415	₱3,401,397	₱10,599,952

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, 2016 and 2015.

2016	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	₱1,213,398	₱–	₱–	₱–	₱1,213,398
Cash under managed funds	188,508	–	–	–	188,508
Short-term cash investments	8,246,037	–	–	–	8,246,037
Trade and other receivables					
Trade	702,580	121,999	–	–	824,579
Current portion of loan receivable	–	–	98,161	–	98,161
Receivable from CBNC	14,227	33,343	–	–	47,570
Interest receivable	9,782	36,812	723	–	47,317
Amounts owed by related parties	6,489	–	–	–	6,489
Advances to Ludgoron	–	–	–	–	–
Others	50,698	19,224	–	–	69,922
AFS financial assets					
Quoted debt securities	4,252,185	–	–	261,380	4,513,565
Quoted equity securities	1,240,608	–	–	358,655	1,599,263
Unquoted equity securities	79,492	–	–	126,758	206,250
Other noncurrent assets					
Loan receivable - net of current portion	–	–	–	830,514	830,514
Long-term negotiable instrument	–	–	–	30,000	30,000
	₱16,004,004	₱211,378	₱98,884	₱1,607,307	₱17,921,573

2015	On Demand	Less Than Three (3) Months	Three (3) to Twelve (12) Months	More Than One (1) Year	Total
Cash and cash equivalents					
Cash on hand and with banks	₱1,535,372	₱–	₱–	₱–	₱1,535,372
Cash under managed funds	199,300	–	–	–	199,300
Short-term cash investments	5,338,499	–	–	–	5,338,499
Trade and other receivables					
Trade	462,108	94,258	–	–	556,366
Current portion of loan receivable	–	–	157,896	–	157,896
Receivable from CBNC	30,035	18,138	–	–	48,173
Interest receivable	40,448	–	–	–	40,448
Amounts owed by related parties	15,964	–	–	–	15,964
Advances to Ludgoron	23,394	–	–	–	23,394
Others	51,629	–	–	–	51,629
AFS financial assets					
Quoted debt securities	4,018,609	–	–	344,220	4,362,829
Quoted equity securities	919,249	–	–	346,140	1,265,389
Unquoted equity securities	76,061	–	–	126,758	202,819

(Forward)



2015	On Demand	Less Than Three (3) Months	Three (3) to Twelve (12) Months	More Than One (1) Year	Total
Other noncurrent assets					
Loan receivable - net of current portion	₱-	₱-	₱-	₱842,104	₱842,104
Long-term negotiable instrument	-	-	-	30,000	30,000
	₱12,710,668	₱112,396	₱157,896	₱1,689,222	₱14,670,182

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, 2016 and 2015 are as follows:

	2016		2015	
	US\$ Amount	Peso Equivalent	US\$ Amount	Peso Equivalent
Financial assets:				
Cash and cash equivalents	\$131,107	₱6,518,810	\$87,125	₱4,100,579
Trade and other receivables	14,797	735,714	8,095	380,973
AFS financial assets	53,448	2,657,495	50,444	2,373,885
	\$199,352	₱9,912,019	\$145,664	₱6,855,437
Financial liabilities:				
Trade and other payables	\$29,940	₱1,488,594	\$110,953	₱5,221,455
Long-term debt	26,719	1,328,469	29,365	1,381,917
	\$56,659	₱2,817,063	\$140,318	₱6,603,372

The exchange rate used for conversion of US\$1.00 to peso equivalent was ₱49.72 and ₱47.06 as at December 31, 2016 and 2015, 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, 2016 and 2015 follows:

	Peso Weakens (Strengthens)	Sensitivity to pretax income
2016	₱1.00 (0.70)	₱142,693 (99,885)
2015	₱0.50 (0.40)	₱2,673 (2,138)

There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rate relates to AFS quoted fixed and floating debt instruments and floating-rate long-term debt.

Floating rate instruments expose the Group to cash flow interest rate risk, whereas, fixed interest rate instruments expose the Group to fair value risk. The Group regularly monitors the market interest rate movements and manages its interest rate risks by using a mix of fixed and variable rates.

The following tables set out the carrying amount, by maturity, of the Group's financial instrument that is exposed to cash flow interest rate risk:

Long-term debt	<1 year	1-5 years	>5 years	Total
2016	₱148,274	₱3,506,679	₱973,516	₱4,628,469
2015	124,521	2,502,669	864,728	3,491,918

Management believes that cash generated from operations is sufficient to pay for its obligations under the loan agreements as they fall due.

The sensitivity to a reasonably possible change in the interest rate (in basis points), with all other variables held constant, in the Group's income before income tax and equity as at December 31, 2016 and 2015 are as follows:

		Change in interest rate (in basis points)	Sensitivity to income before income tax	Sensitivity to equity
2016	AFS financial assets	+100		₱45,136
		-100		(45,136)
	Long-term debt	+100	(₱46,163)	
		-100	46,163	
2015	AFS financial assets	+100		₱43,628
		-100		(43,628)
	Long-term debt	+100	(₱34,823)	
		-100	34,823	



The impact on the Group's income before income tax is caused by changes in the interest of the floating-rate long-term debt, while the impact on the Group's equity is caused by the changes in the market value of AFS quoted debt due to interest rate movements. The impact on the Group's equity excludes the impact on transactions affecting the consolidated statement of income.

Equity Price Risk

Equity price risk is the risk to earnings or capital arising from changes in stock prices relating to its quoted equity securities. The Group's exposure to equity price risk relates primarily to its AFS financial assets on various stocks of listed companies.

The Group's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on its financial position.

The table shows the sensitivity to a reasonably possible change in equity prices of AFS quoted equity instruments as at December 31, 2016 and 2015, 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
2016	18.34%	₱65,909
	-18.34%	(65,909)
2015	15.04%	₱61,539
	-15.04%	(61,539)

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, 2016 and 2015.

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



The Group considers the following as capital:

	2016	2015
Capital stock	₱3,808,665	₱3,805,670
Additional paid-in capital	8,300,002	8,284,767
Share in cumulative translation adjustment	409,286	406,609
Cost of share-based payment plan	126,622	104,824
Asset revaluation surplus	32,480	32,863
Net valuation gains (losses) on AFS financial assets	12,954	(134,467)
Retained earnings:		
Unappropriated	13,221,526	11,300,347
Appropriated	1,108,956	1,711,260
NCI	4,179,162	3,901,315
	₱31,199,653	₱29,413,188

The table below shows the Group's debt-to-equity ratio as at December 31, 2016 and 2015.

	2016	2015
Total liabilities (a)	₱14,151,863	₱12,317,167
Equity (b)	31,199,653	29,413,188
Debt-to-equity ratio (a/b)	0.45:1	0.42:1

38. Financial Instruments

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

Cash and Cash Equivalents

The carrying amount of cash and cash equivalents approximates its fair value due to the short-term nature and maturity of this financial instrument.

Trade and Other Receivables, Trade and Other Payables and Short-term Debt

Similarly, the carrying amounts of trade and other receivables, trade and other payables and short-term debt approximate their fair values due to the short-term nature of these accounts.

Loan Receivable

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

Long-term Negotiable Instrument

The carrying amount of long-term negotiable instrument approximates its fair value since it earns interest based on long-term cash investment rate.

AFS Financial Assets

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



Long-term Debt and Long-term Payable

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

Fair Value Hierarchy

The Group uses the following hierarchy in determining and disclosing the fair value by valuation technique:

- Quoted prices in active markets for identical asset or liability (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability; either directly (as prices) or indirectly (derived from prices; Level 2); and
- Those inputs for assets or liability that are not based on observable market date (unobservable inputs; Level 3).

	2016			2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets measured at fair value:						
<i>AFS financial assets</i>						
Debt securities	₱4,513,565	₱-	₱-	₱4,362,829	₱-	₱-
Equity securities	1,599,263	-	-	1,265,389	-	-
	₱6,112,828	₱-	₱-	₱5,628,218	₱-	₱-

As at December 31, 2016 and 2015, 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, 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

39. Significant Agreements

a. Loan Receivables

EPI

On August 22, 2014, the Parent Company and EPI executed a loan agreement amounting to ₱551.0 million which was drawn in two (2) tranches. The first and second tranche of the loans amounted to ₱105.0 million and ₱446.0 million, respectively.

The proceeds of the first tranche loan was used by EPI to fund the activities preparatory to drilling and for the drilling of the initial two (2) wells under the Montelago Geothermal Project, while the second tranche loan was used to fund the drilling costs and related activities (to include slim or other test holes) on the said initial two (2) wells.

At the option of the Parent Company, the entire second tranche loan, and not any smaller portion thereof, may be converted into shares of stock of EPI constituting 55% of its total issued and outstanding shares, at any time before the lapse of three hundred sixty five (365) days after drawdown of the entire second tranche loan.

The loan is subject to 2% interest p.a. The first tranche of the loan is payable one year after the first drawdown on the first tranche loan or upon sale of EPI's entire shareholdings in OMCP, whichever is earlier. The second tranche loan is payable one year after the first drawdown on the second tranche loan unless the conversion right is exercised.



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

In 2014, the first tranche loan amounting to ₱105.0 million and 40% of the second tranche loan amounting to ₱178.4 million were already released to EPI. The remaining 60% of the second tranche loan amounting to ₱267.6 million were released to EPI in the first quarter of 2015.

