Taking Pride
In Responsible
Mineral Development

NAC

ANNUAL REPORT 2013

CONTENTS

Reconstruction/rebuilding efforts for the residents of Manicani Island initiated by Nickel Asia Corporation after Typhoon Yolanda.

Who We Are

Nickel Asia Corporation (NAC) is the Philippines' largest producer of lateritic nickel ore and one of the largest in the world. We have a long operating history, starting with the sale of ore in 1977 from our first mine, Rio Tuba. Since then, we have expanded to four operating mines and have sold a total of about 96 million tonnes of ore up to 2013.

We export both saprolite and limonite ore to customers in Japan and China. Our customers use our ore for the production of ferronickel and nickel pig iron, 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, Coral Bay, where we have a 10% equity interest. Coral Bay 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 P4.4 billion for a 22.5% equity interest in the country's second hydrometallurgical nickel processing plant under Taganito HPAL Nickel Corporation. The plant started its commercial operation in October 2013, with a capacity of 30,000 tonnes of contained nickel and 2,600 tonnes of contained cobalt per year. Our Taganito mine supplies all of the limonite ore for the plant. At a total project cost of US$1.7 billion, the plant represents the single largest investment in the Philippine minerals sector.

Apart from our four operating mines, we have five properties in various stages of exploration for nickel. In November 2010, we concluded the purchase of Cordillera Exploration Co., Inc. from Anglo American, with four properties in the Central Cordillera of northern Luzon that are prospective for gold and copper. The purchase marks our first step in our vision to become a diversified mineral resource company. In November 2011, Sumitomo Metal Mining Co., Ltd. acquired 25% equity in the company with an option to purchase additional shares to increase its total equity to 40%.

We are focused on growth. At the same time, we take our responsibilities toward safety, environmental protection and community relations and development seriously. Our efforts in these fields have resulted in numerous awards received over the years during the annual Presidential Mineral Industry Environmental Awards. We believe that sustainable development is the only way forward for any mining operation and we exert great effort to achieve its principles. We are committed to responsible mining and to running every facet of our operations in a world-class manner.

Vision

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

Mission Statement

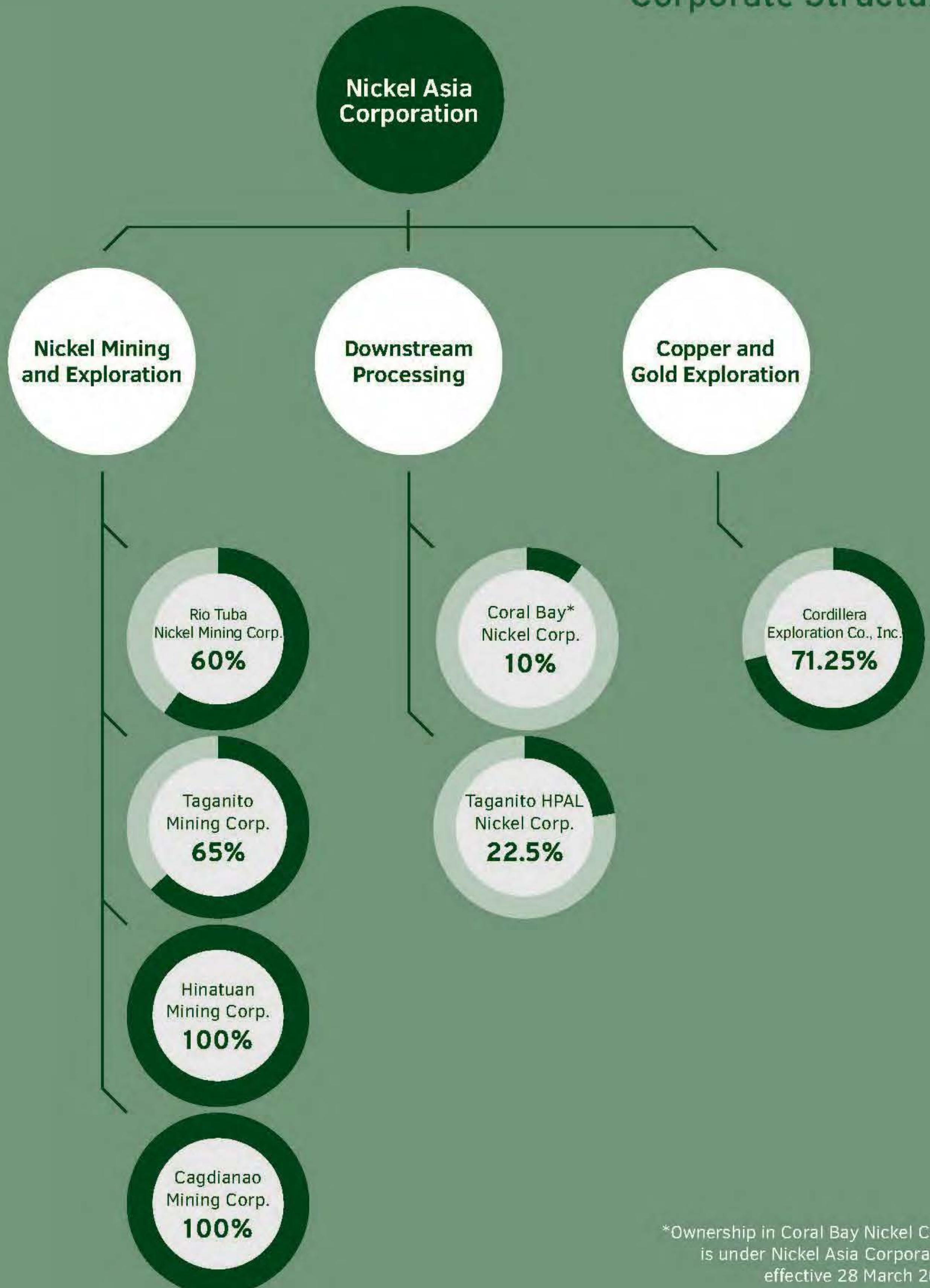
Using best global industry practices, we are committed to:

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

Core Values

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

Corporate Structure



*Ownership in Coral Bay Nickel Corp. is under Nickel Asia Corporation effective 28 March 2014

Sales and Financial Highlights

	2013	2012	2011
Sales Highlights			
Total Sales (WMT '000)	13,998	11,730	10,387
LME-based Sales (WMT '000)	5,154	4,718	4,380
Payable Nickel (lbs. '000)	9,078	11,176	12,606
Realized LME Price (US$/lb.)	6.9	8.1	10.5
Tonnage-based Sales (WMT '000)	8,844	7,012	6,007
Ave. Price (US$/WMT)	17.2	24.4	24.5
Financial Highlights (PHP '000)			
Revenues			
Sale of Ore	10,475,497	11,143,293	12,230,278
Services and Others	634,032	463,614	464,428
	11,109,529	11,606,907	12,694,706
Cost and Expenses			
Cost of Sales and Services	6,288,986	6,222,518	4,918,202
General and Administrative	624,819	527,581	577,425
Excise Tax and Royalties	648,608	707,937	736,262
	7,562,413	7,458,036	6,231,889
Finance and Other Income - net	163,535	306,127	690,836
Provision for Income Tax	1,124,215	1,334,698	1,686,015
Net Income			
Attributable to Equity Holders of the Parent	2,053,674	2,207,210	3,537,782
Attributable to Non Controlling Interests	532,762	913,090	1,929,856
	2,586,436	3,120,300	5,467,638
Basic Earnings per Share (PHP)	0.82	0.88	1.41
Financial Condition			
Cash and Cash Equivalents	10,234,336	9,263,451	10,350,592
Other Current Assets	4,366,700	4,186,096	3,918,803
Non Current Assets	14,312,492	13,729,670	12,133,503
Current Liabilities	1,308,963	1,275,729	1,637,815
Non Current Liabilities	2,392,777	2,321,784	2,532,478
Equity	25,211,788	23,581,704	22,232,605
Book Value per Share (PHP)	8.13	7.50	6.84

When Super Typhoon Yolanda (international codename: Haiyan) made landfall on the Eastern Samar town of Guiuan in the wee hours of November 8, 2013, no one anywhere had any idea how different the whole experience would be.

Not even the 2,500 or so residents of the tranquil island of Manicani. They, like every other Guiuanon, have been so used to their town being the doormat of almost every super typhoon that ever slammed into the Philippines that this was, in their eyes, going to be just another one of them.

But Yolanda was different. Packing peak winds of 380 kph (235 mph) and sustained winds of 315 kph (195 mph), it was to become history's most powerful typhoon to ever make landfall. And the death and destruction it would leave behind in its wake would likewise be unprecedented.

On Manicani island, while there was only one fatality, every man-made structure – houses, schools, barangay halls, clinics – lay wasted due to Yolanda's wrath.

Damaged Structures

HOUSES **489**

365 Totally damaged
124 Partially damaged

CHURCHES **4**

All churches in the Island including the Guiuan Church, a National Historical landmark

BARANGAY HALLS **4**

All barangay halls in the island

REMAINING FISHING BOATS **0**

From Manila, the Company arranged for a flight to Guiuan filled with medicines along with five doctors from the Philippine General Hospital. It was the first private aircraft to land on the Guiuan airstrip and the first to bring medical supplies from the "outside world".

Taking directions from the most senior managers in the Manila head office, our subsidiary, Hinatuan Mining Corporation (HMC) began its relief effort by dispatching one Landing Craft Transport (LCT) from Surigao, laden with assorted food items, beddings, flashlights, bottled water, milk for children, to Manicani and Victory islands for distribution among its residents. Clearing operations in Manicani followed three days after the first round of relief goods were distributed. Two more rounds of relief goods followed, with a medical mission led by HMC doctor Oliver Lao treating more than a hundred residents of Manicani. The municipality of Guiuan also requested help in clearing its debris. In response, HMC deployed a dozen of its workers for four months to do the job in partnership with the municipal engineering office.

On the island, Trina Malaga, HMC's Manicani operations OIC (who survived the winds of Yolanda crouched under a table as the roofing of her quarters and its windows were blown away) coordinated the relief effort with the four barangay chairmen on the island, communicating with Manila and Surigao through intermittent mobile phone signals. In fact, the very morning after Yolanda, about 100 staff of HMC who had been pre-emptively evacuated to the mine campsite returned to their barangays to check on their relations and possessions, while the seven regular employees stayed behind to respond to the immediate needs of the nearby community, providing first aid and food and helping collect scrap material and nails plus beddings and clothing for their makeshift homes. Others started repair work on their damaged pumpboats.

Stress debriefing activities were conducted by HMC staff in the barangays of Manicani and on Victory island - in the form of story-telling, games for school children, thanksgiving cum Christmas cheers, and a thanksgiving lunch with the newly elected barangay officials. Everything possible was being done to bring life closer to "normal" after the typhoon, given that this period of the year should have been a joyous run-up to Christmas.

All of these efforts were conducted in coordination with the local government unit (LGU) of Guiuan through Mayor Christopher Gonzales, himself still reeling from the total devastation of his town. It became very clear early on that the immediate effort of relief should be directed at providing transitional housing for everyone – because they had lost their homes to Yolanda (365 were totally damaged and 124 were partially damaged) – as well as a means to resume making a livelihood after all their fishing boats were washed away or destroyed.

NICKEL ASIA CORPORATION RECONSTRUCTION PLAN FOR MANICANI AND GUIUAN

REBUILD
489 damaged houses

RECONSTRUCT
4 Barangay halls
4 Churches
1 Health center

REHABILITATE
Manicani Island National High School, which was previously built by NAC and had been heavily damaged by the typhoon

PROVIDE
20 Additional fishing boats

SCHOLARSHIP GRANT
5 College students

For the Poblacion proper:

REBUILD
10 Barangay halls
1 Health center

ASSIST
The National Museum in the reconstruction of the historical Guiuan Church

As a result, the Company announced the adoption of Manicani Island as the focal point of its assistance to areas affected by Yolanda. A P50-million coastal rehabilitation plan, drawn up a few months prior to the calamity, was superseded by a reconstruction plan for the island. This plan now included assistance to all the 489 households whose houses were either totally or partially damaged by the super typhoon: each house would now be rebuilt on its original location as transitional housing, while a study would be conducted as to where best to permanently relocate the islanders to lessen the damage from any future Yolanda-like calamity.

Also included in the plan is the reconstruction of the four barangay halls, four churches and the health center on the island, along with the rehabilitation of the heavily damaged Manicani Island National High School that the Company had previously built. For the Poblacion proper, the Company will rebuild ten barangay halls, a health center, and assist the National Museum in the effort to reconstruct the damaged Guiuan Church, a National Historical landmark.

The reconstruction of every home on the island is a clear testament to the sense of responsibility that the Company has towards the island and its residents despite the suspension of the Company's operations in 2002. Plus, the additional provision of 20 fishing boats worth P2 million is the Company's way of helping the residents revive fishing as their means of livelihood. An Information, Education and Communication (IEC) campaign about Coastal Resources Management is in the works. Also, college scholarship grants to five deserving and qualified high school graduates are being processed. Post-Yolanda, the Company is keen on investing on the next generation, particularly the school children and youth. For medium term stress debriefing and as a means of leadership training the Company is considering using the visual arts or community theatre workshops as a medium.

In the meantime, having complied with all the requirements imposed by the DENR, HMC looks forward to being able to resume operations in due course, because the harsh reality is this: the fishing grounds around the island have long been depleted of their catch, partly because of the perils of dynamite fishing and partly because of poachers with bigger boats moving into the area. Without a responsible mining operation, the islanders of Manicani will surely find getting back on their feet a real struggle in Yolanda's harsh wake. A responsible mining operation in Manicani will also mean greater local tax collections for the Guiuan LGU – funds it will be in desperate need of for years to come.

By coming to the assistance of the islanders despite the absence of any commercial operations on Manicani itself, the Company is in effect telling the island residents that it, too, is willing to bear part of the "hit" that Yolanda has caused, with or without operations.

There can be no better testament to social responsibility than this.

Summary of Ore Reserves and Resources

TOTAL ORE RESERVES [1] as of December 31, 2013

Operation	Mineral Type	Classification	Tonnes (kwmt)	Tonnes (kdmt)	%Ni	%Fe	Contained Ni (kt)
Rio Tuba	Saprolite	Proved and Probable	20,474	13,225	1.50	13.22	198
	Limonite	Proved and Probable	54,365	37,852	1.20	36.25	454
Taganito	Saprolite	Proved and Probable	60,777	42,482	1.50	9.68	637
	Limonite	Proved and Probable	149,124	99,934	1.06	46.42	1,059
Cagdianao	Saprolite	Proved and Probable	31,358	21,026	1.50	12.85	315
	Limonite	Proved and Probable	29,505	19,783	1.13	38.47	224
Hinatuan	Saprolite	Proved and Probable	6,985	4,684	1.52	12.14	71
	Limonite	Proved and Probable	16,720	11,211	0.98	46.70	110
Total Reserves	**Saprolite**	**Proved and Probable**	**119,594**	**81,417**	**1.50**	**11.22**	**1,222**
	Limonite	**Proved and Probable**	**249,714**	**168,780**	**1.09**	**43.23**	**1,847**

This summary was prepared by Engr. Jose S. Saret, who is the current Chief Operating Officer of Nickel Asia Corporation. Engr. Saret is a Competent Person under the definition of the Philippine Mineral Reporting Code (PMRC) and has sufficient experience as to the type of deposit and mineralization. He has given his consent to the public reporting of this statement concerning Ore Reserve Estimation.

TOTAL MINERAL RESOURCES [2] as of December 31, 2013

Operation	Mineral Type	Classification	Tonnes (kwmt)	Tonnes (kdmt)	%Ni	%Fe	Contained Ni (kt)
Rio Tuba	Saprolite	Measured and Indicated	27,618	16,830	1.55	12.29	261
	Limonite	Measured and Indicated	59,797	41,427	1.22	36.47	505
	Saprolite	Inferred	21,859	13,732	1.39	11.57	191
	Limonite	Inferred	6,817	4,741	1.25	36.45	59
Taganito	Saprolite	Measured and Indicated	60,777	42,482	1.68	9.68	714
	Limonite	Measured and Indicated	149,124	99,934	1.06	46.42	1,059
	Saprolite	Inferred	4,248	2,944	1.58	11.73	47
	Limonite	Inferred	152	102	0.68	52.06	0.69
Cagdianao	Saprolite	Measured and Indicated	29,843	20,010	1.49	12.71	298
	Limonite	Measured and Indicated	29,294	19,642	1.16	38.93	228
	Saprolite	Inferred	4,095	2,746	1.42	14.14	39
	Limonite	Inferred	941	631	1.34	30.21	8
Hinatuan	Saprolite	Measured and Indicated	8,221	5,514	1.50	11.95	83
	Limonite	Measured and Indicated	20,415	13,689	0.97	47.20	133
	Saprolite	Inferred	1,724	1,156	1.42	11.18	16
	Limonite	Inferred	2,665	1,823	0.99	46.49	18
Total Resources	**Saprolite**	**Measured and Indicated**	**126,459**	**84,836**	**1.60**	**11.06**	**1,355**
	Limonite	**Measured and Indicated**	**258,630**	**174,692**	**1.10**	**43.28**	**1,925**
	Saprolite	**Inferred**	**31,926**	**20,578**	**1.42**	**11.91**	**293**
	Limonite	**Inferred**	**10,575**	**7,297**	**1.18**	**38.64**	**86**

This summary was prepared by Radegundo S. de Luna, who is a Consultant Geologist for Nickel Asia Corporation. Mr. de Luna is a Competent Person for Exploration and Mineral Resource Estimation under the definition of PMRC and has sufficient experience as to the type of deposit and mineralization. He has given his consent to the public reporting of this statement concerning Mineral Resources Estimation.

[1] Ore Reserves and Mineral Resource tonnages are shown in full. Nickel Asia Corporation owns 60% of Rio Tuba, 65% of Taganito, and 100% of Cagdianao and Hinatuan.

[2] Inclusive of Mineral Resources converted to Ore Reserves

Note: Cut-off grades used for Estimation of Mineral Resources and Ore Reserves

Rio Tuba	Saprolite: Ni ≥ 0.85%, Fe < 20%	Limonite HPAL type: Ni ≥ 0.80%, Fe ≥ 20%	Limonite Export type: Ni < 0.80%, Fe ≥ 44%
Taganito	Saprolite: Ni ≥ 1.24%, Fe < 20%	Limonite HPAL type: Ni ≥ 0.80%, Fe ≥ 20%	Limonite Export type: Ni < 0.80%, Fe ≥ 48%
Cagdianao	Saprolite: Ni ≥ 1.00%, Fe < 20%	Limonite HPAL type: Ni > 0.80%, Fe ≥ 20%	Limonite Export type: regardless % Ni, Fe > 45%
Hinatuan	Saprolite: Ni ≥ 1.00%, Fe < 20%	Limonite HPAL type: Ni > 0.80%, Fe ≥ 20%	Limonite Export type: regardless % Ni, Fe > 45%

Map of Mineral Properties

Review of Operations

Rio Tuba Nickel Mining Corporation (RTN - 60% Owned)

MINING VOLUME

The volume of ore mined for the year amounted to 3,024,767 WMT, consisting of 1,491,877 WMT of saprolite ore and 1,532,890 WMT of limonite ore. Stripping volume for the year amounted to 126,048 WMT.

RTN also retrieved 416,602 WMT of saprolite ore and 3,237,579 WMT of limonite ore from stockpiles to meet the budgeted annual saprolite shipment volume and to provide limonite ore feed to the Coral Bay Nickel Corporation (CBNC) HPAL facility, respectively. Consequently, RTN's year-end limonite ore stockpile inventory amounted to 19,967,929 WMT. Furthermore, 883,133 WMT of oversized materials were recovered from ore delivered to the plant, consisting of 551,129 WMT of reclassified saprolite ore and 332,004 WMT of limonite ore.

Mining operations focused on previous partially mined areas, the aim of which is to completely mine out the areas and prepare them for mine rehabilitation.

To cope with the low metal prices prevailing in the international market, RTN resorted to various production strategies, such as:
(a) upgrading of medium-grade saprolite ore shipments;
(b) segregation and shipment to China of high-iron limonite ore (below the 0.80% Ni cut-off grade of HPAL limonite ore); and (c) implementation of cost-cutting measures.

SHIPMENTS

RTN sold a total of 5,744,430 WMT of nickel ore in 2013. High-grade saprolite ore (1.80% Ni grade and above) totaling 295,329 WMT and medium-grade saprolite ore (1.50% Ni grade) totaling 80,847 WMT were sold to Pacific Metals Co., Ltd. (PAMCO) and Sumitomo Metal Mining Co., Ltd. (SMM). The realized LME nickel price for these shipments averaged US$7.36 per pound.

In addition, medium-grade saprolite ore totaling 1,352,072 WMT were sold to Chinese customers at an average price of US$13.73 per WMT. Limonite high-iron ore totaling 640,901 WMT was likewise sold to Chinese customers at an average price of US$19.72 per WMT.

For CBNC related activities, HPAL-grade limonite ore (approximately 1.21% Ni grade) totaling 3,405,281 WMT was delivered to the Coral Bay HPAL facility. The realized LME nickel price for this tonnage averaged US$6.78 per pound. In addition, 211,560 WMT of limestone was sold to, and a variety of services such as handling and hauling of materials and supplies for the Coral Bay HPAL facility were rendered to, CBNC. Other activities included the development of the Gotok quarry (Phase 2) for the projected increase in limestone requirement of CBNC.

	2013	2012	2011
Tonnage Mined (In WMT)			
Saprolite	**1,491,877**	2,031,150	1,172,375
Limonite	**1,532,890**	2,355,534	1,526,956
Sales Data			
Saprolite – Japan (WMT)	**376,176**	480,976	432,831
Average nickel grade	**1.73%**	1.80%	1.88%
Average payable nickel	**16.43%**	19.67%	20.57%
Average realized LME price (per pound)	**US$ 7.36**	US$ 8.19	US$ 10.85
Saprolite – China (WMT)	**1,352,072**	1,793,848	1,689,425
Average nickel grade	**1.50%**	1.57%	1.63%
Average price (per WMT)	**US$ 13.73**	US$ 24.03	US$ 38.20
Limonite – CBNC (WMT)	**3,405,281**	3,351,554	2,976,864
Average nickel grade	**1.21%**	1.26%	1.31%
Average payable nickel	**6.68%**	6.16%	7.03%
Average realized LME price (per pound)	**US$ 6.78**	US$ 8.02	US$ 10.53
Limonite – China (WMT)	**640,901**	-	-
Average nickel grade	**0.84%**	-	-
Average price (per WMT)	**US$ 19.72**	-	-

Taganito Mining Corporation (TMC - 65% Owned)

MINING VOLUME

The volume of ore mined for the year amounted to 5,620,383 WMT consisting of 1,325,051 WMT of saprolite ore and 4,295,332 WMT of limonite ore. Of the total limonite mining volume, 1,602,333 WMT was intended for shipment to China while 2,692,999 WMT was for the Taganito HPAL (THPAL) facility.

In addition, TMC continued to build limonite stockpile for the THPAL plant which started commercial operations last October 2013. At year end, the total volume of limonite stockpile amounted to 24,089,876 WMT.

The decline in nickel prices negatively impacted TMC's profitability. As a result, TMC revised its mine plan to attain projected revenues amidst the difficult economic environment. Excavation of about 1.5 million WMT of low-grade soft ore from TAGA-2 was deferred in favor of higher grade ore from Urbiztondo.

SHIPMENTS

TMC sold a total of 3,893,150 WMT of nickel ore, the highest so far in the company's history. High-grade saprolite ore amounting to 445,012 WMT was sold to PAMCO. The realized LME nickel price for these shipments averaged US$7.30 per pound.

In addition, saprolite ore totaling 971,576 WMT was sold to Chinese customers at an average price of US$17.31 per WMT. Low-grade limonite ore (0.80% Ni and 0.90% Ni) totaling 1,602,333 WMT was likewise sold to Chinese customers at an average price of US$21.63 per WMT.

Finally, HPAL grade limonite ore totaling 874,229 WMT was delivered to the THPAL facility. The realized LME nickel price for this tonnage averaged US$6.33 per pound.

There were two major adjustments from the original shipment plan: the upgrading of medium-grade ore shipment from 1.50% Ni to 1.60% Ni, and the increase in low-grade limonite ore (0.80% Ni – 0.90% Ni) shipment volume to China, boosting the originally planned number of shipments from 47 to 57. In addition, all materials from stripping with grades of 0.80% Ni and at least 49% Fe were shipped-out.

	2013	2012	2011
Tonnage Mined (in WMT)			
Saprolite	1,325,051	1,099,326	608,500
Limonite	4,295,332	2,675,380	2,052,001
Sales Data			
Saprolite - Japan (WMT)	445,012	649,714	268,564
Average nickel grade	1.76%	1.82%	1.94%
Average payable nickel	17.76%	20.01%	22.42%
Average realized LME price (per pound)	US$ 7.30	US$ 8.15	US$ 10.87
Saprolite - China (WMT)	971,576	1,021,709	744,699
Average nickel grade	1.62%	1.61%	1.73%
Average price (per WMT)	US$ 17.31	US$ 24.43	US$ 44.90
Limonite - THPAL (WMT)	874,229	-	-
Average nickel grade	1.05%	-	-
Average payable nickel	5.89%	-	-
Average realized LME price (per pound)	US$ 6.33	-	-
Limonite - China (WMT)	1,602,333	710,090	651,490
Average nickel grade	0.93%	1.02%	1.02%
Average price (per WMT)	US$ 21.63	US$ 26.64	US$ 16.55

Review of Operations

Hinatuan Mining Corporation (HMC - 100% Owned)

MINING VOLUME

The volume of ore mined for the year amounted to 2,904,194 WMT,

consisting of 212,837 WMT of saprolite ore and 2,691,357 WMT of limonite ore. Stripping volume for the year amounted to 528,623 WMT of low grade in-situ materials such as topsoil, boulders and other waste materials which were used for rehabilitation and other environmental projects.

SHIPMENTS

HMC sold 3,342,936 WMT of low-grade limonite ore in 2013 at an average price of US$23.15 per WMT to Chinese customers. Saprolite ore sold to Chinese and Japanese customers totaled 99,043 WMT at an average price of US$29.05 per WMT.

HMC's original budget of nine saprolite shipments for 2013 was trimmed down to three due to the low international market price of the said ore. However, with the consistently high demand for limonite ore, the originally planned number of shipments increased from 48 to 61.

	2013	2012	2011
Tonnage Mined (in WMT)			
Saprolite	212,837	30,316	95,894
Limonite	2,691,357	2,291,109	2,603,185
Sales Data			
Saprolite – Japan (WMT)	30,050	-	-
Average nickel grade	1.76%	-	-
Average payable nickel	17.01%	-	-
Average realized LME price (per pound)	US$ 6.78	-	-
Saprolite – China (WMT)	68,993	-	115,571
Average nickel grade	1.72%	-	1.68%
Average price (per WMT)	US$ 27.73	-	US$ 30.52
Limonite – China (WMT)	3,342,936	2,636,698	2,462,303
Average nickel grade	0.84%	0.85%	0.80%
Average price (per WMT)	US$ 23.15	US$ 25.94	US$ 15.35
Limonite – Japan (WMT)	-	-	11,000
Average nickel grade	-	-	0.76%
Average price (per WMT)	-	-	US$ 21.50


Hinatuan Mining Corp.'s tree-planting activity last September 2013

Cagdianao Mining Corporation (CMC - 100% Owned)

MINING VOLUME

The volume of ore mined for the year 2013 amounted to 593,311 WMT,

consisting of 426,458 WMT of saprolite ore and 166,853 WMT of limonite ore. Stripping volume for the year amounted to 656,654 WMT.

SHIPMENTS

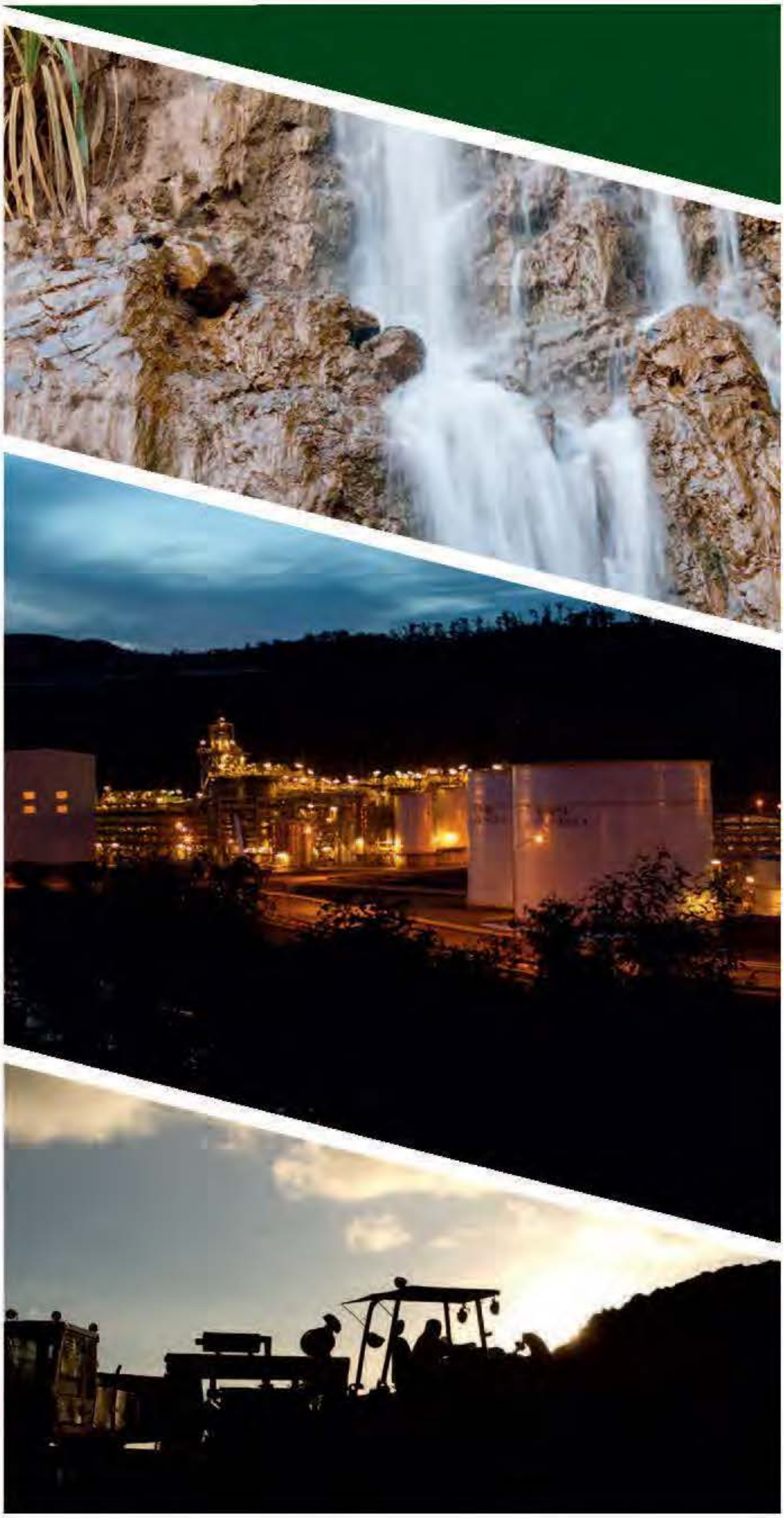
CMC sold a total of 888,832 WMT of nickel ore in 2013. A total of 199,676 WMT of high-grade saprolite ore was sold to PAMCO. The realized LME nickel price for these shipments averaged at around US$6.97 per pound.

In addition, high-grade and medium-grade saprolite ore totaling 150,607 WMT was sold to Chinese customers at an average price of US$29.92 per WMT. Medium-grade limonite ore with a total of 538,549 was likewise sold to Chinese customers at an average price of US$10.67 per WMT.

	2013	2012	2011
Tonnage Mined (in WMT)			
Saprolite	**426,458**	545,775	637,125
Limonite	**166,853**	361,608	366,291
Sales Data			
Saprolite – Japan (WMT)	**199,676**	182,730	130,910
Average nickel grade	**1.82%**	1.82%	1.96%
Average payable nickel	**17.91%**	18.89%	25.27%
Average realized LME price (per pound)	**US$ 6.97**	US$ 8.08	US$ 10.03
Saprolite – China (WMT)	**150,607**	107,603	572,871
Average nickel grade	**1.76%**	1.55%	1.68%
Average price (per WMT)	**US$ 29.92**	US$ 16.09	US$ 39.36
Limonite – China (WMT)	**538,549**	795,279	330,262
Average nickel grade	**1.37%**	1.52%	1.49%
Average price (per WMT)	**US$ 10.67**	US$ 21.91	US$ 25.65

Review of Exploration

NICKEL



Rio Tuba Nickel Corporation (RTN)

Development drilling was focused on the Umawi area within RTN's existing MPSA. For the development drilling, a total of 617 holes equivalent to 4,726 meters were completed.

Development drilling resulted in the upgrading of 1.4 million WMT of ore (composed of 0.9 million WMT of saprolite and 0.5 million WMT of limonite ore) previously classified as inferred and indicated mineral resource to measured resource category.

The renewal and conversion of the expired Mining Lease Contract on the Bulanjao property into a Mineral Production Sharing Agreement (MPSA) has not been completed pending the issuance of the SEP clearance by the Palawan Council for Sustainable Development. 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.

Production drilling was conducted in Guintalunan and Mangingidong to guide ore extraction activities in the segregation of high-iron limonite ore for direct shipment to China. A total of 494 holes equivalent to 3,428 meters were completed.

Taganito Mining Corporation (TMC)

For this year, exploration activities were focused on the northeastern part of Kepha Mining Exploration Company (KMEC) claim, located southwest of TMC's MPSA. The KMEC claim is an expansion project of TMC which is expected to provide additional source of ore for the THPAL plant.

Exploration activities included reconnaissance surveying, test-pitting and mechanized drilling. Initial exploration activities such as mapping and surface sampling began in March. A total of 1,700 hectares was covered by reconnaissance survey and 13 test pits measuring 1m x 1m on the surface at 300m x 300m grid interval were excavated for further studies. Based on the initial results of test pitting, infill drilling was carried out in test pits that showed favorable results. A total of 61 drillholes in between test pits at 100m x 100m interval were completed.

By the end of October, exploration activities were temporarily stopped in anticipation of the rainy season. Excavated test pits and drillhole locations were then backfilled, re-contoured, compacted and planted with wildlings. Exploration activities will continue in 2014 particularly at the southern to southwestern part of the claim.

> Exploration drilling resulted in the blocking of an additional 5 million WMT of limonite ore with average grades of 0.94% nickel and 33.17% iron, and 0.29 million WMT of saprolite ore with an average grade of 2.34% nickel, in both indicated and inferred mineral resource category.

Relative to the exploration activities is the implementation of the Community Development Project (CDP). This included the provision of school uniforms for elementary students at Urbiztondo, Jetmatic Water system for Cabugo, and Educational assistance for the Camam-onan IP community.

Cagdianao Mining Corporation (CMC)

Exploration and development drilling activities were conducted within the immediate vicinity of the presently defined pit limits. For exploration drilling, a total of 83 holes equivalent to 1,030 meters with an average depth of 12.4 meters; and for development drilling, a total of 110 holes equivalent to 1,850 meters with an average depth of 17 meters, were completed.

Valencia Active Mine Pit
Valencia development drilling covered the periphery of the active mine pit from July to October 2012. Based on the drill hole data, average grade of limonite is 1.03% Ni and 30.93% Fe with average thickness of six meters. For saprolite, average grade is 1.22% Ni and 14.45% Fe with average thickness of four meters.

Southwest Valencia
Exploration drilling was conducted at the southwest portion of the Valencia tenement from June to December 2012. It followed a grid spacing of 100 meters x 100 meters. Based on the drillhole data, the limonite grade averages 1.21% Ni and 41.83% Fe, having an average thickness of seven meters. Saprolite, on the other hand has an average grade of 1.39% Ni and 14.59% Fe, having an average thickness of three meters. No further exploration drilling was conducted for 2013 because priority drilling activities were focused on production drilling of active mine pits.

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

Review of Exploration

NICKEL

Hinatuan Mining Corporation (HMC)

For 2013, drilling activities were focused on condemnation drilling of mined out areas to confirm if the areas had no more significant volume of mineable materials. Drill holes were randomly drilled on mined out areas at 200 x 200 meters spacing and targeted to attain 40 meters depth from the collar elevation. By the latter part of 2013, production drilling was conducted at Area 7 to update the block model and bench plans. The updated bench plans will be used as reference for the production slices of 2014 mining operation. Previous development drill holes were in-filled at a spacing of 12.5 meters.

For the condemnation drilling, a total of 17 holes equivalent to 649 meters were completed. For the production drilling, a total of 99 holes equivalent to 2,108 meters were completed. The result of the production drilling will increase the level of confidence on the previously blocked ore resource considering the closer spacing of the drill holes.

The Island property in Guiuan, Eastern Samar was partially drilled and mined in the 1990s. Shipments of stockpiled ore were made in 2004 and 2005 by contractors, which resulted in social problems. In 2004 a Regional Panel of Arbitrators recommended the cancellation of the MPSA on environmental grounds.

HMC disputed the allegations and the Mines Adjudication Board of the DENR upheld the MPSA in September 2009. Since then, substantial social development work has been accomplished. Towards the latter part of 2010, favorable endorsements were received from the host communities and local government units approving the resumption of operations. Upon receipt of final approval by the DENR, HMC will commence drilling work to delineate the deposit prior to mine development. Previous drilling work shows 2.5 million WMT of saprolite ore with an average grade of 1.80% nickel and 35.6 million WMT of limonite ore with an average grade of 1.20% nickel in the inferred mineral resource category.

GOLD AND COPPER

Cordillera Exploration Co., Inc.
(CEXCI – 71.25% Owned)

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

Manmanok
The Manmanok property, located within the Municipality of Conner, Apayao Province, is covered by an EP first granted in October 2006, and subsequently renewed twice with a final total area of approximately 4,996 hectares. Following the second renewal in April 2011, a Stage 1 exploration program was planned and implemented. The plan consisted of detailed mapping and sampling, a reinterpretation of previous geophysical and geochemical data, followed by scout diamond drilling over areas surrounding the central argillic zone. A total of nine (9) diamond drill holes with an aggregate length of 2,368 meters were completed in April 2013. Gold intercepts were encountered, mainly as disseminations in a quartz-bearing volcaniclastic unit and within quartz veins and shear zones.

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

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

CEXCI is now in the process of having the Work and Financial Plan for the conduct of "field-based investigations" approved. This is a requisite for the start of the Free Prior and Informed Consent (FPIC) process prior to the granting of the "Certificate of Precondition" from the National Commission on Indigenous Peoples (NCIP), which is in turn a requisite for the granting of the Exploration Permit.

Mankayan
The Mankayan Property is located within two regions, the Cordillera Administrative Region (CAR) and Region I, and principally consists of a FTAA application covering 77,549 hectares. Following publication, and the exclusion of built-up and agricultural areas, the final cleared area covering the FTAA application amounted to 54,936 hectares.
In order to systematically obtain approval and explore such a large area, a decision was made to convert the FTAA application into three (3) EP applications. The area initially targeted for conversion is 11,169 hectares covering the Mankayan/Cervantes area. The conversion has been approved and designated by MGB as EP Application-116. Currently, the application has been endorsed to the concerned regional offices of the NCIP, while at the NCIP Region I office, a Work and Financial Plan for the conduct of the FPIC process is now approved and ready for execution.