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

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

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

East Coast

In relation to the Supplemental Agreement executed by CMC and East Coast on December 18, 2015, CMC agreed to lend a loan of up to ₱1,000.0 million to East Coast which is subject to 3% interest p.a. The loan was issued in two tranches of ₱150.0 million in October 2015 and ₱850.0 million in December 2015. As payment of the loan, CMC shall deduct 50% of commission and royalties, net of withholding tax and interest, each time a commission, royalty or additional royalty is paid by CMC to East Coast. The loan is secured by a Pledge Agreement between CMC and East Coast covering the latter's rights, interests, receivables, obligations, and liabilities over the MPSA on the Cagdianao property owned by East Coast (see Note 39e). The current portion of loan receivable amounting to ₱98.2 million and ₱157.9 million was included under "Trade and other receivables", while the noncurrent portion amounting to ₱830.5 million and ₱842.1 million was included under "Other noncurrent assets" as at December 31, 2016 and 2015, respectively (see Notes 5 and 13). Interest income from the loan amounted to ₱29.4 million and ₱1.8 million in 2016 and 2015, respectively (see Note 29).

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 million 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 2016, 2015 and 2014, service revenues from usage of pier facilities of TMC amounted to ₱127.9 million, ₱123.7 million and ₱124.6 million, respectively (see Note 34).

CBNC

Under the agreement, CBNC shall pay RTN the price which consists of all its direct costs for the pier facilities which includes but not limited to, financial costs, maintenance costs and tax as well as indirect costs directly used for the pier facilities and the services as agreed by the parties. CBNC shall pay to RTN in US\$, as a part of such financial costs, the amounts to be paid by RTN to SMM such as interests and loan repayments pursuant to the Omnibus Agreement made and entered into by and between RTN and SMM. The agreement shall continue for twenty-five (25) years after November 25, 2002 unless terminated earlier.

c. Memorandum of Understanding (MOU)

On September 14, 2009, the Parent Company and TMC entered into a MOU with SMM. Pursuant to the terms thereof, the Parent Company and SMM will move ahead on a joint venture basis to build a nickel-cobalt processing plant (the Project) using the HPAL technology to be located within the TMC's mine in Surigao del Norte, while TMC will supply low-grade nickel ore to the plant over the life of the Project. The estimated cost of the Project is US\$1,420.0 million, which further increased to US\$1,590.0 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 thirty (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 plant's operations.

Pursuant to the sale of 12.5% equity interest of the Parent Company to SMM in October 2016, the shareholding ratio of the Parent Company and SMM is 10% and 75%, respectively, as at December 31, 2016 and 22.5% and 62.5%, respectively, as at December 31, 2015 (see Note 10).



The Agreement 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 undertaken by THNC.

Also, under the Agreement, the Parent Company, SMM and Mitsui agreed to make loans to THNC or guarantee the repayment of THNC's obligations in accordance with the financial requirements of THNC and in proportion to their shareholding ratio in THNC.

The Agreement shall terminate upon the dissolution of THNC.

On November 20, 2012, the Parent Company, SMM and Mitsui made additional investment of US\$287.2 million in the form of loans to THNC. SMM had agreed to substitute for the Parent Company to make these loans for which the Parent Company pays guarantee service fee.

On August 4, 2014 and October 4, 2013, the Parent Company, SMM and Mitsui agreed to extend another loans to THNC amounting to US\$117.7 million to cover the latter's working capital requirement and US\$90.0 million for the construction of the tailings dam, respectively.

On February 15, 2016 and November 9, 2015, another loan facility in the amount of US\$65.0 million and US\$120.0 million, respectively, were extended by the stockholders to THNC to cover for the latter's working capital requirements.

On September 15, 2016 and August 16, 2016, the stockholders of THNC extended another US\$25.0 million and US\$124.0 million, respectively, to cover the latter's loan repayments, capital investments and working capital requirements.

d. Sales Agreements

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

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

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

Materials Handling Agreement with THNC (see Note 34a)

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

Nickel Ore Supply Agreements with Chinese Customers

HMC, CMC, RTN and TMC have ore supply agreements with a number of Chinese customers, each for a fixed tonnage at specific nickel grades and iron content.

The fixed tonnage of ore is generally the volume of expected delivery within a few months. Sale of ore to Chinese customers amounted to ₱9,084.7 million, ₱8,629.3 million and ₱15,564.6 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Nickel Ore Supply Agreements with Queensland Nickel Pty Ltd (QNI)

RTN and CMC entered into agreements with QNI covering the sale of RTN and CMC's ore products at a fixed tonnage and specific nickel grade and iron content. Sale of ore to QNI amounted to ₱68.9 million in 2016, ₱271.0 million in 2015 and ₱198.6 million in 2014.



Nickel Ore Supply Agreement with Mitsubishi Corporation RTM International Pte., Ltd. (Mitsubishi)

RTN and TMC entered into an agreement with Mitsubishi, a Singapore-based corporation, covering the sale of its ore products. Under the terms of the agreement, the ore sales are benchmarked to China prices on the basis of a negotiated price per WMT of ore. Under the agreement, the end user of the material is PAMCO. Sale of ore to Mitsubishi amounted to ₱257.8 million and nil in 2016 and 2015, respectively.

e. Mining Agreements

i. *MPSA*

RTN

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

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

Under both MPSAs, RTN pays a 2% excise tax on gross revenues as provided in the Philippine National International Revenue Code as the Government's share in its output. Both MPSAs are valid for twenty-five (25) years from issuance and renewable for another term of not more than twenty-five (25) years at the option of RTN, with approval from the Government.

On June 20, 2003, RTN submitted an Application for MPSA covering previously approved Mining Lease Contracts over an area of 4,274 hectares within the Municipalities of Bataraza and Rizal. Most of the contract area is within the core zone and the application is pending.

On May 30, 2008, the PCSD issued a resolution interposing no objections to the revision by the Municipality of Bataraza of its Environmentally Critical Areas Network map that, among others, seeks to reclassify the core zone within the contract area into a mineral development area. The reclassification was approved by the Municipal Development Council of the Municipality of Bataraza on November 18, 2009, and subsequently approved by the Provincial Board on January 5, 2010.

On September 1, 2015, the Strategic Environmental Plan clearance was issued by PCSD to RTN which is a requirement in obtaining ECC approval from DENR. The processing of the Application for MPSA by the MGB is consequently under way.



HMC

Taganaan 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 Taganaan, Surigao del Norte. Under the MPSA, HMC pays the Government a 2% excise tax and a 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 2% excise tax, a 1% royalty and 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 May 23, 2016, HMC applied for the renewal of its MPSA in Manicani which will expire on August 13, 2017. However, HMC is yet to receive the confirmation from DENR.

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 2% excise tax and a 5% royalty, as the contract area is within the Surigao Mineral Reservation. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of TMC, with approval from the Government.

Geogen

On July 30, 2007, the Platinum Group Metals Corporation (PGMC) and the Government entered into an MPSA, which allows PGMC to explore, develop and mine nickel ore within the contract area covering 2,392 hectares in the Municipality of Dinapigue, Province of Isabela.

On January 6, 2009, PGMC and Geogen executed a Deed of Assignment transferring to Geogen all the rights, title and interest in and into the MPSA over the contract area.

Under the MPSA, Geogen shall pay the Government a 2% excise tax. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of Geogen, 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 5% for nickel ore and ₱10.00 per metric ton for limestone. Upon signing of the Operating Agreement, TMC made an advance royalty payment of ₱1.0 million repayable by deductions from future royalties at a rate of 25% per year over a period of four (4) years. As at December 31, 2016, the MPSA remains pending.

On January 11, 2016, TMC issued a Notice of Exclusion of the limestone deposit from the Operating Agreement to La Salle. As at December 31, 2016 and 2015, TMC has written-off the deferred charges relating to the limestone development and exploration amounting to ₱1.5 million and ₱5.5 million, respectively (see Note 31).

Kepha

On February 14, 2007, TMC entered into an Operating Agreement with Kepha, the holder of MPSA No. 284-2009-XII-SMR covering 6,980.75 hectares in the Municipality of Claver, Surigao del Norte. The Operating Agreement allows TMC to explore, develop and mine nickel ore and limestone and obliges it to comply with the terms of the MPSA.

The Operating Agreement specifies a royalty to Kepha of 5% for nickel ore and ₱10.00 per metric ton for limestone. Upon signing of the Operating Agreement, TMC made an advance royalty payment of US\$1.0 million and ₱6.3 million, repayable by deductions from future royalties at a rate of 10% per year over a period of ten (10) years.

On June 19, 2009, the MPSA was issued to Kepha. Under the terms thereof, upon the start of mining operations, TMC shall pay the Government a 2% excise tax and a 5% royalty, as the contract area is within the Surigao Mineral Reservation. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of Kepha, with approval from the Government. There were no drilling activities related to the Kepha project in 2016 and 2015.

On February 13, 2017, the DENR issued a show cause order directing Kepha to explain why its MPSA should not be cancelled for being allegedly within a watershed, which is protected under the Philippine Mining Act of 1995 and other existing applicable laws, rules and regulations. On February 24, 2017, Kepha replied to the letter stating that based on the MGB Region XIII's downloadable tenement map, the MPSA area is outside of any existing legally proclaimed watershed.



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 2% excise tax and a 5% royalty, as the contract area is within the Surigao Mineral Reservation. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of Ludgoron, with approval from the Government.

Under the Operating Agreement, TMC shall pay Ludgoron a royalty of 5%. Upon signing of the Operating Agreement, TMC made an advance royalty payment of US\$1.0 million, repayable by deductions from future royalties at a rate of 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. Ludgoron is obliged to return to TMC the amount of ₱66.8 million which represent advances to claimowners. Ludgoron already paid TMC an amount of ₱10.0 million and will pay additional ₱23.4 million upon approval of MGB of the transfer of the Operating Agreement to KMI. The remaining balance will be settled by Ludgoron in due time.

On January 20, 2016, Ludgoron paid an additional ₱23.4 million in relation to the termination of the Operating Agreement with TMC.