NAC

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

Manuel B. Zamora Jr.
Chairman of the Board

Gerard H. Brimo
President and Chief Executive Officer

Emmanuel L. Samson
Senior Vice President/Chief Financial Officer

Signed this 24th day of March 2014

SGV
Building a better working world

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

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

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

INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinion

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

SYCIP GORRES VELAYO & CO.

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

March 24, 2014

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

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

See accompanying Notes to Consolidated Financial Statements.

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

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

See accompanying Notes to Consolidated Financial Statements.

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

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

See accompanying Notes to Consolidated Financial Statements.

NICKEL ASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Thousands)

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

NICKEL ASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Thousands)

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

NICKEL ASIA CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Thousands)

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

See accompanying Notes to Consolidated Financial Statements.

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

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

(Forward)

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

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

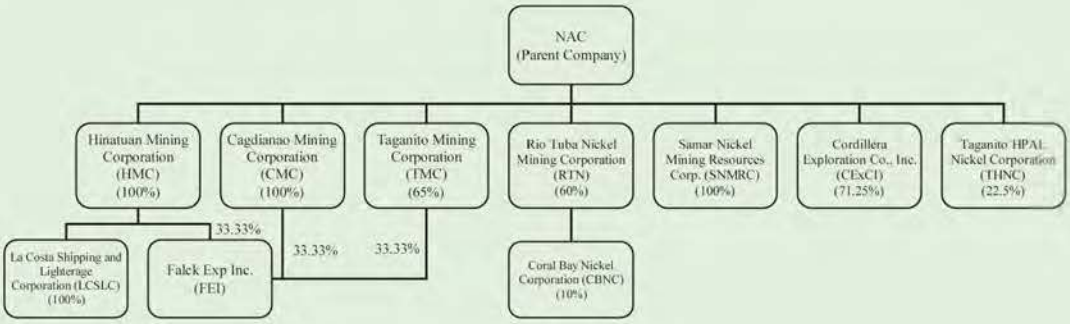
See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

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

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

<u>Parent Company Ownership Map</u>



<u>The Subsidiaries</u>

HMC

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

CMC

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

TMC

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Forward)

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

*Direct and indirect ownership

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

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

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

Specifically, the Parent Company controls an investee if and only if the Parent Company has:

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

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Parent Company's voting rights and potential voting rights.

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

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

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

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

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

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

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

<u>Basis of Consolidation Prior to January 1, 2010</u>
The above mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

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

<u>Changes in Accounting Policies and Disclosures</u>
The accounting policies adopted are consistent with those of the previous financial year except for the following amended PFRS, PAS, and Philippine Interpretations which were adopted as at January 1, 2013.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>New Accounting Standards, Interpretations and Amendments Effective Subsequent to December 31, 2013</u>
The Group will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have a significant impact on its consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as "financial assets held for trading", designated as "AFS financial assets" or "financial assets designated at FVPL". After initial measurement, loans and

receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The amortization and losses arising from impairment are included in "Finance income (expenses)" in the consolidated statement of income. Gains and losses are recognized in the consolidated statement of income when the loans are derecognized or impaired as well as through the amortization process.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Derecognition of Financial Instruments

Financial Assets

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

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

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

Financial Liabilities

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

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

Inventories

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Provisions

General

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

Provision for Mine Rehabilitation and Decommissioning

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

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

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

OCI

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

Capital Stock

Common shares are classified as equity.

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

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

Retained Earnings

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

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

Share-based Payment Transactions

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

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

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

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

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

Basic/Diluted EPS

Basic EPS

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

Diluted EPS

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

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

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

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

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

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

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

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

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

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

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

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

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

a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
b) a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d) there is a substantial change to the asset.
e) where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

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

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

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

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

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

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

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

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

Income Taxes

Current Income Tax

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

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

Deferred Income Tax

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Estimating Useful Lives of Property and Equipment and Investment Properties
The Group estimates the useful lives of property and equipment and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment and investment properties is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. There is no change in the estimated useful lives of the property and equipment and investment properties as at December 31, 2013 and 2012.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Cash and Cash Equivalents

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

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

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

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

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

5. Trade and Other Receivables

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

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

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

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

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

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

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

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

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

6. **Inventories**

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

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

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

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

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

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

7. AFS Financial Assets

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

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

The movements in AFS financial assets account follow:

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

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

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

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

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

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

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

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

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

8. Prepayments and Other Current Assets

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

9. Property and Equipment

2013

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

2012

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

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

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

10. Investment Properties

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

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

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

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

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

11. Investment in an Associate

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

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

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

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

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

Movements in the investment in an associate follow:

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

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

12. **Long-term Stockpile Inventory**

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

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

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

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

13. **Other Noncurrent Assets**

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

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

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

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

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

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

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

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

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

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

14. Trade and Other Payables

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

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

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

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

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

15. **Long-term Debt**

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

TMC Loan

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

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

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

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

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

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

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

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

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

16. Provision for Mine Rehabilitation and Decommissioning

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

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

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

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

17. **Equity**

Capital Stock

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

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

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

Movements in common stock follow:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18. Executive Stock Option Plan

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

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

The stock option agreement was made and executed on January 31, 2011 between the Parent Company and the option grantees.

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

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

Grant Date	January 3, 2011
Spot price per share	₱15.0
Exercise price	13.5
Expected volatility	60.34%
Option life	3.967 years
Dividend yield	2.06%
Risk-free rate	4.50%

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

Except for the effect of stock dividends, there have been no modifications or cancellations in 2013 and 2012.

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

	Number of Options		Weighted Average Exercise Price	
	2013	2012	**2013**	2012
January 1	**13,971,473**	11,503,912	**₱9.00**	₱13.50
Exercised (see Note 17)	**(1,851,218)**	(2,485,683)	**9.00**	13.50
Forfeited	**–**	(450,000)	**–**	13.50
Granted	**–**	746,088	**–**	13.50
Stock dividends	**3,030,058**	4,657,156	**7.20**	9.00
December 31	**15,150,313**	13,971,473	**₱7.20**	₱9.00

In 2013 and 2012, the number of shares and exercise price were adjusted for the effect of the twenty-five percent (25%) and fifty percent (50%) stock dividends, respectively (see Note 17).

The number of exercisable vested stock options as at December 31, 2013 and 2012 are 9,851,885 and 5,233,977, respectively.

On September 2, 2013 and March 19, 2013, the SEC approved the exemption from registration of 3,030,058 and 4,457,156 common shares, respectively, which shall form part of the ESOP.

In 2013 and 2012, the weighted average stock price at exercise dates was ₱26.62 and ₱28.16, respectively, which is equivalent to ₱21.30 and ₱15.02 per share after the effect of stock dividends, respectively.

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

	2013	2012
Balances at beginning of year	**₱57,464**	₱64,308
Cost of share-based payment recognized as capital upon exercise	**(18,309)**	(9,603)
Stock option expense (see Note 25)	**10,369**	2,759
Movements during the year	**(7,940)**	(6,844)
Balances at end of year	**₱49,524**	₱57,464

The weighted average remaining contractual life of options outstanding is two and a half (2.5) years and three and a half (3.5) years as at December 31, 2013 and 2012, respectively.

In 2013, 2012 and 2011, the cost of share-based payments expense amounting to ₱10.4 million, ₱2.8 million and ₱63.2 million, respectively (see Note 25).

19. Earnings Per Share

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

	2013	2012	2011
Net income attributable to equity holders of the parent	**₱2,053,674**	₱2,207,210	₱3,537,782
Preferred stock dividends	**504**	504	504
Net income attributable to equity holders of the parent for basic earnings	**2,053,170**	2,206,706	3,537,278
Dividends on dilutive potential ordinary shares	**–**	474	–
Net income attributable to ordinary equity holders of the parent adjusted for the effect of dilution	**₱2,053,170**	₱2,206,232	₱3,537,278
Weighted average number of common shares for basic EPS	**2,518,547,419**	2,515,828,227	2,512,184,677
Effect of dilution from share options	**11,250,000**	6,093,750	5,625,000
Weighted average number of common shares adjusted for the effect of dilution	**2,529,797,419**	2,521,921,977	2,517,809,677
Basic EPS	**₱0.82**	₱0.88	₱1.41
Diluted EPS	**₱0.81**	₱0.88	₱1.40

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

20. Cost of Sales

	2013	2012	2011
Production overhead	**₱1,938,349**	₱1,986,973	₱1,594,701
Outside services	**869,379**	1,194,218	931,168
Depreciation and depletion (see Note 26)	**830,512**	615,090	423,621
Personnel costs (see Note 25)	**669,699**	614,390	626,309
Long-term stockpile inventory (see Note 12)	**235,169**	132,997	143,184
	4,543,108	4,543,668	3,718,983
Net changes in beneficiated nickel ore and limestone ore	**(53,814)**	(76,453)	(369,293)
	₱4,489,294	₱4,467,215	₱3,349,690

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

21. Cost of Services

	2013	2012	2011
Depreciation and depletion (see Note 26)	**₱133,040**	₱100,726	₱72,769
Equipment operating cost	**76,058**	78,681	65,027
Personnel costs (see Note 25)	**63,836**	36,869	32,847
Overhead	**49,962**	15,575	17,331
Outside services	**12,396**	28,548	26,286
	₱335,292	₱260,399	₱214,260

Equipment operating cost includes interest expense amounting to ₱33.5 million, ₱38.1 million and ₱27.6 million in 2013, 2012 and 2011, respectively (see Note 15).

22. Shipping and Loading Costs

	2013	2012	2011
Contract fees	**₱801,402**	₱857,455	₱769,647
Supplies and fuel, oil and lubricants	**298,752**	271,266	225,119
Depreciation and depletion (see Note 26)	**155,810**	123,670	102,526
Personnel costs (see Note 25)	**72,219**	61,865	84,523
Other services and fees	**70,588**	86,294	104,261
	₱1,398,771	₱1,400,550	₱1,286,076

23. **Excise Taxes and Royalties**

	2013	2012	2011
Royalties (see Notes 36e and 36j)	**₱439,098**	₱485,072	₱491,656
Excise taxes (see Note 36e)	**209,510**	222,865	244,606
	₱648,608	₱707,937	₱736,262

24. **General and Administrative**

	2013	2012	2011
Personnel costs (see Note 25)	**₱223,081**	₱173,819	₱276,641
Depreciation (see Note 26)	**84,705**	84,941	81,711
Taxes and licenses	**80,474**	66,199	31,942
Outside services	**67,750**	62,860	47,437
Transportation and travel	**20,246**	18,257	20,260
Entertainment, amusement and recreation	**13,720**	13,721	15,008
Communications, light and water	**11,882**	13,458	10,902
Repairs and maintenance	**9,528**	8,661	8,364
Others	**113,433**	85,665	85,160
	₱624,819	₱527,581	₱577,425

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

25. **Personnel Costs**

	2013	2012	2011
Salaries, wages and employee benefits	**₱963,293**	₱840,942	₱916,767
Pension cost (see Note 32)	**55,173**	43,242	40,346
Cost of share-based payment plan (see Note 18)	**10,369**	2,759	63,207
	₱1,028,835	₱886,943	₱1,020,320

The amounts of personnel costs are distributed as follows:

	2013	2012	2011
Cost of sales (see Note 20)	**₱669,699**	₱614,390	₱626,309
General and administrative (see Note 24)	**223,081**	173,819	276,641
Shipping and loading costs (see Note 22)	**72,219**	61,865	84,523
Cost of services (see Note 21)	**63,836**	36,869	32,847
	₱1,028,835	₱886,943	₱1,020,320

26. Depreciation and Depletion

	2013	2012	2011
Property and equipment (see Note 9)	**₱1,260,601**	₱974,382	₱724,613
Investment properties (see Note 10)	**2,050**	7,501	9,208
	₱1,262,651	₱981,883	₱733,821

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

	2013	2012	2011
Cost of sales (see Note 20)	**₱830,512**	₱615,090	₱423,621
Shipping and loading costs (see Note 22)	**155,810**	123,670	102,526
Cost of services (see Note 21)	**133,040**	100,726	72,769
General and administrative (see Note 24)	**84,705**	84,941	81,711
Others	**58,584**	57,456	53,194
	₱1,262,651	₱981,883	₱733,821

27. Finance Income

	2013	2012	2011
Interest income (see Notes 4, 7 and 32)	**₱159,445**	₱226,414	₱208,436
Gain on:			
Sale of AFS financial assets (see Note 7)	**7,308**	6,490	–
Sale of investment funds	**–**	2,136	–
	₱166,753	₱235,040	₱208,436

28. Finance Expenses

	2013	2012	2011
Guarantee service fee (see Note 36f)	**₱104,235**	₱83,987	₱26,636
Interest expense (see Notes 15 and 32)	**13,242**	16,199	7,346
Accretion interest on provision for mine rehabilitation and decommissioning (see Note 16)	**8,554**	13,539	10,355
Provision for impairment losses on trade and other receivables (see Note 5)	**2,267**	811	3,962
Loss on sale of AFS financial assets	**–**	–	18,316
	₱128,298	₱114,536	₱66,615

29. **Other Income** - Net

	2013	2012	2011
Gain (loss) on:			
Sale of investment properties (see Note 10)	**₱145,095**	₱–	₱–
Sale of property and equipment	**82,005**	1,369	(2,896)
Casualty	**(7,439)**	–	(239,459)
Write off of input VAT	**(6,752)**	(5,068)	–
Long-term stockpile inventory write-up	**–**	–	573,090
Reversals of allowance for (provisions for):			
Impairment of deferred mine and exploration costs (see Note 13)	**(144,155)**	–	(61,853)
Impairment losses on beneficiated nickel ore inventory (see Note 6)	**9,163**	8,226	(19,141)
Impairment losses on trade and other receivables (see Note 5)	**4,769**	–	–
Impairment losses on input VAT (see Note 8)	**(530)**	–	(914)
Impairment of advances to claimowners	**–**	–	(21,400)
Dividend income (see Note 7)	**62,654**	192,720	436,369
Foreign exchange gains (losses) -net	**53,293**	(123,466)	39,695
Despatch (demurrage)	**49,134**	70,567	(63,219)
Special projects	**28,375**	79,791	7,432
Issuance of fuel, oil and lubricants	**8,209**	22,511	12,804
Other services	**4,766**	6,489	7,347
Rentals and accommodations	**4,209**	4,178	4,296
Others - net	**16,987**	42,945	73,049
	₱309,783	₱300,262	₱745,200

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

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

	2013	2012	2011
Realized foreign exchange gains (losses)	**₱90,798**	(₱142,786)	₱12,801
Unrealized foreign exchange gains (losses) on:			
Cash and cash equivalents	**77,129**	(54,282)	8,358
Trade and other receivables	**4,370**	(22,249)	3,062
AFS financial assets	**860**	(11,217)	17,074
Trade and other payables	**(504)**	1,181	59
Long-term debt	**(119,636)**	105,793	(1,659)
Other accounts	**276**	94	–
	₱53,293	(₱123,466)	₱39,695

30. **Material Partly-Owned Subsidiaries**

Financial information of subsidiaries that have material non-controlling interests are provided below:

Proportion of equity interest held by non-controlling interests:

	Principal Place of Business	**2013**	2012
RTN	Philippines	**40.00%**	40.00%
TMC	Philippines	**35.00%**	35.00%

Equity attributable to material non-controlling interest:

	2013	2012
RTN	**₱2,297,884**	₱2,418,262
TMC	**1,677,390**	1,429,277

Net income attributable to material non-controlling interest:

	2013	2012
RTN	**₱380,490**	₱605,383
TMC	**262,465**	380,495

Other comprehensive income (loss) attributable to material non-controlling interest:

	2013	2012
RTN	**(₱21,205)**	₱24,481
TMC	**(15,195)**	7,396

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

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

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

Summarized statements of comprehensive income for the year ended December 31, 2012:

	RTN	TMC
Revenues	₱4,351,141	₱3,218,567
Cost of sales and services	(2,219,040)	(1,113,332)
Operating expenses	(556,128)	(769,547)
Other income - net	242,977	78,768
Finance income - net	57,119	20,692
Income before income tax	1,876,069	1,435,148
Provision for income tax	(423,814)	(369,150)
Net income	1,452,255	1,065,998
Other comprehensive income	61,202	21,132
Total comprehensive income	₱1,513,457	₱1,087,130
Attributable to non-controlling interests	₱566,985	₱380,495
Dividends paid to non-controlling interests	600,000	–

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

	RTN	TMC
Current assets	**₱3,690,031**	**₱2,502,364**
Noncurrent assets	**2,621,293**	**4,263,406**
Current liabilities	**(372,054)**	**(414,052)**
Noncurrent liabilities	**(194,561)**	**(1,559,176)**
Total equity	**₱5,744,709**	**₱4,792,542**
Attributable to equity holders of parent	**₱3,446,825**	**₱3,115,152**
Non-controlling interest	**2,297,884**	**1,677,390**

Summarized statements of financial position as at December 31, 2012:

	RTN	TMC
Current assets	₱3,739,779	₱2,577,490
Noncurrent assets	2,976,186	3,348,574
Current liabilities	(469,818)	(366,924)
Noncurrent liabilities	(200,493)	(1,475,491)
Total equity	₱6,045,654	₱4,083,649
Attributable to equity holders of parent	₱3,627,392	₱2,654,372
Non-controlling interest	2,418,262	1,429,277

Summarized cash flow information for the year ended December 31, 2013:

	RTN	**TMC**
Operating	**₱1,569,339**	**₱888,778**
Investing	**(121,040)**	**(1,322,766)**
Financing	**(1,244,781)**	**(108,874)**
Net increase (decrease) in cash and cash equivalents	**₱203,518**	**(₱542,862)**

Summarized cash flow information for the year ended December 31, 2012:

	RTN	TMC
Operating	₱1,643,112	₱1,152,222
Investing	(1,275,849)	(954,751)
Financing	(1,547,825)	(112,203)
Net increase (decrease) in cash and cash equivalents	(₱1,180,562)	₱85,268

31. Related Party Transactions

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

Set out on next page are the Group's transactions with related parties in 2013, 2012 and 2011, including the corresponding assets and liabilities arising from the said transactions as at December 31, 2013 and 2012.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Amount			Trade and Other Receivables (see Note 5)		Trade and Other Payables (see Note 14)		Amounts Owed by Related Parties (see Note 5)		Long-term Debt (see Note 15)		Terms	Conditions
	2013	2012	2011	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012		
Stockholders													
Pacific Metals Co., Ltd. (PAMCO)													
Sale of ore and services	**₱1,269,780**	₱2,086,909	₱2,061,853	**₱5,948**	₱61,914	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	Ninety percent (90%) upon receipt of documents and ten percent (10%) after the final dry weight and applicable assay have been determined; noninterest- bearing	Unsecured; no guarantee
Dividends paid	**480,000**	600,000	–	**–**	–	**–**	–	**–**	–	**–**	–	Payable on demand; noninterest-bearing	Fully paid
Draft survey fee	**295**	388	–	**54**	–	**–**	–	**–**	–	**–**	–	Payable on demand; noninterest-bearing	Unsecured; no guarantee
Despatch income	**1,080**	–	–	**1,080**	–	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
SMM													
Sale of ore	**42,040**	125,687	407,300	**–**	–	**–**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Guarantee fee	**103,351**	82,668	–	**–**	–	**39,549**	32,548	**–**	–	**–**	–	Every twenty first (21) of February and August	Unsecured
Short-term advances	**1,783**	–	–	**–**	–	**–**	–	**532**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee

(Forward)

	Amount			Trade and Other Receivables (see Note 5)		Trade and Other Payables (see Note 14)		Amounts Owed by Related Parties (see Note 5)		Long-term Debt (see Note 15)		Terms	Conditions
	2013	2012	2011	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012		
Stockholders													
SMM													
Additional loan facility	**₱–**	₱–	₱–	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	**₱179,001**	₱210,295	Principal is payable in semi-annual installments, interest is based on one hundred eighty (180)-day British Banker Association LIBOR plus two percent (2%) spread	Secured; with guarantee
NAHI													
Short-term advances	**100**	106	–	**–**	–	**–**	–	**–**	7,564	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Dividends payable	**504**	504	504	**–**	–	**2,016**	1,512	**–**	–	**–**	–	Payable on demand; noninterest-bearing	Unsecured; no guarantee
With Common Stockholders													
CBNC													
Sale of ore and services	**1,744,600**	1,695,491	2,286,240	**200,454**	312,268	**–**	–	**–**	–	**–**	–	Seven (7) to thirty (30) days; noninterest-bearing	Unsecured; no guarantee
Infralease and throughput	**52,445**	56,721	–	**23,983**	24,597	**–**	–	**–**	–	**–**	–	Collectible at the end of February and August; noninterest-bearing	Unsecured; no guarantee
Dividend received	**60,480**	191,880	–	**–**	–	**–**	–	**–**	–	**–**	–	Collectible within 30 days from declaration date; noninterest-bearing	Fully collected

(Forward)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Amount			Trade and Other Receivables (see Note 5)		Trade and Other Payables (see Note 14)		Amounts Owed by Related Parties (see Note 5)		Long-term Debt (see Note 15)		Terms	Conditions
	2013	2012	2011	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012		
With Common Stockholders													
CBNC													
Other income	**₱8,846**	₱40,489	₱–	**₱26,066**	₱48,832	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Short-term advances	**625**	–	–	**–**	–	**–**	–	**63**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Manta Equities, Inc.													
Rentals, dues and utilities	**13,542**	–		**1,288**		**1,451**						Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Rental deposits	**7,896**	–	–	**2,292**	–	**–**	–	**–**	–	**–**	–	Collectible upon end of the lease; noninterest-bearing	Unsecured; no guarantee
Short-term advances	**1,147**	28	–	**745**	–	**–**	–	**83**	76	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Associate													
THNC													
Sale of ore	**237,071**	–	–	**75,638**	–	**–**	–	**–**	–	**–**	–	30 days term, noninterest-bearing	Unsecured; no guarantee
Rendering of service	**125,003**	124,702	110,045	**31,146**	28,920	**–**	–	**–**	–	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
Materials handling (see Note 31a)	**124,523**	–	–	**42,705**	–	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee
Rental income	**6,703**	–	–	**–**	–	**–**	–	**–**	–	**–**	–	Collectible on demand; noninterest-bearing	Unsecured; no guarantee

(Forward)

	Amount			Trade and Other Receivables (see Note 5)		Trade and Other Payables (see Note 14)		Amounts Owed by Related Parties (see Note 5)		Long-term Debt (see Note 15)		Terms	Conditions
	2013	2012	2011	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012		
THNC													
Associate													
Additional loan facility	**₱–**	₱–	₱–	**₱–**	₱–	**₱–**	₱–	**₱–**	₱–	**₱1,359,596**	₱1,328,994	Principal is payable in semi-annual installments, interest is based on one hundred eighty (180)-day British Banker Association LIBOR plus two percent (2%) spread	Secured; with guarantee
Short-term advances	**22,180**	21,446	12,492	**–**	–	**–**	–	**8,534**	6,611	**–**	–	Collectible upon billing; noninterest-bearing	Unsecured; no guarantee
				₱411,399	₱476,531	**₱43,016**	₱34,060	**₱9,212**	₱14,251	**₱1,538,597**	₱1,539,289		

Terms and Conditions of Transactions with Related Parties
All sales and purchases from related parties are made at prevailing market prices. Outstanding balances as at December 31, 2013, 2012 and 2011 pertain to the extension and receipt of advances to and from related parties and these are unsecured, short-term, interest-free and settlement occurs in cash. Except for the guarantee on the CBNC and THNC Loan Obligations (see Note 36f), there have been no guarantees received or provided for any related party receivables or payables, respectively. This assessment is undertaken at each end of the reporting period through the examination of the financial position of the related party and the market in which the related party operates.

a. Sales and Service Agreements

Nickel Ore Sale Agreements with PAMCO
HMC, CMC and TMC supply saprolite ore to PAMCO under renewable annual agreements. PAMCO is a stockholder of the Parent Company and TMC. All sales made to PAMCO are transacted at prevailing market prices. Under the terms of the agreement, the base price of the ore products for a specific shipment shall be based on London Metal Exchange (LME). PAMCO shall pay the Group ninety percent (90%) of the provisional invoice amount upon receipt of the required documents and pay the final payment of each shipment after the final dry weight and applicable assay have been determined. Outstanding balances as at December 31, 2013 and 2012 are unsecured, interest-free and settlement occurs in cash. Receivable from PAMCO is included as part of "Trade and other receivables" and is expected to be collected subsequently.

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

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

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

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

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

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

b. Stockholder Agreements

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

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

In a separate agreement dated December 9, 2011, SMM, which also owns 62.5% of THNC, agreed to assume Parent Company's obligation to make loans to, or guarantee the repayment of, THNC's loans obligations. The Parent Company, in consideration for this agreement, pays SMM an annual guarantee fee of 1% of THNC's outstanding loans obligation.

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

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

As at December 31, 2013, RTN owns 10% of CBNC's outstanding capital stock. In February 2014, RTN declared as property dividends its shares of stock in CBNC to the Parent Company. (see Note 37).

c. Other Agreements

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

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

d. Compensation of Key Management Personnel

The Group considers as key management personnel all employees holding managerial positions up to the president. The short-term benefits of key management personnel of the Group in 2013, 2012 and 2011 amounted to about ₱162.6 million, ₱145.8 million and ₱161.2 million, respectively. The post-employment benefits of key management personnel of the Group amounted to ₱4.1 million in 2013, ₱5.5 million in 2012 and ₱4.1 million in 2011, respectively. Cost of share-based payments of key management personnel in 2013, 2012 and 2011 amounted to ₱10.4 million, ₱2.8 million and ₱63.2 million, respectively.

e. Lease Agreement

On March 18, 2013, the Group entered into a lease agreement with MEI for its office and parking space. The lease agreement is effective for a period of five (5) years starting May 15, 2013 and is renewable subject to negotiation of the terms and conditions and mutual agreement of both parties. Rent expense pertaining to the lease amounted to ₱10.0 million and nil in 2013 and 2012, respectively.

Future minimum rent payable under the lease as at December 31, 2013 and 2012 are as follows:

	2013	2012
Within one (1) year	**₱20,350**	₱–
After one (1) year but not more than five (5) years	**70,378**	–
	₱90,728	₱–

32. **Pension Costs**

The Group has two (2) funded and three (3) unfunded, noncontributory defined benefit retirement plans covering substantially all of its employees.

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

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

	2013	2012
Funded pension liabilities		
RTN	**₱40,187**	₱–
TMC	**164,121**	101,753
Unfunded pension liabilities		
NAC	**23,214**	–
CMC	**31,418**	24,985
HMC	**20,135**	9,794
	₱279,075	₱136,532

Funded pension asset		
RTN	**₱–**	₱56,986

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Changes in net defined benefit liability and fair value of plan assets in 2013, 2012 and 2011 and are as follows:

	December 31, 2013											
		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income						
	January 1, 2013	Current service cost	Net interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from experience adjustments	Changes in the effect of asset ceiling	Subtotal	Contributions	December 31, 2013
RTN	₱306,001	₱24,602	₱20,715	₱45,317	(₱20,691)	₱–	₱54,110	₱9,492	₱–	₱63,602	₱–	₱394,229
TMC	171,213	21,500	10,769	32,269	(5,206)	–	43,138	(159)	–	42,979	–	241,255
Defined benefit liability	477,214	46,102	31,484	77,586	(25,897)	–	97,248	9,333	–	106,581	–	635,484
RTN	(370,170)	–	(24,360)	(24,360)	20,691	19,797	–	–	–	19,797	–	(354,042)
TMC	(69,460)	–	(4,520)	(4,520)	5,206	1,640	–	–	–	1,640	(10,000)	(77,134)
Fair value of plan assets	(439,630)	–	(28,880)	(28,880)	25,897	21,437	–	–	–	21,437	(10,000)	(431,176)
RTN	7,183	–	487	487	–	–	–	–	(7,670)	(7,670)	–	–
TMC	–	–	–	–	–	–	–	–	–	–	–	–
Restrictions on asset recognized	7,183	–	487	487	–	–	–	–	(7,670)	(7,670)	–	–
RTN	(56,986)	24,602	(3,158)	21,444	–	19,797	54,110	9,492	(7,670)	75,729	–	40,187
TMC	101,753	21,500	6,249	27,749	–	1,640	43,138	(159)	–	44,619	(10,000)	164,121
Pension liability	₱44,767	₱46,102	₱3,091	₱49,193	₱–	₱21,437	₱97,248	₱9,333	(₱7,670)	₱120,348	(₱10,000)	₱204,308

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011, as restated

	Net benefit cost in consolidated statements of income						Remeasurements in other comprehensive income						
	January 1, 2011 (As restated)	Current service cost	Past service cost	Net interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from experience adjustments	Subtotal	Contributions	December 31, 2011 (As restated)
RTN	₱332,105	₱23,578	₱18,241	₱26,535	₱68,354	(₱40,204)	₱–	₱–	(₱4,065)	(₱6,300)	(₱10,365)	₱–	₱349,890
TMC	126,444	11,701	–	9,572	21,273	(12,338)	–	–	17,902	493	18,395	–	153,774
Defined benefit liability	458,549	35,279	–	36,107	89,627	(52,542)	–	–	13,837	(5,807)	8,030	–	503,664
RTN	(302,904)	–	–	(23,793)	(23,793)	40,204	(3,721)	–	–	–	(3,721)	(29,967)	(320,181)
TMC	(66,172)	–	–	(4,543)	(4,543)	12,338	498	–	–	–	498	–	(57,879)
Fair value of plan assets	(369,076)	–	–	(28,336)	(28,336)	52,542	(3,223)	–	–	–	(3,223)	(29,967)	(378,060)
RTN	–	–	–	–	–	–	–	–	–	–		–	
TMC	–	–	–	–	–	–	–	–	–	–	–	–	–
Restrictions on asset recognized	–	–	–	–	–	–	–	–	–	–	–	–	–
RTN	29,201	23,578	–	2,742	44,561	–	(3,721)	–	(4,065)	(6,300)	(14,086)	(29,967)	29,709
TMC	60,272	11,701	–	5,029	16,730	–	498	–	17,902	493	18,893	–	95,895
Pension liability	₱89,473	₱35,279	₱–	₱7,771	₱61,291	₱–	(₱3,223)	₱–	₱13,837	(₱5,807)	₱4,807	(₱29,967)	₱125,604

Changes in unfunded pension liability as at December 31, 2013, 2012 and 2011 are as follows:

December 31, 2013

		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income				
	January 1, 2013	Current service cost	Interest cost	Subtotal	Benefits paid	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from experience adjustments	Subtotal	December 31, 2013
NAC	₱–	₱4,382	₱–	₱4,382	₱–	₱–	₱–	₱18,832	₱18,832	₱23,214
CMC	24,985	2,943	1,579	4,522	(648)	(4,428)	5,794	1,193	2,559	31,418
HMC	9,794	1,746	648	2,394	–	–	2,783	5,164	7,947	20,135
Pension liability	₱34,779	₱9,071	₱2,227	₱11,298	(₱648)	(₱4,428)	₱8,577	₱25,189	₱29,338	₱74,767

December 31, 2012, as restated

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

December 31, 2011, as restated

		Net benefit cost in consolidated statements of income				Remeasurements in other comprehensive income				
	January 1, 2011 (As restated)	Current service cost	Interest cost	Subtotal	Benefits paid	Actuarial changes arising from changes in demographic assumptions	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from experience adjustments	Subtotal	December 31, 2011 (As restated)
CMC	₱19,726	₱2,960	₱1,545	₱4,505	₱–	₱–	₱2,482	(₱6,099)	(₱3,617)	₱20,614
HMC	10,482	2,107	843	2,950	–	–	(1,639)	(946)	(2,585)	10,847
Pension liability	₱30,208	₱5,067	₱2,388	₱7,455	₱–	₱–	₱843	(₱7,045)	(₱6,202)	₱31,461

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

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

2012	RTN	TMC
Fixed income securities	72.30%	57.23%
Investments in shares of stock	23.30%	30.17%
Others	4.40%	12.60%
	100.00%	100.00%

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

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

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

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

2011	NAC	RTN	TMC	HMC	CMC
Discount rate	–	6.92%	7.57%	8.04%	6.00%
Salary increase rate	–	8.00%	10.00%	5.00%	5.00%

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

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

	Increase (decrease)	2013
Discount rates	+100 basis points	(₱68,433)
	-100 basis points	81,796
Salary increase rate	+100 basis points	72,534
	-100 basis points	(62,379)

As at March 24, 2014, the Group has not yet reasonably determined the amount of 2014 contributions to the retirement fund.

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

	2013
Within the next twelve (12) months	₱36,272
Between two (2) and five (5) years	188,555
Between five (5) and ten (10) years	292,457
Total expected payments	₱517,284

The average duration of the defined retirement benefits liability as at December 31, 2013 is 16.8 years.

33. Income Taxes

The provision for current income tax shown in the consolidated statements of income includes the Regular Corporate Income Tax (RCIT) of HMC, TMC and RTN and Minimum Corporate Income Tax (MCIT) of NAC, CMC and LCSLC in 2013, RCIT of HMC, TMC and RTN and MCIT of CMC and CEXCI in 2012, and RCIT of HMC, TMC, RTN, CMC, LCSLC and FEI in 2011, as follows:

	2013	2012	2011
HMC	**₱487,825**	₱428,994	₱170,455
TMC	**345,837**	399,002	408,179
RTN	**321,338**	424,336	852,466
CMC	**7,819**	11,936	185,053
NAC	**6,574**	–	–
LCSLC	**111**	–	3,596
CExCI	**–**	2	–
FEI	**–**	–	30
	₱1,169,504	₱1,264,270	₱1,619,779

SNMRC, CExCI and FEI were in gross and net taxable loss positions in 2013.

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

	2013	2012	2011
Income tax at statutory rates from non PEZA registered activities	**₱1,785,374**	₱1,899,359	₱2,312,252
Income tax at statutory rates from PEZA registered activities	**(4,554)**	4,729	934
Add (deduct) tax effects of:			
Dividend income exempted from tax	**(534,152)**	(732,575)	(533,019)

(Forward)

	2013	2012	2011
Movements in deductible temporary differences for which deferred income taxes were recognized	**(₱73,938)**	(₱43,111)	₱125,234
Benefit from availment of optional standard deduction	**(56,877)**	(62,861)	(372,062)
Interest income subjected to final tax	**(46,247)**	(63,248)	(56,393)
Expired NOLCO and excess MCIT over RCIT	**37,767**	1,496	–
Change in unrecognized deferred income tax assets	**23,210**	4,876	3,373
Application of unrecognized deferred income tax asset on NOLCO	**(16,915)**	–	–
Non-deductible expenses	**13,165**	169,550	181,524
Derecognized deferred income tax assets	**–**	188,184	33,869
Other	**(2,618)**	(31,701)	(9,697)
Income tax at effective rates	**₱1,124,215**	₱1,334,698	₱1,686,015

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

	2013	2012	2011
Deferred income tax assets:			
NOLCO	**₱135,139**	₱151,340	₱214,882
Allowance for:			
Inventory losses	**112,276**	112,507	121,046
Impairment losses on trade and other receivables	**9,216**	16,301	67,862
Impairment of advances to claimowners	**4,947**	4,947	6,420
Impairment losses on property and equipment and deferred mine exploration costs	**1,507**	120	32,426
Pension liability	**83,722**	40,960	47,120
Valuation gains on AFS financial assets	**(36,727)**	(21,090)	(1,327)
Excess of MCIT over RCIT	**26,330**	11,936	–
Provision for mine rehabilitation and decommissioning	**25,123**	21,232	23,222
Unrealized foreign exchange losses (gains) - net	**(23,918)**	12,603	(37,613)
Deferred income	**3,999**	4,209	4,208

(Forward)

	2013	2012	2011
Deferred income tax assets:			
Costs of share-based payment plan	**₱3,028**	₱5,129	₱27,561
Undepleted asset retirement obligation	**(1,827)**	(1,876)	3,579
Accrued SDMP costs	**1,003**	4,036	13,385
Others	**625**	2,543	(20,920)
	₱344,443	₱364,897	₱501,851
Deferred income tax liabilities:			
Long-term stockpile inventory	**₱351,029**	₱421,580	₱461,479
Asset revaluation surplus	**104,409**	107,797	111,366
Share in cumulative translation adjustment (see Note 11)	**30,790**	–	13,139
Pension asset	–	17,095	–
Unrealized foreign exchange gains - net	–	8,053	–
Allowance for inventory losses	–	(2,518)	–
Provision for mine rehabilitation and decommissioning	–	(1,143)	–
Others	–	(413)	(359)
	₱486,228	₱550,451	₱585,625

As at December 31, 2013 and 2012, the Group has temporary differences on NOLCO amounting to ₱80.6 million and ₱786.7 million, respectively, for which no deferred income tax asset was recognized as management expects that it is not probable that sufficient taxable income will be available against which the benefit of the deferred income tax asset can be utilized.