CMC

East Coast

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

The MOA expired on November 19, 2007 and was renewed for a period of ten (10) years. In consideration, East Coast was paid ₱100.0 million upon signing of the extension which was recorded as advances to claimowners, repayable over a ten (10) 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 2% excise tax and a 5% royalty, as the contract area is within the Surigao Mineral Reservation.

On July 29, 2013, East Coast and CMC agreed to reduce for one (1) year period the marketing and royalty fees. Royalty payment to East Coast was reduced from 7% (net of withholding taxes) to 5% during the period. Advances against future royalties, to which the royalty payment shall be credited was also reduced from ₱10.0 million per year to ₱3.6 million and ₱6.4 million in 2013 and 2014, respectively. The repayment of advances at ₱10.0 million per year resumed in 2015 up to 2018.



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

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

The commission expense related to East Coast that is reported under "Marketing" amounted to ₱74.6 million, ₱98.6 million and ₱109.3 million in 2016, 2015 and 2014, respectively.

BOA Exploration Agreement

On October 12, 2004, CMC executed a MOA with Norweah Metals and Minerals Company, Inc. (Norweah) for the exclusive rights to explore, develop, exploit and operate the mineral property subject of MPSA No. 241-2007 covering an area of 226.0235 hectares situated in Boa, Municipality of Cagdianao, Province of Dinagat Islands, Surigao del Norte. The MOA is effective for a ten (10) year period commencing on July 12, 2007, the date the MPSA was approved.

On October 5, 2016, CMC and Norweah entered into a Mutual Rescission of the MOA wherein the parties agreed to free each other from any and all of their respective obligations under the said MOA effective August 31, 2016. As a result, deferred mine exploration costs of ₱5.8 million (₱5.0 million of which was already provided with an allowance for impairment losses) was written off resulting in a loss of ₱0.8 million. Further, advances to claimowners related to the MOA amounting to ₱5.4 million was also written off (see Note 31).

Geogen

Geogen and NiHAO Mineral Resources International Inc. (NiHAO) entered into an Operating Agreement on June 13, 2012, under which NiHAO shall have the exclusive right to explore, operate, mine, develop and process minerals found within Geogen's mineral property.

Pursuant to the agreement, Geogen shall pay NiHAO an amount equivalent to 90% of the invoice value of the nickel ore sold by Geogen to third parties in consideration of the services to be performed by NiHAO. This agreement superseded the General Contractor Agreement entered into by NiHAO with Geogen on March 5, 2012. The General Contractor Agreement was executed to appoint NiHAO as Geogen's general contractor for the Isabela Nickel Project.

In connection to the acquisition of Geogen by NAC, NiHAO's operating rights over the Isabela Nickel Project will be converted into preferred shares of Geogen, which shares shall be entitled to dividends corresponding to 20% of operating income, net of income tax, subject to Shareholder's Agreement to be executed between NiHAO and Geogen. As at December 31, 2016, the Shareholder's Agreement is not yet executed.



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 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 agreement has ended last August 20, 2015 due to full payment of the related loan obligation.

The loan guarantee service fee amounting to nil, ₱0.2 million and ₱0.6 million in 2016, 2015 and 2014, respectively, is recorded under "Finance expense" in the consolidated statements of income (see Note 30).

NAC

Under a loan guarantee/substitution agreement dated December 9, 2011 between the Parent Company and SMM, the latter agreed to substitute for the Parent Company to make loans or guarantee the repayment of THNC pursuant to the Stockholders Agreement dated September 15, 2010.

In consideration of the loans and guarantee made by SMM, the Parent Company shall pay to SMM an annual fee equal to 1% of the relevant outstanding amount, which is payable every February 21 and August 21 of each year.

On January 26, 2015, December 18 and December 3, 2013, the Parent Company and SMM entered into another loan guarantee/substitution agreement with respect to the new loan agreement made and entered by THNC and SMM on August 4, 2014, December 3 and January 31, 2013, respectively. The annual fee is also equal to 1% of the relevant outstanding amount, which is payable every March 21 and September 21 of each year.

In case of default, such loan guarantee/substitution agreements will be terminated and the Parent Company shall provide loans to THNC or guarantee the repayment of THNC's loans payable. Failure to provide such loans or guarantee shall be considered a default under the Stockholders' Agreement.

The loan guarantee service fee amounting to ₱100.0 million, ₱124.0 million and ₱134.2 million in 2016, 2015 and 2014, respectively, is recorded under "Finance expense" in the consolidated statements of income (see Note 30).

g. Power Supply Agreements (PSAs)

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 10 MW bunker-fired diesel power station under build-operate-transfer scheme and to supply electricity to SURNECO.



The total estimated cost to construct the 10 MW bunker-fired diesel power station is about ₱1,000.0 million, which was appropriated from its retained earnings (see Note 18).

The power plant underwent commissioning from September 26 to October 12, 2016 in order to determine its readiness to supply power to the SURNECO 69KV power system. Minor modifications were identified and were being incorporated into the plant design. The power plant was connected to the SURNECO power system in February 2017 and is awaiting the Certificate of Compliance from the ERC.

Total income from and cost of power generation during testing and commissioning period amounted to ₱6.6 million and ₱18.2 million, respectively, in 2016 and nil in 2015 (see Note 31).

Palawan Electric Cooperative (PALECO)

Bunker Supply

In July 2015, EPI and PALECO entered into a PSA for the supply of electricity, which will be generated from modular and land-based bunker-fired power stations, collectively the “Bunker Power Stations”, with a contracted capacity of 15 MW or up to 25 MW.

Under the PSA, EPI shall design, develop, construct, complete, test and commission, operate and maintain the Bunker Power Stations, as well as all activities related or incidental thereto. Commencing on the completion date and continuing up to the 20th year from effective date, as defined in the PSA, PALECO shall pay EPI an amount equal to the summation of the Bunker Power Costs of the Generating Units plus Reserve Power Costs, plus any VAT and any other applicable taxes, fees, and charges. PALECO shall also pay EPI a payment security, as defined in the PSA. As at December 31, 2016, construction of the sub-transmission facility has not yet started.

Solar Supply

In 2015, EPI entered in a PSA with PALECO for the construction and development of a 10 MW AC Solar Photovoltaic Power Station (the “Solar PV Power Station”). Under the PSA, EPI shall design, engineer, develop, construct, complete, test, commission, finance, operate and maintain the Solar PV Power Station and all activities related or incidental thereto of PALECO. All costs in connection with the building of the Solar PV Power Station shall be borne by EPI, and shall be responsible for arranging all necessary funding including any available preferential credit. During the commissioning date, PALECO shall put up, a commissioning output at a rate equivalent to the adjusted operation and maintenance component plus any VAT and any other applicable taxes, fees, and charges. Following the commercial operation date and continuing up to the 20th year from effective date, as defined in the PSA, PALECO shall pay EPI monthly fees equal to the capital recovery fee of the Solar PV Power Station plus fixed operations and maintenance fee and any VAT and any other applicable taxes. As at December 31, 2016, construction of the sub-transmission facility has not yet started.

Oriental Mindoro Electric Cooperative (ORMECO) and Occidental Mindoro Electric Cooperative (OMECO)

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



On November 3, 2014 and December 1, 2014, EPI was granted by the ERC of the Final Authorities on the PSAs with OMECO and ORMECO, respectively. However, EPI filed a motion for reconsideration (Motion) because certain terms are not acceptable to EPI. As at December 31, 2016, the Motion is still pending with the ERC.

In connection with the assignment of the service contract to MGPC, the refundable deposits pertaining to compliance with the PSAs with OMECO and ORMECO were transferred by EPI to MGPC being the Project Entity.

h. Service Contracts

Solar Energy Service Contract No. 2015-01-099

On January 20, 2015, EPI entered into a SESC No. 2015-01-099 with the DOE which grant EPI the right to explore, develop and utilize the solar energy resources within the contract area of 324 hectares in the province of Pili, Camarines Sur.

Under the SESC, EPI assumes all the technical and financial risks without any guarantee from the Philippine Government and shall not be entitled to reimbursement for any expense incurred in connection with the SESC.

The SESC carries a non-extendible two (2) year period of pre-development stage, which involves the preliminary assessment and feasibility study. The SESC shall remain in force for the remainder of twenty-five (25) years from date of effectivity if the solar energy resources are discovered to be in commercial quantities. If EPI has not been in default of any material obligations under the SESC, the DOE may grant EPI an extension of the SESC for another twenty-five (25) years. The full recovery of the project development costs incurred in connection with the SESC is dependent upon the discovery of solar energy resources in commercial quantities from the contract area and the success of future development thereof.

Solar Energy Service Contract No. 2013-10-039

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

On August 28, 2015, Jobin was granted a Certificate of Confirmation of Commerciality by the DOE for its 100.44 MW Sta. Rita Solar Power Project located in Mt. Sta Rita, SBFZ. The certificate converts the project's SESC from exploration/pre-development stage to the development/commercial stage.

On March 11, 2016, Jobin's Certificate of Confirmation of Commerciality originally rated for the 100.44 MW was amended by DOE to 7.14 MW and 92.86 MW Sta. Rita Solar Power Project Phase I and II, respectively.



Wind Energy Service Contract No. 2013-10-062

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

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

GRESK No. 2010-02-013, which covers an approximate area of 3,914 hectares in the three barangays of Montelago, Montemayor and Melgar-B in Oriental Mindoro, involves the development of geothermal well clusters and a power plant. The steam extracted from the geothermal wells will power a geothermal power station with an output capacity of 20 MW. Once completed, the addition of geothermal power into the present mix of Mindoro's electricity sources will have a stabilizing effect on the grid where the entire island is located.

The Project is in the exploration stage as at December 31, 2016.

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

Certificate of Registration No. 2014-02-054 shall remain in force for the remainder of twenty-five (25) years from date of effectivity if geothermal resources in commercial quantity are discovered during the pre-development stage, or any extension thereof. Moreover, if EPI has not been in default in its obligations under the GRESK, the DOE may grant an additional extension of twenty-five (25) years, provided that the total term is not to exceed fifty (50) years from the date of effectivity.

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

Geothermal Renewable Energy Service Contract No. 2010-02-010

By virtue of RA 9513 known as the Renewable Energy Act of 2008, on February 1, 2010, the DOE issued to BGI GRESK No. 2010-02-010, converting its Geothermal Services Contract (GSC-09) issued on July 10, 2008 for the exploration, development and exploitation of geothermal resources covering the geothermal field in Biliran Province (previously a municipality of Leyte). By virtue of such agreement, BGI is entitled to enjoy an income tax holiday for a period of seven (7) years from the start of its commercial operation, duty free importation of machinery for ten (10) years, and 0% VAT, among others.

i. Sub-transmission Service Agreement (SSA) with PALECO

In 2015, EPI entered into a SSA with PALECO for the installation of 69kV sub-transmission facilities and associated components (substations), and the connection of said facilities to PALECO's distribution system for the delivery of reliable power supply to the municipalities of El Nido, Taytay, San Vicente and Roxas (the "Municipalities"). Under the SSA, EPI shall develop, design, construct, install, test and commission, and finance the sub-transmission lines



and substations in the Municipalities. Commencing on the completion date and continuing up to the 20th year from effective date, as defined in the SSA, PALECO shall pay monthly fees of ₱15.0 million, plus any VAT and any other applicable taxes, fees and charges. PALECO shall also pay EPI a payment security equivalent to one month fee, which shall be in the form of a thirty (30)-day revolving letter of credit from a financial institution and with a maturity of three hundred sixty five (365) days. As at December 31, 2016, construction of the sub-transmission facility has not yet started.

j. Assignment of GRESC from Constellation Energy Corp. (CEC) to EPI

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

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

Award of the bid from ORMECO	US\$250
Signing of the PSA with ORMECO	500
Issuance by the ERC of a Provisional Authority or Final Authority on the PSA	1,750
	<hr/>
	US\$2,500

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

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

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

- On January 25, 2013, EPI applied with the DOE to officially register EPI as RE Developer and effectively recognize EPI's ownership of the GRESC. The DOE approved EPI's application on February 14, 2014.
- On February 3, 2014, EPI was awarded the bid from and has signed the PSA with ORMECO. In the same period, the amount of US\$750,000 was paid to CEC.
- On November 3, 2014 and December 1, 2014, EPI was granted by the ERC Final Authority on the PSAs with OMECO and ORMECO, respectively. However, EPI filed a Motion because certain terms are not acceptable to EPI. As at December 31, 2016, the Motion is still pending with the ERC. Accordingly, of the remaining amount of US\$1,750,000, EPI advanced US\$350,000 to CEC and the balance of US\$1,400,000 remains unpaid as at December 31, 2016.
- On May 7, 2014, EPI incorporated MGPC as the Project Company.



k. Participation and Shareholder's Agreement

In May 2011, the Parent Company and SMM signed a Participation and Shareholder's 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 25% equity. Once such funds have been exhausted, SMM has the option to invest US\$2.8 million for an additional 15% equity which would bring its total equity in CExCI to 40%. SMM did not exercise its option to make the additional investment and the said agreement was terminated.

CExCI has identified a new property for exploration and development in the province of Zambales under Newminco, which is prospective for gold and copper. In relation to this, SMM will put up an additional US\$2.8 million to increase its ownership from 25% to 40%. On November 24, 2015, the shareholders of CExCI agreed to enter into a new Participation and Shareholder's Agreement to set out the rights and obligations of the shareholders in relation to the conduct of the business of CExCI. The new agreement also causes CExCI to convert the existing advances from shareholders amounting to ₱37.2 million into equity, based on the initial equity proportion of shareholders, by issuing shares out of the unissued authorized capital stock of CExCI at a premium. As at December 31, 2016, CExCI has filed the application for the conversion of advances into equity with the SEC.

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

l. Marketing Agreement with Mitsubishi

RTN, TMC and HMC entered into a Marketing Agreement with Mitsubishi, wherein the latter will provide the services set forth below:

- a) To use its reasonable endeavors in collecting, studying and analyzing the market information related to nickel ore, iron ore, nickel pig iron, and stainless steel;
- b) To periodically report market information defined in the marketing agreement;
- c) To make efforts to introduce customers to RTN, TMC and HMC 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 and HMC to create an effective pricing strategy and marketing plan.

Marketing fees of 3.5% shall be charged to RTN, TMC and HMC based on the total amount of revenue on free-on-board price stated in the invoices issued by RTN, TMC and HMC to each customer.

Marketing fees charged by Mitsubishi amounted to ₱21.3 million, ₱31.6 million and ₱59.6 million in 2016, 2015 and 2014, respectively.

m. Lease Agreements

Lease of Project Area from SBMA

Jobin entered into a fifty (50) year lease agreement with SBMA for the use of the 800 hectares project area of the solar and wind projects at Mt. Sta. Rita in Subic on a monthly lease payment amounting to ₱34,000 per MW installed on the leased area based on the allocation approved by the DOE.



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

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

On June 9, 2016, the agreement was amended and additional terms were added such as upon execution of member/affidavit of waiver and quitclaim of trees planted in the leased property, Jobin shall advance the amount of ₱7.02 million as compensation for the trees planted by the farmers/members of the Mabiga Community Farmers Association Inc. within the initial 256 hectares of land in the leased property affected by the wind and solar project, wherein the amount paid in advance shall be considered as advanced rental payment and shall be deducted from Jobin's rental obligation in the future.

Lease of NGCP Facility

On September 18, 2015, Jobin entered into a fifty (50) year lease agreement with SBMA for the use of a 280 sq. m. building and 2,300 sq. m. lot located near the NGCP Facility, Subic Gateway Park, SBFZ on a monthly rental of ₱0.03 million and ₱0.22 million, respectively.

The lease agreement are also subject to the following terms and condition:

- in addition to the monthly rental, Jobin shall pay 5% of the appraised value of the leased property as share of the Aeta Community for areas covered by Certificate of Ancestral Domain Title;
- Jobin is given a grace period of two (2) years (free of rent) between the period September 12, 2015 to September 11, 2017; and
- the lease agreement is subject to a 6% percent annual escalation beginning on the second year of the lease and imposable annually thereafter.

The future minimum rent payable under non-cancellable operating lease are as follows:

	2016	2015
One (1) year	₱4,229	₱-
After one (1) year but not more than five (5) years	21,144	14,617
More than five (5) years	177,607	795,672
	₱202,980	₱810,289

Lease Agreement with THNC

On October 31, 2013, TMC and THNC executed a lease agreement wherein TMC will lease the land within the TSEZ to the lessee. The TSEZ leased area of approximately 675 hectares is located at Barangays Taganito and Hayanggabon, Claver, Surigao del Norte. The duration of the lease agreement shall be for a period of twenty (20) years starting January 1, 2013, however, rental rate shall be annually agreed by both parties. TMC's rental income from the said lease amounted to ₱6.7 million in 2016, 2015 and 2014 (see Notes 31 and 34).



In the above lease agreement, it was agreed by TMC and THNC that the option fee of ₱83.8 million received in 2010 shall be treated as advance rental and deducted from the annual rental fee. The same shall be equally applied to each year of the lease term or ₱4.2 million each year of the twenty (20) year lease term.

Lease Contract with the DENR

TMC is a party to a lease contract dated April 10, 2003 with the DENR over a tract of foreshore land located at the Taganito mine comprising an area of approximately 12,000 sq. m. The foreshore lease has a term of twenty-five (25) years from the date of issue, unless terminated earlier. The DENR may renew the foreshore lease for another twenty-five (25) years, at its option. In accordance with the foreshore lease, TMC constructed permanent improvements appropriate for the wharf to facilitate the barging of mine ore to customers' vessels. Under the terms of the lease, if TMC uses or attempts to use the premises for other purposes, all rights and interests, including the improvements, will be forfeited in favor of the Government. Upon the termination of the lease or any extension, all improvements made by TMC will become the property of the Government.

n. PEZA and Board of Investments (BOI) Registration

Registration with PEZA - TMC

On December 21, 2009, Presidential Proclamation No. 1966 was issued creating and establishing the 680 hectare area situated in Taganito, Municipality of Claver, Province of Surigao Del Norte to be known as TSEZ. TMC is a PEZA-registered operator/developer of the economic zone as per Certificate of Registration No. EZ 10-01. The certificate of registration was signed on January 7, 2010.

Pursuant to TMC's registration with PEZA as an economic zone developer/operator, TMC is entitled to certain incentives in accordance with the provisions of RA No. 7916, otherwise known as "the Special Economic Zone Act of 1995", as amended.

Under PEZA Board Resolution No. 11-08 dated March 1, 2011, its directors approved TMC's application for extension of its existing TSEZ. On July 28, 2011, pursuant to the resolution, the Government issued Proclamation No. 211 designating parcels of land with an aggregate area of 7.5 hectares located at Barangay Taganito, municipality of Claver, Province of Surigao del Norte, for inclusion to the existing TSEZ.

On January 23, 2013, PEZA issued a Letter of Authority No. 13-0426 allowing TMC to allocate 1 hectare lot within the TSEZ located at Barangay Taganito, Claver, Surigao del Norte as relocation site for the residents along Hayanggabon River, Barangay Hayanggabon, Claver, Surigao del Norte.

On January 8, 2016, 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 5% final tax on gross income. The certification is valid from January 1 to December 31, 2016 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 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.