As at December 31, 2013 and 2012, the Group, except for FEI, has NOLCO and excess MCIT over RCIT that can be claimed as deduction from future taxable income as follows:

Year Incurred	Year of Expiration	NOLCO	Excess MCIT over RCIT
2011	2014	₱99,994	₱20
2012	2015	402,125	11,938
2013	2016	27,254	14,394
		₱529,373	₱26,352

As at December 31, 2013 and 2012, FEI has NOLCO that can be claimed as deduction from future taxable income as follows:

Year Incurred	Year of Expiration	NOLCO
2009	2014	₱238
2011	2016	208
2012	2017	267
2013	2018	136
		₱849

Movements in NOLCO are as follow:

	2013	2012
Balances at January 1	**₱1,291,186**	₱859,334
Additions	**27,390**	436,819
Expirations	**(697,543)**	(4,967)
Applications	**(90,811)**	–
Balances at December 31	**₱530,222**	₱1,291,186

Movements in excess of MCIT over RCIT are as follow:

	2013	2012
Balances at January 1	**₱11,971**	₱39
Additions	**14,394**	11,938
Expirations	**(13)**	(6)
Balances at December 31	**₱26,352**	₱11,971

34. **Financial Instruments**

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

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

Credit Risk

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

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

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

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

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

Credit Quality and Aging Analyses of Financial Assets
The credit quality and aging analysis of the Group's financial assets as at December 31, 2013 and 2012 are summarized in the following tables:

2013	Neither Past Due Nor Impaired (High)	Past Due But Not Impaired (30-180 days)	Past Due and Individually Impaired	Total
Cash and cash equivalents:	**₱10,226,439**	**₱–**	**₱–**	**₱10,226,439**
Cash with banks	**4,973,946**	**–**	**–**	**4,973,946**
Short-term cash investments	**5,252,493**	**–**	**–**	**5,252,493**
Trade and other receivables:	**776,295**	**–**	**38,943**	**815,238**
Trade	**628,418**	**–**	**26,150**	**654,568**
Receivable from CBNC	**50,049**	**–**	**–**	**50,049**
Amounts owed by related parties	**9,212**	**–**	**–**	**9,212**
Others	**88,616**	**–**	**12,793**	**101,409**
AFS financial assets:	**2,438,938**	**–**	**–**	**2,438,938**
Quoted debt securities	**1,318,364**	**–**	**–**	**1,318,364**
Quoted equity securities	**201,830**	**–**	**–**	**201,830**
Unquoted equity securities	**918,744**	**–**	**–**	**918,744**
Other noncurrent assets:	**237,584**	**–**	**–**	**237,584**
MRF	**125,467**	**–**	**–**	**125,467**
Cash held in escrow	**65,118**	**–**	**–**	**65,118**
Long-term negotiable instruments	**30,000**	**–**	**–**	**30,000**
SDMP fund	**16,999**	**–**	**–**	**16,999**
	₱13,679,256	**₱–**	**₱38,943**	**₱13,718,199**

2012	Neither Past Due Nor Impaired (High)	Past Due But Not Impaired (30-180 days)	Past Due and Individually Impaired	Total
Cash and cash equivalents:	₱9,262,795	₱–	₱–	₱9,262,795
Cash with banks	636,961	–	–	636,961
Short-term cash investments	8,625,834	–	–	8,625,834
Trade and other receivables:	509,229	309,514	43,686	862,429
Trade	229,199	306,631	32,436	568,266
Receivable from CBNC	73,429	–	–	73,429
Amounts owed by related parties	14,251	–	–	14,251
Notes receivable	76,278	–	–	76,278
Others	116,072	2,883	11,250	130,205
AFS financial assets:	2,128,038	–	–	2,128,038
Quoted debt securities	1,020,750	–	–	1,020,750
Quoted equity securities	188,544	–	–	188,544
Unquoted equity securities	918,744	–	–	918,744
Other noncurrent assets:	231,079	–	–	231,079
MRF	134,288	–	–	134,288
Cash held in escrow	64,228	–	–	64,228
Long-term negotiable instruments	30,000	–	–	30,000
SDMP fund	2,563	–	–	2,563
	₱12,131,141	₱309,514	₱43,686	₱12,484,341

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

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

- Cash and cash equivalents, cash held in escrow, MRF and SDMP fund are placed in various foreign and local banks. The rest are held by various foreign banks having a Standard and Poor's credit rating of at least A. Material amounts are held by local banks, as approved by the BOD, that have good reputation and low probability of insolvency. Management assesses the quality of these assets as high grade.
- Trade receivables and receivable from CBNC pertain to receivables from customers which have good financial capacity and with which the Group has already established a long standing relationship. Management assesses the quality of these assets as high grade. Trade and other receivables not foreseen to be collected are classified as sub-standard grade.
- Amounts owed by related parties are advances that are due and demandable. The related parties are operating firms capable of repaying the amount due. Management assesses the quality of these assets as high grade.
- Management assesses the quality of other receivables as high grade since amounts pertain to receivables from customers which have good financial capacity and with whom the Group has already established a long outstanding relationship. The other receivables also include amounts owed by officers and employees that are operational advances in nature. These operational advances are collected subsequently.
- AFS financial assets in debt securities and equity securities are investments that can be traded and from companies with good financial capacity, making the investment secured and realizable. Management assesses the quality of these assets as high grade.

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

Liquidity Risk

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

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

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2013 and 2012 based on contractual undiscounted payments.

2013	**On Demand**	**Less Than Three (3) Months**	**Three (3) to Twelve (12) Months**	**More Than One (1) Year**	**Total**
Trade and other payables					
Trade	**₱274,770**	**₱179,385**	**₱21,816**	**₱–**	**₱475,971**
Accrued expenses	**35,371**	**105,761**	**100,090**	**–**	**241,222**
Retention payable	**–**	**–**	**–**	**34,168**	**34,168**
Others	**–**	**19,889**	**14,420**	**–**	**34,309**
Long-term debt					
Principal	**–**	**–**	**117,469**	**1,421,128**	**1,538,597**
Interest	**–**	**–**	**25,141**	**481,592**	**506,733**
	₱310,141	**₱305,035**	**₱278,936**	**₱1,936,888**	**₱2,831,000**

2012	On Demand	Less Than Three (3) Months	Three (3) to Twelve (12) Months	More Than One (1) Year	Total
Trade and other payables					
Trade	₱298,976	₱88,950	₱14,865	₱459	₱403,250
Accrued expenses	112,537	82,174	59,450	239	254,400
Retention payable	–	–	–	446	446
Others	26,110	17,730	–	–	43,840
Long-term debt					
Principal	–	22,391	94,228	1,422,670	1,539,289
Interest	–	764	28,106	662,088	690,958
	₱437,623	₱212,009	₱196,649	₱2,085,902	₱2,932,183

The tables below summarize the maturity profile of the Group's financial assets used to manage liquidity risk of the Group as at December 31, 2013 and 2012.

2013	On Demand	Less Than Three (3) Months	Three (3) to Twelve (12) Months	More Than One (1) Year	Total
Cash and cash equivalents					
Cash on hand and with banks	₱4,981,843	₱–	₱–	₱–	₱4,981,843
Short-term cash investments	5,252,493	–	–	–	5,252,493
Trade and other receivables					
Trade	499,028	74,857	22,042	32,491	628,418
Receivable from CBNC	50,049	–	–	–	50,049
Amounts owed by related parties	9,212	–	–	–	9,212
Others	74,483	2,729	154	11,250	88,616
AFS financial assets					
Quoted debt securities	1,318,364	–	–	–	1,318,364
Quoted equity securities	201,830	–	–	–	201,830
Unquoted equity securities	918,744	–	–	–	918,744
Other noncurrent assets					
MRF	125,467	–	–	–	125,467
Cash held in escrow	65,118	–	–	–	65,118
Long-term negotiable instruments	–	–	–	30,000	30,000
SDMP fund	16,999	–	–	–	16,999
	₱13,513,630	₱77,586	₱22,196	₱73,741	₱13,687,153

2012	On Demand	Less Than Three (3) Months	Three (3) to Twelve (12) Months	More Than One (1) Year	Total
Cash and cash equivalents					
Cash on hand and with banks	₱637,617	₱–	₱–	₱–	₱637,617
Short-term cash investments	8,625,834	–	–	–	8,625,834
Trade and other receivables					
Trade	229,199	306,631	–	–	535,830
Receivable from CBNC	73,429	–	–	–	73,429
Amounts owed by related parties	14,251	–	–	–	14,251
Notes receivable	76,278	–	–	–	76,278
Others	116,072	2,883	–	–	118,955
AFS financial assets					
Quoted debt securities	1,020,750	–	–	–	1,020,750
Unquoted equity securities	918,744	–	–	–	918,744
Quoted equity securities	188,544	–	–	–	188,544
Other noncurrent assets					
MRF	134,288	–	–	–	134,288
Cash held in escrow	64,228	–	–	–	64,228
Long-term negotiable instruments	–	–	–	30,000	30,000
SDMP fund	2,563	–	–	–	2,563
	₱12,101,797	₱309,514	₱–	₱30,000	₱12,441,311

Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchanges rates, commodity prices, interest rates, equity prices and other market changes.

Foreign Currency Risk
The Group has transactional currency exposures. Such exposure arises from cash and cash equivalents, trade and other receivables, AFS financial assets, trade and other payables and long-term debt. For its foreign currency-denominated trade receivables, the Group ensures timely follow-up and collection to mitigate the impact of foreign exchange fluctuations.

To mitigate the effects of foreign currency risk, the Group will seek to accelerate the collection of foreign currency-denominated receivables and the settlement of foreign currency-denominated payables and loans, whenever practicable. Also, foreign exchange movements are monitored on a daily basis.

The Group's foreign currency-denominated financial assets and liabilities and their Philippine peso equivalents as at December 31, 2013 and 2012 are as follows:

	2013		2012	
	US$ Amount	**Peso Equivalent**	US$ Amount	Peso Equivalent
Financial assets:				
Cash and cash equivalents	**\$59,395**	**₱2,636,863**	\$14,956	₱613,924
Trade and other receivables	**11,526**	**538,074**	13,449	552,075
AFS financial assets	**17,063**	**757,510**	10,302	422,897
	\$87,984	**₱3,932,447**	\$38,707	₱1,588,896
Financial liabilities:				
Trade and other payables	**\$1,434**	**₱63,422**	\$1,230	₱50,503
Long-term debt	**34,657**	**1,538,598**	37,498	1,539,289
	\$36,091	**₱1,602,020**	\$38,728	₱1,589,792

The exchange rate used for conversion of US\$1.00 to peso equivalent was ₱44.40 and ₱41.05 as at December 31, 2013 and 2012, respectively.

The sensitivity of all the Group's financial instruments to a reasonably possible change in the exchange rate, with all other variables held constant, of the Group's income before income tax (due to changes in fair value of monetary assets and liabilities) as at December 31, 2013 and 2012 follows:

	Peso (Strengthens) Weakens	Sensitivity to pretax income
2013	**₱0.70**	**₱36,325**
	(0.55)	**(28,541)**
2012	₱0.72	(₱15)
	(0.75)	16

There is no other impact on the Group's equity other than those already affecting the consolidated statements of income.

Interest Rate Risk
The Group's exposure to the risk for changes in market interest rate relates to AFS quoted debt and floating-rate long-term debt.

Floating rate instruments expose the Group to cash flow interest rate risk, whereas, fixed interest rate instruments expose the Group to fair value risk. The Group regularly monitors the market interest rate movements and manages its interest rate risks by using a mix of fixed and variable rates.

The following tables set out the carrying amount, by maturity, of the Group's financial instrument that is exposed to cash flow interest rate risk:

2013	**<1 year**	**1-5 years**	**>5 years**	**Total**
Floating rate (LIBOR plus 2% spread) - long-term debt	**₱117,469**	**₱527,679**	**₱893,449**	**₱1,538,597**

2012	<1 year	1-5 years	>5 years	Total
Floating rate (LIBOR plus 2% spread) - long-term debt	₱116,619	₱524,701	₱897,969	₱1,539,289

Management believes that cash generated from operations is sufficient to pay for its obligations under the loan agreements as they fall due. As at December 31, 2013 and 2012, the interest on the Group's long-term debt is repriced on a 180-day basis.

The sensitivity to a reasonably possible change in the interest rate (in basis points), with all other variables held constant, of the Group's income before income tax and equity as at December 31, 2013 and 2012 are as follows:

	Change in interest rate (in basis points)	**Sensitivity to income before income tax**	**Sensitivity to equity**
December 31, 2013			
Long-term debt	**+100**	**(15,386)**	
	-100	**15,386**	
AFS financial assets	**+100**		**(37,923)**
	-100		**37,923**
December 31, 2012			
Long-term debt	+100	(15,393)	–
	-100	15,393	–
AFS financial assets	+100	–	(31,311)
	-100	–	31,311

The impact on the Group's income before income tax is caused by changes in the interest of the floating-rate long-term debt, while the impact on the Group's equity is caused by the changes in the market value of AFS quoted debt due to interest rate movements. The impact on the Group's equity excludes the impact on transactions affecting the consolidated statement of income.

Equity Price Risk

Equity price risk is the risk to earnings or capital arising from changes in stock prices relating to its quoted equity securities. The Group's exposure to equity price risk relates primarily to its AFS financial assets on various stocks of listed companies.

The Group's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on its financial position.

The table shows the sensitivity to a reasonably possible change in equity prices on AFS equity instruments as at December 31, 2013 and 2012, except equity-linked investments.

The equity impact is arrived using the reasonably possible change of the relevant market indices and the specific adjusted beta of each stock the Group holds. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole.

	Average change in market indices (in percentage)	Sensitivity to equity
2013	**22.23%**	**18,393**
	-22.23%	**(18,393)**
2012	22.23%	16,182
	-22.23%	(16,182)

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

Capital Management

The Group considers its equity as capital. Its primary objective in capital management is to maintain a strong credit rating in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares or declare dividend payments to shareholders. No changes were made in the objectives, policies or processes during the years ended December 31, 2013 and 2012.

The Group monitors capital using the debt-to-equity ratio, which is total liabilities divided by equity. The Group's policy is to keep the debt-to-equity ratio to not more than 1:1. Total liabilities include trade and other payables, income tax payable, deferred income, long-term debt, provision for mine rehabilitation and decommissioning, deferred income tax liabilities - net and pension liability.

The Group considers the following as capital:

	2013	2012
Capital stock	**₱1,266,780**	₱1,013,938
Additional paid-in capital	**8,151,603**	8,117,558
Net valuation gains on AFS financial assets	**99,506**	65,199
Cost of share-based payment plan	**49,524**	57,464
Asset revaluation surplus	**33,629**	34,012
Share in cumulative translation adjustment	**140,201**	(136,909)
Retained earnings:		
Appropriated	**1,000,000**	–
Unappropriated	**9,748,905**	9,725,164
Non-controlling interests	**4,721,640**	4,705,278
	₱25,211,788	₱23,581,704

The table below shows the Group's debt-to-equity ratio as at December 31, 2013 and 2012.

	2013	2012
Total liabilities (a)	**₱3,701,740**	₱3,597,513
Equity (b)	**25,211,788**	23,581,704
Debt-to-equity ratio (a/b)	**0.15:1**	0.15:1

35. **Financial Instruments**

The management assessed that the following financial instruments approximate their carrying amounts based on the methods and assumptions used to estimate the fair values:

Cash and Cash Equivalents
The carrying amount of cash and cash equivalents approximates their fair value due to the short-term nature and maturity of these financial instruments.

Trade and Other Receivables and Trade and Other Payables
Similarly, the carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to the short-term nature of these accounts.

Cash held in Escrow, MRF, SDMP Fund and Long-term Negotiable Instrument
The carrying amount of cash held in escrow, SDMP fund and MRF approximate their fair values since they are restricted cash with banks, which earns interest based on prevailing market rates repriced monthly. The long-term negotiable instrument also approximates its fair value since it earns interest based on long-term cash investment rate.

AFS Financial Assets
The fair values were determined by reference to market bid quotes as at the end of the reporting period. For unquoted equity securities for which no reliable basis of fair value measurement is available, these are carried at cost, less any impairment losses.

Long-term Debt
The fair values of long-term debt is based on the present value of future cash flows discounted using applicable risk free rates for similar types of loans adjusted for credit risk.

Fair Value Hierarchy of Financial Instruments
As at December 31, 2013 and 2012, the following table presents the level of hierarchy of the Company's AFS debt and equity instruments:

	2013			2012		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Financial Assets						
AFS financial assets						
Quoted debt securities	**₱1,318,364**	**₱–**	**₱–**	₱1,023,750	₱–	₱–
Quoted equity securities	**202,047**	**–**	**–**	185,761	–	–
Unquoted equity securities	**–**	**–**	**918,527**	–	–	918,527
	₱1,520,411	**₱–**	**₱918,527**	₱1,209,511	₱–	₱918,527

As at December 31, 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

36. Significant Agreements

a. Throughput Agreement with THNC
On October 4, 2010, TMC and THNC, a Philippine corporation, executed a Throughput Agreement wherein TMC will construct the pier facilities within the TSEZ pursuant to its role as Developer. The TSEZ is located within the Surigao Mineral Reservation, an area declared for mineral development pursuant to Proclamation 391, under the supervision of the Department of Environment and Natural Resources (DENR) that issued an "Order to Use Offshore Area" dated September 20, 2010 to TMC for the use of such portion of the Surigao Mineral Reservation for the construction of the pier facilities. In relation to this, THNC entered into a Registration Agreement with the Philippine Export Zone Authority (PEZA) to construct and operate a mineral processing plant within the TSEZ as an Ecozone Export Enterprise.

Under the agreement, TMC will make available the pier facilities and provide certain services to THNC in consideration for usage fees and service fees to be paid by the latter starting April 2011 until 2031, unless terminated earlier. The usage fee amounted to $1,360,000 for each semi-annual period to be paid on or before October 10 and April 10.

THNC also agrees to pay service fee that will be agreed upon by both parties which shall be billed on a monthly basis.

Prior to the commencement date, THNC may also request TMC to use any part of the constructed Pier Facilities, which is ready for use, upon payment of reasonable compensation which shall be mutually agreed by TMC and THNC.

b. Throughput Agreement with CBNC
Under the agreement, CBNC shall pay RTN the price which consists of all its direct costs for the pier facilities which includes but not limited to, financial costs, maintenance costs and tax as well as indirect costs directly used for the pier facilities and the services as agreed by the parties. CBNC shall pay to RTN in US dollars, as a part of such financial costs, the amounts to be paid by RTN to SMM such as interests and loan repayments pursuant to the Omnibus Agreement made and entered into by and between RTN and SMM. The agreement shall continue for twenty-five (25) years after November 25, 2002 unless terminated earlier.

c. Memorandum of Understanding (MOU)
On September 14, 2009, the Parent Company and TMC entered into a MOU with SMM. Pursuant to the terms thereof, the Parent Company and SMM will move ahead on a joint venture basis to build a nickel-cobalt processing plant (the Project) using the HPAL technology adjacent to TMC's mine in Surigao del Norte, while TMC will supply low-grade nickel ore to the plant over the life of the Project. The estimated cost of the Project is $1.42 billion which is further increased to$1.59 billion, over a three-year construction period, which started in the last quarter of 2010. The plant will have an annual capacity of 30,000 tons of contained nickel over an estimated 30-year project life. The MOU provides that the equity share of the Company and SMM shall be 20%-25% and 75%-80%, respectively.

Following the MOU is the Taganito HPAL Stockholders Agreement (the Agreement) entered into by the Parent Company, SMM and Mitsui, on September 15, 2010 stating that the Project will be undertaken by THNC, a company that will be jointly owned by the Company, SMM and Mitsui with equity interest of 22.5%, 62.5% and 15.0%, respectively. The said Agreement contains the principal terms of an ore supply agreement to be entered into between THNC and TMC for the supply of limonite ore.

It also sets forth the respective rights and obligations of the Parent Company, SMM and Mitsui, including their responsibilities in respect of financing the US$1,420.0 million project investment that will be undertaken by THNC.

As at December 31, 2013, the Parent Company, SMM and Mitsui made additional investment of US$287.2 million in the form of loans to THNC. SMM had agreed to substitute for the Parent Company to make these loans for which the latter pays guarantee service fee.

On October 4, 2013, the Parent Company, SMM and Mitsui agreed to extend another loan of US$90.0 million to THNC for the construction of the tailings dam. No drawdown was made on this loan as at December 31, 2013.

d. Sales Agreements

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

Nickel Ore Supply and Service Agreement with CBNC (see Note 31a)

Nickel Ore Supply Agreement with THNC (see Note 31a)

Nickel Ore Sale Agreement with SMM (see Note 31a)

Nickel Ore Supply Agreements with Chinese customers
HMC, CMC, RTN and TMC have ore supply agreements with a number of Chinese customers, each for a fixed tonnage at specific nickel grades and iron content. The fixed tonnage of ore is generally the volume of expected delivery within a few months. Sale of ore to Chinese customers amounted to ₱7.4 billion, ₱7.4 billion and ₱7.8 billion for the years ended December 31, 2013, 2012 and 2011, respectively.

Materials Handling Agreement with THNC (see Note 31a)

e. Mining Agreements

MPSA

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

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

Under both MPSAs, RTN pays a two percent (2%) excise tax on gross revenues as provided in the Philippine National International Revenue Code as the Government's share in its output. Both MPSAs are valid for twenty five (25) years from issuance and renewable for another term of not more than twenty-five (25) years at the option of RTN, with approval from the Government.

On June 20, 2003, RTN submitted an Application for MPSA covering previously approved Mining Lease Contracts over an area of 4,274 hectares within the Municipalities of Bataraza and Rizal. Most of the contract area is within the core zone and the application is pending. On May 30, 2008, the PCSD issued a resolution interposing no objections to the revision by the Municipality of Bataraza of its Environmentally Critical Areas Network map that, among others, seeks to reclassify the core zone within the Contract Area into a mineral development area. The reclassification was approved by the Municipal Development Council of the Municipality of Bataraza on November 18, 2009, and subsequently approved by the Provincial Board on January 5, 2010. The processing of the Application for MPSA by the MGB is consequently under way.

HMC

Tagana-an Nickel Project

On July 25, 2008, the Government approved the conversion of HMC's Mining Lease Contract into an MPSA, which allows HMC to explore, develop and continue mining operations for nickel ore within the Contract Area covering 773.77 hectares in the Municipality of Tagana-an, Surigao del Norte. Under the MPSA, HMC pays the Government a two percent (2%) excise tax and a five percent (5%) royalty on gross revenues, as the Contract Area is within the Surigao Mineral Reservation. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of HMC, with approval from the Government.

Manicani Nickel Project

On August 13, 1992, HMC and the Government entered into an MPSA, which allows HMC to explore, develop and mine nickel ore within the Contract Area covering 1,165 hectares in Manicani Island, Municipality of Guiuan, Eastern Samar. Under the MPSA, HMC shall pay the Government a two percent (2%) excise tax, a one percent (1%) royalty and ten percent (10%) of its net revenues, defined as gross revenues less all cost items that are deductible for income tax purposes. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of HMC, with approval from the Government.

On August 2, 2004, the Regional Panel of Arbitrators of the MGB recommended the cancellation of the MPSA as a result of allegations by third parties against the operations of HMC. On September 4, 2009, the Mines and Adjudication Board of the DENR issued a decision setting aside the decision of the Panel of Arbitrators. Hence, the MPSA remains in effect. HMC is currently not conducting mining operations in Manicani.

On July 30, 2010, HMC and SNMRC entered into a Deed of Assignment and Transfer of Rights whereas HMC shall transfer all its rights, title and interest in Manicani Operations to SNMRC. As of December 31, 2013, HMC is still the effective holder of MPSA-012-92-VIII. Transfer of the MPSA is still pending approval from MGB though Deed of Assignment was already executed between HMC and SNMRC.

TMC
On July 28, 2008, the Government approved the conversion of TMC's Operating Lease Contract into an MPSA, which allows TMC to explore, develop and continue mining operations for nickel ore within the Contract Area covering 4,584.51 hectares in the Municipality of Claver, Surigao del Norte. On June 18, 2009, the MPSA was amended, increasing the Contract Area to 4,862.71 hectares.

Under the MPSA, TMC pays the Government a two percent (2%) excise tax and a five percent (5%) royalty, as the Contract Area is within the Surigao Mineral Reservation. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of TMC, with approval from the Government.

Operating Agreements

La Salle
On December 18, 2006, TMC entered into an Operating Agreement with La Salle, the holder of an Application for MPSA covering 6,824 hectares in the Municipality of Gigaquit, Surigao del Norte. The Operating Agreement allows TMC to explore, develop and mine nickel ore and limestone once the MPSA is approved, and obliges it to assist La Salle in obtaining the MPSA and to comply with the terms thereof once issued.

The Operating Agreement specifies a royalty to La Salle of five percent (5%) for nickel ore and ₱10.00 per metric ton for limestone. Upon signing of the Agreement, TMC made an advance royalty payment of ₱1.0 million repayable by deductions from future royalties at a rate of twenty five percent (25%) per year over a period of four (4) years. As at December 31, 2013, the MPSA remains pending.

Kepha
On February 14, 2007, TMC entered into an Operating Agreement with Kepha, the holder of MPSA no. 284-2009-XII-SMR covering 6,980.75 hectares in the Municipality of Claver, Surigao del Norte. The Operating Agreement allows TMC to explore, develop and mine nickel ore and limestone and obliges it to comply with the terms of the MPSA.

The Operating Agreement specifies a royalty to Kepha of five percent (5%) for nickel ore and ₱10.00 per metric ton for limestone. Upon signing of the Agreement, TMC made an advance of $1.0 million and ₱6.3 million, repayable by deductions from future royalties at a rate of ten percent (10%) per year over a period of ten (10) years.

On June 19, 2009, the MPSA was issued to Kepha. Under the terms thereof, upon the start of mining operations, TMC shall pay the Government a two percent (2%) excise tax and a five percent (5%) royalty, as the Contract Area is within the Surigao Mineral Reservation. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of Kepha, with approval from the Government. There were drilling activities related to the Kepha project in 2013

Ludgoron
On August 28, 2007, TMC entered into an Operating Agreement with Ludgoron, the holder of an MPSA with Government issued on July 27, 2007 covering a Contract Area of 3,248 hectares in the Municipality of Carrascal, Surigao del Sur. The Operating Agreement allows TMC to explore, develop and mine nickel ore and obliges it to comply with the terms of the MPSA.

Under the MPSA, upon the start of mining operations TMC shall pay the Government a two percent (2%) excise tax and a five percent (5%) royalty, as the Contract Area is within the Surigao Mineral Reservation. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of Ludgoron, with approval from the Government.

Under the Operating Agreement, TMC shall pay Ludgoron a royalty of five percent (5%). Upon signing of the Agreement, TMC made an advance royalty payment of $1.0 million, repayable by deductions from future royalties at a rate of ten percent (10%) per year over a period of ten (10) years. In 2009, an additional advances against royalties amounting to ₱10.0 million was made in order to allow Ludgoron to settle a claims conflict. There were no drilling activities related to the Ludgoron project in 2013.

<u>East Coast</u>
On November 19, 1997, CMC entered into an Operating Agreement with East Coast, the holder of an MPSA with the Government issued on November 19, 1997 covering a Contract Area of 697.05 hectares in the Municipality of Cagdianao, Dinagat Islands. The Operating Agreement allows CMC to explore, develop and mine nickel ore and obliges it to comply with the terms of the MPSA.

Under the MPSA, CMC pays the Government a two percent (2%) excise tax and a five percent (5%) royalty, as the Contract Area is within the Surigao Mineral Reservation. Under the Operating Agreement, CMC also pays East Coast a royalty of seven percent (7%), net of withholding taxes.

The Operating Agreement expired on November 19, 2007 and was renewed for a period of ten (10) years. In consideration, East Coast was paid ₱100.0 million upon signing of the extension, and ₱100.0 million as advances against future royalties, repayable over a ten-year period at a rate of ₱10.0 million per year. The MPSA is valid for twenty-five (25) years from issuance and renewable at the option of East Coast, with approval from the Government.

A Mutual Rescission of the above Memorandum of Agreement was executed on March 12, 2012, wherein East Coast and CMC mutually agreed to terminate the MOA and to release each other from any and all responsibilities and liabilities thereunder.

On July 29, 2013, East Coast and CMC entered into an agreement to reduce for one-year period the marketing and royalty fees. Royalty payments to East Coast reduced from 7% (net of withholding taxes) to 5% during this period. Advances against future royalties, to which royalty payment shall be credited was also reduced from ₱10.0 million per year to ₱3.6 million and ₱6.4 million in 2013 and 2014, respectively.

The commission expense related to East Coast that is reported under marketing amounted to ₱27.4 million and ₱54.8 million in 2013 and 2012, respectively.

<u>BOA</u>
CMC holds MPSA 241-2007-XIII-SMR - Norweah Metals and Minerals Company Inc. of the BOA exploration which was granted an MPSA on July 12, 2007 for a period of 25 years and renewable upon such terms and conditions as may be mutually agreed upon. The MPSA covers an area of 226.0235 hectares situated in Boa, Municipality of Cagdianao, Province of Dinagat Islands, Surigao del Norte.

A Memorandum of Agreement was executed on October 12, 2004 between Norweah and CMC for a term of ten (10) years from the approval of the MPSA, whereby Norweah granted CMC exclusive rights to explore, develop, exploit and operate the mineral property subject of the MPSA.

f. Loan Guarantee/Substitution Agreement

RTN
Under a loan guarantee service agreement dated October 22, 2002 between RTN and SMM, the latter agreed to satisfy RTN's CBNC loan obligations in consideration of the payment by RTN to SMM of an annual fee equal to one percent (1%) of the relevant outstanding amount.

The fee is payable every February 21 and August 20 of each year. In case of default, such loan guarantee service agreement will be terminated and RTN shall provide loans to CBNC or guarantee the repayment of CBNC's loans payable. Failure to provide such loans or guarantee shall be considered a default under the CBNC Stockholder Agreement.

The loan guarantee service fee amounting to ₱0.9 million, ₱1.3 million and ₱1.7 million in 2013, 2012 and 2011, respectively, is recorded under "Finance expense" in the consolidated statements of income (see Note 28).

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

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

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

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

The loan guarantee service fee amounted to ₱103.3 million, ₱82.7 million and ₱24.9 million in 2013, 2012 and 2011, respectively, is recorded under "Finance expense" in the consolidated statements of income (see Note 28).

g. Power Supply Agreement (PSA) with Surigao Del Norte Electric Cooperative, Inc. (SURNECO)
On October 31, 2013, the Company and SURNECO signed a fifteen (15) year PSA. Under the terms of the PSA, the Company has agreed to construct, operate, and maintain a ten (10) megawatts bunker-fired diesel power station under build-operate-transfer scheme and to supply electricity to SURNECO.

h. Participation and Shareholder's Agreement
In May 2011, NAC and SMM signed a Participation and Shareholders' Agreement containing terms of SMM's expected equity participation in CExCI. Under the terms of the Agreement, SMM will invest $1.5 million in CExCI for twenty five percent (25%) equity. Once such funds have been exhausted, SMM has the option to invest $2.8 million for an additional fifteen percent (15%) equity which would bring its total equity in CExCI to forty percent (40%).

i. Marketing Agreement with Mitsubishi Corporation
RTN, TMC, HMC, and CMC entered into a marketing agreement with Mitsubishi Corporation, wherein they will provide set forth below:
a) Mitsubishi will use its reasonable endeavors in collecting, studying and analyzing the market information related to nickel ore, iron ore, nickel pig iron, and stainless steel;
b) Mitsubishi will report market information defined in the marketing agreement;
c) Mitsubishi will make efforts to introduce customers to RTN, TMC, HMC and CMC and provide support to both of Companies in negotiating the price and terms and conditions of sales contracts of the products by and between the Companies and customers; and
d) Mitsubishi will monitor and assess trends of customers and support RTN, TMC, HMC and CMC to create an effective pricing strategy and marketing plan.

Marketing expense of three and a half percent (3.5%) shall be charged to RTN, TMC, HMC and CMC based on the total amount of revenue on free-on-board price stated in the invoices issued by RTN, TMC, HMC and CMC to each customer.

j. Other Agreements
Registration with PEZA
On December 21, 2009, Presidential Proclamation No. 1966 was issued creating and establishing the 680-hectare area situated in Taganito, Municipality of Claver, Province of Surigao Del Norte to be known as TSEZ. TMC is a PEZA-registered operator/developer of the economic zone as per Certificate of Registration No. EZ 10-01. The certificate of registration was signed on January 7, 2010.

Pursuant to TMC's registration with PEZA as an economic zone developer/operator, TMC is entitled to certain incentives in accordance with the provisions of RA No. 7916, otherwise known as "the Special Economic Zone Act of 1995", as amended. The proposed nickel-cobalt processing plant using the HPAL technology will be located within the TMC's mine site in Surigao del Norte.

On January 9, 2013, PEZA issued a certification entitling TMC qualification for the purpose of VAT zero-rating of its transactions with local suppliers of goods, properties and services and exemption from all national and local taxes and licenses except real property taxes on land owned by TMC and those required to be paid under the MPSA dated July 28, 2008. In lieu thereof, TMC shall pay five percent (5%) final tax on gross income. The certification is valid from January 1 to December 31, 2013 and renewable annually, unless otherwise revoked or suspended by PEZA prior to expiration of said period.

Under PEZA Board Resolution No. 11-08 dated March 1, 2011, its directors approved TMC's application for extension of its existing TSEZ. On July 28, 2011, pursuant to the resolution, the Government issued Proclamation No. 211 designating parcels of land with an aggregate area of 7.5 hectares located at Barangay Taganito, municipality of Claver, Province of Surigao del Norte, for inclusion to the existing TSEZ.

On January 23, 2013, PEZA issued a Letter of Authority No. 13-0426 allowing TMC to allocate one (1) hectare lot within the TSEZ located at Barangay Taganito, Claver, Surigao del Norte as relocation site for the residents along Hayanggabon River, Barangay Hayanggabon, Claver, Surigao del Norte.

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

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

Lease Contract with the DENR
TMC is a party to a lease contract dated April 10, 2003 with the DENR over a tract of foreshore land located at the Taganito mine comprising an area of approximately 12,000 square meters. The foreshore lease has a term of twenty-five (25) years from the date of issue, unless terminated earlier. The DENR may renew the foreshore lease for another twenty-five (25) years, at its option. In accordance with the foreshore lease, TMC constructed permanent improvements appropriate for the wharf to facilitate the barging of mine ore to customers' vessels. Under the terms of the lease, if TMC uses or attempts to use the premises for other purposes, all rights and interests, including the improvements, will be forfeited in favor of the Government. Upon the termination of the lease or any extension, all improvements made by TMC will become the property of the Government.

Joint Undertaking with National Commission on Indigenous Peoples (NCIP)
On December 8, 2009, TMC and NCIP entered into a Joint Undertaking, which confirmed that a one percent (1%) royalty on annual gross revenues of TMC is payable to the Mamanwa Tribe pursuant to a Memorandum of Agreement dated July 18, 2006 between TMC, the NCIP and the Tribe and a Certificate of Ancestral Domain Title issued to the Tribe, within which area TMC's mining operation is located.

37. Events after the Reporting Period

Amendment of Articles of Incorporation
On March 24, 2014, the Parent Company's BOD approved the amendment of its Articles of Incorporation to reflect the change in its principal office address to NAC Tower 32nd Street, Bonifacio Global City, Taguig, subject to the approval of the Parent Company's stockholders in June 2014.

Increase in Authorized Capital Stock
On March 6, 2014, TMC's BOD resolved, subject to the ratification of the shareholders, the increase in authorized capital stock from 2 billion to 5 billion common stock with par value of ₱1.00 per share.

Dividend Declarations
On March 24, 2014, the Parent Company's BOD approved the declaration of cash dividends amounting to ₱0.30 per share, to stockholders of record as at April 10, 2014, which will be paid on May 8, 2014.

On March 20, 2014, HMC's BOD declared cash dividends amounting to ₱1,034.2 million, equivalent to ₱2.00 per share, to stockholders of record as at February 28, 2014. The cash dividends will be paid in two tranches at 50% on each pay-out on June 30, 2014 and December 1, 2014.

On March 6, 2014, TMC's BOD resolved, subject to the ratification of the shareholders, the declaration of one hundred percent (100%) stock dividends. The stock dividends shall be used as the subscribed and paid up portion to support the application for the increase in authorized capital stock of TMC. Also, the stock dividend shall be issued upon approval of the TMC's application for increase of Authorized Capital Stock by the SEC.

On February 26, 2014, RTN's BOD approved the declaration of its 58,749,999 shares in CBNC, with market value of ₱1,418.7 million, to stockholders of record as at March 21, 2014, provided that all foreign shareholders as at February 28, 2014 shall receive cash dividends of ₱945.8 million in lieu of the property dividend, which will be paid on March 31, 2014. On March 28, 2014, SEC approved the property dividend declaration of RTN.

ESOP
On March 24, 2014, the Company's BOD approved the adoption of a new stock option plan for officers of the Company, its operating subsidiaries and Resident Mine Managers. Directors will likewise be eligible to participate in the plan. A total of 32 million shares of stock will be reserved for the plan, which will have a term of five (5) years, from 2014 to 2019, and annual vesting rate of twenty-five percent (25%) of the entitlement shares. The first vesting date is one (1) year after the grant of the option.

38. Supplemental Disclosure to Consolidated Statements of Cash Flows

Noncash financing activity pertains to the declaration of stock dividend amounting to ₱251.9 million and ₱335.6 million in 2013 and 2012, respectively.

39. Business Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The mining segment is engaged in the mining and exploration of nickel saprolite and limonite ore and limestone.