Registration with SBMA - Jobin

On January 20, 2011, Jobin was registered with the SBMA as a Subic Bay Freeport Enterprise, primarily to promote and undertake research, development, utilization, manufacture, sale, marketing, distribution and commercial application of new, renewable, non-conventional and environment-friendly energy sources and system at Mt. Sta. Rita, SBFZ. The SBMA-registered activities are entitled to certain tax and non-tax incentives. In lieu of paying the regular taxes, Jobin pays 5% final tax on gross income earned, subject to the condition that Jobin's income from sources within the Custom Territory should not exceed 30% of its total income from all sources. Otherwise, Jobin shall be subject to the income tax laws of the Custom Territory.

BOI Certifications

TMC, RTN, HMC and CMC received BOI certifications pursuant to Revenue Memorandum Order No. 9-2000 entitled "Tax Treatment of Sales of Goods, Properties and Services made by VAT-registered Suppliers to BOI registered Manufacturers-Exporters with 100% Export Sales". The certifications are valid from January 1 to December 31, 2016 and renewable annually, unless sooner revoked by the BOI Governing Board.

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

On April 29, 2014, BGI was registered with the BOI in accordance with the provision of the Omnibus Investment Code of 1987, as amended as a new renewable energy developer of geothermal energy resources.

On August 27, 2015, MGPC was registered with the BOI as a renewable energy developer of geothermal energy resources. The BOI has issued the certificate of registration of MGPC on October 7, 2016.

o. SPA with SMM

On September 15, 2016, the Parent Company and SMM executed a SPA wherein the latter agreed to purchase the Parent Company's 511,875,000 shares in THNC, representing 12.5% of the outstanding capital stock of THNC, at a purchase price of US\$42.0 million, which is equivalent to ₱2,037.2 million (see Note 10). The sale and purchase of the shares was consummated upon the written consent of Japan Bank for International Cooperation.

The SPA also provides that for a period of eighteen (18) years but no earlier than three (3) years from the execution of the SPA, the Parent Company shall have the right to repurchase from SMM such number of shares of THNC equivalent to 12.5% equity ownership therein at the time when the right is exercised. The repurchase right can only be exercised once.



The Parent Company received the full payment of the purchase price on October 17, 2016.

MOA with SMM

Pursuant to the SPA with SMM, the Parent Company and SMM also agreed on September 15, 2016 that effective July 1, 2016, their responsibility to provide loans and guarantee obligations of THNC shall be 10% and 75%, respectively.

p. Other Agreements

Joint Undertaking with NCIP

On December 8, 2009, TMC and NCIP entered into a Joint Undertaking, which confirmed that a 1% royalty on annual gross revenues of TMC is payable to the Mamanwa Tribe pursuant to a MOA dated July 18, 2006 between TMC, the NCIP and the Tribe and a Certificate of Ancestral Domain Title issued to the Tribe, within which area TMC's mining operation is located.

Agreement with Local Government Units

RTN together with RTN Foundation, Inc. and CBNC entered into Agreements with the barangay councils and community residents covered in the SDMP as required by law and as one of the conditions of ECC. The Agreement stipulated that RTN and CBNC should meet the changing needs and demands of the communities and shall submit the SDMP every five (5) years to the MGB Region IV for approval. In addition, as part of the process of securing the consent of affected communities, the program must be prepared in consultation and in partnership with the project proponent and neighboring communities. On January 7, 2014, SDMP No. MGB-IVB-2013-003 III was approved by the MGB covering the period of five (5) years from 2014 to 2018. RTN incurred royalty payments to indigenous people amounting to ₱41.3 million in 2016, ₱50.6 million in 2015 and ₱69.3 million in 2014, in accordance with the SDMP.

Suretyship Agreement with SBC

On August 4, 2015, the Parent Company entered into a Suretyship Agreement with SBC to guarantee and warrant the prompt and full payment and performance of the guaranteed obligations, including increases, renewals, roll-overs, extensions, restructuring, conversions, amendments or novations, of EPI to SBC amounting to ₱3,000.0 million. The agreement shall remain in full force and effect until full payment of the guaranteed obligations is made (see Note 15).

MOA with DOE

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



Investment Agreement

On August 24, 2015, an Investment Agreement was executed by and among BGI, OGI, BGHI, EPI, and BHI. The said agreement set out that BHI shall invest in BGI and its operations. Accordingly, BGI shall increase its authorized capital stock by 1,845,000 common stock with par value of ₱1 and BHI shall subscribe to the said increased authorized capital stock. However, before effecting the said agreement, BGI shall first undergo quasi-reorganization to apply its additional paid-in capital against its deficit and to convert all its issued and outstanding preferred stock into common stock and BGHI shall purchase from Filtech Energy Drilling Corporation (FedCo) the 738,000 common stock of FedCo representing 60% of the total issued capital stock of BGI. In addition, BGHI and BHI shall agree that they shall each maintain their respective shareholding percentages in BGI's equity capital, such that BGHI shall, at any time, owns 40% of the outstanding capital stock of BGI and BHI shall, at any time, owns 60% of the outstanding capital stock of BGI, unless otherwise agreed in writing.

October 17, 2015, the BOD of BGI approved the increase in its authorized capital stock from ₱1,230,000, divided into 738,000 common shares and 492,000 preferred share each both with par value ₱1 per share, to ₱3,075,000, divided into 2,583,000 common shares and 492,000 preferred shares both with par value of ₱1 per share. The increase in authorized capital stock was approved by the Philippine SEC on December 17, 2015.

On October 22, 2015, 1,845,000 common shares were subscribed to and paid by BHI at par value following the increase in the authorized capital stock. With the change in the ownership structure, BHI became the immediate parent of BGI.

On March 2, 2016, FedCo sold 737,997 common stock to BGHI.

Common share carry one vote per share and a right to dividends.

Cumulative preferred share are entitled to receive a discretionary 30% preference dividend before any dividends are declared to the common stockholders. After the dividends set aside for preferred shares are paid, the preferred shares will participate in the distribution of the remaining part of the unrestricted retained earnings of BGI. Preferred shares are also entitled to the payment of liquidating dividends before any such dividends are set aside or paid to common shares.

If BGI proposes to issue any class of shares, except common stock, it shall first be offered to holders of preferred share on a pro rata basis in accordance with the proportion of the number of preferred stock respectively held by such shareholders.

No transfer of shares or interest which would reduce the stock ownership of Filipino citizens to less than the required percentage of the capital stock as provided by existing laws shall be allowed or permitted to be recorded in the books of BGI. This restriction shall be indicated in the stock certificates issued by the corporation.

40. Events after the End of the Financial Reporting Period

MOA with SMM and Mitsui

On February 16, 2017, the Parent Company, SMM and Mitsui agreed to extend another loans to THNC amounting to US\$35.0 million to cover THNC's loan repayments, capital investments and working capital requirements.



Dividend Declaration

On March 15, 2017, the Parent Company's BOD declared cash dividends amounting to ₱0.08 per share to stockholders of record as at March 29, 2017 which will be paid on April 11, 2017.

Reclassification of BGI's Preferred Shares to Common Shares

On February 28, 2017, SEC approved the application of BGI for the reclassification of its preferred shares into common shares.

41. Supplemental Disclosure to Consolidated Statements of Cash Flows

	2016	2015
Noncash investing activities:		
Application of 50% commission and royalties payable, net of withholding taxes and interest, against loan receivable from East Coast (see Note 5)	₱71,325	₱-
Adjustment for capitalized cost of mine rehabilitation and decommissioning (see Note 9)	263,616	-
Noncash financing activity:		
Declaration of stock dividends (see Note 18)	-	1,899,235

42. Business Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The mining segment is engaged in the mining and exploration of nickel saprolite and limonite ore and limestone.

The services segment is engaged in the chartering out of LCT, construction and rendering of services to CBNC, THNC and other parties.

The power segment is engaged in power generation and exploration for geothermal resources.