The services segment is engaged in the chartering out of LCT, construction and rendering of services to CBNC and THNC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	December 31, 2013							
	Mining				Services			
	HMC	CMC	TMC	RTN	RTN/TMC/ LCSLC	Others	Eliminations	Total
External customers	**₱3,438,856**	**₱737,906**	**₱3,109,101**	**₱3,189,634**	**₱623,942**	**₱10,090**	**₱–**	**₱11,109,529**
Inter-segment revenues	**–**	**–**	**–**	**–**	**72,637**	**434,953**	**(507,590)**	**–**
Total revenues (see Note 31)	**3,438,856**	**737,906**	**3,109,101**	**3,189,634**	**696,579**	**445,043**	**(507,590)**	**11,109,529**
Cost of sales	**927,692**	**422,058**	**1,122,846**	**2,016,698**	**–**	**–**	**–**	**4,489,294**
Cost of services	**–**	**–**	**–**	**–**	**335,292**	**–**	**–**	**335,292**
Shipping and loading costs	**444,164**	**141,109**	**457,029**	**268,847**	**87,622**	**–**	**–**	**1,398,771**
Excise taxes and royalties	**240,720**	**95,368**	**248,728**	**63,792**	**–**	**–**	**–**	**648,608**
Marketing	**21,065**	**28,228**	**4,462**	**11,874**	**–**	**–**	**–**	**65,629**
Segment operating earnings	**₱1,805,215**	**₱51,143**	**₱1,276,036**	**₱828,423**	**₱273,665**	**₱445,043**	**(₱507,590)**	**₱4,171,935**
General and administrative	**₱66,117**	**₱34,038**	**₱110,899**	**₱111,172**	**₱12,156**	**₱290,437**	**₱–**	**₱624,819**
Finance income	**₱14,332**	**₱2,515**	**₱15,683**	**₱49,750**	**₱12**	**₱84,461**	**₱–**	**₱166,753**
Finance expense	**₱5,327**	**₱3,450**	**₱7,007**	**₱6,896**	**₱2,267**	**₱103,351**	**₱–**	**₱128,298**
Provision for (benefit from) income tax	**₱516,384**	**(₱8,787)**	**₱350,677**	**₱247,190**	**₱7,589**	**₱11,162**	**₱–**	**₱1,124,215**
Net income (loss) attributable to equity holders of the parent	**₱1,473,262**	**₱21,554**	**₱640,531**	**₱595,162**	**(₱98,064)**	**(₱578,771)**	**₱–**	**₱2,053,674**
Segment assets	**₱1,943,798**	**₱954,295**	**₱6,708,837**	**₱7,740,945**	**₱263,195**	**₱10,958,015**	**₱–**	**₱28,569,085**
Deferred income tax assets - net	**97,366**	**93,381**	**58,458**	**4,709**	**–**	**90,529**	**–**	**344,443**
Total assets	**₱2,041,164**	**₱1,047,676**	**₱6,767,295**	**₱7,745,654**	**₱263,195**	**₱11,048,544**	**₱–**	**₱28,913,528**
Segment liabilities	**₱419,751**	**₱152,185**	**₱1,970,952**	**₱547,866**	**₱5,270**	**₱119,488**	**₱–**	**₱3,215,512**
Deferred income tax liabilities - net	**–**	**–**	**–**	**423,608**	**31,830**	**30,790**	**–**	**486,228**
Total liabilities	**₱419,751**	**₱152,185**	**₱1,970,952**	**₱971,474**	**₱37,100**	**₱150,278**	**₱–**	**₱3,701,740**
Capital expenditures	**₱346,186**	**₱114,084**	**₱1,256,229**	**₱129,461**	**₱28,009**	**₱57,156**	**₱–**	**₱1,931,125**
Depreciation, amortization and depletion	**₱123,760**	**₱72,484**	**₱336,736**	**₱488,985**	**₱174,003**	**₱66,683**	**₱–**	**₱1,262,651**

	December 31, 2012, as restated							
	Mining				Services			
	HMC	CMC	TMC	RTN	RTN/TMC/ LCSLC	Others	Elimination	Total
External customers	₱2,881,204	₱1,130,033	₱3,093,866	₱4,038,188	₱444,202	₱19,414	₱–	₱11,606,907
Inter-segment revenues	–	–	–	–	347,540	39,519	(387,059)	–
Total revenues (see Note 31)	2,881,204	1,130,033	3,093,866	4,038,188	791,742	58,933	(387,059)	11,606,907
Cost of sales	721,597	563,897	996,783	2,184,938	–	–	–	4,467,215
Cost of services	–	–	–	–	260,399	–	–	260,399
Shipping and loading costs	383,477	203,786	395,446	384,843	32,998	–	–	1,400,550
Excise taxes and royalties	201,684	177,980	247,509	80,764	–	–	–	707,937
Marketing	32,974	55,003	–	6,377	–	–	–	94,354
Segment operating earnings	₱1,541,472	₱129,367	₱1,454,128	₱1,381,266	₱498,345	₱58,933	(₱387,059)	₱4,676,452
General and administrative	₱72,567	₱36,702	₱109,956	₱71,551	₱7,686	₱229,119	₱–	₱527,581
Finance income	₱25,456	₱4,852	₱35,363	₱68,351	₱17	₱101,001	₱–	₱235,040
Finance expense	₱5,089	₱2,779	₱12,712	₱11,233	₱55	₱82,668	₱–	₱114,536
Provision for (benefit from) income tax	₱455,332	₱25,053	₱369,150	₱423,813	(₱8,742)	₱70,092	₱–	₱1,334,698
Net income (loss) attributable to equity holders of the parent	₱1,229,157	₱147,592	₱773,990	₱890,414	(₱406,821)	(₱427,122)	₱–	₱2,207,210
Segment assets	₱1,564,307	₱986,111	₱5,866,492	₱8,392,525	₱238,090	₱9,766,795	₱–	₱26,814,320
Deferred income tax assets - net	126,032	76,008	48,663	–	10,333	103,861	–	364,897
Total assets	₱1,690,339	₱1,062,119	₱5,915,155	₱8,392,525	₱248,423	₱9,870,656	₱–	₱27,179,217
Segment liabilities	₱309,247	₱148,735	₱1,840,039	₱642,346	₱39,319	₱67,376	₱–	₱3,047,062
Deferred income tax liabilities - net	–	–	–	515,767	34,684	–	–	550,451
Total liabilities	₱309,247	₱148,735	₱1,840,039	₱1,158,113	₱74,003	₱67,376	₱–	₱3,597,513
Capital expenditures	₱284,377	₱180,499	₱841,322	₱1,372,525	₱30,972	₱9,338	₱–	₱2,719,033
Depreciation, amortization and depletion	₱72,606	₱81,841	₱300,579	₱416,531	₱47,263	₱63,063	₱–	₱981,883

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	December 31, 2011, as restated							
	Mining				Services			
	HMC	CMC	TMC	RTN	RTN/LCSLC	Others	Elimination	Total
External customers	₱1,790,727	₱1,723,666	₱2,751,941	₱5,963,944	₱344,593	₱119,835	₱–	₱12,694,706
Inter-segment revenues	–	–	–	–	69,231	55,925	(125,156)	–
Total revenues (see Note 31)	1,790,727	1,723,666	2,751,941	5,963,944	413,824	175,760	(125,156)	12,694,706
Cost of sales	572,781	451,668	612,878	1,712,363	–	–	–	3,349,690
Cost of services	–	–	–	–	214,260	–	–	214,260
Shipping and loading costs	405,649	251,985	233,406	330,348	64,688	–	–	1,286,076
Excise taxes and royalties	125,351	271,477	220,155	119,279	–	–	–	736,262
Marketing	241	54,586	–	13,349	–	–	–	68,176
Segment operating earnings	₱686,705	₱693,950	₱1,685,502	₱3,788,605	₱134,876	₱175,760	(₱125,156)	₱7,040,242
General and administrative	₱70,315	₱43,232	₱112,673	₱93,450	₱10,499	₱247,256	₱–	₱577,425
Finance income	₱6,152	₱3,389	₱29,705	₱61,359	₱19	₱107,812	₱–	₱208,436
Finance expense	₱2,919	₱3,327	₱17,038	₱9,519	₱–	₱33,812	₱–	₱66,615
Provision for (benefit from) income tax	₱167,250	₱146,845	₱431,437	₱977,893	₱742	(₱38,152)	₱–	₱1,686,015
Net income (loss) attributable to equity holders of the parent	₱396,401	₱346,029	₱607,857	₱2,225,816	₱4,038	(₱42,359)	₱–	₱3,537,782
Segment assets	₱1,575,261	₱1,471,363	₱4,942,039	₱6,982,713	₱135,747	₱10,793,924	₱–	₱25,901,047
Deferred income tax assets - net	155,413	88,719	21,775	4,630	4,445	226,869	–	501,851
Total assets	₱1,730,674	₱1,560,082	₱4,963,814	₱6,987,343	₱140,192	₱11,020,793	₱–	₱26,402,898
Segment liabilities	₱359,657	₱314,648	₱1,876,741	₱886,661	₱112,471	₱34,490	₱–	₱3,584,668
Deferred income tax liabilities - net	–	–	–	–	37,537	548,088	–	585,625
Total liabilities	₱359,657	₱314,648	₱1,876,741	₱886,661	₱150,008	₱582,578	₱–	₱4,170,293
Capital expenditures	₱117,134	₱74,750	₱805,329	₱223,437	₱50,359	₱22,756	₱–	₱1,293,765
Depreciation, amortization and depletion	₱37,470	₱86,505	₱231,138	₱263,550	₱15,319	₱99,839	₱–	₱733,821

Inter-segment revenues are eliminated upon consolidation.

The Group has revenues from external customers as follows:

Country of Domicile	**2013**	2012	2011
China	**₱7,376,742**	₱7,356,918	₱7,815,248
Japan	**1,462,481**	2,403,673	2,405,951
Local	**2,270,306**	1,846,316	2,473,507
	₱11,109,529	₱11,606,907	₱12,694,706

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

Revenue from two key customers amounted to ₱5,257.2 million, ₱5,128.0 million and ₱5,822.3 million in 2013, 2012 and 2011, respectively, arising from sale of ores.

40. Reclassifications

Certain 2012 and 2011 consolidated financial statement accounts have been reclassified to conform to the 2013 consolidated financial statements presentation.

Board of Directors

Manuel B. Zamora, Jr. [A]
Chairman

Philip T. Ang
Vice Chairman

Gerard H. Brimo [B]
Frederick Y. Dy [C]
Fulgencio S. Factoran, Jr. [D]
Takanori Fujimura [E]
Takeshi Kubota [F]
Luis J.L. Virata
Martin Antonio G. Zamora [1]

Officers Nickel Asia Corporation

Manuel B. Zamora, Jr.
Chairman

Philip T. Ang
Vice Chairman

Gerard H. Brimo
President & Chief Executive Officer

Emmanuel L. Samson
Senior Vice President &
Chief Financial Officer

Jose S. Saret
Senior Vice President &
Chief Operating Officer

Raymundo B. Ferrer
Senior Vice President
Security & Administration

Martin Antonio G. Zamora
Senior Vice President
Marketing & Strategic Planning

Jose Bayani D. Baylon
Vice President
Corporate Communications

Rolando R. Cruz
Vice President
Operations

Jose Roderick F. Fernando
Vice President
Legal & Human Resources
Assistant Corporate Secretary

Koichi Ishihara
Vice President
Marketing & Procurement

Ma. Angela G. Villamor [2]
Vice President
Internal Audit

Marnelle A. Jalandoon [3]
Assistant Vice President
Management Information System &
Administration

Barbara Anne C. Migallos
Corporate Secretary

Subsidiaries

Rio Tuba Nickel Mining Corporation

Norberto R. Reyes
Vice President
Finance & Administration

Philipp D. Ines
Resident Mine Manager

Taganito Mining Corporation

Michio Iwai
Vice President

Lennie A. Terre
Vice President
Finance & Administration

Jose B. Anievas
Vice President
Resident Mine Manager

Cagdianao Mining Corporation and Hinatuan Mining Corporation

Patrick S. Garcia
Assistant Vice President
Finance

Abelardo P. Magpali [4]
Resident Mine Manager
Cagdianao Mine

Joel G. Laporga
Resident Mine Manager
Hinatuan Mine

[A] Chairman, Nominations and Compensation Committees
[B] Member, Audit & Risk and Compensation Committees
[C] Independent Director. Chairman, Audit & Risk Committee;
Member, Compensation Committee
[D] Independent Director. Member, Nominations Committee
[E] Member, Audit & Risk Committee
[F] Member, Nominations Committee

[1] Effective 30 July 2013
[2] Effective 03 June 2013
[3] Effective 01 April 2014
[4] Until 15 March 2014

Independent Public Accountant

Sycip Gorres Velayo & Co.

Bankers

Banco de Oro
Bank of the Philippine Islands
BNP Paribas
Credit Suisse
Metropolitan Bank & Trust Co.
Rizal Commercial Banking Corporation
Security Bank Corporation
Union Bank of the Philippines

Transfer Agent

Stock Transfer Service, Inc.
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Attorneys

Kapunan, Tamano, Javier
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Corporate Directory

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Mine Sites

Rio Tuba Mine
Barangay Rio Tuba, Bataraza, Palawan

Taganito Mine
Barangay Taganito, Claver, Surigao del Norte

Cagdianao Mine
Barangay Valencia, Cagdianao, Dinagat Islands

Hinatuan Mine
Barangay Talavera, Taganaan, Surigao del Norte

Corporate Website

http://www.nickelasia.com

NICKEL ASIA CORP.

28th Floor NAC Tower, 32nd Street
Bonifacio Global City, Taguig City,
Philippines 1634

NICKEL ASIA CORP.

2013 SUSTAINABILITY REPORT

Table of Contents

About the Report

This is the first Annual Sustainability Report to be released by Nickel Asia. All the information included in this report are based on data that were submitted to the corresponding government agencies and results of regularly monitored performance reports from each mine site.

We manage our relationships with our key stakeholders by regularly engaging them to understand their areas of interest and address their concerns about our operations. Although this report does not cover all the issues of our stakeholders, it includes the most significant programs of our companies that were initiated to address their environmental and social concerns.

This report highlights our Environmental Protection and Enhancement Programs (EPEP) which cover rehabilitation and reforestation initiatives, water quality management and pollution control projects in each of our mine sites. We have also included our Social Development Management Plans (SDMP) in the report, to showcase community and employee projects that were undertaken in our areas of operation.

Report Boundary and Scope

The report covers the period of January- December 2013 and includes the environmental and social responsibility programs of each mine site, namely: Rio Tuba Nickel Mining Corp. (RTNMC), Taganito Mining Corporation (TMC), Hinatuan Mining Corporation (HMC) and Cagdianao Mining Corporation (CMC). We have included highlights of our mines' rehabilitation and reforestation programs as well as projects for the local communities in the mine sites.

Reporting Guideline & External Assurance

Our reporting is prepared in accordance with the GRI G3.1 Sustainability Reporting Guidelines, including the Mining and Metals Sector Supplement. The GRI guidelines encourage companies to report on practices and performance that relate to sustainability in a manner that is transparent and uses a globally shared framework of indicators.

In addition to the disclosure, Nickel Asia has also put its reporting process and disclosed information through a process of independent external assurance based on AA 1000 AS - the International standard for assurance from AccountAbility, UK. When completed Nickel Asia will be the first company in the mining industry to have accomplished this feat.

Joint Message from the Chairman and President

We are happy to release the first sustainability report of Nickel Asia Corporation, which highlights the environmental, social and economic achievements of the company through its subsidiaries in 2013. As one of the leaders of the mining industry in the Philippines, it is our responsibility to be a steward of the principles of sustainable development.

We progressively rehabilitate mined-out areas

Our environmental programs are developed and implemented through Environmental Protection and Enhancement Programs (EPEP), which focus heavily on the rehabilitation of mined-out sites at all our mining subsidiaries. These rehabilitation efforts have resulted in sustainably managed forests that are home to far better vegetation than they were when we first began operations, because of the mineralized nature of the soil.

We reforest areas outside our mine sites

As part of the National Greening Program, reforestation activities are also done outside of the mining areas in all of our mining operations. Employees and the local community come together to accomplish this objective.

In Rio Tuba alone, over one million trees have been planted in 622.92 hectares as part of these rehabilitation and reforestation efforts. Other mine sites engage in parallel efforts to achieve similar results.

We take water quality management very seriously

Each minesite is adequately provided with silt control facilities (drainage canal, silt sumps, series of silt catchment ponds) which are frequently desilted and effluent discharge are regularly monitor to check conformity with DENR Standard. No resource is wasted as clear water from the silt ponds are re-use for dust mitigation and watering tree planting areas. Our mining subsidiaries have also provided water systems for its communities, enabling families to have access to clean potable water.

Our SDMP and CSR programs focus on the needs of the communities we touch.

These communities also benefit from other social responsibility projects of our subsidiaries, carried out through their respective Social Development Management Plans (SDMP) and Corporate Social Responsibility (CSR) activities. Through SDMP, all NAC subsidiaries collaborate with their communities to create a list of priority projects that will be implemented within 5 years. Funding for SDMP is set by each mine site annually, and according to law. CSR activities, on the other hand, are implemented depending on specific local needs outside of the areas covered by SDMP programs. Projects under CSR are focused on education, livelihood, infrastructure and Indigenous People (IPs).

Our Employees' Health and Safety is a priority

Like our impact area communities, our employees likewise benefit from NAC's social responsibility programs. Safety policies are implemented and followed in each mine through Central Safety and Health Committees formed by employees at each site. Health and safety seminars are also conducted to provide workers with information to avoid and/or reduce accidents in the workplace. They are also provided with the proper equipment to ensure that they are protected from any risks and hazards in the mine sites. These are just a few of the many employee programs that enable NAC's subsidiaries to maintain a high level of workplace safety in their mining operations.

We respect and protect employees' rights

To protect the rights of rank and file employees, mine site employees are given permission to be represented by their Unions and are covered by their respective Collective Bargaining Agreements (CBA). Generally, collective bargaining agreements have terms of 5 years (with a provision for wage renegotiation after 3 years).

We have plans for the end of mine-life

We have also developed decommissioning plans for each mine site, for implementation once mining operations have ended. These plans will be used as a guide in restoring and/or converting mine sites and the surrounding areas into alternative and productive land uses. The plans also ensure that alternative skills and sustainable livelihood opportunities are provided to the mine employees including their dependents and to the host and neighboring communities.

During decommissioning and after mine closure, monitoring and maintenance shall be continued until such a time that rehabilitation criteria has been successfully achieved as determined by the Mines and Geosciences Bureau.

We sell more even in the face of weaker metal prices.

With respect to the economic performance of the company, NAC was able to generate total revenue of PhP 11,109.5 million in 2013 from ore sales. While this is 4% lower than the figures for 2012, this was due mainly to the decrease in nickel prices, despite a higher sales volume achieved and the depreciation of the Philippine peso against the US dollar.

Acknowledgement

We thank the managerial and technical teams and the workforce in all our mine sites for another year of dedication and hard work. We are grateful for all the accomplishments that we have achieved, while maintaining safe and environmentally sound operations, throughout 2013.

We look forward to 2014, for another year of continuous sustainable growth.

Manuel B. Zamora, Jr.
Chairman

Gerald H. Brimo,
President and CEO

Nickel Asia Corporation

Nickel Asia Corporation (NAC) is the Philippines' largest producer of lateritic nickel ore and one of the largest in the world. We have a long operating history, starting with the sale of ore in 1977 from our first mine in Rio Tuba. Since then, we have expanded to four mine sites and have sold a total of 96 million tonnes of limonite and saprolite ore.

We export both saprolite and limonite ore to customers in Japan and China. Our customers use our ore for the production of ferronickel and nickel pig iron, 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, Coral Bay, where we have a 10% equity interest. Coral Bay 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 PhP 4.4 Billion for a 22.5% equity interest in the country's second hydrometallurgical nickel processing plant under Taganito HPAL Nickel Corporation. The plant started its commercial operation in October 2013, with a capacity of 30,000 tonnes of contained nickel and 2,600 tonnes of contained cobalt per year. Our Taganito mine supplies all of the limonite ore for the plant. At a total project cost of US$ 1.7 Billion, the plant represents the single largest investment in the Philippine minerals sector.

Apart from our four operating mines, we have five properties in various stages of exploration for nickel. In November 2010 we concluded the purchase of Cordillera Exploration Co., Inc. from Anglo-American with four properties in the Central Cordilleras of northern Luzon that are prospective for gold and copper. The purchase marks our first step in our vision to become a diversified mineral resource company. In November 2011, Sumitomo Metal Mining Co., Ltd., acquired 25% equity in the company with an option to purchase additional shares to increase its total equity to 40%.

We are focused on growth. At the same time we take our responsibilities towards safety, environmental protection and community relations and development seriously. Our efforts in these fields have resulted in numerous awards receive over the years during the annual Presidential Mineral Industry Environmental Awards. 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.

Corporate Objective

We are focused on growth. At the same time, we take our responsibilities toward safety, environmental protection and community relations and development seriously. We believe that sustainable development is the only way forward for any mining operation and we exert great effort to achieve its principles. We are committed to responsible mining and to running every facet of our operations in a world-class manner.

Vision

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

Mission Statement

Using best global industry practices, we are committed in

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

Core Values

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

Corporate Structure

NICKEL ASIA CORP.

Nickel Mining and Exploration

Rio Tuba Nickel Mining Corporation (RTNMC)

- Incorporated in 1969 to develop nickel ore deposits
- Granted rights over Rio Tuba Property in 1970
- Commenced mining in 1975
- Made first commercial shipment in 1977

60%
990
14
14

Taganito Mining Corporation (TMC)

- Incorporated in 1987
- First commercial shipment made in 1989

65%
4,862
35
31

Cagdianao Mining Corporation (CMC)

- Incorporated in 1997
- Acquired right to operate in 1998

100%
687
15
29

Hinatuan Mining Corporation (HMC)

- Incorporated in 1979
- Developed in 1981
- First commercial shipment made in 1982
- Expanded in 1983
- Temporary suspension of operations from 2002-2003 due to low prices

100%
774
2
16

% of Ownership
Coverage (Hectares)
Mine Life (Years) - Saprolite
Mine Life (Years) - Limonite

Downstream Processing

Coral Bay Nickel Corporation

10%

Taganito HPAL Nickel Corporation

22.5%

Copper and Gold Exploration

Cordillera Exploration Company, Inc.

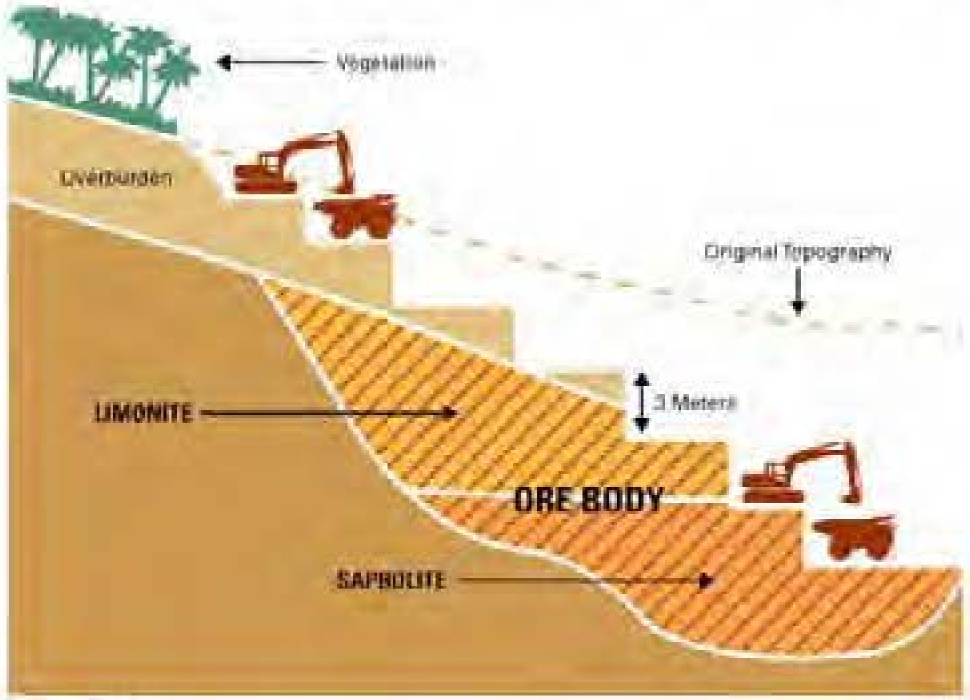
71.25%

Location

Products and Services

All our mine sites use a low-cost open pit mining method. Since limonite and saprolite deposits are only about 5 to 30 meters thick from the surface, the mining process only requires the use of excavators, tractors and dump trucks and does not use specialized equipments, explosives, chemicals or complex waste handling. Rehabilitation of the mined-out areas is a simple and straightforward process because the mine pits are shallow.

The ore stockpile areas are also located near tidewater loading areas, enabling easy hauling to barges.



Open Pit mining process

Our company believes in its key strength, which is: *Profitability underpinned by low cost production*. This is the foundation of our business, wherein we are able 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, namely:

- We benefit from favorable geologic conditions in all of our four mines. Our lateritic nickel deposits are near-surface, blanket-like layered deposits with minimal overburden and generally 5 to 30 meters thick. This enables us to conduct simple open-pit mining using trucks and loaders without blasting and the use of chemicals or complex waste handling.
- We were able to utilize, what were by-products of our mining operations namely: limonite ore and low-grade saprolite ore by finding customers who are in need of these materials.
- On average, the nickel deposits in our four operating mines are located within three to seven kilometers from the applicable tidewater loading area, enabling easy hauling and transportation using barges and landing craft transport ("LCTs") to our customers' ships. We own 9 LCTs and 5 barges.

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.

Mining process

Sources and Availability of Raw Materials and Supplies

NAC sources its supplies, including diesel fuel, tires and spare parts for mining equipment, from reliable third party suppliers to ensure the quality of these materials. Our diesel and aviation fuel and lubricants are bought from Petron Corporation, while 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.

Since the start of our operations, we have delivered over **96 million** wet metric tonnes (WMT) of saprolite and limonite ore to our customers.

A Mineral Production Sharing Agreement (MPSA) is an agreement by which the Government grants the contractor exclusive rights to conduct mining operations within a permitted mining area over a specific period, usually 25 years.

As of December 31, 2013, our mines had reserves* of:

Estimated saprolite ore - **119.6 million WMT** with an average grade of 1.50% nickel

Estimated limonite ore (including stockpiles) - **249.7 million WMT** with an average grade of 1.09% nickel

*Each case as estimated in accordance with the Philippine Mineral Reporting Code (PMRC)

Our ores are sold to multiple customers, who use them to produce intermediate products, to manufacture stainless steel and produce nickel cathodes.

Our major customers are:

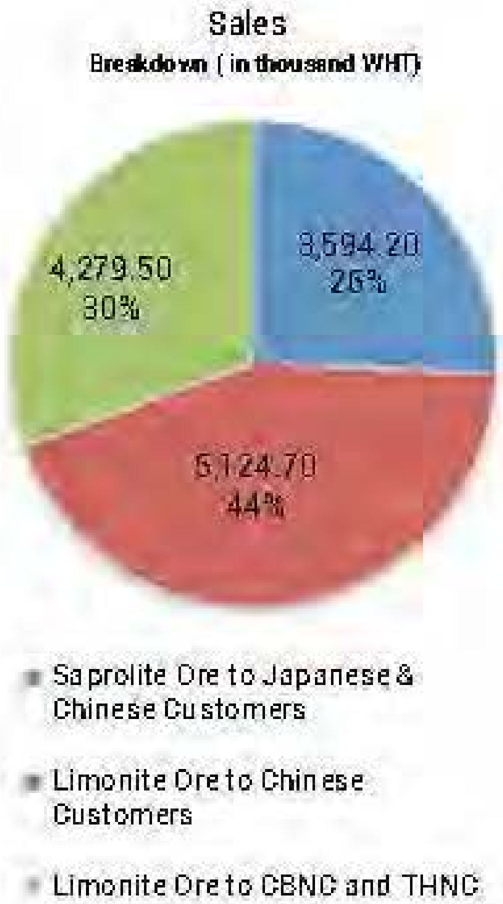
Pacific Metals Co. Ltd. (PAMCO):
Largest ferronickel producer in Japan
Buyer of high-grade and low-grade saprolite ore under long-term supply agreements

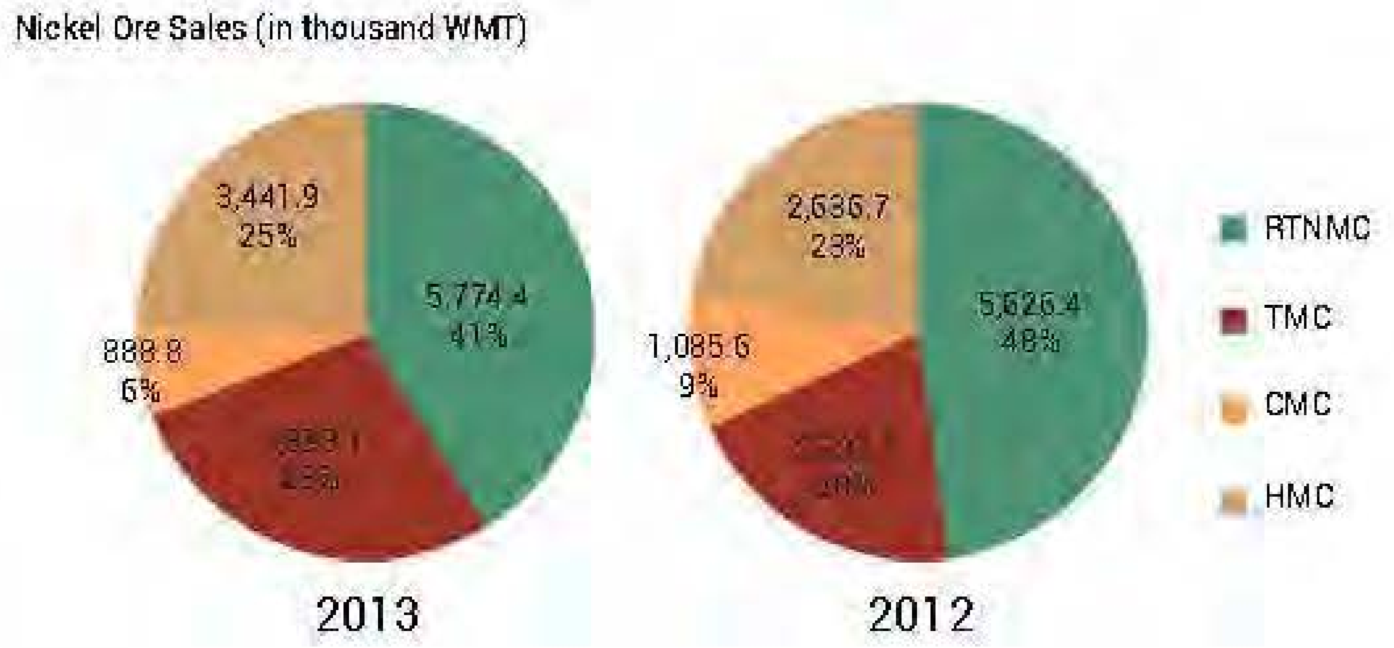
Sumitomo Metal Mining Co., Ltd. (SMM):
Japan-based refiner of copper, gold, nickel, and zinc
Buyer of high-grade and low-grade saprolite ore under long-term supply agreements.

Chinese customers:
Primary customers: DH Kingstone and Baosteel Resources
Buyers of low-grade saprolite and both high- and low-grade limonite ore
Ore is mainly used to produce Nickel Pig Iron and Pig Iron

Coral Bay Nickel Corporation (CBNC):
Buyer of low-grade limonite ore from RTNMC
Under a long-term supply agreement

Taganito HPAL Nickel Corporation (THNC):
Buyer of low-grade limonite ore from Taganito mine
Under a long-term supply agreement





Exploration and Development

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 an experienced pool of geologists and laboratories at each of our mine site to assess samples as required.

Summary of our exploration properties:

Bulanjao: • Total area of 3,604.5 hectares • Conducted step-out drilling throughout the length of the Central Bulanjao deposit • Extracted 7.5 million WMT of saprolite ore with an average grade of 1.58% nickel and 19.2 million WMT of limonite ore with an average grade of 1.01% nickel	Location: **Palawan Island** Ownership: **RTNMC**
Kepha: • Total area of 6,980.75 hectares • Rights to the property are governed by an operating entered into in February 2007 with Kepha Mining Exploration Corp. (KMEC) • Application for renewal of the Exploration Permit for the Kepha Property has been granted • Follow-up exploration work and drilling conducted in early 2013	Location: **Surigao del Norte** Ownership: **TMC**
La Salle: • Total area of 2,234 hectares • Rights to the property are governed by an operating agreement entered into with La Salle Mining Exploration Company (LSMEC) 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	Location: **Surigao del Norte** Ownership: **TMC**
Ludgoron: • Total area of 3,248.06 hectares • Rights to the property are governed by an operating agreement entered into in August 2007 with Ludgoron Mining Corp. (LMC) • Conducted geological reconnaissance on the property in 2008 • Drilled 92 holes with an aggregate length of 1,071 meters in the identified lateritic zones	Location: **Province Surigao del Norte and Surigao del Sur** Ownership: **TMC**
Boa: • Covered by a separate MPSA • 167 drill holes intended to be drilled by third quarter of 2012, but due to the delayed issuance of the tenement's permit for extension of exploration period, there were still no exploration activities done in the area	Location: **Province of Dinagat Island** Ownership: **CMC**

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.

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

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

The Board

The BOD is primarily responsible for the governance of the Company and shall provide the policies for the accomplishment of the corporate objectives, including the means by which to effectively monitor Management's performance. It is the BOD's responsibility to foster the long-term success of the Company and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interest of its stockholders. The Company's BOD is comprised of nine (9) Directors, with two (2) being Independent Directors.

Name	Position	Age	Gender	Nationality	Meetings attended
Manuel B. Zamora, Jr.	Executive Director, Chairman	76	Male	Filipino	6/6 (100%)
Gerard H. Brimo	Executive Director, President and Chief Executive Officer	63	Male	Filipino	6/6 (100%)
Philip T. Ang	Executive Director, Vice-Chairman	73	Male	Filipino	5/6 (83%)
Luis J. L. Virata	Non-Executive Director	60	Male	Filipino	5/6 (83%)
Takanori Fujimura	Non-Executive Director	70	Male	Japanese	6/6 (100%)
Takeshi Kubota	Non-Executive Director	59	Male	Japanese	5/6 (83%)
Martin Antonio G. Zamora*	Executive Director, Senior Vice President for Marketing and Strategic Planning	42	Male	Filipino	2/2 (100%)
Fulgencio S. Factoran, Jr.	Independent Director	71	Male	Filipino	6/6 (100%)
Frederick Y. Dy	Independent Director	59	Male	Filipino	6/6 (100%)

* Elected as executive director on July 30, 2013

Board Committees

Audit & Risk Committee

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

- Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations.
- Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company.
- Perform oversight functions over the Company's internal and external auditors.
- Review the annual internal audit plan to ensure its conformity with the objectives of the Company.
- 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.
- Organize an internal audit department and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal.
- Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security.
- Review the reports submitted by the internal and external auditors and financial statements.
- Coordinate, monitor and facilitate compliance with laws, rules and regulations.
- 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.
- Establish and identify the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities.

Committee Members

Position in Committee	Director
Chairman	Fredrick Y. Dy
Member	Gerard H. Brimo
Member	Takanori Fujimura

Nomination Committee

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

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

Committee Members

Position in Committee	Director
Chairman	Manuel B. Zamora Jr.
Member	Takeshi Kubota
Member	Fulgencio S. Factoran, Jr.

Compensation Committee

The Compensation Committee is responsible for establishment of formal and transparent procedures 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.

Committee Members

Position in Committee	Director
Chairman	Manuel B. Zamora Jr.
Member	Gerard H. Brimo
Member	Fredrick Y. Dy

Note - Details of NAC Corporate Governance can be found in 2013 Annual Report.

Environmental Responsibility

NAC is committed to following best practices in managing the environmental impacts of its operations. We use progressive rehabilitation of mine sites to restore, if not improve, the environment to its pre mining condition.

PhP 336 million
spent on EPEP in 2013

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, NAC's subsidiaries have an Environmental Protection and Enhancement Program (EPEP). This refers to the comprehensive and strategic environmental management plan for the life of mining projects to achieve the environmental management objectives, criteria and commitments including protection and rehabilitation of the affected environment.

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 Environmental Compliance Certificate (ECC) under P.D. 1586 and the Contractor's plan of mining operation.

Activities undertaken through our Annual Environmental Protection and Enhancement Program (AEPEP) 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 Environmental Compliance Certificate (ECC) conditions and the performance of commitments through our Annual Environmental Protection and Enhancement Program (AEPEP). This program is monitored and evaluated by the Multipartite Monitoring Team (MMT)- a multi-sector group headed by a representative from the Regional Mines and Geosciences Bureau (MGB) and representatives of local government units (LGUs), 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, 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 fiorst plant fast growing species to create vegetative cover within 12-18 months, thereafter to enable the 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.

Mine Rehabilitation vs. Reforestation: What is the Difference?

Mine Rehabilitation areas are mine pits that have been declared as mined out by the operation. These areas are backfilled and reshaped, in preparation for tree-planting.

Reforested areas, on the other hand, are disturbed areas (not necessarily mining areas) that are enhanced through reforestation and usually do not include backfilling and reshaping.

PhP 130.9 million

provision allotted for mine rehabilitation and decommissioning, as of December 2013

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.

1.33 million

Total Seedlings Planted

1,271 hectares

Total Area Rehabilited / Reforestated

FROM A MINE TO A FOREST

Mother Nature Gives Us The Minerals, We Give Her Back A Forest

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 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 that the stunted vegetation there before, because of the mineralized nature of the soil.

Responsible Leadership.
Responsible Mining.

NAC
NICKEL ASIA CORP.

Social Responsibility

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.

PhP165.9 million
allocated for the SDMP fund in 2013

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 company. 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 Company.

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, NAC 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).

CSR Guidelines

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 company's CSR initiatives
   b. Social Investment –going beyond compliance and considering CSR not as an additional cost but as an investment

Employees

As of December 31, 2013, NAC approximately has 1,484 employees. Of this number, 623 are employed in mining operations, while 130 are engaged in various maintenance and ancillary functions and 731 are in administrative, technical and professional roles, including senior management.

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

Head Office

	NAC	CMC	HMC	TMC	RTNMC	CEXCI	LCSLC	SNMRC	Total
Senior Management	12	1	-	2	1	-	-	-	16
Managers	9	1	2	3	2	2	-	-	19
Supervisors	9	6	4	4	5	4	1	-	33
Rank & File	15	3	4	9	8	4	1	1	45
Total	**45**	**11**	**10**	**18**	**16**	**10**	**2**	**1**	**113**

Minesite

RTNMC	1,822
TMC	1,327
HMC	1,245
CMC	703
Total	5,097

Each mine site 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:

Mine Site	Manpower from Local community	Indigenous People (IPs)
Rio Tuba	517	25
Taganito	1,176	155
Hinatuan	795	-
Cagdianao	442	-

NAC complies with the government standards on the wages and labor practices in the Philippine mining industry. 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 is being negotiated for the 5 year period

CBAs of RTNMC and CMC shall be negotiated for remaining 2 years

TMC's CBA has been agreed upon for final 2 years

NAC has maintained good relations with employees. The last strike at any of our mines occurred in 1981.

Risks Related to the Business and Industry

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 insurgents 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 PhP 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.

Economic Profitability

Total sale of Nickel Ore (2013):
13,998.4 thousand WMT

NAC remains focused on sustainable growth and achieving targets that are set each year. This is done through our investments in downstream processing, and the expansion of nickel resources and reserve base through exploration in our existing properties.

Results of Operations

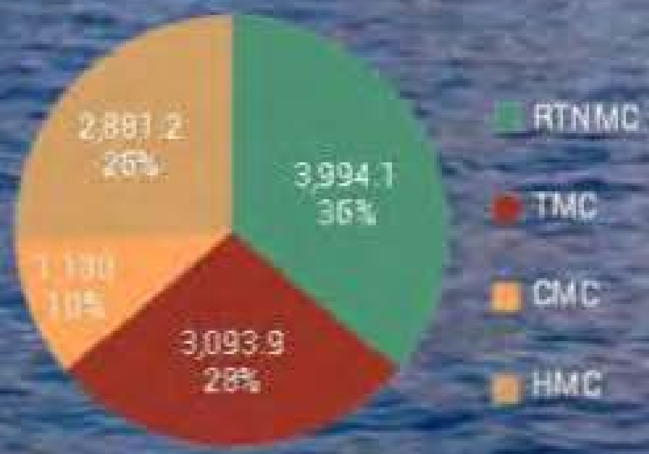
	2013 (million PhP)	2012 (million PhP)
Revenues	11,109.5	11,606.9
Cost & Expense	7,562.4	7458.0
Finance Income	166.7	235.0
Net Income	2,586.4	3120.3

Total revenue of the company in 2013, was PhP 11,109.5 million, as compared to PhP 11,606.9 million in 2012, a decrease of PhP 497.4 million, or 4%, mainly as a result of lower LME nickel prices despite a higher sales volume achieved and depreciation of peso as against the US dollar.

2013 (PhP million)

Revenue Breakdown Nickel Ore in 2013 per mine site

2012 (PhP million)



Revenue Breakdown of Nickel Ore in 2012 per mine site

Services and Others

Our revenue from services and others was PhP 634.0 million in 2013. This largely consisted of payments made to us in consideration for hauling, manpower and other ancillary services that RTNMC and TMC provides to CBNC and THNC, respectively, and usage fees charged by TMC to THNC for the use of its pier facility.

Financial Position

Total assets amounted to PhP 28,913.5 million for 2013. Current assets increased to PhP 14,601.0 million in the same year due mainly to the increase in cash and cash equivalents, from PhP 9,263.5 million to PhP 10,234.3 million, and available-for-sale (AFS) financial assets, from PhP 1,086.1 million to PhP 1,257.4 million.

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

Total current liabilities increased to PhP 1,309.0 million which was attributable mainly to increase in trade and other payables from PhP 864.0 million to PhP 928.1 million.

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

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

Stakeholder Management

Our stakeholder management process helps us to gain, maintain and create positive and long-term relationships with all our stakeholders to ensure the continuous development of our business. It is the basis of engaging key stakeholders, wherein we identify their issues and concerns and develop plans and programs to address them.

Our key stakeholders are categorized as national and local level stakeholder. The national level covers the national government, mainstream media and the NGOs. The local level, on the other hand, covers key LGU officials, local media, local NGOs, employees and the communities.

In addressing the concerns of the National and Local Government, NAC consistently complies with the laws and policies that they have set, in relation to mining activities. The Company also regularly monitors these activities and updates the national government to assure that daily operations are carried out with much consideration to the environmental, social and economic impact of the Company.

Non-Government Organizations (NGOs) are also considered as a key stakeholder of NAC as they play an integral part in the promotion of sustainable and social development of communities in NAC's areas of operation. The Company takes every opportunity to inform NGOs about the developments of each mine site, and partner with them in providing support to the host communities.