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

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

	December 31, 2016												
	Mining					Power		Services			Eliminations	Total	
	HMC	CMC	TMC	RTN	Geogen	EPI	NAC	RTN/TMC	HMC	Others			
External customers	₱2,280,144	₱2,131,692	₱5,035,283	₱4,127,264	₱-	₱18,010	₱-	₱530,274	₱-	₱-	₱-	₱-	₱14,122,667
Inter-segment revenues	-	-	-	-	-	-	-	-	2,243	510,192	(512,435)	-	-
Total revenues (see Note 34)	2,280,144	2,131,692	5,035,283	4,127,264	-	18,010	-	530,274	2,243	510,192	(512,435)	-	14,122,667
Cost of sales	930,548	764,478	2,051,128	2,161,095	-	-	-	-	-	-	-	-	5,907,249
Cost of services	-	-	-	-	-	-	-	328,456	-	113,045	-	-	441,501
Cost of power generation	-	-	-	-	-	38,295	-	-	-	-	-	-	38,295
Shipping and loading costs	533,574	361,964	634,714	293,297	-	-	-	-	-	-	-	-	1,823,549
Excise taxes and royalties	151,634	328,437	402,823	123,818	-	-	-	-	-	-	-	-	1,006,712
Marketing	8,380	74,574	12,915	-	-	-	-	-	-	-	-	-	95,869
Segment operating earnings	₱656,008	₱602,239	₱1,933,703	₱1,549,054	₱-	(₱20,285)	₱-	₱201,818	₱2,243	₱397,147	(₱512,435)	₱-	₱4,809,492
General and administrative	₱97,164	₱29,505	₱107,478	₱67,042	₱86,479	₱148,510	₱-	₱-	₱-	₱201,029	₱-	₱-	₱737,207
Finance income	₱2,551	₱31,573	₱25,056	₱14,333	₱98	₱1,873	₱-	₱-	₱-	₱152,946	₱-	₱-	₱228,430
Finance expenses	₱2,682	₱5,707	₱9,219	₱5,542	₱-	₱81,344	₱-	₱-	₱-	₱115,439	₱-	₱-	₱219,933
Provision for (benefit from) income tax	₱125,509	₱157,175	₱586,400	₱447,992	(₱29,208)	₱32,930	₱-	₱-	(₱2,854)	₱131,534	₱-	₱-	₱1,449,478
Net income (loss) attributable to equity holders of the parent	₱431,102	₱444,639	₱1,051,393	₱769,697	(₱57,839)	(₱193,634)	(₱11,671)	₱-	₱-	(₱467,580)	₱-	₱-	₱1,966,107
Segment assets	₱1,642,678	₱2,025,461	₱9,316,316	₱5,078,962	₱1,056,496	₱11,972,765	₱795,102	₱-	₱19,239	₱13,074,445	₱-	₱-	₱44,981,464
Deferred income tax assets	51,645	45,301	91,647	80,721	44,994	-	-	-	-	55,744	-	-	370,052
Total assets	₱1,694,323	₱2,070,762	₱9,407,963	₱5,159,683	₱1,101,490	₱11,972,765	₱795,102	₱-	₱19,239	₱13,130,189	₱-	₱-	₱45,351,516
Segment liabilities	₱263,564	₱376,084	₱2,121,770	₱999,023	₱68,006	₱9,099,296	₱1,111	₱-	₱-	₱346,542	₱-	₱-	₱13,275,396
Deferred income tax liabilities - net	13,165	18,608	56,071	287,323	171,342	124,801	-	-	23,268	181,889	-	-	876,467
Total liabilities	₱276,729	₱394,692	₱2,177,841	₱1,286,346	₱239,348	₱9,224,097	₱1,111	₱-	₱23,268	₱528,431	₱-	₱-	₱14,151,863
Capital expenditures	₱79,707	₱65,344	₱459,023	₱155,350	₱42,301	₱2,418,621	₱109,439	₱-	₱-	₱19,965	₱-	₱-	₱3,349,750
Depreciation, amortization and depletion	₱283,703	₱132,653	₱593,872	₱415,237	₱3,502	₱64,337	₱73	₱-	₱-	₱21,892	₱-	₱-	₱1,515,269



	December 31, 2015												
	Mining					Power		Services			Eliminations	Total	
	HMC	CMC	TMC	RTN	Geogen	EPI	NAC	RTN/TMC	HMC	Others			
External customers	₱2,314,823	₱2,350,200	₱5,069,801	₱5,060,825	₱-	₱-	₱-	₱635,997	₱-	₱-	₱-	₱-	₱15,431,646
Inter-segment revenues	-	-	-	-	-	-	-	-	2,070	521,882	(523,952)	-	-
Total revenues (see Note 34)	2,314,823	2,350,200	5,069,801	5,060,825	-	-	-	635,997	2,070	521,882	(523,952)	-	15,431,646
Cost of sales	896,657	720,815	2,063,434	2,598,342	-	-	-	-	-	-	-	-	6,279,248
Cost of services	-	-	-	-	-	-	-	-	-	482,882	-	-	482,882
Shipping and loading costs	460,172	421,561	519,322	370,101	-	-	-	-	(13,213)	-	-	-	1,757,943
Excise taxes and royalties	162,037	370,157	405,584	151,825	-	-	-	-	-	-	-	-	1,089,603
Marketing	16,925	98,579	10,529	4,133	-	-	-	-	-	-	-	-	130,166
Segment operating earnings	₱779,032	₱739,088	₱2,070,932	₱1,936,424	₱-	₱-	₱-	₱635,997	₱15,283	₱39,000	(₱523,952)	₱-	₱5,691,804
General and administrative	₱144,602	₱54,081	₱146,846	₱89,035	₱18,786	₱45,476	₱-	₱-	₱904	₱288,159	₱-	₱-	₱787,889
Finance income	₱5,222	₱9,261	₱29,469	₱15,942	₱43	₱425	₱-	₱-	₱-	₱244,750	₱-	₱-	₱305,112
Finance expenses	₱3,553	₱5,893	₱8,691	₱5,080	₱-	₱42,400	₱-	₱-	₱-	₱113,508	₱-	₱-	₱179,125
Provision for (benefit from) income tax	₱179,561	₱205,122	₱613,832	₱577,027	(₱8,529)	₱7,618	₱-	₱-	(₱2,854)	₱95,509	₱-	₱-	₱1,667,286
Net income (loss) attributable to equity holders of the parent	₱544,067	₱530,239	₱1,088,960	₱975,978	(₱12,152)	(₱48,981)	₱-	₱-	₱-	(₱1,042,968)	₱-	₱-	₱2,035,143
Segment assets	₱1,912,697	₱2,151,931	₱9,429,793	₱4,703,869	₱979,448	₱8,781,557	₱671,055	₱-	₱87,074	₱12,775,524	₱-	₱-	₱41,492,948
Deferred income tax assets	52,899	20,708	61,957	16,926	8,549	-	-	-	-	76,368	-	-	237,407
Total assets	₱1,965,596	₱2,172,639	₱9,491,750	₱4,720,795	₱987,997	₱8,781,557	₱671,055	₱-	₱87,074	₱12,851,892	₱-	₱-	₱41,730,355
Segment liabilities	₱303,119	₱327,646	₱2,170,079	₱829,079	₱43,071	₱7,590,638	₱-	₱-	₱-	₱322,017	₱-	₱-	₱11,585,649
Deferred income tax liabilities - net	9,088	2,113	21,911	306,581	164,262	92,009	-	-	26,122	109,432	-	-	731,518
Total liabilities	₱312,207	₱329,759	₱2,191,990	₱1,135,660	₱207,333	₱7,682,647	₱-	₱-	₱26,122	₱431,449	₱-	₱-	₱12,317,167
Capital expenditures	₱370,825	₱155,302	₱1,013,364	₱202,918	₱12,378	₱1,706,353	₱450,191	₱-	₱-	₱10,768	₱-	₱-	₱3,922,099
Depreciation, amortization and depletion	₱224,263	₱112,660	₱565,772	₱466,697	₱638	₱1,716	₱-	₱-	₱9,513	₱58,728	₱-	₱-	₱1,439,987



December 31, 2014

	Mining				Services			Eliminations	Total
	HMC	CMC	TMC	RTN	RTN/TMC	LCSLC/HMC	Others		
External customers	₱5,051,719	₱3,595,474	₱8,478,977	₱6,926,564	₱690,664	₱2,306	₱-	₱-	₱24,745,704
Inter-segment revenues	-	-	-	-	-	76,704	776,902	(853,606)	-
Total revenues (see Note 34)	5,051,719	3,595,474	8,478,977	6,926,564	690,664	79,010	776,902	(853,606)	24,745,704
Cost of sales	1,071,477	508,198	1,525,064	2,251,672	-	-	-	-	5,356,411
Cost of services	-	-	-	-	369,004	2,146	150,156	-	521,306
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	₱626,746	(₱853,606)	₱15,106,642
General and administrative	₱171,481	₱39,621	₱160,010	₱97,182	₱-	₱2,655	₱335,357	₱-	₱806,306
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	61,919	29,951	97,759	6,727	-	-	120,199	-	316,555
Total assets	₱2,200,749	₱1,791,388	₱8,373,009	₱4,827,339	₱-	₱172,138	₱17,927,873	₱-	₱35,292,496
Segment liabilities	₱450,858	₱362,647	₱1,835,113	₱996,482	₱-	₱3,915	₱211,497	₱-	₱3,860,512
Deferred income tax liabilities - net	16,215	2,017	23,885	362,168	-	28,976	96,377	-	529,638
Total liabilities	₱467,073	₱364,664	₱1,858,998	₱1,358,650	₱-	₱32,891	₱307,874	₱-	₱4,390,150
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

Inter-segment revenues are eliminated upon consolidation.



The Group has revenues from external customers as follows:

Country of Domicile	2016	2015	2014
China	₱9,084,745	₱8,629,266	₱15,564,609
Japan	2,333,894	3,292,681	5,000,487
Australia	68,901	270,994	198,579
Local	2,635,127	3,238,705	3,982,029
	₱14,122,667	₱15,431,646	₱24,745,704

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

Revenue from two key customers for the sale of ores amounted to ₱7,248.4 million, ₱5,569.5 million and ₱11,756.9 million in 2016, 2015 and 2014, respectively.

43. Reclassifications

Certain 2015 and 2014 consolidated financial statement accounts have been reclassified to conform to the 2016 consolidated financial statements presentation.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Nickel Asia Corporation and Subsidiaries
28th Floor NAC Tower, 32nd Street
Bonifacio Global City, Taguig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Nickel Asia Corporation and its subsidiaries as at December 31, 2016 and 2015, and for each of the three years in the period ended December 31, 2016 included in this Form 17-A, and have issued our report thereon dated March 15, 2017. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Parent Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.