Media is regularly updated about the activities of the Company. This also acts as a means of information dissemination to the general public. When necessary, NAC conducts one on one engagements and site visits, so that media can get a better idea of the activities of our companies.

Our employees are major shareholders in our Company. We provide them with the proper benefits and programs to guarantee a healthy and safe working environment and ensure that their professional growth is enhanced through trainings and seminars. Our rank and file employees are also covered by their respective Collective Bargaining Agreements (CBAs) in accordance with Philippine Labor Laws.

Each mine site of NAC has developed a Social Development Management Plan (SDMP) for their respective communities. The SDMP has a set of programs for each community, that aims to address issues in relation to the education, infrastructure, livelihood, environmental and other social concerns of residents. Through these programs we have built villages for our Indigenous People in Rio Tuba and Taganito, with the help of Gawad Kalinga Foundation and provided families with work and self-sustained food through our "Food for Work" program. We have also built and repaired bridges and roads so that communities will have easier and faster access for their businesses.

Rio Tuba Nickel Mining Corporation

Rio Tuba Nickel Mining Corporation (RTNMC) was the first operational minesite of NAC, established in 1975. It operates in Bataraza, Palawan, covering an area of 990 h.a., with 276.41 hectares of rehabilitated area. The Environmental Compliance Certificate (ECC) of RTNMC was issued on December 11, 1997, and received by the company on January 17, 1998. Its Mineral Production Sharing Agreement (MPSA) was also issued in 1998, and is valid until 2023 (25 years). NAC has 60% ownership of RTNMC.

RTNMC's revenue for sale of nickel ore was PhP 3,035.8 million, selling an aggregate 5,774.4 thousand WMT of nickel ore. The volume of saprolite ore sold decreased by 546.6 thousand WMT while limonite ore increased by 53.7 thousand WMT.

Environmental Responsibility

RTNMC adheres to NAC's mission to protect the environment within its areas of operation. This is done through programs covering, mine rehabilitation and reforestation, pollution control, waste management, and by following mining laws imposed by the local and national government.

Under the company's MPSA, it is required to secure an Environmental Compliance Certificate (ECC), and Environmental Protection and Enhancement Program (EPEP), allocating at least ten percent (10%) of its total project cost for its initial environment related capital expenditures, but this may be adjusted depending on the nature and scale of operations and technology to be employed in the Contract Area. RTNMC is required to submit an annual EPEP every year, wherein the company allocates three to five percent (3-5%) of its direct mining and milling cost. It is also mandatory for RTNMC to establish a Mine Rehabilitation Fund based on the financial requirements of the EPEP.

The EPEP of RTNMC includes its plans on environmental protection, enhancement and rehabilitation of affected areas up to the eventual cessation of activities. In the Philippines, RTNMC has one of the highest budgetary cost and expenses for its EPEP, among mining companies.

Expenditure Per Environmental Programs (2013)	Amount PhP (in million)
Tree Planting / Reforestation Projects	4.8
Mine Rehabilitation	14.6
Silt Control Projects	10.7
Dust Emission Control Projects	7.7
Heavy Metal Control Projects	0.5
Wastewater Treatment/ Control Projects	0.6
Solid Waste Disposal Project	0.7
IEC and Monitoring	6.4
AEPEP Activities	38.9
Others	8.4
SUB-TOTAL	93.7
GOTOK QUARRY	
Tree Planting / Reforestation	0.1
Dust Emission Control Projects	0.2
Others	2.5
SUB-TOTAL	2.8
TOTAL	96.6

RTNMC abides by the Strategic Environmental Plan for Palawan Act (Republic Act No. 7611), which prohibits operations within an area of 144 hectares, classified as "core zone". These areas 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.

Water quality monitoring test

RTNMC implements its environmental programs through the Mine Environmental Protection and Enhancement Office (MEPEO), which is divided into: Mine Rehabilitation and Reforestation Unit (MRRU) and Pollution Control Office (PCO). Both units have initiatives focused on addressing the impact that mining operations may have on the environment around the mining areas.

MEPEO	Environmental Impacts of Mining	Mitigations / Initiatives
1. Mine Rehabilitation and Reforestation Unit (MRRU)	Deforestation / Excavation	Surface preparation and rehabilitation of mined-out areas, cloning, planting of large planting materials and endemic tree species. Provision of nursery. Conversion of mine pits into "palay-isdaan" area. Likewise, rehabilitation of non-mineralized areas and national greening programs.
2. Pollution Control Office	Siltation	Desilting of ponds and monitoring of SCS's.
	Dust	Watering haul road regularly, wind breaker
	Soil Erosion	Covering stockpiles with coconets, drainage systems, slope re-vegetation of vetiver grasses.
	Hazardous wastes	Construction of Haz waste Extension Building
	Oil and grease contamination of water bodies	Construction of oil-water separators
	Noise	Conduct monthly noise level monitoring at different stations
	Air and Water contaminations	Conduct monthly air and water samplings at different stations

MINE REHABILITATION

The MRRU of RTNMC is in charge of conducting a comprehensive and progressive rehabilitation program, in coordination with the Protected Areas and Wildlife Bureau (PAWB) and Department of Environment and Natural Resources (DENR), within and around the surrounding areas of its minesites.

In the rehabilitation process, RTNMC uses the top soil, mostly coming from in situ materials, recovered from clearing operations. Once the top soil has settled, this is where tree seedlings are planted and cultivated. To help the process, RTNMC also conducts enrichment planting, wherein additional seedlings are planted to address the disturbance of the soil.

Experts in the field of rehabilitation were also hired to strengthen the rehabilitation program. A clonal laboratory (research facility for cloning plants) and other tree and plant propagation measures were supported by RTNMC to accelerate the rehabilitation process.

REFORESTATION

Outside of the mined-out sites, RTNMC conducts reforestation activities in disturbed areas (areas indirectly affected by mining operations). In coordination with DENR, the Local Government Units (LGUs) and Non-Government Organizations (NGOs), RTNMC performed enrichment planting in nearby and affected mangrove areas to enhance the protective and productive capacities of the ecosystem.

RTNMC also initiated the reforestation of several patches of mangrove areas along Rio Tuba River, previously affected by illegal logging. From 2001-2004, around 2.5 hectares were reforested. Enrichment planting was also conducted along Rio Tuba River, with more than 2,000 Nipa seedlings being planted to substitute for the destroyed mangrove trees.

The rehabilitation and reforestation efforts have resulted in approximately 33% of formerly mined out areas rehabilitated/ reforested, with 45% currently being used for other purposes such as tailings pond, ore stockpiles, etc. leaving a balance of 22% still due for reforestation.

85.52 hectares of totally mined out areas were completely rehabilitated. Outside of the mine area of RTNMC, a total of 537.4 hectares have been completely reforested

A total of 1.33 million seedlings/trees were planted.

The areas that are not rehabilitated, which total 363.02 hectares, are currently used for:

CBNC tailings dam and pond (No.1 &2)	185.67 hectares
HPAL plant	22.49 hectares
Ore stockpiles	61.47 hectares
Road network	25.46 hectares
Solar drying areas	18.61 hectares
Ash pit	8.18 hectares
Sanitary landfill	4.60 hectares
Unrehabilitated/rocky portion	34.60 hectares
Unichamp plant	2 hectares

Rehabilitated area

A Mine Rehabilitation and/or Decommissioning Plan (MRDP) meeting was held with stakeholders within the affected area to discuss recommendations on how the area will be rehabilitated. Suggestions and comments were considered in crafting the EPEP of RTNMC, which was submitted to the DENR Regional Office and EMB for review and approval.

The rehabilitation and reforestation efforts of RTNMC also involves the protection of biodiversity in and around the mine-sites. Protected areas and policies were established by RTNMC to preserve the habitat of wildlife in areas near the RTNMC mines.

One such area is the Ursula Island Game Refuge and Bird Sanctuary, which is protected and managed by managed by PAMB together with RTNMC and DENR, Protected Area and Management Board of Ursula, LGUs of Bataraza and Rio Tuba, and CBNC. The company provides support by managing the plants and animals inhabiting the area through regular monitoring activities that ensure the island is in good condition and to prevent any human activities from affecting the island.

Forested areas that are still untapped by mining operations are also protected actively by RTNMC. Fruit bearing trees were planted around the periphery of mine pits to benefit wildlife species. These buffer zones were setup in strategic places to provide temporary shelters or habitat for the existing wildlife species in the area.

To safeguard wildlife within the mining claims, RTNMC created a policy to prohibit hunting. Private company security guards were dispatched around the periphery of mining claims to keep the area safe from intruders who are hunting endemic, threatened or endangered species. The company provides monthly Information, Education and Communication (IEC) materials that include information and a list of threatened/endangered species.

Other measures were created by RTNMC to manage and mitigate any impacts on the environment, caused by the operations of the company:

Impacts		Environmental Management Measures
1	Loss of top soil	Minimization of extensive ground works
		Utilization of topsoil to rehabilitate open and burdened areas
2	Soil erosion	Keeping stockpiles with moderate slope to minimize erosion
		Use of engineering structures and vegetative means to stabilize slopes of stockpiles
		Revegetation of disturbed areas
		Installation of sediment traps
		Installation of erosion plots
3	Soil degradation	Close monitoring of ground works only to the specified locations
		Proper installation of water drainage structure
		Proper scheduling of hauling activities to minimize soil compaction on unpaved roads
4	Change in landform	Maintenance of vegetation cover in the designated buffer zones and in the peripheries of roads and mine pits
		Rehabilitation of mined-out areas
5	Contamination of soil and water resources with oil, grease and heavy metals	Proper fuel and lube material handling and maintenance of vehicles and heavy equipment
6	Generation of solid waste	Implementation of Solid Waste Management Program
7	Increase in surface run-off and flash floods	Proper design and construction of roads and drainage channels
		Regular monitoring of drainage facilities especially during rainy season
		Regular desilting of silt ponds
		Maintenance and operation of drainage canals and sediment control structures
8	Loss of flora and fauna	Inventory of flora and fauna species
		Rehabilitation of mined-out areas
		Conduct of rehabilitation programs
		Retaining a protection forest and establishment of buffer zone
9	Wildlife species displacement	Maintenance of vegetation in the peripheries of the mining areas
10	Increase in concentration of air pollutants	Proper maintenance of motor vehicles and heavy equipment
11	Dust generation	Regular water sprinkling along exposed areas especially during dry seasons
		Limiting the speed of vehicles
		Covering haulage trucks with tarpaulin or canvas

POLLUTION CONTROL

RTNMC created the Pollution Control Office (PCO) to keep track of the operations of the company and ensure that it has little to no effect on the surrounding environment. This involves the development and implementation of programs that will monitor and mitigate dust emissions and noise pollution, soil erosion, water quality management, land disturbance and waste materials.

In managing dust emissions from operations, RTNMC conducts the following activities:

- Water spraying on haul roads
- Concreting of main haul roads
- Providing water sprinkler systems
- Installation of tire wash
- Street sweeping
- Silt scraping
- Installation of chutes
- Installation of wind breakers
- Installation of dust collector boxes

Water sprinkler system

Tire wash

Street sweeping

Water spraying on haul roads

A speed limit was also created and is strictly being implemented within the mining areas and hauling roads to reduce dust emissions, as well as noise pollution. Reducing noise pollution decreases disturbances to the wildlife and people working in the area.

Other concerns of the PCO are soil erosion and siltation. To control this, RTNMC conducts slope stabilization activities, which include: engineered slope, proper drainage, boulder toe dressing and slope revegetation. Siltation is also managed using silt collector sumps placed strategically around the mine areas.

82,104 liters of diesel fuel consumption for electricity requirements of the pier facilities for drydocking maintenance and barge loading operations

10, 315 MW of electricity consumed by the facilities and operations of the minesite

2,878,685 liters of diesel and 17,220 liters of gasoline used for equipment (heavy machineries, all service vehicles used at the minesite)

WASTE MANAGEMENT

Solid Waste Management Plan

RTNMC strictly implements a proper solid waste management program in its minesites. Mine wastes, sludge and other solid wastes are properly stockpiled and disposed in permanent areas that are away from any water systems. Biodegradables and residuals are disposed through landfilling while recyclables such as wood, steel, paper, plastic, etc. are recovered through the Materials Recovery Facility.

Total amount of waste generated: 10,848 m^3

Top soil and mined material below cut-off grade are considered waste and are disposed in designated areas. Previous waste dump areas are converted into drying areas for nickel ore from stockpiles.

Waste dumping is minimal since most materials mined and moved are either stockpiled as low grade ore or hauled to drying areas for eventual shipment. This has allowed the company to rehabilitate and reforest previous waste dump areas.

RTNMC also collects domestic waste generated in both plant complex and surrounding barangays. The wastes are disposed in an abandoned pit, which has an estimated holding capacity of 240,000 m^3. The pit has been allowed to operate by DENR Region IV and is expected to last for 20 years. It is equipped with a leachate filtration and odor control system. Disposed waste in the pit is covered with a layer of soil twice a week.

Garbage compactor collecting waste materials

Hazardous Waste Management

Pollutants, like hazardous wastes, are also properly handled by PCO. These materials are treated, transported and stored cautiously through accredited treatment specialists.

This chemical is called Polychlorinated Biphenyls (CAS No. 1336-36-3). The quantity stock inventory of waste PCB consisted of five (5) drums last year. PCB, along with other hazardous wastes are stored onsite. Other hazardous wastes are segregated according to the following:

- Used oils (liquid)
- Used oil filters (solid)
- Used batteries (solid)
- Busted fluorescent lamps (solid)

In accordance with Section 5-2 of DAO 2004-36, RTNMC requires vessels, containers, and tanks containing hazardous wastes to be properly marked and labeled with the hazardous waste class, sub-category, hazardous waste symbol, and container maximum capacity. The company segregates and stores the hazardous wastes on-site according to type, while recording of the hazardous waste usage is done by the units generating them. The recorded information is collated by the Pollution Control Officer (PCO), for consolidation into the Self Monitoring Report (SMR). To transport and store hazardous wastes, RTNMC engages the services of DENR-accredited hazardous waste transporters and treaters.

Oil is another waste material generated from operations of the company. It is separated from water using an oil-water separator installed within motorpool areas in the mine-site. This prevents oil spillages from contaminating groundwater and nearby water bodies. Spill containers are put in place during equipment maintenance and repair as a primary measure to avoid spillages when transferring oil to drainage canals. Used oil and oil filters are stored in a 8mx8m hazwaste building (extension). A contingency plan, in case of an oil spill was also developed by RTNMC. The company stores the following marine pollution control equipment and supplies, in preparation for such an event:

a. 100 ft long x 18" diameter Oil Containment Boom
b. 150 ft long x 36" width Coco net
c. 6 drums Oil Dispersant
d. 5 sacks Saw Dust Sorbent materials
e. 3 units Pump Boat equipped with handheld radios
f. 4 units Handheld Radios
g. 1 unit Sprayer, 16L capacity as Oil Dispersant Equipment
h. Existing Bund Walls at Pier Depot can hold more than 5000 barrels of fuel.

Total volume of used oil treated = 112,000 L

Total weight of used oil filters treated = 11,481 kg

WATER QUALITY DEGRADATION MEASURES

Watershed Management Plan

The bodies of water directly affected by discharges of water and runoffs are the Rio Tuba and Ocayan Rivers, which drain to the nearby Coral Bay. Rio Tuba River gets discharges from 5 different siltation ponds including Tagpisa Siltation Pond. The maximum depth of the Rio Tuba River estuary is 20 m from about 3 km from the coastal side. Water impounded in the silt collector facilities are recycled for road watering around the mine site. Regular water quality monitoring is conducted to determine the quality of water being discharged outside the mine complex.

There are 12 sub-watersheds covered by the mining claim. The largest watershed is Ocayan River having a total area of 2,000 hectares with a stream flow discharge of 0.34 m^3/sec. The watershed's peak storm flow estimates for different return periods indicate a flow of 51.1, 62.9, 69.4, 77.6 and 88.6 m^3/sec for 5, 10, 15, 20, 25 and 50 years, respectively. On the other side, the smallest watershed is Sumbiling Tributary 1 with an area of 133.35 hectares and a stream flow discharge of 0.06 m^3/sec.

Source of Effluent/Discharge	Volume (m^3)		Receiving Water Body
	Daily Average	Total Discharge	
Lower Kinurong Siltation Pond	1,271	463,824	Rio Tuba River
Lower Togpon Siltation Pond	2,921	1,066,256	
TOTAL	**4,192**	**1,530,080**	

Coral Bay covers an area of 7,000 hectares and a coastline of 5 km. southeast of Bataraza. It is situated biophysically within the Bgys. of Rio Tuba and Ocayan and bounded by the Rio Tuba and Ocayan Rivers. The biodiversity value in the area are presumed to be high due to the lush mangroves along the banks. Currently, plans are under way to make the bay a marine protected area.

Identity	Size / Area Covered (ha)	Protected Status	Biodiversity/Aesthetic Value
Rio Tuba River	Undetermined	None	High
Ocayan River	2,000	None	High
Coral Bay	7,000	None	High

Water Consumption

RTNMC's main source of potable water is the Umawi stream water source, wherein the company withdrew and treated **136,591 m^3** of water from Umawi for drinking and other domestic needs of RTNMC Townsite and some sitios of Rio Tuba. Free water is also supplied to the communities around the minesite which includes the IPs as well. The water supply system has a capacity of 3,000 m^3/day and consists of the following major components:

- One (1) unit Infiltration gallery with Backwash System;
- One (1) unit Dual Media Filter with Backwash System;
- 50 m3 capacity Filtered Water Well;
- Steel Transmission Pipes;
- Two (2) units – 300 m3 capacity Elevated Water Tank; and
- Disinfection or Chlorination System.

On the other hand, 127,104 m^3 of water was pumped out from RTNMC's siltation the mining areas and along Macadam road to reduce dust emissions.

MATERIALS STEWARDSHIP

According to the International Council on Mining and Metals (ICMM), materials stewardship is defined as

"the responsible provision of materials and supervision of material flows towards the creation of maximum societal value and minimum impact on man and the environment".

RTNMC created a materials stewardship group and program to ensure the optimal and appropriate extraction and use of minerals and metals using a proper framework and strategy. To handle this, the company pooled together experts of the group, including the environmental/ rehabilitation department, occupational and safety unit, community, health, marketing, procurement and supply manager, among others.

The mine engineering and operation team contribute to materials stewardship through their works on exploration, surveys and hauling/handling. Assay handles laboratory tests for the proper ore classifications. This enhances the understanding of the human health and environmental risks that can arise from mining / nickel ore operations.

Generally, the Materials Stewardship work program acts as a form of risk management providing comprehensive information across the supply chain to help companies reduce harmful environmental and social footprints and improve operational decision-making. This material stewardship applied by RTNMC strictly conforms to the existing laws governed by the Philippine government.

Below is a table reflecting the company's initiative in dealing with Material Stewardship throughout its life cycle.

Program of Actions	Progress
1. Survey / Exploration	Daily
2. Operation – Quarrying/Mining, Hauling, Retrieving, Beneficiation, Crushing	Daily
3. Ore Feed	Daily
4. Ore Classifications / Air and Water Quality Tests	Daily / Monthly
5. Mine Rehabilitation / Reforestation (Mined-out Areas)	On-going
6. Environmental Protection / Pollution Control / Waste Disposal Management	On-Going
7. Occupational Safety and Health Hazards	Daily
8. Waste Disposal (Used Oil and Oil Filters / Used Battery / Busted Fluorescent Lamps and PCBs)	Monthly/ Quarterly/ Annual

Social Responsibility

RTNMC puts much value into the communities it works in and the people it works with. Programs have been created to ensure the development in the livelihood of these stakeholders, and that the growth between RTNMC and its communities is mutual.

Employees

RTNMC commits to ensuring that all its personnel are working in a healthy and safe environment. Various programs are created addressing concerns under these areas, as well as to enable personal development through trainings and benefits.

As of 2013, RTNMC has a total of 1,822 employees, including mine service contract workers. This is broken down into the following:

JOB CLASS	NUMBER of EMPLOYEES
Senior Staff	10
Junior Staff	17
Foreman	17
Supervisor	60
Technical	34
Confidential Technical/Clerical	10
Clerical	20
Rank & File	497
Casual/Seasonal/Contractual	147
Sub-Total	812
Mine Service Contract Workers	1,010
GRAND TOTAL*	1,822

Male	Female
626*	39

Accounts for fulltime (659 regular and 7 probationary) employees only

Total number of employees inclusive of regular, probationary, casual and contractual employees.

For economic empowerment of the IPs, it is company policy to hire employees from the local IP communities within the mining impact areas for the mining rehabilitation projects. The company seasonally maintains 50-150 IP employees in which usually 30% to 40% are females.

Turnover Rate

AGE		Gender		Region	
	Headcount	Male	Female	Local	Outside Operations
18-25	0	0	0	0	0
25-40	4	4	0	3	1
40-60	9	9	0	3	6
60+	1	1	0	1	0

Turnover rate is inclusive of 9 employees who retired in 2013.

CBA and Benefits

A Collective Bargaining Agreement (CBA) was entered between RTNMC and the Rio Tuba Nickel Workers Union covering 1,527 employees. Under the CBA, employees are given the following rights, among others:

- *The company will cooperate in the continuing objective to eliminate accidents and health hazards*
- *Employees shall not be required to work under conditions, which are unsafe or unhealthy beyond the normal hazards inherent in the operations*
- *Any serious accidents will be jointly investigated by the Chairman of the Union Safety Committee and two (2) employees acquainted with the condition of the place of accident, the Safety Engineer and the Shift Foreman of the shift in which the accident occurred and the Department Head. The recommendation and findings of the joint committee shall be presented in writing to the Resident Mine Manager*
- *The Union Safety Committee represented by 2 members, together with the mine's safety engineer shall make monthly inspections of the mine*
- *RTNMC will sponsor in-plant seminars on Labor Laws, Decrees, Rules and Regulations, Educational and Job Enrichment Productivity Program, SSS, PHILHEALTH, PAG-IBIG and include the DOLE's calendar of seminars and to hold meetings for the dissemination of new ones upon request of the union.*
- *The company allows at least 3 Union officers on official business to attend labor seminars and conventions and other labor related activities outside the minesite, as Union representation is required*
- *The company will sponsor job enrichment trainings to employees' out of school/ unemployed dependents once a year, through the assistance of TESDA*
- *A complaints mechanism will be provided by the company for the RTNMC Workers Union*

Employees are given benefits under the CBA which are way and above the standards provided by the Labor Code, as amended, and other allied laws, to name a few are:

Avg daily wage of rank & file employees - Php 597.14 compared to local minimum wage for National Capital Region (Php 451)
Night shift differentials calculated at 15%
Overtime & holiday pays are above the local requirement
Free Medical Hospitalization and Dental Services at company-run RTNFI Hospital
Sharing of medical referrals costs for employees and their legitimate dependents
Annual Physical Examination of all employees
General / Executive Check-up every three years for all employees aged 45 and above
Free transportation going to and fro work
Free housing with free water and electricity and 24/7 security
Housing Allowance for those who have no assigned housing unit or have opted to stay outside the housing facility of the Company.
Free use of recreational facilities
Severance and Death Benefits

Health and Safety

As a responsible mining company, RTNMC ensures the health and safety of its workers by imposing strict safety programs and measures in its mine sites. Employees are also provided with the proper mining and safety equipment to avoid accidents and loss of man-hours.

Standard materials provided to miners are as follows:

- Skull guard
- Plastic goggles
- Dust/ gas respirator/ mask
- Air muff
- Hand gloves
- High visibility vest
- Rainboots
- Raincoat
- Safety shoes

RTNMC employees

RTNMC also established a Central Safety and Health Committee to handle issues relating to occupational health and safety programs of the operation and mine site. The committee is composed of:

- Resident Mine Manager Chairman
- Safety Engineer Presiding Officer
- Members Division/Group/Department/Section heads, Union representatives, Contractors representatives, vendor representatives, Company physician, and Safety Inspector/Officer as secretariat.

This committee represents 78% of the total work force of the company including the Bargaining Unit. A total of 15 safety officers are appointed in the committee. This consists of all permanent, regular rank-and-file employees or workers employed by RTNMC in its mining operations, and excluding probationary, temporary, casuals, contractual, seasonal, employment for a fixed period, managerial employees, supervisory employees, confidential/confidential technical / security employees, employees holding confidential and technical positions and safety inspectors.

The safety officers conduct walkthrough inspections around the minesite to ensure that safety code is practiced by all the employees in the site. The team also conducts daily toolbox meetings as well as monthly safety meetings to regularly monitor the issues and concerns of the employees on safety measures.

As a result of RTNMC's safety policies, the company was able to achieve total combined man-hours of 7,040,597 in 2013. This also resulted in a registered frequency rate of 0.14 and severity rate of 1.98 for one lost time accident with 14 days lost. The recorded rates were calculated based on DENR standards.

In the area of health, the company provides employees with education, training, counseling, prevention and risk-control programs to assist workers, their families and community members on concerns related to serious diseases. The table below shows a summary of the assistance provided:

Assistance Program For Serious Diseases (HIV/AIDS, Diabetes, PSI and Stress)								
	Education/Training		Counselling		Prevention / Risk Control		Treatment	
Program Recipients	✔	X	✔	X	✔	X	✔	X
Workers	✔		✔		✔		✔	
Workers Families	✔		✔		✔		✔	
Community Members	✔		✔		✔		✔	

Emergency Response

RTNMC created an emergency response and preparedness program, approved by the DENR- Mines and Geosciences Bureau (MGB), to ensure that an effective and efficient response system has been set for emergency situations. Drills are periodically conducted to test the level of preparedness of the employees and to assess if there are any revisions that can be done to improve the emergency response process.

Each major Department has an emergency response team (ERT), whose members are trained in basic firefighting and medical rescue. They are assigned to be the first responder to emergencies within their department's jurisdiction, as well as operational areas including surrounding communities. A fire truck and ambulance (under the RTI hospital), both owned by the company, are always on standby for any emergencies.

SOCIAL DEVELOPMENT MANAGEMENT PLAN

In accordance with law, RTNMC has a Social Development and Management Plan (SDMP) that provides welfare services in the areas of education, health and sanitation, infrastructure and livelihood projects. The SDMP was formed through a memorandum of agreement with RTNMC, Coral Bay Nickel Corporation (CBNC) and the 11 surrounding barangays. In the agreement, CBNC will shoulder 2/3 while RTNMC will shoulder 1/3 of the budget for SDMP. At least 1.5% of RTNMC's gross cost is allotted to the implementation of SDMP services.

One of the most successful services under the SDMP is the scholarship program which has allowed 351 students pursue their academic goals. Infrastructure repair and improvement is also another focus area, wherein the company has improved the travel time for residents going from one community to another. Livelihood programs were likewise given emphasis to capacitate community members with the appropriate tools and skills to create help their own micro-enterprises.

RTNMC's SDMP also includes programs for Indigenous People (IP). A total of 27 tribes reside around the mine area in which 11 are from the impact community. In September 2010, the company turned over **PhP 30 million** to the Indigenous Peoples Development Office-Bataraza, Inc. (IPDO-BI) to implement various social projects exclusive to IPs only. This office is registered with Securities and Exchange Commission and is run by its Board of Trustees composed of tribal chieftains from the Indigenous Cultural Communities.

CORPORATE SOCIAL RESPONSIBILITY

CSR programs of RTNMC are implemented directly by the RTN Foundation, Inc. (RTNFI), a non-stock and non-profit institution duly registered with the Securities and Exchange Commission. The Foundation is in charge of the operations for the following:

- Secondary Level Hospital
- Leonides S. Virata Memorial School (LSVMS)
- 28 Indigenous Learning System (ILS)
- Gawad Kalinga (GK) Housing Program

The RTNFI Hospital provides regular employees with health and dental services, including pre-employment and annual medical examinations. Dependents of employees, including Indigenous People (IPs) are also covered by the medical and dental benefits. Illnesses are diagnosed and treated in a hospital operated by the Foundation, and financed by RTNMC.

RTNFI Hospital

In terms of education-based programs, RTN Foundation provided quality learning tools for the Leonides S. Virata (LSV) Memorial School, a school catering to student dependents of RTNMC employees, and from other barangays. In 2012-2013, LSV Memorial School served a total of 1,316 students in which 926 students are employed dependent and 433 are from the local community. The school employs 66 staff members, made up of licensed teachers and other administrative personnel.

An Indigenous Learning System (ILS), recognized by the DepEd was also introduced by RTNMC, as an alternative literacy program designed for indigenous people (IPs). Its manpower of 29 teachers, are mostly education course graduates who are assigned in different IP areas. These teachers are also given graduate study opportunities to enhance their teaching strategy. Learning materials and supplies are provided to the students, for free. As of December 2013, 28 ILS centers were introduced by RTNMC.

Students of Leonides S. Virata Memorial School

RTN Foundation continues to collaborate with Gawad Kalinga (GK) to build houses and implement soft programs for communities (including indigenous tribes) in the areas of operation. The goal of RTNFI is to build 1,000 houses within 10 years, in the identified impact areas of RTNMC. At present, a total of 214 units have been built and turned-over to resident-recipients in nine existing GK sites.

The soft programs of RTN Foundation and GK are composed of child and youth development undertakings that target different age groups:

PROGRAM	AGE GROUP
SIBOL (Pre-School Program)	3-6 Years Old
SAGIP (Tutorial activities for elementary pupils)	7-12 Years Old
SIGA (Workshops - arts, dancing, singing for out of school and high school youth)	13-21 Years Old

RTN Foundation also focuses on infrastructure for its CSR activities. Support is given to communities through infrastructure projects, such as the construction and maintenance of more than 51 kilometers of farm-to-market and other ancillary roads within the mining community and neighboring barangays. These include the following:

1. National Highway to Ocayam Elem. School 3.5 km
2. Tagdalungon Feeder Road 1.5 km
3. Macadam Road 7.0 km
4. Macadam Kinurong Road 1.8 km
5. Taratac Feeder Road 10.8 km
6. Gotok-Luzvimin Road 2.5 km
7. Igang-Igang Feeder Road 3.5 km
8. National Highway to Culandanum 2.5 km

Livelihood programs are carried out by RTNMC to capacitate community members with the right tools and skills to create help their own micro-enterprises. Fisher folks working within Rio Tuba were given easier access to ice through the construction of an ice plant, run by RTNMC, which sells its products to fishermen at reasonable prices. This has been of great help to fisher folks who need to transport their harvest from one town to another. Owners of fishponds were also assisted by RTNMC in the construction of culverts for the inflow and outflow of brackish water. RTN Foundation also has a "Bayan-Anihan" program wherein a 10 m² plot is planted with 5 commonly-grown vegetables. This is to encourage families to have their own plots so that food security is assured.

Taganito Mining Corporation

In 1987, Taganito Mining Coporation (TMC) became operational in Taganito, Surigao del Norte through NAC's acquisition of the property from HMC, and, by 1989 TMC had already made its first commercial shipment. The Taganito minesite covers 4,862 h.a. of land, with 1,157.42 hectares disturbed and 3,705.29 hectares undisturbed. NAC has 65% ownership of the company. Its Mineral Production Sharing Agreement (MPSA) will expire by 2034.

TMC has ore sales revenue of PhP 3,109.1 million, with 3,893,150 WMT of nickel ore sold. Meanwhile, Saprolite ore sold to customers decreased to 1,416,588 WMT, while limonite ore sold increased to 2,476,562 WMT.

Environmental Responsibility

TMC ensures the protection of the environment surrounding its area of operations through various programs that focus on rehabilitating/ reforesting mined-out areas, lessening the impact on biodiversity, controlling the pollution from operations, management of solid waste, and management of watersheds.

These environmental initiatives are carried out in line with the Environmental Protection and Enhancement Program (EPEP) of TMC. Annually, the company sets a budget for the EPEPs and identifies key areas that programs will focus on, in consultation with the communities. Such key areas, for example, are the quality of land, air and water in and around the mine sites. To mitigate the impact on these aspects of the environment, TMC conducts the following activities:

Land	Air	Water
Removal/extraction of soil during the mining operation will result in the degradation of land surface. However, mitigating measures, such as reforestation and rehabilitation, are being laid to mitigate the impact on mined-out areas.	During dry months, dust emissions are managed using water truck lorries deployed to spray the active haulage roads.	During rain, run-off water will flow downstream from the mine pit, causing siltation. However, siltation ponds were strategically constructed to allow solids to settle before releasing the water to the river and meet the allowable DENR standard which is 90 mg/L (as per DAO-35).

MINE REHABILITATION

Mined out areas of TMC are rehabilitated through a process involving reshaping, backfilling, stabilization and tree planting. Through these efforts, the company was able to rehabilitate a total of 98.88 hectares of declared mined out areas in 2013, using 103,386 seedlings of native species and fast-growing species. Creeping grasses such as humidicola and vetiver grasses were also introduced to improve soil fertility.

One of the mined out pits, covering an area of 1.26 hectares was converted to a Gulayan and Prutasan (fruits and vegetable farm) where various kinds of forest trees, fruit trees and vegetables were planted. Fruits and vegetables such as squash, okra, eggplant, tomato, string beans, corn, etc are regularly harvested from the farm and distributed to employees. This is tangible proof that it is possible to bring back the soil fertility of mined out areas to generate economic value.

In support of research on rehabilitation, TMC allocated one hectare of land to the Department of Environment and Natural Resources Ecosystems Research and Development Service (DENR-ERDS) and researchers from the University of the Philippines Los Banos. Their study, called "Landscape Functional Analysis (LFA) for Mine Rehabilitation", tries to discover better ways of using land for reforestation activities.

TMC allotted PhP 199 million for operational expenditures and PhP 61 million for capital expenditures, under the EPEP

Total of 98.88 hectares rehabilitated land, with over 103,386 seedlings planted by 2013

Tree-planting activity

REFORESTATION

Outside of mined out sites, TMC conducts reforesting and enrichment planting activities to help enrich the ecosystem, even outside its areas of operation. To date, 768.27 hectares of land has been reforested by TMC within its MPSA area, with over 1,028,523 seedlings planted, while outside of its claim area, 178.43 hectares have benefited from 18,471 seedlings planted thru seedling donations, as part of the company's commitment to the National Greening Program. Nearby coastal areas are also reforested by TMC by planting mangrove seedlings. Last year, the company planted 8,214 mangrove propagules along 2.12 hectares of land.

To supplement the reforestation programs of TMC, enrichment planting is also implemented, using fast growing plants, to help the tree seedlings propagate faster. A total of 193,658 mangium, auriculiformis, mangkono and lahilahi seedlings were planted along a total area of 156.86 hectares stretching within the Punta Naga and Cagdianao ridge slopes. Humedecola grass and coconet are used by the company to support the stabilization of slopes in open areas and bare lands to stop soil erosion. These areas are maintained by TMC through brushing and fertilizer application. So far, 90 hectares of land has been maintained by the company.

51,969 mangrove propagules have been planted by TMC along 23.81 hectares of land, to date

Part of the rehabilitation and reforestation program of TMC is the protection of the biodiversity in the environment around its mine sites. TMC monitors the propagation and levels of extinction risk of plants and trees around its areas of operation, to create policies and programs that can help protect specific species from any man-made threats. The plant species identified by the company are as follows:

Lower Risk / Least Concern (4)	Batino (*Alstonia macrophylla*)
	Dita (*Alstonia scholaris*)
	Salingogon (*Cratoxylum formosum*)
	Brackenridgea palustris
Vulnerable (4)	Tanglin (*Adenanthera intermedia*)
	Narra (*Pterocarpus indicus forma indicus*)
	Antipolo (*Artocarpus blancoi*)
	Mangkono (*Xanthostemon verdugonianus*)

Our exploration operations have minimal impact on the environment. Included in our exploration activities are environmental mitigation work programs which includes the establishment of a nursery in the exploration area. For the year 2013, the exploration team was able to gather almost 2,000 wildings which will be planted in various areas affected by drilling and test pitting activities.

Nursery at TMC minesite

TMC takes advantage of international environmental initiatives like the World Environment Month Celebration in June 2013, to conduct company-wide tree-planting activities at the watershed of Barangay Cagdianao. Two hundred employees participated in the activity, planting 3,000 forest tree seedlings along the mountain ridge. Other activities during the month long celebration included a motorcade, "Lakad Para sa Kalikasan" and art and photo competitions, among others.

POLLUTION CONTROL

Day-to-day operations of the company yield some amount of emission, disturbance and waste materials. To address this, TMC implements programs that monitor and reduce the effects of mine activities on the environment. In handling dust emissions, TMC conducts water spraying on roads around the mine sites, everyday, in a 2 shift schedule. Water lorries are used to spray the active mine roads, pier yard roads, campsite, causeway and the national highway.

Impact on the environment is also minimized by monitoring the energy consumption and GHG emissions of mining activities. The table below shows a summary of the emissions and consumption the company had for 2013:

Category	Material	Consumption	Unit	Source
Energy	Electricity (generated)	863,904	KWH	Gen Sets
Energy	Electricity (purchased)	40,260	KWH	SURNECO
Energy	Diesel	429,343	Li	Third Party Supplier

**Increase in GHG emission levels from 2012 was due to the construction of a belt conveyor, as well as the improvement of haulage roads, wharf and other facilities*

WASTE MANAGEMENT

Solid Waste Management Plan

TMC manages its solid waste through a sanitary landfill and a Material Recovery Facility (MRF). Last year, 1,498 m^3 of solid waste was disposed in the sanitary landfill, while 19,182 kg. of recyclable/ scrap metal items were recovered from the MRF. The saleable materials yielded an amount of PhP 189,907.55 in sales value.

Another solid waste material produced from mining activities are low grade boulders with no economic value. Mining operations yielded a total of 404,585 WMT of this material, in 2013, with 65,277 WMT used for matting mine yards and stockyards while the remaining 339,308 WMT was utilized for road ballasting and surfacing.

Hazardous Waste Management Plan

There are four types of hazardous waste generated from TMC's operations: used oil, used batteries, used motor oil filters and chemical acid waste from its assay laboratory. A covered storage facility is constructed at the mine site where used oil and oil filter contained in metal drums, and wet cell batteries are temporarily stored. These are then sold to buyers accredited by the Environment Management Bureau (EMB) for proper disposal. Beside the Storage Facility is a two chamber oil-water separator where contaminated oil is placed to separate contaminants from the oil, prior to storage in metal drums.

The assay laboratory analyzes the sample of nickel ore as per the required specification uses chemicals like HCl, H_2SO_4, HNO_3 and $HCLO_4$, HF and H_3PO_4 during ore digestion prior to analysis. All the waste solutions are first diluted then discharged into a sink which drains into an enclosed storage pit at the chemical waste storage area. The storage pit is lined with limestone at the bottom, to neutralize the acid solution before it is discharged to the foreshore settling pond.

WATER QUALITY DEGRADATION MEASURES

Watershed Management Plan

Another main environmental concern of TMC is the maintenance of good water quality and siltation. To address this, TMC devised a drainage system to collect and separate clear waters from disturbed areas. The clean water is discharged into Taganito River, while silt-laden runoff is discharged in settling ponds. Once suspended particles settle in the pond, the clean water is discharged into the environment.

For our purpose, TMC monitors the rate of water intake at the settling ponds and the quality at the discharge points. Parameters closely monitored are the Total Suspended Solids(TSS) and pH levels. Samples are regularly gathered at discharge points for quality testing. Also being monitored is Cr6+ concentration to establish benchmarking data as agreed with EMB.