Eleanore A. Layug

Partner

CPA Certificate No. 0100794

SEC Accreditation No. 1250-A-1 (Group A),

January 7, 2016, valid until January 6, 2019

Tax Identification No. 163-069-453

BIR Accreditation No. 08-001998-97-2015,

January 5, 2015, valid until January 4, 2018

PTR No. 5908708, January 3, 2017, Makati City

March 15, 2017



NICKEL ASIA CORPORATION AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2016

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SCHEDULE I
NICKEL ASIA CORPORATION
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION
PURSUANT TO SEC MEMORANDUM CIRCULAR NO.11
DECEMBER 31, 2016

Unappropriated retained earnings as at December 31, 2015, as reflected in audited financial statements	₱9,979,965,926
Unrealized foreign exchange gains - net except those attributable to cash and cash equivalents	(90,317,769)
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	(6,056,034)
Amount of recognized deferred income tax asset that reduced the amount of income tax expense and increased the net income and retained earnings, until realized	<u>(62,487,907)</u>
Unappropriated retained earnings, <i>as adjusted to available for dividend distribution, beginning</i>	9,821,104,216
<u>Add: Net income actually earned/realized during the period</u>	
<u>Net income during the period closed to Retained Earnings</u>	1,898,053,116
<u>Less: Non-actual/unrealized income net of tax</u>	
Unrealized foreign exchange gains - net (except those attributable to cash and cash equivalents)	112,159,101
Fair value adjustment (mark-to-market gains)	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	-
Adjustment due to deviation from PFRS/GAAP - gain	-
Subtotal	<u>1,785,894,015</u>
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	-
Remeasurement loss on pension liability (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Loss on fair value adjustment of investment property (after tax)	-
Subtotal	<u>-</u>
<u>Net income actually earned during the period</u>	<u>1,785,894,015</u>
Add (Less):	
Dividend declarations during the period	(608,259,156)
Appropriations of retained earnings	-
Reversals of appropriations	-
Effects of prior period adjustments	-
Treasury shares	-
Subtotal	<u>(608,259,156)</u>
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DISTRIBUTION	<u>₱10,998,739,075</u>

SCHEDULE II
NICKEL ASIA CORPORATION AND SUBSIDIARIES
TABULAR SCHEDULE OF EFFECTIVE STANDARDS
AND INTERPRETATIONS UNDER THE PFRS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2016

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as at December 31, 2016:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
PFRS 2	Share-based Payment	✓		
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS for SMEs				✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	✓		
IFRIC 21	Levies			✓
SIC 7	Introduction of the Euro			✓
SIC 10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC 15	Operating Leases - Incentives			✓
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC 29	Service Concession Arrangements: Disclosures			✓
SIC 31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC 32	Intangible Assets - Web Site Costs			✓

The Company has not early adopted any PFRSs, PAS and Philippine Interpretations effective January 1, 2017 onwards.

SCHEDULE III

NICKEL ASIA CORPORATION AND SUBSIDIARIES

**Schedule A. Financial Assets
December 31, 2016**

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value Based on Market Quotations at End of Reporting Date	Income Received and Accrued
<i>In Thousands</i>				
Cash on hand and with banks	N/A	₱1,213,398	₱1,213,398	
Cash under managed funds	N/A	188,508	188,508	₱75,927
Short-term cash investments	N/A	8,246,037	8,246,037	
Cash and cash equivalents		9,647,943	9,647,943	75,927
Trade	N/A	824,579	824,579	-
Current portion of loan receivable	N/A	98,161	98,161	3,110
Receivable from CBNC	N/A	47,570	47,570	-
Interest receivable	N/A	47,317	47,317	-
Amounts owed by related parties	N/A	6,489	6,489	-
Others	N/A	69,922	69,922	-
Trade and other receivables		1,094,038	1,094,038	3,110

NICKEL ASIA CORPORATION AND SUBSIDIARIES

**Schedule A. Financial Assets
December 31, 2016**

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value Based on Market Quotations at End of Reporting Date	Income Received and Accrued
<i>In Thousands</i>				
Manila Golf and Country Club	1 share	₱42,000	₱42,000	₱-
Wack-Wack Golf and Country Club	1 share	19,500	19,500	-
Valle Verde Country Club	1 share	120	120	-
Camp John Hay Country Club	1 share	180	180	-
Ayala Land, Inc.	₱90,000	90,870	90,870	3,730
Aboitiz Equity Ventures, Inc.	₱50,000	49,011	49,011	1,765
Retail Treasury Bond	₱50,000	50,000	50,000	1,300
Ayala Corporation	₱-	-	-	1,940
Philippine Long Distance and Telephone Company	₱20,000	20,850	20,850	836
ABS-CBN Corporation	₱20,000	19,878	19,878	854
JG Summit Corporation	₱20,000	20,434	20,434	837
Globe Telecom Inc.	₱40,000	40,472	40,472	1,771
Security Bank Corporation - Tier II Funds	₱40,000	40,000	40,000	1,720
NiHao Mineral Resources International, Inc.	101,000,000 shares	285,830	285,830	-
Philippine Long Distance and Telephone Company	25,000 shares	34,125	34,125	2,650
Philippine Long Distance and Telephone Company	-	2,481	2,481	191
Security Bank Corporation	58,027 shares	11,025	11,025	66
BDO Institutional Cash Reserve Fund	469,693 units	52,328	52,328	-
ATR Kim Eng Capital Partners, Inc. - Alpha Opportunity Fund	14,541,224 shares	19,199	19,199	-
ATR Kim Eng Capital Partners, Inc. - Equity Opportunity Fund	25,479,005 shares	98,117	98,117	-
BPI Asset Management - Money Market Fund	50,599 units	11,782	11,782	-
Security Bank Corporation - Money Market Fund	39,796,443 units	50,999	50,999	-
Keyland Ayala Properties Inc. (formerly Security Land Corporation)	3,056,198 shares	126,758	126,758	15,281
Eurasian Consolidated Minerals Pty. Ltd.	13,250,000 shares	79,492	79,492	-
BNP Paribas Wealth Management - debt and equity securities	various	1,031,821	1,031,821	19,212
Credit Suisse AG - debt and equity securities	various	1,068,171	1,068,171	26,849

(Forward)

NICKEL ASIA CORPORATION AND SUBSIDIARIES

**Schedule A. Financial Assets
December 31, 2016**

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value Based on Market Quotations at End of Reporting Date	Income Received and Accrued
<i>In Thousands</i>				
DBS Private Bank - debt and equity securities	various	₱466,269	₱466,269	₱15,992
Philam Asset Management Inc. - debt and equity securities	various	358,134	358,134	8,756
Maybank ATR Kim Eng Capital Partners, Inc. - debt and equity securities	various	374,634	374,634	10,119
Security Bank Corporation - debt and equity securities	various	489,441	489,441	14,111
BDO Unibank, Inc. - debt and equity securities	various	592,050	592,050	12,701
BPI Asset Management - debt securities	various	773,107	773,107	16,256
AFS financial assets		6,319,078	6,319,078	156,937
Loan receivable - net of current portion	N/A	830,514	830,514	26,313
Long-term negotiable instrument	N/A	30,000	30,000	1,260
Other noncurrent assets		860,514	860,514	27,573
Total		₱17,921,573	₱17,921,573	₱263,547

NICKEL ASIA CORPORATION AND SUBSIDIARIES

**Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)
December 31, 2016**

Name and Designation of Debtor	Beginning Balance	Additions	Deductions		Current	Noncurrent	Ending Balance
			Amount Collected	Amount Written- Off			
There are no receivables from Directors, Officers, Employees, Related Parties and Principal Stockholders other than subject to usual terms, for ordinary travel and expense advances, and for other such items arising in the ordinary course of business, and eliminated in consolidation.							
<hr/> <hr/>							

NICKEL ASIA CORPORATION

**Schedule C. Amounts Receivable from Related Parties which are Eliminated in the Consolidated Financial Statements
December 31, 2016**

Name of Subsidiary	Balance At January 1, 2016	Additions	Amounts collected	Reclassification	Amounts Written Off	Current	Noncurrent	Amount Eliminated
Taganito Mining Corporation	₱2,731	₱2,362	(₱4,658)	₱-	₱-	₱435	₱-	₱435
Rio Tuba Nickel Mining Corporation	6,031	2,662	(5,762)	-	-	2,931	-	2,931
Cagdianao Mining Corporation	1,879	2,131	(3,698)	-	-	312	-	312
Cordillera Exploration Co., Inc.	97,275	448	(138)	-	-	97,585	-	97,585
Geogen Corporation	240,293	130,131	-	-	-	370,424	-	370,424
Hinatuan Mining Corporation	(90)	2,808	(5,172)	-	-	(2,454)	-	(2,454)
Jobin-SQM, Inc.	-	(9)	-	-	-	(9)	-	(9)
	₱348,119	₱140,533	(₱19,428)	₱-	₱-	₱469,224	₱-	₱469,224

NICKEL ASIA CORPORATION AND SUBSIDIARIES

Schedule D. Intangible Assets - Other Assets

December 31, 2016

Description	Beginning Balance	Additions At Cost	Deductions		Other Changes - Additions (Deductions)	Ending Balance
			Charged to Costs and Expenses	Charged to Other Accounts		
<i>In Thousands</i>						
Geothermal exploration and evaluation assets ^(a)	₱1,290,603	₱463,184	₱-	₱-	₱22,012	₱1,775,799
<i>Other Noncurrent Assets</i> ^(b)						
Deferred mine exploration costs	1,132,246	88,364	2,278	-	-	1,218,332
Project development costs	123,949	1,799,510	-	1,900,772	-	22,687
	₱2,546,798	₱2,351,058	₱2,278	₱1,900,772	₱22,012	₱3,016,818

(a) Disclosed in Note 11 to the Consolidated Financial Statements

(b) Disclosed in Note 13 to the Consolidated Financial Statements

NICKEL ASIA CORPORATION AND SUBSIDIARIES

Schedule E. Long-term Debts December 31, 2016

Name of Issuer and Type of Obligation	Amount Authorized by Indenture	Amount Shown as Current	Amount Shown as Long-term	Remarks
<i>In Thousands</i>				
<i>Long-term Debts</i>				
Security Bank Corporation	₱–	₱–	₱2,990,338	A
Taganito HPAL Nickel Corporation	–	87,010	1,174,635	B
Land Bank of the Philippines	–	16,715	280,811	C
Sumitomo Metal Mining Co. Ltd.	–	44,549	22,275	D
<i>Deferred Income</i>				
Taganito HPAL Nickel Corporation	–	4,534	62,849	E
Total	₱–	₱152,808	₱4,530,908	

Remarks:

- A. Interest rate ranges from 4.6% to 5.0%; principal is payable on or before the end of the third year following the date of drawdown.
- B. Interest rate is based on prevailing 180-day LIBOR plus 2% spread; principal is payable in semi-annual installments of US\$875,000, payable in April and October until April 10, 2031.
- C. Annual floating interest rate is at least 4.75%; payable in forty-four equal quarterly payments starting at the end of the fifth quarter from the date of the initial loan.
- D. Interest rate is based on prevailing 180-day British Banker Associate LIBOR plus 2% spread; principal is payable in semi-annual installments of US\$448,000, payable in February and August until February 28, 2018.
- E. The obligation is covered by a Lease Agreement with THNC.