TMC adopted the Taganito River in colaboration with EMB-Region 13 and the Local Government Unit (LGU). The 6.1 Km river is the main stream affected by the operation of TMC. A siltation pond was strategically built to arest run-off from the mine pits. Deposited sediment materials from upstream sources are periodically dredged using backhoes and a water master dredging machine.

In removing accumulated silt, TMC uses mechanical desilting in the river through a track excavator (Backhoe). Bouldering of the river is also being done continuously to strengthen the embankment and increase its height to protect nearby communities from floods and waves. New environmental structures were also constructed to improve the quality of the water coming from run-off of TMC's MPSA area. The drainage system was designed to isolate silted run-off from natural water so that water discharged into the Taganito River is clean.

Total Silt Volume Collected	
Mechanized	359,365.85 WMT (Settling ponds)
Manual	12,423.64 WMT (Settling ponds)
Catch Drainage	138,971.77 WMT (Drainage System)

Settling ponds

Water Consumption

Ground water consumed for TMC campsite operations was 65,773.06 m^3, and was used for day-to-day operational activities. Surface water was used to sprinkle on haul roads for dust suppression and to clean the national highway. TMC used 219,216 m^3 of surface water from the creek for the dust suppression.

Social Responsibility

TMC implements different projects to help develop the health, livelihood and address social issues facing the communities it operates in, as part of its corporate responsibility.

Employees

TMC employees

TMC's employees are the core of its business. The company ensures that each personnel has access to a healthy and safe working environment to maintain efficient work practices.

As of 2013, TMC has a total of 1,327 employees at mine site, including mine service contractors. This is broken down into the following:

	FULL TIME	PROBATIONARY	SEASONAL & MARKETING	TOTAL
SR. MANAGEMENT	3	-	-	3
MIDDLE MANAGEMENT	7	-	-	7
STAFF	15	-	-	15
SUPERVISOR and TECHNICAL	114	4	-	118
RANK & FILE	219	11	-	230
SEASONAL WORKER/ MARKETING	-	-	954	954
GRAND TOTAL	358	15	954	1,327

Turnover rate:

Age Group	Male	Female	TOTAL
18 - 25	13		13
26 - 40	31	2	33
41 - 60	15		15
TOTAL	59	2	61

Collective Bargaining Agreement and Benefits

TMC recognizes the Taganito Labor Union (TLU) as the sole and exclusive bargaining representative of the appropriate bargaining unit, which consists of all permanent and regular rank and file employees and workers employed by TMC in its mining operations. The union binds itself to respect the Collective Bargaining Agreement (CBA) and agrees not to accept employees who do not belong to the appropriate bargaining unit. Both TMC and TLU respect the right of each employee to freely choose to join a union. The CBA took effect in February 1, 2010 and lasts until January 31, 2015. Sixty percent (60%) of the regular workforce is covered by collective bargaining agreement (CBA) which is 219 employees out of 358 regular employees.

Regular employees are also provided with a comprehensive benefits package to help them maximize their physical, financial and personal health and well-being. These benefits include healthcare (for employees and dependents), paid leaves, insurance, retirement benefits and wellness.

Apart from regular benefits, TMC provides employees with proper training to enhance their work skills. Part of the intensified internal training program was the selection of 21 qualified employees, trained and certified by TESDA, to become in-house trainers and facilitators. Training courses include topics on equipment operation and maintenance, occupational safety and health, environment, sample preparation and analysis, exploration, supervision and leadership, and personal development.

TMC also designs training programs for career advancement opportunities. To address growing demands for skilled drivers and operators, TMC screens applicants from its pool of rank and file employees and provides sufficient training to make them eligible for promotion. A summary of the average hours of training spent by employees is in the table below:

Employee Category	Training Hours
Senior Management	14.4 Hrs.
Middle Management	9.1 Hrs.
Supervisory/Technical	5.8 Hrs.
Rank & File	1.7 Hrs.

** Male -1.7 hrs. ; Female - 9.5 hrs.*

Health and Safety

The health and safety of the workforce is an area that the company puts much focus on. Proper health and safety policies are enforced to ensure little to no accidents happen within TMC's areas of operations. Employees are provided with suitable equipment to protect them from any effects of their tasks and enable them to efficiently carry out their work.

One of the policies of the company is to provide employees under the CBA with proper health and safety benefits, such as the ones below:

Health and safety benefits provided to CBA members:
- Medical, dental and hospitalization benefits
- Free annual physical exam
- Use of ambulance
- Creation and maintenance of a Central Safety Committee
- Accident investigation and reporting
- Identification and prevention of hazardous and unhealthy working conditions
- Safety paraphernalia
- Proper labeling of chemical containers
- Transportation for employees during weekly marketing
- Physical fitness facilities.

TMC workers are also provided with the required PPEs such as skull guards, reflectorized vests, rain boots, gloves and goggles to ensure their safety during exploration.

To monitor and advise about the effective implementation of Health and Safety Programs, TMC created the Central Safety Committee (CSC), Labor Management Committee (LMC), Safety Audit Committee and Loss Control Coordinators. These committees are represented by a total of 35 employees which includes department heads and contractors headed by the division manager.

TMC also conducts practical safety program training and development for its employees. Important safety trainings such as Basic Occupational Safety and Health (BOSH), Defensive Driving, Fire Safety, Fleet Safety and Safety Audit Training were conducted to continuously educate employees on safety awareness. A total of 29 trainings on safety were conducted during the year.

In terms of internal and external threats, TMC ensures the safety of its workers by providing proper security measures around the areas of operation. The company enlisted the support of 116 Special Civilian Armed Auxiliary (SCAA) whose main mission is to protect the company against any such threats. This para-military force underwent basic military training operations under the supervision of the Philippine Army to develop their skills and knowledge on security operations. The SCAA are also supplemented by 48 security guards who regulate access and man all vital facilities within TMC Campsite area.

TMC allotted PhP 3 million for internal and external training programs

The Labor Management Council (LMC) awarded TMC with the "Most Outstanding LMC for Industrial Peace Award"

As a result of these programs and activities, there was a dramatic improvement in TMC's safety performance with a significant drop of lost-time injury frequency rate from 1.12 in 2012 to 0.16 in 2013. The company also maintained Zero (0) Fatality, Zero (0) Occupational Diseases and 21 lost time due to 1 non-fatal accident.

SOCIAL DEVELOPMENT MANAGEMENT PLAN

For the SDMP, TMC implements various programs and projects for its 4 host and neighboring communities namely barangays Taganito, Urbiztondo, Hayanggabon and Cagdianao as well as for the 10 non-mining barangays of the Municipality. These projects are governed by the Health, Education, Livelihood, Public utilities/ services and Socio-cultural preservation (HELPS) as defined by the Mines and Geoscience Bureau RXIII and focus on areas such as infrastructure, education, health and indigenous people (IPs).

In terms of education programs, TMC allocated PhP 4.6 million for projects that included school repairs, installation of school guard house, improvement of school stage, provision of various educational materials and school supplies. Two other major projects under education are the scholarship program and the teacher sponsorship program. For the scholarship program, TMC provided a full scholarship grant to 25 deserving students from the host communities and financial assistance to 120 students from the 4 mining communities. Under the teacher sponsorship program, 7 teachers were supported which paved the way for the schools in the host communities to attain the 1:45 teacher-student ratio, as required by the DepEd.

TMC also participated in Brigada Eskwela 2013, by cleaning and repairing schools in 4 mining barangays, including Punta Naga Elementary School. In line with Brigada Eskwela's theme *"Isang Dekada ng Bayanihan Para sa Paaralan"*, TMC donated various forest and fruit trees, backfilling and painting materials and conducted tree planting activities in the school grounds. Participants of the activity were TMC college scholars, summer job students from the communities, and Geology and ComRel personnel.

TMC's active support and participation in these activities contributed to Taganito Elementary School winning the National Award for "Best Implementer- Exceptional School Category" for Brigada Eskwela 2013.

For infrastructure projects, TMC allotted PhP 2.7 million for the following activities:

- Construction of Catholic Chapel in Brgy. Urbiztondo
- Renovation of the multi-purpose hall in Brgy. Daywan
- Improvement and installation of various structural requirements (wharf perimeter fence and jetmatic pumps) in day care centers in Wangke, Sapa and Cabugo
- Repair of Catholic and non-Catholic buildings of worship and facilities
- Improvement of barangay facilities such as street lighting, health center, pedestrian pathways, senior citizens' building, procurement of generator set, waste disposal facilities, and water system

A breakdown of the infrastructure projects of TMC can be found in the table below:

Year 2013 Infrastructure Development Projects		
Program / Project	**Stakeholder involved**	**Project Cost (PhP)**
Construction of Health Center Left Wing	Community	300,000.00
School Stage Improvement	School	170,000.00
Church Construction Phase 2 (Capangdan Catholic Chapel)	Church	1,000,000.00
Community Information Centers Improvement	Purok Centers	133,373.34
Fence Construction (San Labrador Chapel)	Church	100,000.00
Construction of Guard House	School	50,000.00
Church Construction Phase 1 (Valley Cathedral)	Church	300,000.00
Comfort Rooms Construction (Male and Female)	Senior Citizens	100,000.00
Daycare Center Improvement & Elem. Riprapping	School	50,000.00
Provision of Materials for Daycare Center Ceiling Installation	Daycare Center	30,000.00
Construction of Dental Trough	Daycare Center	25,000.00
Installation of Roofing and Trusses	Daycare Center	25,000.00
Store Building Construction	CAPSASD PO	150,000.00
Multi-purpose Hall Renovation	Community	50,000.00
Boulevard Perimeter Fence (Barangay Gymnasium)	Community	40,000.00
Street Lights Installation	Community	100,000.00
Provision of Materials (Senior Citizens Building)	Senior Citizens	30,000.00
Installation of 1 Jetmatic Pump	School	10,000.00
	Total	**2,663,373.34**

In the area of health, PhP 1.9 million was spent for various programs in the communities. These consisted of activities like a supplemental feeding project that aims to address malnutrition issues among children and the provision of medical equipment and facilities, and financial support for barangay health workers. Senior Citizens and Persons with Disabilities (PWDs) were also given focus, through TMC's inclusive community development program.

For livelihood programs a total of PhP 2.7M was spent to support different community-based entrepreneurial initiatives through company-organized People's Organizations (POs). One of the major activities of TMC was the comprehensive assessment of all POs established by the company through the years. The Participatory Organizational Profiling and Assessment or POPA was initiated together with the POs to collectively determine the strengths, weaknesses and gaps and areas for improvement of the groups as basis for appropriate intervention for future projects.

Under this component of the SDMP, TMC provides both financial and technical assistance to further strengthen the capacities of the POs to make them self-reliant and productive organizations of the communities. In the table below are the corresponding classifications of community-based POs:

Type of Business/ Enterprise	No. of CBOs	CBO
Merchandising *(e.g., General Merchandise, Hardware and Agrivet Supply,Bigasan and Assorted Goods, Sari-sari Store)*	6	CWOBB - Capandan Women's Organization Bigasan ng Barangay HATA - Hayanggabon Traders' Association PRIME- Panaghiusa Reporma sa Inesyatibong Magpalambo sa Ekonomiya GKKAB – Gawad Kalinga Kapitbahayan Bigasan ng Barangay CAPSASD – Capangdan Sabang Alliance for Sustainable Development URWASS - Urbiztondo Rural Workers Association
Home-Based Enterprises *(e.g., Waste Rugs and Doormat Making, food service)*	1	HARE - Hayanggabon Rural Entrepreneur
Transport service / Passenger Vehicles	1	TASFPA - Taganito Seedling Producers Micro-folks Association

Corporate Social Responsibility

TMC's CSR program is focused on the support and development of the Mamanwa IP group, through their registered group collectively known as Ampantrimtu. This organization is composed of 2 tribal groups with 120 households coming from Brgys. Taganito and Urbiztondo, with whom the company has an ongoing Memorandum of Agreement (MOA), as a result of the Free, Prior and Informed Consent (FPIC) provided by the IPs to TMC. Non-IP communities are also supported by the company in the areas of health, disaster risk reduction and infrastructure.

CSR for IP Communities

For the residents of Punta Naga Mamanwa Village, 2013 was highlighted with projects aimed at the continuous development of their tribal communities.

The Mamanwa tribe is composed of indigenous people (IPs) living in Taganito and Ubiztondo. TMC provided 120 homes, constructed in partnership with THPAL Nickel Corporation. Another village was also developed in coordinaton with Gawad Kalinga, providing 40 duplex units for 80 households.

Last year, improvements to a number of homes were made in the village. The project encouyraged the Mamanwas to furhter beautify the area and esnure thr safety of the environment and embark on individual home expansion and improvements. Apart from housing, slope stabilization abd road repairs were done in different parts of the community.

Punta Naga is also home to the Punta Naga School, one of the education facilities constructed and supported by TMC and THPAL through the Adopt a School Program. For school year 2013-2014, enrollment went up to 438, from 236 in the previous year. This resulted in the hiring of 3 additional teachers and repair of 5 additional classrooms to accommodate the new students. Improvements of other school facilities and provision of educational materials such as posters and reference books were also key projects of TMC. Planting of various tree species and carabao grasses within the school grounds and selected areas of the community were initiated in coordination with the company's community relations and environment group, scholars, parents, teachers and students. Educational assistance to 15 high school and college scholars was also provided by the company.

In terms of health support, TMC established a tribal clinic in the heart of the Village, wherein community-based medical consultations with free medicines were conducted. The company also encouraged healthier living by having families install vegetable gardens in their respective backyards to address malnutrition concerns and to contribute to food security. Community clean-ups in partnership with the school and the women sector were also regular activities that helped maintain the cleanliness of the community. TMC and THPAL are also planning the establishment of a Water and Sanitation Committee which will be responsible for the care and maintenance of a water system that will be installed by both companies.

Students of the Punta Naga School

Other programs were also conducted with the IPs such as informal classes for the women sector referred to as "Mother Classes", and Youth Classes which aim to address specific concerns related to target sectors. Values formation, reproductive health, hygiene, grooming, proper nutrition and basic home management and emergency preparedness were the focal topics throughout the year. Aside from these activities, the company also continued to assist the IPs in the facilitation of their medical referrals, papers for employment and coordination with the National Commission on Indigenous People (NCIP).

CSR Program for Non-IP Communities

Apart from programs for the IP communities, TMC also implements CSR activities for non-IP communities both in the mining and non-mining barangays.

One of TMC's major CSR projects for the year was the conduct of its annual medical-surgical mission. In February 2013, TMC and THPAL went to 6 mining barangays to provide its residents with medical services such as major and minor surgeries, lab exams and general consultations. All in all, 2,116 people received different medical services during the mission. The breakdown is as follows:

Service	Persons Benefitted
Minor Surgery	89
Major Surgery	109
General Consultation	1,696
Laboratory Exam	420

Another major initiative of the company is its program for disaster risk reduction and management through its in-house Emergency Response Team (ERT). In January 2013, incessant rains caused evacuations in barangays around the minesites, prompting TMC to provide assistance to the affected communities. The Crisis Management Team, called Oplan Flood, responded by coordinating with the LGU for the evacuation process and management of the evacuation center of the barangay. This included preparation of food, relief goods and provision water supply. A total of 2,013 evacuees were assisted.

Aside from natural calamities, TMC also responds to man-made disasters. One such event was a fire in the community of Barangay Taganito, which affected 105 households and 367 individuals. TMC's fire brigade spearheaded the response together with the medical team, who attended to first-aid injuries. The ComRel unit of TMC also facilitated the evacuation center management in partnership with the Local Government Unit (LGU). Company employees pooled together to provide assorted goods, while TMC management also provided cash grants amounting to PhP2,500 for families affected by the fire.

CLOSURE PLAN

TMC already has a Final Mine Rehabilitation and Decommissioning Plan (FMRDP) that was approved in July 2012 covering its entire operation. This, however, is subject for review and revision to include new aspects of the company's operation.

Hinatuan Mining Corporation

The Hinatuan Mining Corporation (HMC) was incorporated in 1979 and was granted rights over Tagana-an, Surigao del Norte, in 1980. By 1983, the size of the property expanded with the acquisition of additional claims. The Tagana-an minesite covers an area of 773.77 hectares and is 100% owned by NAC. Since 2011, HMC has recorded 327.49 hectares of disturbed land. The Mineral Production Sharing Agreement (MPSA) of HMC for the Taganaan Mine will expire in 2032.

In 2013, HMC's revenue from sale of ore was PhP 3,438.9 million. An aggregate of 99.0 thousand WMT of saprolite ore was sold to Japanese and Chinese customers and 3,342.9 thousand WMT of limonite ore to Chinese customers.

Environmental Responsibility

HMC recognizes its responsibility towards the environment around its areas of operation. For 2013, HMC allotted a budget of PhP 91.3 million for its Environmental Protection and Enhancement Programs (EPEP). This budget was used for various environmental projects that focus on rehabilitation and reforestation, biodiversity, pollution control, solid and hazardous waste management and watershed management, among others. Other key projects of HMC were the National Greening Program, environmental monitoring, coastal resource management and various research initiatives with academic institutions and private organizations.

HMC's expenditures for its EPEP in 2013 was PhP 91 million

Other initiatives of HMC focus on the mitigation of environmental impacts by focusing on key areas such as Land, Air and Water. Efforts to maintain the quality of these areas are as follows:

Land	Air	Water
Progressive rehabilitation and reforestation	Dust control thru regular road grading and spraying	Construction of siltation ponds/ sumps and curtain canals

National Greening Program

Through the National Greening Program (NGP), HMC works with its communities to protect and enhance the environment through reforestation. Families with limited livelihoods were engaged by the company to join and help achieve the company's goal of environmental protection and enhancement through community-based seedling production and reforestration.

Some of the programs done in partnership with the NGP are:

- Mining Forest Program
- Coastal Resource Management Program
- Environmental Monitoring Program
- Research and Development

Hinatuan Island

REHABILITATION

HMC has consistently put an effort to progressively rehabilitate (backfill and reshape) around 15 hectares of mined-out areas. From this amount of land, about 5 hectares were gradually re-vegetated with 19,500 seedlings planted in 2013. The community was also asked to assist in the efforts to expedite the process through its Community Output-Based Reforestation Program. Since 2011, HMC has rehabilitated 31 hectares of land in its areas of operation.

REFORESTATION

Outside the mined-out areas, HMC forested a total of 163 hectares of disturbed areas with 188,223 seedlings planted. In addition, a total of 15,000 seedlings equivalent to 30 hectares were donated to communities under the said program.

The overall reforestation accomplishment outside mining areas is 193 hectares, with about 203,200 seedlings planted

For coastal areas, 97,848 mangrove seedlings were planted on 33.39 hectares resulting in 156,317 mangrove seedlings have planted on around 40.64 hectares since the program started in 2011. Regular coastal water monitoring is conducted by HMC and the water quality has remained within DENR limit.

	Year 2013		Cumulative (as of Dec. 31 2013)	
	Area (In Hectares)	# of Seedlings Planted	Area (In Hectares)	# of Seedlings Planted
Mined Out areas				
HMC	5.28	19,536	31.12	55,238
Outside Mining Areas				
HMC	192.85	203,223	228.73	243,080
Mining Disturbed Areas				
HMC	33.30	83,832	64.66	119,661
Coastal Areas				
HMC	33.39	97,848	40.64	156,317

HMC also implements the Coastal Resource Management Program (CRMP) covering a variety of activities such as the assessment of coastal and marine resources, protection of reef from degradation due to mining impact and enhancement of existing coastal and marine resources.

Regular coastal clean-ups and underwater clean ups were conducted along the coasts of Barangay Talavera and Hinatuan Island wherein local residents worked with company employees, guests from government and non-government agencies and professional diving communities.

On the aspect of research and linkages, HMC collaborated with UPLB and Caraga State University in the study of various species suited for mine rehabilitation. An ongoing study on the feasibility of Jatropha was also initiated with a private firm, Kibitech, Inc.

What is the difference between NGP and Mining Forest Program?

The National Greening Program (NGP) covers all mining contractors, permittees, permit holders and/or lessees. It was created by President Aquino in the early part of CY 2011 through Executive Order No. 26 declaring the implementation of NGP as a government priority.

The Mining Forest Program, however covers tree planting within areas encompassed by permit/lease/contract areas of mining companies especially those that are not needed for active mining operations and mined-out areas or areas programmed for rehabilitation after mining operations have already been fully completed.

Under the NGP guidelines, however, mining companies are now compelled to undertake reforestation projects over and above or in addition to those implemented under their respective mining forest programs. To differentiate between the two mandatory reforestation programs, the "mining forest program" covers only reforestation activities within the confines or boundaries of mining permit/contract/lease/tenement areas while the NGP guidelines specifically covers mandatory reforestation activities outside of mining contract/permit/lease/tenement areas.

Other species being studied and listed under the IUCN of HMC are:

- Shorea negrosensis (categorized as vulnerable and critically endangered species by DENR and IUCN)
- Camptostemon philippinense (recognized by conservation authorities as endangered species)
- Paphiopedilum barbatum (categorized as vulnerable species by DENR and IUCN)
- Xanthostemon verdugonianus (endemic to the country and considered as an endangered species)

POLLUTION CONTROL

HMC manages its solid and hazardous wastes from operations and coming from communities through efficient and responsible programs. The company implements waste segregation, operationalized MRF, composting and landfilling. The company also has all applicable permits to handle hazardous wastes.

HMC also continuously monitors its surrounding environment by conducting a regular water sampling, air sampling and monitoring of the drainage and siltation ponds. The results of the sampling are reported to the DENR regional offices of MGB and EMB on a quarterly basis. A separate monitoring of the Multi-Partite Monitoring Team (MMT) is also being undertaken on a quarterly basis.

The HMC TNP environmental monitoring complies with the prescribed monitoring requirements of DENR which is implemented through the Multipartite Monitoring Team (MMT). MMT members are composed of DENR-MGB 13, DENR EMB 13, REACH Foundation, Inc., Barangay Talavera LGU, religious sector representative and HMC representative.

Summary of the emissions, and energy used in last year's operations can be found in the table below.

Category	Material	Amount	Unit	Source
Energy	Electricity	394,027	KWH	Gen Sets
Energy	Diesel	5,382,227	Li	Third Party Supplier
GHG Emissions	CO2	14,454	Tonnes	-

WASTE MANAGEMENT

Solid Waste Management

HMC manages its solid waste in compliance with DAO 2001-34 under RA 9003A. Waste materials generated by operations of the company are segregated and disposed accordingly, while plastics, wood branches, and leaves are shredded into smaller pieces separately by the granulator. The shredded biodegrable materials are used as mulch in mine rehabilitation, and metal scraps are sold to authorized buyer.

In managing these materials, the company uses a controlled dumpsite established at Eastern 1 where solid wastes are segregated into biodegradable and non-biodegradable. Recyclable materials are recovered and stored in the Materials Recovery Facility (MRF) at Kaskag Area and sold to scrap buyers, while biodegradable wastes are utilized as feed to the garbage granulator for use in production of vermiculture compost.

WATER QUALITY DEGRADATION MEASURES

Watershed Management Plan

HMC invested on a number of heavy equipments for its drainage maintenance and desilting program. One of the major projects is the re-engineering of main settling ponds to accommodate the volume of sediments and eroded materials from mine erosion.

Around 127,529 m³ of silt were removed from existing settling ponds, silt collector sumps and drainages. So far, the total volume capacity of the established settling ponds and silt collector sumps stands at over 115,323 m³. Additional settling ponds and sumps are being constructed to accommodate the water run-off from active mine areas and other disturbed areas.

Water Consumption

HMC used about 26,015 Gallons of water (98.47749 m³) for drinking purposes. The water was taken from filtered springs around the area. For planting purposes, HMC uses about 8,400 m³ of water every year, while 34,380 m³ is used for dust suppression. Water for these purposes are sourced from Kaskag creek and settling ponds.

Hazardous Waste management

Identified hazardous waste are collected and transported by trained PCO personnel and properly stored at hazardous facility at Central Area. All hazardous wastes generated from the minesite are properly accounted and reported to the EMB Regional Office. Once ready for transport, these hazardous wastes are delivered, treated and stored through DENR-accredited transporters/ treaters.

Used oil is also carefully managed by the company. Last year, a total of 238 drums of used oil were used for operations. To improve the management of used oil, the storage facility at the motorpool area was expanded to utilize a special containment unit. Internal waste materials (low grade pale gray soil), on the other hand, are also dumped together with the top soil for mine rehabilitation purposes.

Multi-aerial settling pond

Since the start of the project, 264,122.23 m³ of silt has been recovered from established settling ponds, silt collector sumps and drainages

Social Responsibility

HMC implements different projects to help develop the health, livelihood and address social issues facing the communities it operates in, as part of its corporate responsibility.

Employees

As of 2013, HMC's total workforce is at 1,245. Breakdown of the company's employees below:

JOB CLASS	NUMBER of EMPLOYEES
Regular	148
Probationary	6
Consultant	1
PMI Agency	642
Security Agency	46
Rio Grande	128
Germar	74
Tombo	200
GRAND TOTAL	1,245

Employee Turnover
Male: 12
Female: 4
Total: 16

Group tree-planting activity

CBA & Benefits

As with other NAC companies, a Collective Bargaining Agreement, covering 85.86% of HMC employees, is agreed upon by HMC and its workers' union. The breakdown of employees under the CBA is as follows:

Total number of employees	155
Total Rank & File employees	92
Confidential employees	13
Union members	9

Regular employees are also provided with the following benefits:

HMC Regular Employees' Benefits:

- Free meals
- Free laundry
- Free accommodation
- SSS, PHILHEALTH,PAG-IBIG
- Company Uniform
- Rice allowance
- Toiletries
- Medicine allowance
- Medicard(HMO)
- Sick leave
- Vacation leave
- Paternity leave,
- Group insurance,
- Fly in-fly out airfare ticket
- Year end bonus & midyear bonus

Rank and File Benefits

- SSS,PHILHEALTH,PAG-IBIG,
- Free accomodation,
- Rice allowance,
- Medicine allowance,
- Medicard (HMO),
- Group life insurance,
- Year end bonus & midyear bonus,
- Sick leave, Vacation leave,
- Paternity leave,
- Company uniform

Health and Safety

HMC considers the immense value of its workforce for its everyday operations. To ensure that their physical and mental well-being are maintained, the company developed and maintains health and safety programs for these employees.

One program is the creation of a Central Safety, Health and Environmental Committee (CSHEC) by the company. This committee is made up of 30 employees, 12 Labor-Management Council, 5 management and 13 union officers. Apart from ensuring that proper health, safety and environmental practices are followed within HMC's areas of operation, the committee is also in charge of approving the Annual Safety and Health Program (ASHP) of HMC, that is submitted to Mines and Geosciences Bureau 13 (MGB 13).

The company also conducts health programs like lectures to educate workers on occupational hygiene, pulmonary TB, heat exhaustion/ heat stroke and other medical conditions to help employees maintain their good health inside and outside the workplace. HMC also conducts fitness programs to promote a non-sedentary lifestyle to its workers. To monitor the health of employees, the company conducts check-ups with sugar blood tests.

Disaster recovery rescue drill

SOCIAL DEVELOPMENT MANAGEMENT PLAN

Similar to the other NAC companies (RTNMC, TMC and CMC), HMC also has a Social Development Management Plan (SDMP) that is developed every five years in consultation with the communities to address their issues and needs. Under the SDMP, HMC was able to implement projects covering areas of education, health, infrastructure and livelihood, for residents around the areas of operation.

Educational Assistance PhP 12,508,096.55

Health PhP 3,290,469.36

Infrastructure PhP 3,057,778.00

Livelihood PhP 1,852,875.75

Information Campaign/ Mining Technology & Research PhP 4,475,089.33

Socio-Cultural PhP 287,858.57

Total PhP 25,472,167.56

Tech-Voc Scholars attending TESDA skills training

HMC supports 1,251 scholars from day care to college including those enrolled in the technical-vocational (tech-voc) scholarship program

Under education, HMC scholars from day care pupils to secondary students, were provided with free school and matriculation fees, shoes, uniforms, bags, and educational supplies, while schools were given audio-visual equipment which include computer units and accessories. HMC also constructed school buildings and other school infrastructure support to augment the shortage of educational facilities in the community.

Twenty-three (23) college scholars from host communities and the Municipality of Tagana-an were fully supported by the company as they took various courses like Engineering, Education, Environment and Mining. The students are enrolled in the following cities: Surigao, Butuan, Cebu, Dumaguete, and Manila.

HMC, in partnership with Technical Education and Skills Development Authority (TESDA), provides assistance to its automotive, electronics and welding scholars through the 'enrollment to employment' scholarship. Last year, 61 scholars benefited from the program, going under holistic training that includes character-building and attitude towards work training, basic occupational safety and health and actual skills training at TESDA centers in Surigao and Davao. The company also enrolled the scholars in basic American English training in Butuan to prepare them for future employment here and abroad.

Recently, HMC scholars had the following accomplishments:

- 14 welding scholars completed their requirements to be eligible for employment abroad, with the assistance of TESDA.
- 18 automotive scholars are waiting for their OJT training in Butuan City in some of the world's biggest and well-known car companies.
- 29 electronic scholars on their OJT at Panasonic in Laguna.

The company has also achieved a major milestone in education by implementing the Dynamic Learning Program (DLP)- a new science-based teaching methodology- for the first time in the Caraga Region, and third in Mindanao. The program was developed by Drs. Christopher and Ma. Victoria Bernido, both Ramon Magsaysay awardees for education. Assistance through trainings and seminars to DepEd teachers and administrators were also provided.

The company assists in the training of DepEd teachers and administrators to enhance teaching and learning method. HMC also supported other DepEd educational setups and policies such as the Alternative Learning System or and other extra-curricular activities especially in sports.

Under the health component of SDMP, HMC consistently implements its quarterly medical-dental mission, in partnership with the Tagana-an Municipal Health Office. The mission is carried in 3 host communities, namely: Brgy. Talavera, Sitio Campandan and Sitio Bagong Silang. The outreach program benefitted patients by providing them with free medical consultation, tooth extraction and medicines. HMC also conducted a feeding program for 72 underfed children resulting in the complete eradication of malnourishment in the community as reported by the barangay health center.

Under the ICE advocacy, 50 students benefited from the Summer Job Program through the Hinatuan mining Employment and Learnership Program for Students (HELPS)

HMC medical mission

500 patients benefited from the quarterly medical-dental mission of HMC

In terms of public infrastructure and utilities, HMC successfully repaired and rehabilitated the water systems of Brgy. Talavera and Sitio Bagong Silang. In addition, the operationlization of Sitio Campandan electrification project was attained. The company provided homes in the entire community with free service drop wires and electricity meters and street lighting.

HMC also sponsored the formulation of the Barangay Development Plan (BDP) of the 13 neighboring barangays from the Municipality of Tagana-an as part of its research program as the official guiding principle in improving the barangay and attaining progress in all its communities.

To help uplift the economic condition of residents, HMC implemented various livelihood projects in 2013. These projects were:

- Development of the peoples' organizations (POs)
- Support for dress making/tailoring livelihood and handicraft production
- Facilitation of entrepreneurial skills and organization development trainings
- Introduction of proper fish processing

HMC supported Peoples Organization with their custom-made hand bags

Close to 650 families are direct beneficiaries of HMC livelihood programs and income-generating projects in both, Tagana-an and South Dinagat Nickel Projects

In addition, HMC utilized its Mining Technology and Research funds specifically on Feasibility Study on potential livelihood projects and local socio-economic profiling for HMCs SDMP.

Cagdianao Mining Corporation

Incorporated in 1979, Cagdianao Mining Coporation (CMC) is located in Cagdianao, Dinagat Island. The company acquired the rights to operate its mine in 1998, and was operational by 1999. Like HMC, CMC is 100% owned by NAC. Mining operations cover 697 hectares of land in Dinagat Island.

In 2013, revenue from sale of ore was at PhP 737.9 million. CMC sold an aggregate of 888.8 thousand WMT of nickel ore ore in the same year. The volume of saprolite ore sold increased by 60.0 thousand WMT however, there was a 256.8 decrease in limonite ore sold.

Environmental Responsibility

CMC is committed to the principles of sustainable development and recognizes its roles as steward of the environment. The reforestation program of the company is aimed to increase forest cover of denuded areas. The program is also supports the MGB's Mining Forest Program (MFP) and National Greening Program (NGP) of the government. Managing the impact on biodiversity, the environment team has come up with an offsetting strategy on activities associated by mining through the protection of Maraguing Watershed. Hence, improve its habitat and consequently meet the living conditions of flora and fauna.

Currently, CMC does not have any mined-out sites. But much action and planning have already been ongoing to reduce any environmental impacts that the company may have in and around its areas of operation.

CMC Eco Park

REFORESTATION

Greening and reforestation has been conducted outside the mining areas and in denuded areas within its Mineral Production Sharing Agreement (MPSA) which are not suitable for mining. In 2012, CMC planted on 4.3 hectares with almost 5,000 seedlings. Organic fertilizer from the company's vermi-compost project is being used to improve survival rates of the plants. CMC spent PhP 2.3 million for the programs under EPEP.

Other activities are continuously conducted for the maintenance and protection of reforested areas, including re-planting, brushing, fertilizer application and pruning. With respect to coastal areas, the company conducts maintenance efforts for 4,600 mangrove propagules planted on about 0.62 hectares of the declared Valencia Marine Protected Area.

CMC rehabilitated area

198.51 hectares of land has benefited from planting projects in pursuit of the Carbon Sink Program and National Greening Program

Similar to RTNMC, for their exemplary environmental programs, CMC received the Presidential Mineral Industry Environmental Award - Platinum Achievement (surface mining category) during the 2010 annual National Mine Safety and Environment Conference.

POLLUTION CONTROL

CMC implements programs and policies that aim to reduce the impact of its operations on the environment. Some of these projects include management of dust emissions, regular maintenance of equipment, management of waste and monitoring of emissions and energy use.

In order to minimize the generation of dust, the company employs the following activities:

- Regular water spraying of all haulage areas, including barangay roads, especially during dry season in the months of May to September
- Employed four (4) water Lorries for spraying, wherein a total of 3,305 trips or equivalent to 33,050 cu.m. of water was sprayed in most major mine and community roads
- Periodic grading of haulage areas
- Periodic road matting of haulage areas
- Creation of dust barriers through the planting of trees at the barangay roadsides and mine access road
- Regular conduct of in-house monitoring on ambient air, with the use of a High Volume Sampler.

Water spraying at CMC minesite

So far, CMC has not experienced any violations or major issues from the local residents pertaining to airborne dust due to the mitigating measures done by the company.

As a means of reducing CO_2 emissions, a considerable number of equipments/ facilities were provided with mufflers. Periodic maintenance schedules on various equipments also were conducted to ensure they run safely and efficiently.

Planting of diversified species within and outside MPSA area is another initiative to reduce greenhouse gas emission. Trees are proven to sequester carbon and other chemicals emitted during mining operation. To date, a total of 198.51 hectares of land has been used for planting activities in pursuit of the Carbon Sink Program and National Greening Program.

In terms of energy consumption, CMC used **817 MWH** for operational activities through its gen sets. To power these gen sets and other heavy equipment, the company consumed **1.33 million liters** of diesel fuel while **11,910 liters** of gasoline was used for other equipment.

WASTE MANAGEMENT

The company developed a Waste Management Program to ensure that waste generated in the camp site are collected, segregated, stored, transported and disposed properly. CMC also established a Waste Management System where wastes from the Mine Camp Area and Mine Pit Area are collected and transported to the Material Recovery Facility (MRF). In the MRF, waste materials are segregated into scrap metals, recyclables, waste oil, waste tires and batteries. The steel scraps gathered from the MRF are sold to approved scrap buyers and generate additional income.

Solid Waste Management

The total solid waste (garbage) generated in 2013 was 1,422 m^3. Out of this, only 595 m^3 were disposed to sanitary landfills and the rest were stored in the MRF and used as compostable materials, accounting for the remaining 827 m^3.

Waste generated from mining operations (stripping and extraction), on the other hand, produced non-profit rock materials. These rocks were dumped temporarily in designated waste dump areas or stockpile zones for future use like filling for haul roads, causeways and silt pond structures. Other overburden materials will be used for rehabilitation/ revegetation for backfilling of denuded or mined-out areas. The total stripped waste generated during Year 2013 accounted to 656, 653.9 WMT.

Hazardous Waste Management

All hazardous materials generated by the company such as used oil, lubricants, tires and batteries are temporarily stored in the MRF to keep emissions from affecting the environment. CMC also installed oil and water separator within the fuel depot, fuel storage areas and other areas handling hazardous substances in adherence to RA 6969 known as "Hazardous, Toxic and Nuclear Waste Act of 1990".

WATER QUALITY DEGRADATION MEASURES

Water Management Plan

Water is discharged from silt ponds and drainage canals that are directed into rivers/streams. Currently, CMC has no data on the quantity of water that discharges into these bodies of water as it is hard to quantify the volume of run-off that goes into various silt ponds.

In terms of silt management, over 77,000 m^3 of silt was removed from existing settling ponds. To help improve the process, additional settling ponds were constructed fronting the CMC Mine Camp with a total capacity of about 2,060 m^3.

CMC settling ponds have a total volume capacity of over 392,800 m^3

Water Consumption

CMC's main source of water supply for domestic consumption is drawn from two spring water sources of Pinagpahan area and Mamguing watershed. In 2013, a total of 33,059 cu m was withdrawn from both sources.

CLOSURE ACTIVITIES

CMC agrees to the principle of the Final Mine Rehabilitation and Decommissioning Plan (FMRDP), as a means of rehabilitating excavated, mined-out, settling ponds and disturbed areas to the condition of environmental safety.

The company also agrees to prevent or eliminate long term environmental impacts by returning mined land to a physically and chemically stable, productive and self-sustaining condition while taking into consideration the beneficial uses of the land and the surrounding areas. The Closure Plan ensures that alternative skills and sustainable livelihood opportunities are provided to the mine employees including their dependents and to the host and neighboring communities.

Decommissioning is also the transition period that begins with the cessation of the mine pit and the nickel laterite production and ends with the removal of all unwanted structures. The company shall adopt a decommissioning strategy for each mine component, including mitigating measures to assure that potential adverse environmental impacts shall be minimized during the course of the decommissioning period. However, all building structures, recreational facilities, housing, pier and causeway shall be turned-over to the Local Government Unit (LGU) of Barangay Valencia. During the decommissioning and after mine closure, monitoring and maintenance shall be continued until such a time that the area is declared safe by the Mines & Geosciences Bureau.

Social Responsibility

CMC gives much time and resources to the development of programs that aim to benefit its employees, and the communities that surround its areas of operation.

Employees

As of 2013, CMC's total workforce is at 703. This number is made up of regular, probationary and other types of employees. The breakdown of CMC's workforce is as follows:

Sr. Manager	1
Manager	3
Supervisor	36
Rank and File	132
Total Probationary & Regular	**172**
Seasonal	531
Total Workforce*	**703**

CBA and Benefits

Of the regular CMC employees, 61% (104 of 172) are covered by the collective bargaining agreements (CBA) under CMWU-NAFLU-KMU. The union is close shop where all non-confidential rank and file are automatic members of the union. The CBA is renewed every 5 years while economic provisions are reviewed after 3 years. Salient features of the CBA include members' compensation and benefits, incentives, union security, grievance procedure, no strike, lock-out and work stoppage provisions and Labor Management Committee.

Full time employees and rank and file employees are also given the following benefits:

- Supervisors up to Senior Managers - free housing and messing, Fly In- Fly Out (FIFO), vacation and sick leave credits, life insurance, medical insurance including legal dependents, rice allowance, and toiletries allowance
- Rank and File employees - free housing ,vacation and sick leave credits, life insurance, medical insurance including legal dependents, rice allowance, and toiletries allowance
- Seasonal drivers and heavy equipment operators are given rice and cash production incentives.

CMC considers the immense value of its workforce for its everyday operations. To ensure that their physical and mental well-being are maintained, the company developed and maintains health and safety programs for its employees.

Health and Safety

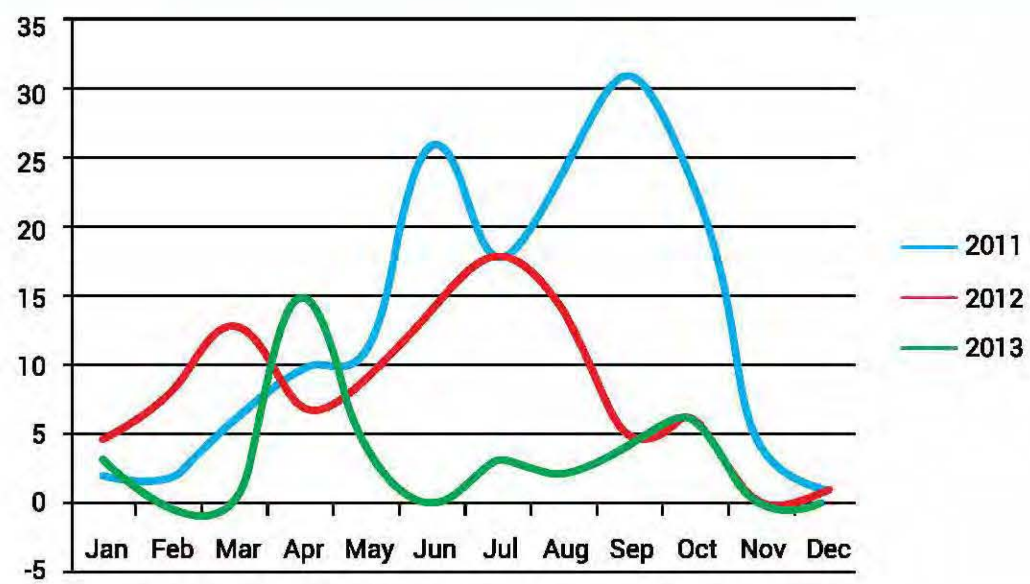
It is the objective of the company to integrate total loss control into the management system so that people, equipment, materials and the environment are amply protected from accidents. Line managers take direct hand in pursuing loss prevention activities through the following standards:

1. Personal Injury and Loss of Life Prevention
2. Property Damage and Wastage Control
3. Comfortable Health Care Environment
4. Safety, Health and Environment Policy
5. Total Loss Control Management
6. Central Safety and Health Committee
7. Safety and Health/Loss Control Tours

Programs and activities implemented to ensure achievement of the health and safety objectives include planned Inspection, job and task analysis, accident/incident investigation, emergency preparedness, maintenance organizational health and safety rules, accident and incident analysis, employee training, issuance and monitoring of proper usage of personal protective equipment, health services, regular group meetings, advocacy, regular monitoring and evaluation.

Million Manhour Milestone

As of December 2013 the company acquired Ten Million Two Hundred Thousand Three Hundred Eighty and 01/100 (10,204,380.01) without lost time accident. For Fiscal Year July 2013 to June 2014 the company acquired Eight Hundred Nineteen Thousand Five Hundred Sixty Seven and 75/100 (819,567.75) as of December 2013. Incidents have significantly reduced from 156 in Y2011 to 40 in Y2013 or 74% reduction.



3 year Accident Record

YEAR	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2011	2	2	6	10	11	26	18	24	31	23	2	1	156
2012	5	8	13	7	9	14	18	14	5	6	0	1	100
2013	3	0	0	15	4	0	3	5	4	6	0	0	40

SOCIAL DEVELOPMENT MANAGEMENT PLAN

CMC implemented various projects in the areas of Health, Education, Livelihood, Public Utilities and Socio Cultural Values (HELPS) under the SDMP to benefit its host and neighboring barangays: Valencia, Boa, Legaspi and Sitio Maytubig. Apart from the SDMP, the company also implements extended programs for Corporate Social Responsibility, which are outside the SDMP fund. Currently, the company is in its 3rd year of the 5 year SDMP.

To uplift education in the four barangays, CMC provides support to the public schools in the form of subsidies for volunteer teachers, assistance for building repairs and improvements and provision of multi-media equipment, desktop computers, and printers. Last year, 2 classrooms were constructed and materials for school renovations and facilities were provided to communities.

977 elementary and high school students benefited from financial assistance of CMC through the SDMP

Elementary and high school students were provided with assistance to pay for their schooling, while 18 deserving college scholars from the host and neighboring communities were given the opportunity of free college education. Twenty-four teachers were also provided with subsidies by the SDMP fund.

Gift giving at Cabitor-ar

CMC has been conducting annual medical missions in the communities where the company operates. These missions include free medical consultations, with first-aid medicines and vitamins, feeding programs for children between the ages 4-7 years old, and the provision of health supplies for the Senior Citizens. Under the Company's CSR, a NAC-wide medical mission was also conducted which catered major and minor surgeries for all patients coming from the communities of its three Operating Companies in CARAGA.

Medical mission at Brgy. Legaspi

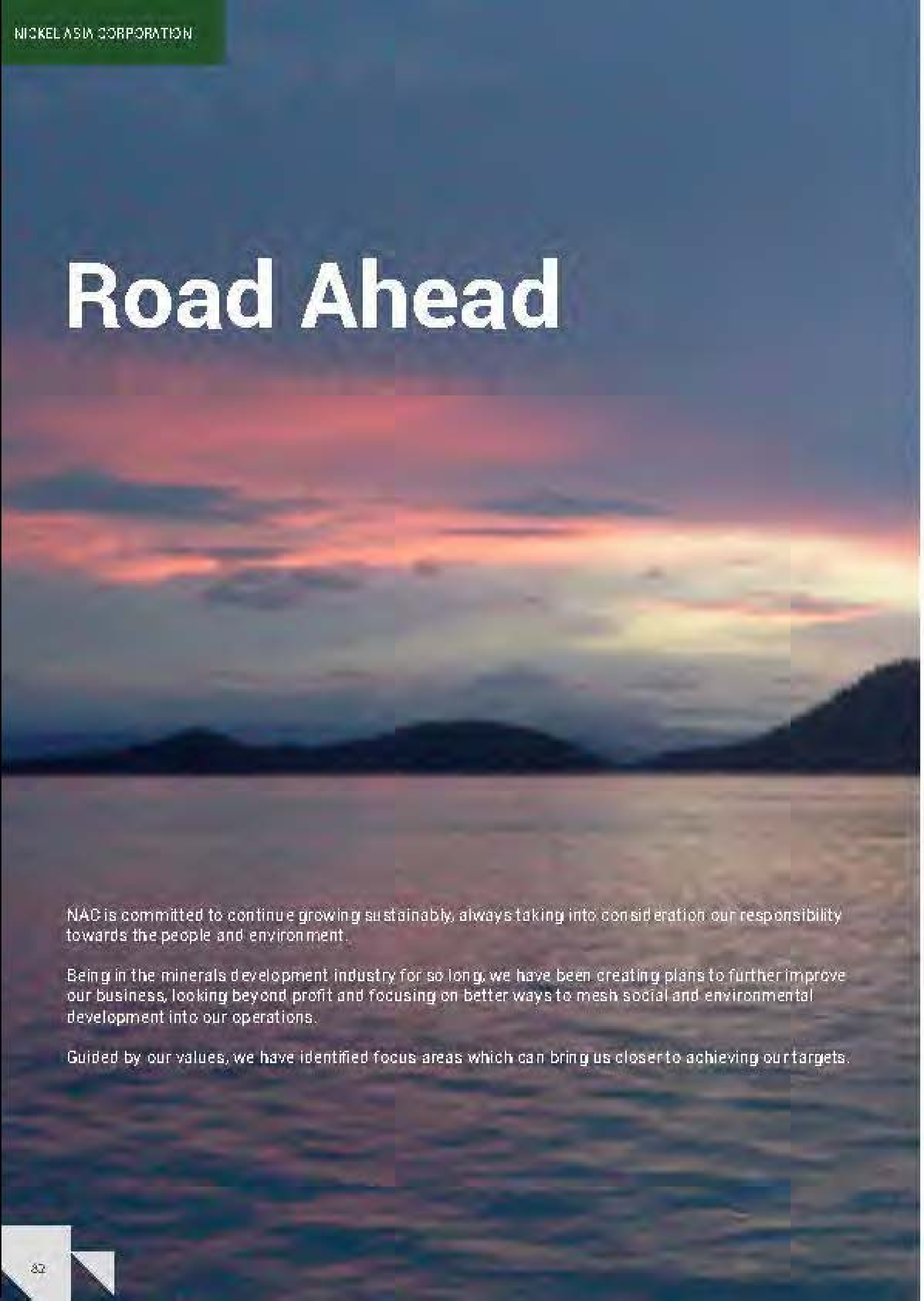
To help develop infrastructure in the barangays CMC provides assistance by building, refurbishing or rehabilitating buildings and other structures. In Barangay Valencia, two day care centers were constructed while centers in neighboring barangays were given assistance for improvement. Water systems improvement in the four Barangays and the installation of solar powered street lights were also conducted, in 2013.

In terms of livelihood, technical services training on heavy equipment operations through TESDA was conducted for qualified men from the community. The production of curtains and fashion accessories were also taught to women and out-of-school-youth, wherein trainees were provided with tools and materials needed to start-up a small business. Other women goups were also trained in hot meals commercial cooking and food processing, also provided with the needed ingredients, materials and equipment. A tilapia culture project was introduced and implemented for one barangay, and other previously implemented projects such as hog and poultry raising, rice retailing, and agrivet supplies retailing were sustained. Trainings on organizational developement, financial and project management were also conducted in order to equip the beneficiaries, or the People's Organizations (POs), in the establishement, management and monitoring phases, thus,strengthening the groups and enabling them to sustain these programs. A livelihood center building was also constructedat the host community, which will serve as a trade venue for SDMP's livelihood programs for the women's association such as hardware supply store, credit cooperative and tailoring shop.

Commercial cooking training at Valencia

Health supplies for the senior citizens

Furthermore, in the light of inspiring and bringing hope to our future generations, a first ever conducted in the mining communities of CARAGA Region, was the 3-day Values Formation Seminar for the young people, the "YOUTH", held last year by CMC. SK Officials and other youth leaders from the host community of the Company actively went through the experience of being shaped into becoming responsible future leaders and citizens of the community and of the country.



Road Ahead

NAC is committed to continue growing sustainably, always taking into consideration our responsibility towards the people and environment.

Being in the minerals development industry for so long, we have been creating plans to further improve our business, looking beyond profit and focusing on better ways to mesh social and environmental development into our operations.

Guided by our values, we have identified focus areas which can bring us closer to achieving our targets.

GRI Content Index Sheet

Profile Disclosure	Description	Page No.	Section / Direct Answer
1.1	Statement from the most senior decision-maker of the organization	2	Joint Message from Chairman and President
1.2	Description of key impacts, risks, and opportunities	23	Risk related to business
2.1	Name of the organization	4	About NAC
2.2	Primary brands, products, and/or services	10	Products & Services
2.3	Operational structure of the organization	8	Corporate Structure
2.4	Location of organization's headquarters	92	Corporate Directory
2.5	Number of countries where the organization operates	9	Overview of 4 operating mines
2.6	Nature of ownership and legal form	8	About NAC
2.7	Markets served	12	Products & Services
2.8	Scale of the reporting organization	22	Social Responsibility
2.9	Significant changes during the reporting period		There were no major changes
2.10	Awards received in the reporting period		
3.1	Reporting period	1	About the Report
3.2	Date of most recent previous report	1	About the Report
3.3	Reporting cycle	1	About the Report
3.4	Contact point for questions regarding the report	92	Corporate Directory
3.5	Process for defining report content	1	About the Report
3.6	Boundary of the report	1	Corporate Structure
3.7	State any specific limitations on the scope or boundary of the report		Reported in operational mine sites only
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities		Ownership percentage
3.9	Data measurement techniques and the bases of calculations		Based on the internal standards for mining industry
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement		None
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods		This is the first sustainability report
3.12	Table identifying the location of the Standard Disclosures in the report.	83	GRI Content Index Sheet
3.13	Policy and current practice with regard to seeking external assurance for the report.	90	External Assurance Certificate
4.1	Governance structure of the organization, including committees under the highest governance body	14	Board Committee
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	14	The Board
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members	14	The Board
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body		2013 Annual Report
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives and the organization's performance		2013 Annual Report
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	15	Audit & Risk Committee
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees	15	Nomination Committee

4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	7	Mission, vision, corporate values
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	15	Audit & Risk Committee
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization		
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses		None
4.13	Memberships in associations and/or national/international advocacy organizations in which the organization		Chamber of Mines, Philippines
4.14	List of stakeholder groups engaged by the organization	27	Stakeholder Management
4.15	Basis for identification and selection of stakeholders with whom to engage	27	Stakeholder Management
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	27	Stakeholder Management
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	27	Stakeholder Management

Performance Indicator	Description	Page No.	Section / Direct Answer
Economic			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	24	Economic Profitability
EC2	Financial implications and othe r risks and opportunities for the organization's activities due to climate change.	23, 26	Risk related to business and industry, financial position
EC3	Coverage of the organization's defined benefit plan obligations.		PhP 963 Million was spent on employee benefits
EC4	Significant financial assistance received from government.		We pay equal / higher to the local minimum wage as specified by the local government for the region
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.		We have specific suppliers for the services they comply with our environmental / social requirement criteria.
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.		We hire site workers (rank & file level employees from the local community of the mine site.
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.		Social Development Mgmt. Plan Corporate Social Responsibility
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	43, 55, 68, 80	Social Development Mgmt. Plan Corporate Social Responsibility
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	43, 55, 68, 80	Social Development Mgmt. Plan Corporate Social Responsibility

Environment			
EN1	Materials used by weight or volume.	39	Materials Stewardship
EN2	Percentage of materials used that are recycled input materials.		
EN3	Direct energy consumption by primary energy source.	36, 51, 64, 75	Pollution Control
EN4	Indirect energy consumption by primary source.		
EN5	Energy saved due to conservation and efficiency improvements.	64	Pollution Control
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.		
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.		
EN8	Total water withdrawal by source.	38, 52, 66, 77	Water Quality Measures
EN9	Water sources significantly affected by withdrawal of water.	38, 52, 66, 77	Water Quality Measures
EN10	Percentage and total volume of water recycled and reused.		
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	32, 49, 63, 74	Reforestation
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	18	Environmental Responsibility
EN13	Habitats protected or restored.	32, 49, 63, 74	Reforestation
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	18	Mine Rehabilitation Reforestation
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.		None of the IUCN species are affected
EN16	Total direct and indirect greenhouse gas emissions by weight.	36, 51, 64, 75	Pollution Control
EN17	Other relevant indirect greenhouse gas emissions by weight.	36, 51, 64, 75	Pollution Control
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	36, 51, 64, 75	Pollution Control
EN19	Emissions of ozone-depleting substances by weight.		We don't emit ODS
EN20	NOx, SOx, and other significant air emissions by type and weight.		
EN21	Total water discharge by quality and destination.	38, 52, 66, 77	Water Quality Measures
EN22	Total weight of waste by type and disposal method.	36, 51, 66, 77	Waste Management
EN23	Total number and volume of significant spills.		There were no significant spills
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.		All our waste are properly disposed by the DENR accredited recycler
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	38, 52, 66, 77	Water Quality Measures
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	17, 30, 48, 62, 74	Environmental Responsibility

EN27	Percentage of products sold and their packaging materials that are reclaimed by category.		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.		There were no significant fines
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.		Impact on Biodiversity - Sea transport
EN30	Total environmental protection expenditures and investments by type.	17, 30, 48, 62, 74	Environmental Responsibility
Labor Practices			
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	22, 40, 53, 66, 78	Employees
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	41, 53, 66	Employees
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	41, 53, 66, 78	Benefits
LA15	Return to work and retention rates after parental leave, by gender.		All the employees returned after their parental leave
LA4	Percentage of employees covered by collective bargaining agreements.	41, 53, 66, 78	CBA
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.		
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programs.	42, 54, 67, 79	Health & Safety
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	42, 54, 67, 79	Health & Safety
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	42, 54, 67, 79	Health & Safety
LA9	Health and safety topics covered in formal agreements with trade unions.	41, 54, 66	Health & Safety
LA10	Average hours of training per year per employee by gender, and by employee category.	41, 54, 66	Benefits
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	41, 54, 66	Benefits
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.		We conduct annual performance reviews for our employees
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	14	Reported in employment level
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.		Employee salary is based on the position and level of responsibility they hold in the company but not based on the gender.

Human Resources			
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.		
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.		All our suppliers need to implement social standards of the company
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.		
HR4	Total number of incidents of discrimination and actions taken.		There were no actions of discrimination taken
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.		We ensure that there are no risk to the CBA we have with the employees and al the members fully enjoy their rights
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.		We ensure that none of our as well as our local suppliers have any incidents of child labor practice.
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.		There were no incidents of forced / compulsory labor in the company and mine site
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	42, 54, 67, 79	Health & Safety
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	42, 57	Corporate Social Responsibility
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.		We ensure that none of our operations have any impact on human rights of our employees and surrounding communities. We have designed programs to ensure no violations of such occur in through any of our operations.
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.		There were no such grievances
Society			
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.		Community Relations & Development Social Development Management Plan Corporate Social Responsibility
SO9	Operations with significant potential or actual negative impacts on local communities.		Community Relations & Development Social Development Management Plan Corporate Social Responsibility
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.		Community Relations & Development Social Development Management Plan Corporate Social Responsibility
SO2	Percentage and total number of business units analyzed for risks related to corruption.		
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.		
SO4	Actions taken in response to incidents of corruption.		
SO5	Public policy positions and participation in public policy development and lobbying.		

SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.		
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.		There were no such actions
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.		There were no such fines
Product Responsibility			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	39	Material Stewardship
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.		There were no such incidents
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.		
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.		
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.		
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.		
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.		
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.		
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.		-

Mining Sector Supplement

Profile Disclosure	Description	Page No.	Section / Direct Answer
EC7 – MMSS	Commentary added to include Proportion of local workforce as well as local management	22	Social Responsibility
EN2 – MMSS	Commentary added to clarify the scope of scrap	16	Environmental Responsibility
EN12 – MMSS	Commentary added to emphasize the link to resettlement and closure activities. Compilation added to report on biodiversity impacts of resettlement or closure.	59, 77	Closure Plan
MM1	Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated.	18, 32, 49, 63, 74	Mine Rehabilitation
EN13 – MMSS	Compilation added to report on biodiversity offsets.	18, 32, 49, 63, 74	Rio Tuba Nickel Mining Corp. Taganito Mining Corp. Hinatuan Mining Corp. Cagdinao Mining Corp.
EN14 – MMSS	Commentary added to describe the relevance of ecosystems services. Commentary added to compilation to invite reporting on ecosystems services and approaches.	18, 32, 49, 63, 74	Mine Rehabilitation
MM2	The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (%) of those sites with plans in place.	18, 32, 49, 63, 74	Environmental Responsibility
EN20 – MMSS	Commentary added to include mobile and stationary sources.		Environmental Responsibility
MM3	Total amounts of overburden, rock, tailings, and sludge and their associated risks.		All our sites have EPEP plans in place for environmental protection
EN23 – MMSS	Commentary added to clarify the scope of spillages. Compilation added to report on the outcome of spillage incidents.		
MM4	Number of strikes and lock-outs exceeding one week's duration, by country.		
LA7 – MMSS	Commentary added under compilation to include a description of fatal accidents.	42, 54, 67, 79	Health & Safety Mgmt
HR5 – MMSS	Commentary added under compilation to report how freedom of association policy is implemented.		There were no incident of spillage
MM5	Total number of operations taking place in or adjacent to Indigenous Peoples' territories, and number and percentage of operations or sites where there are formal agreements with Indigenous Peoples' communities.	42, 57	Corporate Social Responsibility
SO1 – MMSS	Commentary added to describe the relevance of community engagement processes.	43, 55, 68, 80	Health & Safety
MM6	Number and description of significant disputes relating to land use, customary rights of local communities and Indigenous Peoples.	42, 57	There were no such disputes with any of our host communities
MM7	The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and Indigenous Peoples, and the outcomes.		There were no such grievances
MM8	Number (and percentage) of company operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, the site; the associated risks and the actions taken to manage and mitigate these risks.		
MM9	Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process.		
MM10	Number and percentage of operations with closure plans.		All our sites have closure plan
SO8 – MMSS	Commentary added on judgments related to health, safety and labor laws.	42, 54, 67, 79	Health & Safety
MM11	Programs and progress relating to materials stewardship.	39	Material Stewardship

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Independent Assurance Statement

Introduction

ECC International (ECCI) has been engaged by the management of Nickel Asia Corporation (Company) to provide an independent assurance of its 2013 Annual Sustainability Report. The intended users of this assurance statement are the management and all other key stakeholders of the company.

Scope of Work

The assurance was planned and conducted in line with the requirements of the international standard AA 1000 AS. We performed a Type II, Moderate Level of Assurance and evaluated the Company's Sustainability Performance based on its 2013 Annual Sustainability Report and other information/data made available by the company for the reporting period from January 01st, 2013 to December 31st 2013 with respect to:

- AA 1000 APS Standard- Principles of Materiality, Inclusivity and Responsiveness
- Global Reporting Initiative (GRI) G3.1 Guidelines

Assurance Procedure

We performed assurance based on our methodology which is built on our professional experience and international standards for assurance. We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance conclusions.

We used the GRI Quality of Information Principles to evaluate the performance data together with the company's data protocols for how the sustainability performance data is measured, recorded and reported. This formed the basis of the Reporting Criteria for undertaking our assurance work. In doing so, we have:

- Reviewed the company's approach to stakeholder engagement and materiality analysis
- Review of the company's Environment, Economic & Social (EES) policies, plans and practices
- Reviewed the consistency of data/information within the report as well between the report and the original source
- Conducted interviews/discussions with senior management and decision makers from different functions/locations of the company
- Performed sample audits on certain data streams to validate the accuracy, completeness and reliability of the data collection, compilation and reporting system

Financial data reported in the 2013 Annual Sustainability Report is taken directly from the independently audited financial statements and the same has not been checked against its source as part of this assurance process.

Adherence to AA1000 Principles

Inclusivity:

Nickel Asia Corporation was found to have a variety of well-managed mechanisms to regularly engage with all their stakeholders frequently. The company considers stakeholder concerns and addresses them through proper channels. This report clearly indicates the various stakeholders the company is involved with and their method of engagement with them.

Materiality:

We reviewed and analyzed the process of defining the material aspects for Nickel Asia Corporation addressed in this report. The major concerns for the Company are environmental protection and community development. The Company has a well-defined Social Development Management Plan (SDMP) and Environmental Protection Enhancement Program (EPEP) in place which provides them the roadmap to address the sustainability issues.

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Responsiveness:

The company has adequate set of policies and guidelines in place to respond to the stakeholder concerns. Some of the key process has been defined in the stakeholder management section of the report. It was also evident that company responds to their stakeholders on a timely basis.

Key Observations & Recommendations

- Nickel Asia Corporation has implemented well-defined standards on social development, safety, employee motivation, environmental protection and mining process. The conveyor system used to transport the product from the mining site to the distribution is a very commendable step as it supports in environmental protection and safety of employees. We recommend implementing such technology in the other mine sites as well.

- Nickel Asia Corporation engages with the key internal and external stakeholders on a regular basis. In future reports we recommend further disclosure on how stakeholder engagement impacts the company's response to material sustainability issues.

- Nickel Asia Corporation measures its sustainability performance individually for each mining site. We suggest to make it more aligned and standard across all the sites.

- Nickel Asia Corporation has reported well on its EES performance in the report and we recommend that more focus is also provided, especially to the environmental & social performance of the company's supply chain.

Conclusion

In our opinion, the company has represented its Sustainability Performance in the report for the year 2013 in a fair and balanced manner and meets the requirement of Type 2, Moderate level of assurance. Nothing has come to our attention which is different to what is disclosed in this report. The Company follows the regulatory requirements of the Philippines and the disclosures in this sustainability report are verified from such regulatory reports. This report adheres to the AA1000 principles of Materiality, Inclusiveness and Responsiveness.

The reporting principles for defining the report content and quality are followed in line with the GRI G3.1 Guidelines along with Mining Sector Supplement. The company has disclosed materiality issues in line with GRI G3.1 and is qualified to attain a level of B+ for their 2013 Sustainability Report.

All the Standard disclosure and Performance indicators related to the SDMP & EPEP have been externally assured and the credibility of the data disclosed has been verified.

Responsibilities

The Preparation, Presentation and Content of the Nickel Asia Corporation's 2013 Annual Sustainability Report are the sole responsibility of the company. The company is responsible for determining the Sustainability goals & objectives, performance and for establishing and maintaining appropriate data management systems and internal control systems from which the reported information is derived.

Our responsibility is to express an independent conclusion on the company's Sustainability performance disclosed and defined within the scope of work as mentioned above. Our statements represent our independent opinion and intended to all stakeholders of the company including its management.

[illegible]
Lead Assurer
ECC International Corp. Philippines

Date - July 10, 2014
Batangas, Palawan, Taganito, Surigao del Norte

AA1000
Licensed Assurance Provider
000-155

Acknowledgement

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Mine Sites:

Rio Tuba Mine
Barangay Rio Tuba, Bataraza, Palawan

Taganito Mine
Barangay Taganito, Claver, Surigao del Norte

Cagdianao Mine
Barangay Valencia, Cagdianao, Dinagat Islands

Hinatuan Mine
Barangay Talavera, Taganaan, Surigao del Norte

Corporate Website:
www.nickelasia.com

NICKEL ASIA CORP.

2013 SUSTAINABILITY REPORT

Table of Contents

About the Report

This is the first Annual Sustainability Report to be released by Nickel Asia. All the information included in this report are based on data that were submitted to the corresponding government agencies and results of regularly monitored performance reports from each mine site.

We manage our relationships with our key stakeholders by regularly engaging them to understand their areas of interest and address their concerns about our operations. Although this report does not cover all the issues of our stakeholders, it includes the most significant programs of our companies that were initiated to address their environmental and social concerns.

This report highlights our Environmental Protection and Enhancement Programs (EPEP) which cover rehabilitation and reforestation initiatives, water quality management and pollution control projects in each of our mine sites. We have also included our Social Development Management Plans (SDMP) in the report, to showcase community and employee projects that were undertaken in our areas of operation.

Report Boundary and Scope

The report covers the period of January- December 2013 and includes the environmental and social responsibility programs of each mine site, namely: Rio Tuba Nickel Mining Corp. (RTNMC), Taganito Mining Corporation (TMC), Hinatuan Mining Corporation (HMC) and Cagdianao Mining Corporation (CMC). We have included highlights of our mines' rehabilitation and reforestation programs as well as projects for the local communities in the mine sites.

Reporting Guideline & External Assurance

Our reporting is prepared in accordance with the GRI G3.1 Sustainability Reporting Guidelines, including the Mining and Metals Sector Supplement. The GRI guidelines encourage companies to report on practices and performance that relate to sustainability in a manner that is transparent and uses a globally shared framework of indicators.

In addition to the disclosure, Nickel Asia has also put its reporting process and disclosed information through a process of independent external assurance based on AA 1000 AS - the International standard for assurance from AccountAbility, UK. When completed Nickel Asia will be the first company in the mining industry to have accomplished this feat.

Joint Message from the Chairman and President

We are happy to release the first sustainability report of Nickel Asia Corporation, which highlights the environmental, social and economic achievements of the company through its subsidiaries in 2013. As one of the leaders of the mining industry in the Philippines, it is our responsibility to be a steward of the principles of sustainable development.

We progressively rehabilitate mined-out areas.

Our environmental programs are developed and implemented through Environmental Protection and Enhancement Programs (EPEP), which focus heavily on the rehabilitation of mined-out sites at all our mining subsidiaries. These rehabilitation efforts have resulted in sustainably managed forests that are home to far better vegetation than they were when we first began operations, because of the mineralized nature of the soil.

We regreen areas outside our mine sites.

As part of the National Greening Program, reforestation activities are also done outside of the mining areas in all of our mining operations. Employees and the local community come together to accomplish this objective.

In Rio Tuba alone, over one million trees have been planted in 622.92 hectares as part of these rehabilitation and reforestation efforts. Other mine sites engage in parallel efforts to achieve similar results.

We take water quality management very seriously.

Each minesite is adequately provided with silt control facilities (drainage canal, silt sumps, series of silt catchment ponds) which are frequently desilted and effluent discharge are regularly monitor to check conformity with DENR Standard. No resource is wasted as clear water from the silt ponds are re-use for dust mitigation and watering tree planting areas. Our mining subsidiaries have also provided water systems for its communities, enabling families to have access to clean potable water.

Our SDMP and CSR programs focus on the needs of the communities we touch.

These communities also benefit from other social responsibility projects of our subsidiaries, carried out through their respective Social Development Management Plans (SDMP) and Corporate Social Responsibility (CSR) activities. Through SDMP, all NAC subsidiaries collaborate with their communities to create a list of priority projects that will be implemented within 5 years. Funding for SDMP is set by each mine site annually, and according to law. CSR activities, on the other hand, are implemented depending on specific local needs outside of the areas covered by SDMP programs. Projects under CSR are focused on education, livelihood, infrastructure and Indigenous People (IPs).

Our Employees' Health and Safety is a priority.

Like our impact area communities, our employees likewise benefit from NAC's social responsibility programs. Safety policies are implemented and followed in each mine through Central Safety and Health Committees formed by employees at each site. Health and safety seminars are also conducted to provide workers with information to avoid and/or reduce accidents in the workplace. They are also provided with the proper equipment to ensure that they are protected from any risks and hazards in the mine sites. These are just a few of the many employee programs that enable NAC's subsidiaries to maintain a high level of workplace safety in their mining operations.

We respect and protect employees' rights.

To protect the rights of rank and file employees, mine site employees are given permission to be represented by their Unions and are covered by their respective Collective Bargaining Agreements (CBA). Generally, collective bargaining agreements have terms of 5 years (with a provision for wage renegotiation after 3 years).

We have plans for the end of mine-life.

We have also developed decommissioning plans for each mine site, for implementation once mining operations have ended. These plans will be used as a guide in restoring and/or converting mine sites and the surrounding areas into alternative and productive land uses. The plans also ensure that alternative skills and sustainable livelihood opportunities are provided to the mine employees including their dependents and to the host and neighboring communities.

During decommissioning and after mine closure, monitoring and maintenance shall be continued until such a time that rehabilitation criteria has been successfully achieved as determined by the Mines and Geosciences Bureau.

We sell more even in the face of weaker metal prices.

With respect to the economic performance of the company, NAC was able to generate total revenue of PhP 11,109.5 million in 2013 from ore sales. While this is 4% lower than the figures for 2012, this was due mainly to the decrease in nickel prices, despite a higher sales volume achieved and the depreciation of the Philippine peso against the US dollar.

Acknowledgement

We thank the managerial and technical teams and the workforce in all our mine sites for another year of dedication and hard work. We are grateful for all the accomplishments that we have achieved, while maintaining safe and environmentally sound operations, throughout 2013.

We look forward to 2014, for another year of continuous sustainable growth.

Manuel B. Zamora, Jr.
Chairman

Gerard H. Brimo,
President and CEO

Nickel Asia Corporation

Nickel Asia Corporation (NAC) is the Philippines' largest producer of lateritic nickel ore and one of the largest in the world. We have a long operating history, starting with the sale of ore in 1977 from our first mine in Rio Tuba. Since then, we have expanded to four mine sites and have sold a total of 96 million tonnes of limonite and saprolite ore.

We export both saprolite and limonite ore to customers in Japan and China. Our customers use our ore for the production of ferronickel and nickel pig iron, 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, Coral Bay, where we have a 10% equity interest. Coral Bay 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 PhP 4.4 Billion for a 22.5% equity interest in the country's second hydrometallurgical nickel processing plant under Taganito HPAL Nickel Corporation. The plant started its commercial operation in October 2013, with a capacity of 30,000 tonnes of contained nickel and 2,600 tonnes of contained cobalt per year. Our Taganito mine supplies all of the limonite ore for the plant. At a total project cost of US$ 1.7 Billion, the plant represents the single largest investment in the Philippine minerals sector.

Apart from our four operating mines, we have five properties in various stages of exploration for nickel. In November 2010 we concluded the purchase of Cordillera Exploration Co., Inc. from Anglo-American with four properties in the Central Cordilleras of northern Luzon that are prospective for gold and copper. The purchase marks our first step in our vision to become a diversified mineral resource company . In November 2011, Sumitomo Metal Mining Co., Ltd., acquired 25% equity in the company with an option to purchase additional shares to increase its total equity to 40%.

We are focused on growth. At the same time we take our responsibilities towards safety, environmental protection and community relations and development seriously. Our efforts in these fields have resulted in numerous awards receive over the years during the annual Presidential Mineral Industry Environmental Awards. 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.

Corporate Objective

We are focused on growth. At the same time, we take our responsibilities toward safety, environmental protection and community relations and development seriously. We believe that sustainable development is the only way forward for any mining operation and we exert great effort to achieve its principles. We are committed to responsible mining and to running every facet of our operations in a world-class manner.

Vision

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

Mission Statement

Using best global industry practices, we are committed in

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

Core Values

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

Corporate Structure

NICKEL ASIA CORP.

Nickel Mining and Exploration

Rio Tuba Nickel Mining Corporation (RTNMC)

- Incorporated in 1969 to develop nickel ore deposits
- Granted rights over Rio Tuba Property in 1970
- Commenced mining in 1975
- Made first commercial shipment in 1977

60%
990
14
14

Taganito Mining Corporation (TMC)

- Incorporated in 1987
- First commercial shipment made in 1989

65%
4,862
35
31

Cagdianao Mining Corporation (CMC)

- Incorporated in 1997
- Acquired right to operate in 1998

100%
687
15
28

Hinatuan Mining Corporation (HMC)

- Incorporated in 1979
- Developed in 1981
- First commercial shipment made in 1982
- Expanded in 1983
- Temporary suspension of operations from 2002-2003 due to low prices

100%
774
2
16

% of Ownership
Coverage (Hectares)
Mine Life (Years) - Saprolite
Mine Life (Years) - Limonite

Downstream Processing

Coral Bay Nickel Corporation

10%

Taganito HPAL Nickel Corporation

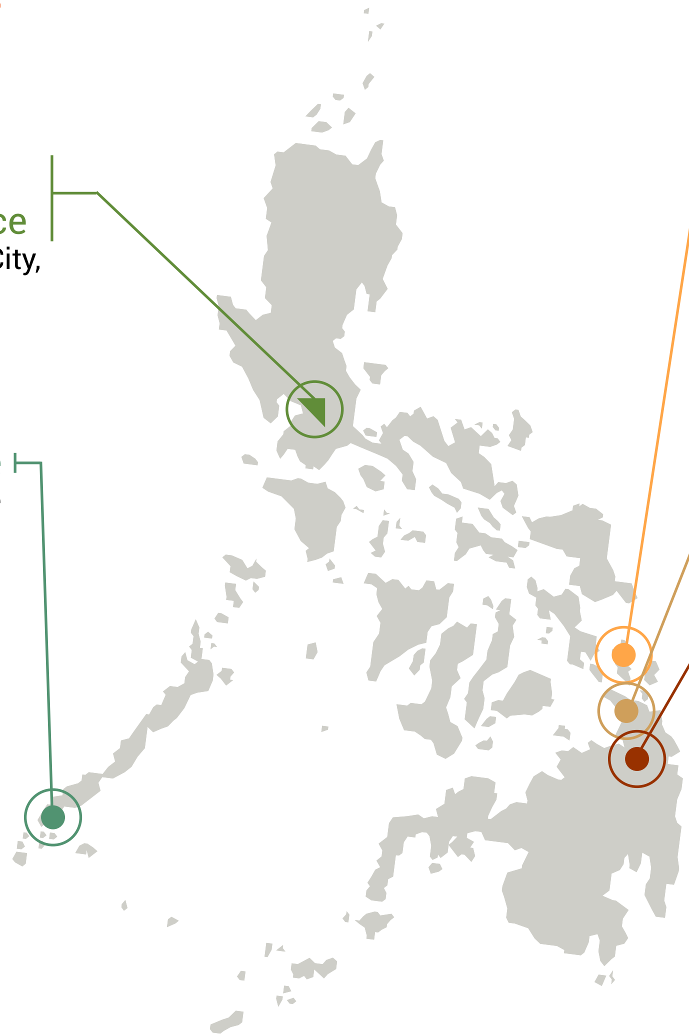
22.5%

Copper and Gold Exploration

Cordillera Exploration Company, Inc.

71.25%

Location



Nickel Asia corporate office
Bonifacio Global City, Taguig City, Metro Manila

Rio Tuba mine
Bataraza, near the southern tip of Palawan

Cagdianao mine
Dinagat Island, northern tip of Mindanao Island

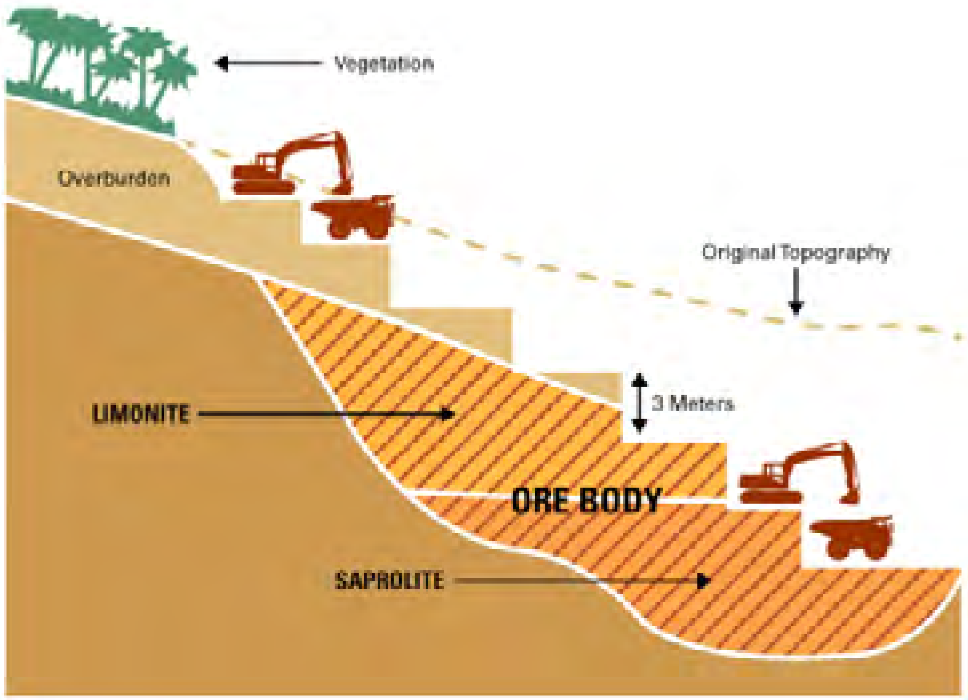
Tagana-an mine
Hinatuan Island, approximately 25km east of Surigao City (Northern end of Mindanao)

Taganito mine
Surigao del Norte, north-east corner of Mindanao Island

Products and Services

All our mine sites use a low-cost open pit mining method. Since limonite and saprolite deposits are only about 5 to 30 meters thick from the surface, the mining process only requires the use of excavators, tractors and dump trucks and does not use specialized equipments, explosives, chemicals or complex waste handling. Rehabilitation of the mined-out areas is a simple and straightforward process because the mine pits are shallow.