NICKEL ASIA CORPORATION AND SUBSIDIARIES**Schedule F. Indebtedness to Affiliates and Related Parties (Short-term and Long-term Debts with Related Companies)
December 31, 2016**

Name of Affiliate	Beginning Balance	Ending Balance
	<i>In Thousands</i>	
<i>Short-term Debt</i>		
Manta Equities Inc.	₱180,000	₱180,000
<i>Long-term Debts</i>		
Taganito HPAL Nickel Corporation	1,276,503	1,261,645
Sumitomo Metal Mining Co. Ltd.	105,415	66,824
	1,381,918	1,328,469
<i>Deferred Income</i>		
Taganito HPAL Nickel Corporation	71,581	67,383
	₱1,633,499	₱1,575,852

NICKEL ASIA CORPORATION AND SUBSIDIARIES

Schedule G. Guarantees of Securities of Other Issuers

December 31, 2016

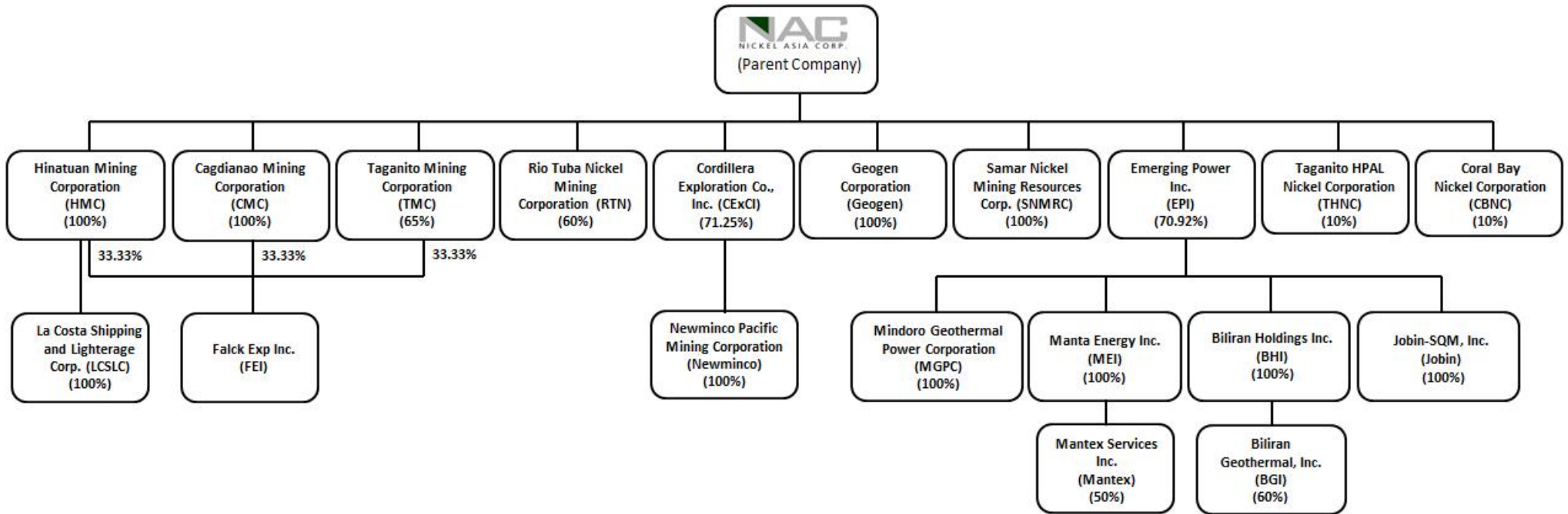
Name of Issuing Entity of Securities Guaranteed by the Company for which Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by the Company for which Statement is Filed	Nature of Guarantee
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- Not applicable-

NICKEL ASIA CORPORATION AND SUBSIDIARIES**Schedule H. Capital Stock
December 31, 2016**

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
Common Stock	19,265,000,000	7,602,928,954	70,294,846	5,176,623,186	1,001,723,006	1,424,582,762
Preferred Stock	720,000,000	720,000,000	—	720,000,000	—	—

SCHEDULE IV
NICKEL ASIA CORPORATION AND SUBSIDIARIES
A MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANY AND ITS
ULTIMATE PARENT COMPANY, MIDDLE PARENT, SUBSIDIARIES, CO-SUBSIDIARIES AND ASSOCIATES
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2016



Note: There is no pyramid ownership structure and/or cross holding structure.

SCHEDULE V
NICKEL ASIA CORPORATION AND SUBSIDIARIES
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2016

	2016	2015
A. <i>Liquidity ratios</i>		
Current ratio	2.58	2.16
Quick ratio	2.06	1.69
Solvency ratio	3.20	3.39
B. <i>Financial leverage ratios</i>		
Debt ratio	0.31	0.30
Debt-to-equity ratio	0.45	0.42
Interest coverage	31.65	61.78
Asset-to-equity ratios	1.45	1.42
C. <i>Profitability ratios</i>		
Net profit margin analysis	0.19	0.20
Return on assets	0.06	0.07
Return on equity	0.09	0.10
Gross profit margin	0.55	0.56
Price/earnings ratio	30.69	23.15

CERTIFICATION

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

As of December 31, 2016, the Company's Total Ore Reserves in accordance with the Philippine Mineral Reporting Code (PMRC) are as follows:

Ore	Class	Tonnes (kWMT)	Tonnes (kDMT)	% Ni	% Fe	Contained Ni (kt)
<i>Ore Reserves</i>						
Saprolite	Proved and Probable	111,717	76,240	1.51	12.41	1,151
Limonite	Proved and Probable	263,778	177,075	1.13	41.32	1,993

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


ROLANDO R. CRUZ

Mining Engineer, License No. 1803

PMRC Competent Person for Ni and Au

PTR No. A-3295934 Issued: 19 January 2017, Taguig City

CERTIFICATION

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

As of December 31, 2016, the Company's Total Mineral Resources in accordance with the Philippine Mineral Reporting Code (PMRC) are as follows:

Ore	Class	Tonnes (kWMT)	Tonnes (kDMT)	% Ni	% Fe	Contained Ni (kt)
<i>Mineral Resources</i>						
Saprolite	Measured and Indicated	161,027	107,509	1.47	11.95	1,578
Limonite	Measured and Indicated	277,914	186,281	1.10	41.94	2,051
Saprolite	Inferred	53,370	35,920	1.31	12.94	472
Limonite	Inferred	22,465	15,001	1.05	36.41	159

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

RSuno

RADEGUNDO S. DE LUNA
 Geologist, License No. 218
 Competent Person for Nickel, PMRC No. 07-12-05
 PTR No. 5409473 Issued: 2017-01-12 Antipolo City

**CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION
OF THE CONSOLIDATED FINANCIAL STATEMENTS
AND NOTES TO THE FINANCIAL STATEMENTS**

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for **Nickel Asia Corporation and Subsidiaries** for the period ended **December 31, 2016**.

In discharging this responsibility, I hereby declare that:

 ✓ I am the **Senior Finance Manager** of **Nickel Asia Corporation**.

 I am the (position) of (name of organization/person) and was contracted to perform this service.

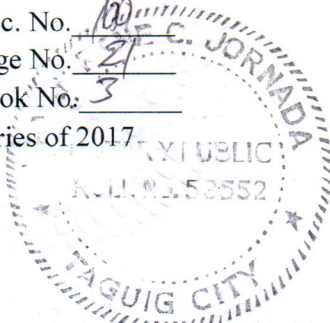
Furthermore, in my compilation services for preparation of the Consolidated Financial Statements and Notes to the Financial Statements, I was not assisted by or did not avail of the services of Sycip Gorres Velayo & Co., which is the external auditor who rendered the audit opinion for the said Consolidated Financial Statements and Notes to the Financial Statements.

I hereby declare, under penalties of perjury and violation of Republic Act No. 9298, that my statements are true and correct.

Ryan U. Padillo
IRYAN JEAN U. PADILLO
Professional License No. 0108376
Valid until December 16, 2017

BOA Accreditation No. 1205
Valid until December 16, 2019

Doc. No. 100
Page No. 27
Book No. 3
Series of 2017



RYAN RENE C. JORNADA
NOTARY PUBLIC
ROLL NO. 58552
TAGUIG CITY

NOTARY PUBLIC

Ryan Rene C. Jornada
RYAN RENE C. JORNADA
Appointment No. 31 (2017-2018)
Notary Public for and in the City of Taguig
Until December 31, 2018
Roll No. 58552
PTR No. A-3295929/19 January 2017/Taguig City
IBP No. 015794 (Lifetime)/O.R. No. 1070904 / 30 January 2017
MICLE Compliance No. V-0018775, until 19 April 2019
28F NAC Tower, 32nd Street, BGC, Taguig City