The ore stockpile areas are also located near tidewater loading areas, enabling easy hauling to barges.



Open Pit mining process

Our company believes in its key strength, which is: *Profitability underpinned by low cost production*. This is the foundation of our business, wherein we are able 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, namely:

- We benefit from favorable geologic conditions in all of our four mines. Our lateritic nickel deposits are near-surface, blanket-like layered deposits with minimal overburden and generally 5 to 30 meters thick. This enables us to conduct simple open-pit mining using trucks and loaders without blasting and the use of chemicals or complex waste handling.
- We were able to utilize, what were by-products of our mining operations namely: limonite ore and low-grade saprolite ore by finding customers who are in need of these materials.
- On average, the nickel deposits in our four operating mines are located within three to seven kilometers from the applicable tidewater loading area, enabling easy hauling and transportation using barges and landing craft transport ("LCTs") to our customers' ships. We own 9 LCTs and 5 barges.

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.

Mining process

Sources and Availability of Raw Materials and Supplies

NAC sources its supplies, including diesel fuel, tires and spare parts for mining equipment, from reliable third party suppliers to ensure the quality of these materials. Our diesel and aviation fuel and lubricants are bought from Petron Corporation, while 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.

Since the start of our operations, we have delivered over 96 million wet metric tonnes (WMT) of saprolite and limonite ore to our customers

A Mineral Production Sharing Agreement (MPSA) is an agreement by which the Government grants the contractor exclusive rights to conduct mining operations within a permitted mining area over a specific period, usually 25 years.

As of December 31, 2013, our mines had reserves* of:

Estimated saprolite ore - 119.6 million WMT with an average grade of 1.50% nickel

Estimated limonite ore (including stockpiles) - 249.7 million WMT with an average grade of 1.09% nickel

Each case as estimated in accordance with the Philippine Mineral Reporting Code (PMRC)

Our ores are sold to multiple customers, who use them to produce intermediate products, to manufacture stainless steel and produce nickel cathodes.

Our major customers are:

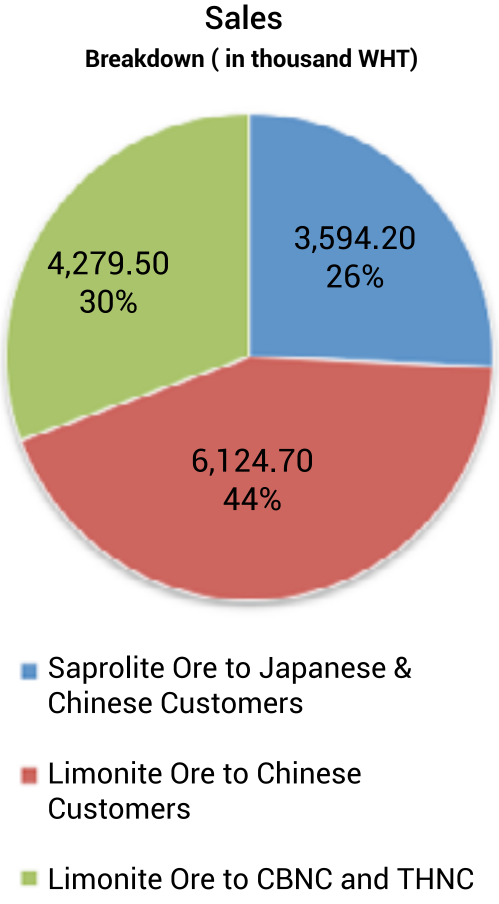
Pacific Metals Co. Ltd. (PAMCO):
Largest ferronickel producer in Japan
Buyer of high-grade and low-grade saprolite ore under long-term supply agreements

Sumitomo Metal Mining Co., Ltd. (SMM):
Japan-based refiner of copper, gold, nickel, and zinc
Buyer of high-grade and low-grade saprolite ore under long-term supply agreements.

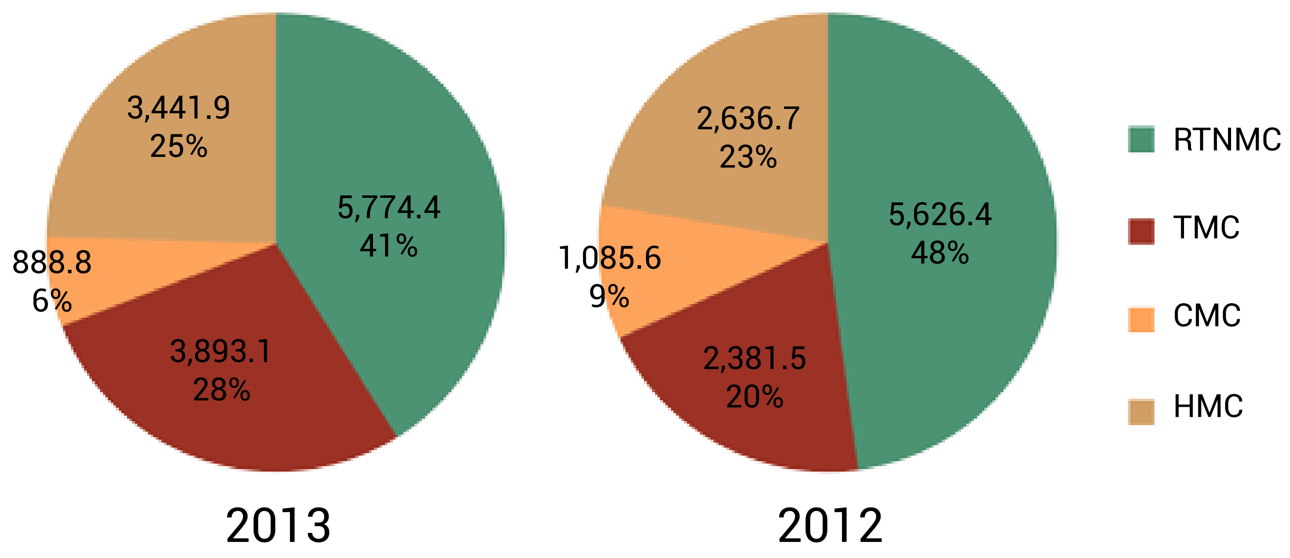
Chinese customers:
Primary customers: DH Kingstone and Baosteel Resources
Buyers of low-grade saprolite and both high- and low-grade limonite ore
Ore is mainly used to produce Nickel Pig Iron and Pig Iron

Coral Bay Nickel Corporation (CBNC):
Buyer of low-grade limonite ore from RTNMC
Under a long-term supply agreement

Taganito HPAL Nickel Corporation (THNC):
Buyer of low-grade limonite ore from Taganito mine
Under a long-term supply agreement



Nickel Ore Sales (in thousand WMT)



Exploration and Development

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 an experienced pool of geologists and laboratories at each of our mine site to assess samples as required.

Summary of our exploration properties:

Bulanjao: • Total area of 3,604.5 hectares • Conducted step-out drilling throughout the length of the Central Bulanjao deposit • Extracted 7.5 million WMT of saprolite ore with an average grade of 1.88% nickel and 19.2 million WMT of limonite ore with an average grade of 1.01% nickel	Location: **Palawan Island** Ownership: **RTNMC**
Kepha: • Total area of 6,980.75 hectares • Rights to the property are governed by an operating entered into in February 2007 with Kepha Mining Exploration Corp. (KMEC) • Application for renewal of the Exploration Permit for the Kepha Property has been granted • Follow-up exploration work and drilling conducted in early 2013	Location: **Surigao del Norte** Ownership: **TMC**
La Salle: • Total area of 2,234 hectares • Rights to the property are governed by an operating agreement entered into with La Salle Mining Exploration Company (LSMEC) 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	Location: **Surigao del Norte** Ownership: **TMC**
Ludgoron: • Total area of 3,248.06 hectares • Rights to the property are governed by an operating agreement entered into in August 2007 with Ludgoron Mining Corp. (LMC) • Conducted geological reconnaissance on the property in 2008 • Drilled 92 holes with an aggregate length of 1,071 meters in the identified lateritic zones	Location: **Province Surigao del Norte and Surigao del Sur** Ownership: **TMC**
Boa: • Covered by a separate MPSA • 167 drill holes intended to be drilled by third quarter of 2012, but due to the delayed issuance of the tenement's permit for extension of exploration period, there were still no exploration activities done in the area	Location: **Province of Dinagat Island** Ownership: **CMC**

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.

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

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

The Board

The BOD is primarily responsible for the governance of the Company and shall provide the policies for the accomplishment of the corporate objectives, including the means by which to effectively monitor Management's performance. It is the BOD's responsibility to foster the long-term success of the Company and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interest of its stockholders. The Company's BOD is comprised of nine (9) Directors, with two (2) being Independent Directors.

Name	Position	Age	Gender	Nationality	Meetings attended
Manuel B. Zamora, Jr.	Executive Director, Chairman	76	Male	Filipino	6/6 (100%)
Gerard H. Brimo	Executive Director, President and Chief Executive Officer	63	Male	Filipino	6/6 (100%)
Philip T. Ang	Executive Director, Vice-Chairman	73	Male	Filipino	5/6 (83%)
Luis J. L. Virata	Non-Executive Director	60	Male	Filipino	5/6 (83%)
Takanori Fujimura	Non-Executive Director	70	Male	Japanese	6/6 (100%)
Takeshi Kubota	Non-Executive Director	59	Male	Japanese	5/6 (83%)
Martin Antonio G. Zamora*	Executive Director, Senior Vice President for Marketing and Strategic Planning	42	Male	Filipino	2/2 (100%)
Fulgencio S. Factoran, Jr.	Independent Director	71	Male	Filipino	6/6 (100%)
Frederick Y. Dy	Independent Director	59	Male	Filipino	6/6 (100%)

* Elected as executive director on July 30, 2013

Board Committees

Audit & Risk Committee

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

- Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations.
- Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company.
- Perform oversight functions over the Company's internal and external auditors.
- Review the annual internal audit plan to ensure its conformity with the objectives of the Company.
- 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.
- Organize an internal audit department and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal.
- Monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting control and information technology security.
- Review the reports submitted by the internal and external auditors and financial statements.
- Coordinate, monitor and facilitate compliance with laws, rules and regulations.
- 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.
- Establish and identify the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities.

Committee Members

Position in Committee	Director
Chairman	Fredrick Y. Dy
Member	Gerard H. Brimo
Member	Takanori Fujimura

Nomination Committee

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

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

Committee Members

Position in Committee	Director
Chairman	Manuel B. Zamora Jr.
Member	Takeshi Kubota
Member	Fulgencio S. Factoran, Jr.

Compensation Committee

The Compensation Committee is responsible for establishment of formal and transparent procedures 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.

Committee Members

Position in Committee	Director
Chairman	Manuel B. Zamora Jr.
Member	Gerard H. Brimo
Member	Fredrick Y. Dy

Note - Details of NAC Corporate Governance can be found in 2013 Annual Report.

Environmental Responsibility

NAC is committed to following best practices in managing the environmental impacts of its operations. We use progressive rehabilitation of mine sites to restore, if not improve, the environment to its pre mining condition.

PhP 336 million
spent on EPEP in 2013

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, NAC's subsidiaries have an Environmental Protection and Enhancement Program (EPEP).This refers to the comprehensive and strategic environmental management plan for the life of mining projects to achieve the environmental management objectives, criteria and commitments including protection and rehabilitation of the affected environment.

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 Environmental Compliance Certificate (ECC) under P.D. 1586 and the Contractor's plan of mining operation.

Activities undertaken through our Annual Environmental Protection and Enhancement Program (AEPEP) 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 Environmental Compliance Certificate (ECC) conditions and the performance of commitments through our Annual Environmental Protection and Enhancement Program (AEPEP). This program is monitored and evaluated by the Multipartite Monitoring Team (MMT)- a multi-sector group headed by a representative from the Regional Mines and Geosciences Bureau (MGB) and representatives of local government units (LGUs), 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, 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 fiorst plant fast growing species to create vegetative cover within 12-18 months, thereafter to enable the 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.

PhP 130.9 million
provision allotted for mine rehabilitation and decommissioning, as of December 2013

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.

1.33 million
Total Seedlings Planted

1,271 hectares
Total Area Rehabilited / Reforestated

Mine Rehabilitation vs. Reforestation: What is the Difference?

Mine Rehabilitation areas are mine pits that have been declared as mined out by the operation. These areas are backfilled and reshaped, in preparation for tree-planting.

Reforested areas, on the other hand, are disturbed areas (not necessarily mining areas) that are enhanced through reforestation and usually do not include backfilling and reshaping.

FROM A MINE TO A FOREST

Mother Nature Gives Us The Minerals, We Give Her Back A Forest

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 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 that the stunted vegetation there before, because of the mineralized nature of the soil.

Responsible Leadership.
Responsible Mining.

NAC
NICKEL ASIA CORP.

Social Responsibility

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.

PhP165.9 million
allocated for the SDMP fund in 2013

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 company. 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 Company.

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, NAC 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).

CSR Guidelines

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 company's CSR initiatives
    b. Social Investment –going beyond compliance and considering CSR not as an additional cost but as an investment

Employees

As of December 31, 2013, NAC approximately has 1,484 employees. Of this number, 623 are employed in mining operations, while 130 are engaged in various maintenance and ancillary functions and 731 are in administrative, technical and professional roles, including senior management.

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

Head Office

	NAC	CMC	HMC	TMC	RTNMC	CEXCI	LCSLC	SNMRC	Total
Senior Management	12	1	-	2	1	-	-	-	16
Managers	9	1	2	3	2	2	-	-	19
Supervisors	9	6	4	4	5	4	1	-	33
Rank & File	15	3	4	9	8	4	1	1	45
Total	**45**	**11**	**10**	**18**	**16**	**10**	**2**	**1**	**113**

Minesite

RTNMC	1,822
TMC	1,327
HMC	1,245
CMC	703
Total	5,097

Each mine site 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:

Mine Site	Manpower from Local community	Indigenous People (IPs)
Rio Tuba	517	25
Taganito	1,176	155
Hinatuan	795	-
Cagdianao	442	-

NAC complies with the government standards on the wages and labor practices in the Philippine mining industry. 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 is being negotiated for the 5 year period

CBAs of RTNMC and CMC shall be negotiated for remaining 2 years

TMC's CBA has been agreed upon for final 2 years

NAC has maintained good relations with employees. The last strike at any of our mines occurred in 1981.

Risks Related to the Business and Industry

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 insurgents 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 PhP 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.

Economic Profitability

Total sale of Nickel Ore (2013):
13,998.4 thousand WMT

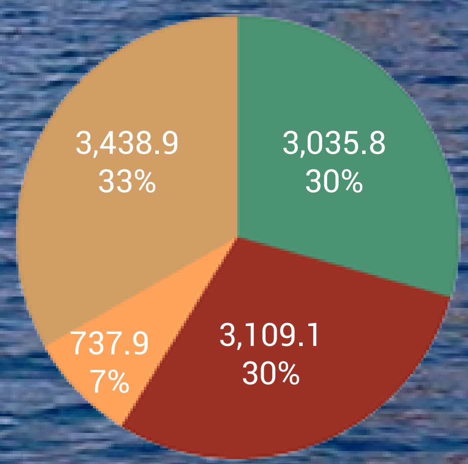
NAC remains focused on sustainable growth and achieving targets that are set each year. This is done through our investments in downstream processing, and the expansion of nickel resources and reserve base through exploration in our existing properties.

Results of Operations

	2013 (million PhP)	2012 (million PhP)
Revenues	11,109.5	11,606.9
Cost & Expense	7,562.4	7,458.0
Finance Income	166.7	235.0
Net Income	2,586.4	3,120.3

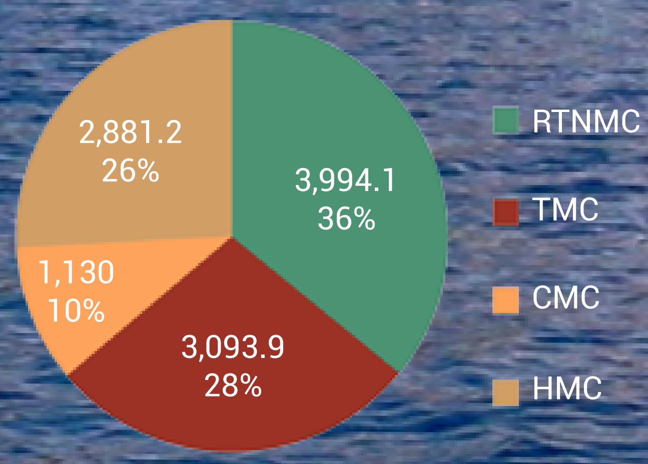
Total revenue of the company in 2013, was PhP 11,109.5 million, as compared to PhP 11,606.9 million in 2012, a decrease of PhP 497.4 million, or 4%, mainly as a result of lower LME nickel prices despite a higher sales volume achieved and depreciation of peso as against the US dollar.

2013 (PhP million)



Revenue Breakdown Nickel Ore in 2013 per mine site

2012 (PhP million)



Revenue Breakdown of Nickel Ore in 2012 per mine site

Services and Others

Our revenue from services and others was PhP 634.0 million in 2013. This largely consisted of payments made to us in consideration for hauling, manpower and other ancillary services that RTNMC and TMC provides to CBNC and THNC, respectively, and usage fees charged by TMC to THNC for the use of its pier facility.

Financial Position

Total assets amounted to PhP 28,913.5 million for 2013. Current assets increased to PhP 14,601.0 million in the same year due mainly to the increase in cash and cash equivalents, from PhP 9,263.5 million to PhP 10,234.3 million, and available-for-sale (AFS) financial assets, from PhP 1,086.1 million to PhP 1,257.4 million.

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

Total current liabilities increased to PhP 1,309.0 million which was attributable mainly to increase in trade and other payables from PhP 864.0 million to PhP 928.1 million.

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

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

Stakeholder Management

Our stakeholder management process helps us to gain, maintain and create positive and long-term relationships with all our stakeholders to ensure the continuous development of our business. It is the basis of engaging key stakeholders, wherein we identify their issues and concerns and develop plans and programs to address them.

Our key stakeholders are categorized as national and local level stakeholder. The national level covers the national government, mainstream media and the NGOs. The local level, on the other hand, covers key LGU officials, local media, local NGOs, employees and the communities.

In addressing the concerns of the National and Local Government, NAC consistently complies with the laws and policies that they have set, in relation to mining activities. The Company also regularly monitors these activities and updates the national government to assure that daily operations are carried out with much consideration to the environmental, social and economic impact of the Company.

Non-Government Organizations (NGOs) are also considered as a key stakeholder of NAC as they play an integral part in the promotion of sustainable and social development of communities in NAC's areas of operation. The Company takes every opportunity to inform NGOs about the developments of each mine site, and partner with them in providing support to the host communities.

Media is regularly updated about the activities of the Company. This also acts as a means of information dissemination to the general public. When necessary, NAC conducts one on one engagements and site visits, so that media can get a better idea of the activities of our companies.

Our employees are major shareholders in our Company. We provide them with the proper benefits and programs to guarantee a healthy and safe working environment and ensure that their professional growth is enhanced through trainings and seminars. Our rank and file employees are also covered by their respective Collective Bargaining Agreements (CBAs) in accordance with Philippine Labor Laws.

Each mine site of NAC has developed a Social Development Management Plan (SDMP) for their respective communities. The SDMP has a set of programs for each community, that aims to address issues in relation to the education, infrastructure, livelihood, environmental and other social concerns of residents. Through these programs we have built villages for our Indigenous People in Rio Tuba and Taganito, with the help of Gawad Kalinga Foundation and provided families with work and self-sustained food through our "Food for Work" program. We have also built and repaired bridges and roads so that communities will have easier and faster access for their businesses.

Rio Tuba Nickel Mining Corporation

Rio Tuba Nickel Mining Corporation (RTNMC) was the first operational minesite of NAC, established in 1975. It operates in Bataraza, Palawan, covering an area of 990 h.a., with 276.41 hectares of rehabilitated area. The Environmental Compliance Certificate (ECC) of RTNMC was issued on December 11, 1997, and received by the company on January 17, 1998. Its Mineral Production Sharing Agreement (MPSA) was also issued in 1998, and is valid until 2023 (25 years). NAC has 60% ownership of RTNMC.

RTNMC's revenue for sale of nickel ore was PhP 3,035.8 million, selling an aggregate 5,774.4 thousand WMT of nickel ore. The volume of saprolite ore sold decreased by 546.6 thousand WMT while limonite ore increased by 53.7 thousand WMT.

Environmental Responsibility

RTNMC adheres to NAC's mission to protect the environment within its areas of operation. This is done through programs covering, mine rehabilitation and reforestation, pollution control, waste management, and by following mining laws imposed by the local and national government.

Under the company's MPSA, it is required to secure an Environmental Compliance Certificate (ECC), and Environmental Protection and Enhancement Program (EPEP), allocating at least ten percent (10%) of its total project cost for its initial environment related capital expenditures, but this may be adjusted depending on the nature and scale of operations and technology to be employed in the Contract Area. RTNMC is required to submit an annual EPEP every year, wherein the company allocates three to five percent (3-5%) of its direct mining and milling cost. It is also mandatory for RTNMC to establish a Mine Rehabilitation Fund based on the financial requirements of the EPEP.

The EPEP of RTNMC includes its plans on environmental protection, enhancement and rehabilitation of affected areas up to the eventual cessation of activities. In the Philippines, RTNMC has one of the highest budgetary cost and expenses for its EPEP, among mining companies.

Expenditure Per Environmental Programs (2013)	Amount PhP (in million)
Tree Planting / Reforestation Projects	4.8
Mine Rehabilitation	14.6
Silt Control Projects	10.7
Dust Emission Control Projects	7.7
Heavy Metal Control Projects	0.5
Wastewater Treatment/Control Projects	0.6
Solid Waste Disposal Project	0.7
IEC and Monitoring	6.4
AEPEP Activities	38.9
Others	8.4
SUB-TOTAL	**93.7**
GOTOK QUARRY	
Tree Planting / Reforestation	0.1
Dust Emission Control Projects	0.2
Others	2.5
SUB-TOTAL	**2.8**
TOTAL	**96.6**

RTNMC abides by the Strategic Environmental Plan for Palawan Act (Republic Act No. 7611), which prohibits operations within an area of 144 hectares, classified as "core zone". These areas 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.

Water quality monitoring test

RTNMC implements its environmental programs through the Mine Environmental Protection and Enhancement Office (MEPEO), which is divided into: Mine Rehabilitation and Reforestation Unit (MRRU) and Pollution Control Office (PCO). Both units have initiatives focused on addressing the impact that mining operations may have on the environment around the mining areas.

MEPEO	Environmental Impacts of Mining	Mitigations / Initiatives
1. Mine Rehabilitation and Reforestation Unit (MRRU)	Deforestation / Excavation	Surface preparation and rehabilitation of mined-out areas, cloning, planting of large planting materials and endemic tree species. Provision of nursery. Conversion of mine pits into "palay-isdaan" area. Likewise, rehabilitation of non-mineralized areas and national greening programs.
2. Pollution Control Office	Siltation	Desilting of ponds and monitoring of SCS's.
	Dust	Watering haul road regularly, wind breaker
	Soil Erosion	Covering stockpiles with coconets, drainage systems, slope re-vegetation of vetiver grasses.
	Hazardous wastes	Construction of Haz waste Extension Building
	Oil and grease contamination of water bodies	Construction of oil-water separators
	Noise	Conduct monthly noise level monitoring at different stations
	Air and Water contaminations	Conduct monthly air and water samplings at different stations

MINE REHABILITATION

The MRRU of RTNMC is in charge of conducting a comprehensive and progressive rehabilitation program, in coordination with the Protected Areas and Wildlife Bureau (PAWB) and Department of Environment and Natural Resources (DENR), within and around the surrounding areas of its minesites.

In the rehabilitation process, RTNMC uses the top soil, mostly coming from in situ materials, recovered from clearing operations. Once the top soil has settled, this is where tree seedlings are planted and cultivated. To help the process, RTNMC also conducts enrichment planting, wherein additional seedlings are planted to address the disturbance of the soil.

Experts in the field of rehabilitation were also hired to strengthen the rehabilitation program. A clonal laboratory (research facility for cloning plants) and other tree and plant propagation measures were supported by RTNMC to accelerate the rehabilitation process.

REFORESTATION

Outside of the mined-out sites, RTNMC conducts reforestation activities in disturbed areas (areas indirectly affected by mining operations). In coordination with DENR, the Local Government Units (LGUs) and Non-Government Organizations (NGOs), RTNMC performed enrichment planting in nearby and affected mangrove areas to enhance the protective and productive capacities of the ecosystem.

RTNMC also initiated the reforestation of several patches of mangrove areas along Rio Tuba River, previously affected by illegal logging. From 2001-2004, around 2.5 hectares were reforested. Enrichment planting was also conducted along Rio Tuba River, with more than 2,000 Nipa seedlings being planted to substitute for the destroyed mangrove trees.

The rehabilitation and reforestation efforts have resulted in approximately 33% of formerly mined out areas rehabilitated/ reforested, with 45% currently being used for other purposes such as tailings pond, ore stockpiles, *etc.* leaving a balance of 22% still due for reforestation.

85.52 hectares of totally mined out areas were completely rehabilitated. Outside of the mine area of RTNMC, a total of 537.4 hectares have been completely reforested

A total of 1.33 million seedlings/trees were planted.

The areas that are not rehabilitated, which total 363.02 hectares, are currently used for:

CBNC tailings dam and pond (No.1 &2)	185.67 hectares
HPAL plant	22.49 hectares
Ore stockpiles	61.47 hectares
Road network	25.46 hectares
Solar drying areas	18.61 hectares
Ash pit	8.18 hectares
Sanitary landfill	4.60 hectares
Unrehabilitated/rocky portion	34.60 hectares
Unichamp plant	2 hectares

Rehabilitated area

A Mine Rehabilitation and/or Decommissioning Plan (MRDP) meeting was held with stakeholders within the affected area to discuss recommendations on how the area will be rehabilitated. Suggestions and comments were considered in crafting the EPEP of RTNMC, which was submitted to the DENR Regional Office and EMB for review and approval.

The rehabilitation and reforestation efforts of RTNMC also involves the protection of biodiversity in and around the mine-sites. Protected areas and policies were established by RTNMC to preserve the habitat of wildlife in areas near the RTNMC mines.

One such area is the Ursula Island Game Refuge and Bird Sanctuary, which is protected and managed by managed by PAMB together with RTNMC and DENR, Protected Area and Management Board of Ursula, LGUs of Bataraza and Rio Tuba, and CBNC.   The company provides support by managing the plants and animals inhabiting the area through regular monitoring activities that ensure the island is in good condition and to prevent any human activities from affecting the island.

Forested areas that are still untapped by mining operations are also protected actively by RTNMC. Fruit bearing trees were planted around the periphery of mine pits to benefit wildlife species. These buffer zones were setup in strategic places to provide temporary shelters or habitat for the existing wildlife species in the area.

To safeguard wildlife within the mining claims, RTNMC created a policy to prohibit hunting. Private company security guards were dispatched around the periphery of mining claims to keep the area safe from intruders who are hunting endemic, threatened or endangered species. The company provides monthly Information, Education and Communication (IEC) materials that include information and a list of threatened/endangered species.

Other measures were created by RTNMC to manage and mitigate any impacts on the environment, caused by the operations of the company:

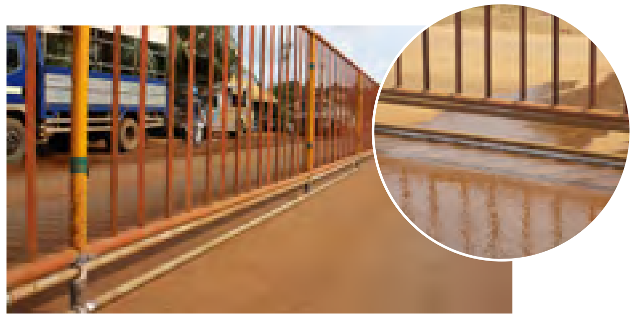
	Impacts	Environmental Management Measures
1	Loss of top soil	Minimization of extensive ground works
		Utilization of topsoil to rehabilitate open and burdened areas
2	Soil erosion	Keeping stockpiles with moderate slope to minimize erosion
		Use of engineering structures and vegetative means to stabilize slopes of stockpiles
		Revegetation of disturbed areas
		Installation of sediment traps
		Installation of erosion plots
3	Soil degradation	Close monitoring of ground works only to the specified locations
		Proper installation of water drainage structure
		Proper scheduling of hauling activities to minimize soil compaction on unpaved roads
4	Change in landform	Maintenance of vegetation cover in the designated buffer zones and in the peripheries of roads and mine pits
		Rehabilitation of mined-out areas
5	Contamination of soil and water resources with oil, grease and heavy metals	Proper fuel and lube material handling and maintenance of vehicles and heavy equipment
6	Generation of solid waste	Implementation of Solid Waste Management Program
7	Increase in surface run-off and flash floods	Proper design and construction of roads and drainage channels
		Regular monitoring of drainage facilities especially during rainy season
		Regular desilting of silt ponds
		Maintenance and operation of drainage canals and sediment control structures
8	Loss of flora and fauna	Inventory of flora and fauna species
		Rehabilitation of mined-out areas
		Conduct of rehabilitation programs
		Retaining a protection forest and establishment of buffer zone
9	Wildlife species displacement	Maintenance of vegetation in the peripheries of the mining areas
10	Increase in concentration of air pollutants	Proper maintenance of motor vehicles and heavy equipment
11	Dust generation	Regular water sprinkling along exposed areas especially during dry seasons
		Limiting the speed of vehicles
		Covering haulage trucks with tarpaulin or canvas

POLLUTION CONTROL

RTNMC created the Pollution Control Office (PCO) to keep track of the operations of the company and ensure that it has little to no effect on the surrounding environment. This involves the development and implementation of programs that will monitor and mitigate dust emissions and noise pollution, soil erosion, water quality management, land disturbance and waste materials.

In managing dust emissions from operations, RTNMC conducts the following activities:

- Water spraying on haul roads
- Concreting of main haul roads
- Providing water sprinkler systems
- Installation of tire wash
- Street sweeping
- Silt scraping
- Installation of chutes
- Installation of wind breakers
- Installation of dust collector boxes


Water springkler system


Tire wash


Street sweeping


Water spraying on haul roads

A speed limit was also created and is strictly being implemented within the mining areas and hauling roads to reduce dust emissions, as well as noise pollution. Reducing noise pollution decreases disturbances to the wildlife and people working in the area.

Other concerns of the PCO are soil erosion and siltation. To control this, RTNMC conducts slope stabilization activities, which include: engineered slope, proper drainage, boulder toe dressing and slope revegetation. Siltation is also managed using silt collector sumps placed strategically around the mine areas.

82,104 liters of diesel fuel consumption for electricity requirements of the pier facilities for drydocking maintenance and barge loading operations

10, 315 MW of electricity consumed by the facilities and operations of the minesite

2,878,685 liters of diesel and 17,220 liters of gasoline used for equipment (heavy machineries, all service vehicles used at the minesite)

WASTE MANAGEMENT

Solid Waste Management Plan

RTNMC strictly implements a proper solid waste management program in its minesites. Mine wastes, sludge and other solid wastes are properly stockpiled and disposed in permanent areas that are away from any water systems. Biodegradables and residuals are disposed through landfilling while recyclables such as wood, steel, paper, plastic, etc. are recovered through the Materials Recovery Facility

Total amount of waste generated: 10,848 m^3

Top soil and mined material below cut-off grade are considered waste and are disposed in designated areas. Previous waste dump areas are converted into drying areas for nickel ore from stockpiles.

Waste dumping is minimal since most materials mined and moved are either stockpiled as low grade ore or hauled to drying areas for eventual shipment. This has allowed the company to rehabilitate and reforest previous waste dump areas.

RTNMC also collects domestic waste generated in both plant complex and surrounding barangays. The wastes are disposed in an abandoned pit, which has an estimated holding capacity of 240,000 m^3. The pit has been allowed to operate by DENR Region IV and is expected to last for 20 years. It is equipped with a leachate filtration and odor control system. Disposed waste in the pit is covered with a layer of soil twice a week.

Garbage compactor collecting waste materials

Hazardous Waste Management

Pollutants, like hazardous wastes, are also properly handled by PCO. These materials are treated, transported and stored cautiously through accredited treatment specialists.

This chemical is called Polychlorinated Biphenyls (CAS No. 1336-36-3). The quantity stock inventory of waste PCB consisted of five (5) drums last year. PCB, along with other hazardous wastes are stored onsite. Other hazardous wastes are segregated according to the following:

- Used oils (liquid)
- Used oil filters (solid)
- Used batteries (solid)
- Busted fluorescent lamps (solid)

In accordance with Section 5-2 of DAO 2004-36, RTNMC requires vessels, containers, and tanks containing hazardous wastes to be properly marked and labeled with the hazardous waste class, sub-category, hazardous waste symbol, and container maximum capacity. The company segregates and stores the hazardous wastes on-site according to type, while recording of the hazardous waste usage is done by the units generating them. The recorded information is collated by the Pollution Control Officer (PCO), for consolidation into the Self Monitoring Report (SMR). To transport and store hazardous wastes, RTNMC engages the services of DENR-accredited hazardous waste transporters and treaters.

Oil is another waste material generated from operations of the company. It is separated from water using an oil-water separator installed within motorpool areas in the mine-site. This prevents oil spillages from contaminating groundwater and nearby water bodies. Spill containers are put in place during equipment maintenance and repair as a primary measure to avoid spillages when transferring oil to drainage canals. Used oil and oil filters are stored in a 8mx8m hazwaste building (extension). A contingency plan, in case of an oil spill was also developed by RTNMC. The company stores the following marine pollution control equipment and supplies, in preparation for such an event:

a. 100 ft long x 18" diameter Oil Containment Boom
b. 150 ft long x 36" width Coco net
c. 6 drums Oil Dispersant
d. 5 sacks Saw Dust Sorbent materials
e. 3 units Pump Boat equipped with handheld radios
f. 4 units Handheld Radios
g. 1 unit Sprayer, 16L capacity as Oil Dispersant Equipment
h. Existing Bund Walls at Pier Depot can hold more than 5000 barrels of fuel.

Total volume of used oil treated = 112,000 L

Total weight of used oil filters treated = 11,481 kg

WATER QUALITY DEGRADATION MEASURES

Watershed Management Plan

The bodies of water directly affected by discharges of water and runoffs are the Rio Tuba and Ocayan Rivers, which drain to the nearby Coral Bay. Rio Tuba River gets discharges from 5 different siltation ponds including Tagpisa Siltation Pond. The maximum depth of the Rio Tuba River estuary is 20 m from about 3 km from the coastal side. Water impounded in the silt collector facilities are recycled for road watering around the mine site. Regular water quality monitoring is conducted to determine the quality of water being discharged outside the mine complex.

There are 12 sub-watersheds covered by the mining claim. The largest watershed is Ocayan River having a total area of 2,000 hectares with a stream flow discharge of 0.34 m^3/sec. The watershed's peak storm flow estimates for different return periods indicate a flow of 51.1, 62.9, 69.4, 77.6 and 88.6 m^3/sec for 5, 10, 15, 20, 25 and 50 years, respectively. On the other side, the smallest watershed is Sumbiling Tributary 1 with an area of 133.35 hectares and a stream flow discharge of 0.06 m^3/sec.

Source of Effluent/Discharge	Volume (m^3)		Receiving Water Body
	Daily Average	Total Discharge	
Lower Kinurong Siltation Pond	1,271	463,824	Rio Tuba River
Lower Togpon Siltation Pond	2,921	1,066,256	
TOTAL	**4,192**	**1,530,080**	

Coral Bay covers an area of 7,000 hectares and a coastline of 5 km. southeast of Bataraza. It is situated biophysically within the Bgys. of Rio Tuba and Ocayan and bounded by the Rio Tuba and Ocayan Rivers. The biodiversity value in the area are presumed to be high due to the lush mangroves along the banks. Currently, plans are under way to make the bay a marine protected area.

Identity	Size / Area Covered (ha)	Protected Status	Biodiversity/Aesthetic Value
Rio Tuba River	Undetermined	None	High
Ocayan River	2,000	None	High
Coral Bay	7,000	None	High

Water Consumption

RTNMC's main source of potable water is the Umawi stream water source, wherein the company withdrew and treated **136,591 m^3** of water from Umawi for drinking and other domestic needs of RTNMC Townsite and some sitios of Rio Tuba. Free water is also supplied to the communities around the minesite which includes the IPs as well. The water supply system has a capacity of 3,000 m^3/day and consists of the following major components:

- One (1) unit Infiltration gallery with Backwash System;
- One (1) unit Dual Media Filter with Backwash System;
- 50 m3 capacity Filtered Water Well;
- Steel Transmission Pipes;
- Two (2) units – 300 m3 capacity Elevated Water Tank; and
- Disinfection or Chlorination System.

On the other hand, 127,104 m^3 of water was pumped out from RTNMC's siltation the mining areas and along Macadam road to reduce dust emissions.

MATERIALS STEWARDSHIP

According to the International Council on Mining and Metals (ICMM), materials stewardship is defined as

"the responsible provision of materials and supervision of material flows towards the creation of maximum societal value and minimum impact on man and the environment".

RTNMC created a materials stewardship group and program to ensure the optimal and appropriate extraction and use of minerals and metals using a proper framework and strategy. To handle this, the company pooled together experts of the group, including the environmental/ rehabilitation department, occupational and safety unit, community, health, marketing, procurement and supply manager, among others.

The mine engineering and operation team contribute to materials stewardship through their works on exploration, surveys and hauling/handling. Assay handles laboratory tests for the proper ore classifications. This enhances the understanding of the human health and environmental risks that can arise from mining / nickel ore operations.

Generally, the Materials Stewardship work program acts as a form of risk management providing comprehensive information across the supply chain to help companies reduce harmful environmental and social footprints and improve operational decision-making. This material stewardship applied by RTNMC strictly conforms to the existing laws governed by the Philippine government.

Below is a table reflecting the company's initiative in dealing with Material Stewardship throughout its life cycle.

Program of Actions	Progress
1. Survey / Exploration	Daily
2. Operation – Quarrying/Mining, Hauling, Retrieving, Beneficiation, Crushing	Daily
3. Ore Feed	Daily
4. Ore Classifications / Air and Water Quality Tests	Daily / Monthly
5. Mine Rehabilitation / Reforestation (Mined-out Areas)	On-going
6. Environmental Protection / Pollution Control / Waste Disposal Management	On-Going
7. Occupational Safety and Health Hazards	Daily
8. Waste Disposal (Used Oil and Oil Filters / Used Battery / Busted Fluorescent Lamps and PCBs)	Monthly/ Quarterly/ Annual

Social Responsibility

RTNMC puts much value into the communities it works in and the people it works with. Programs have been created to ensure the development in the livelihood of these stakeholders, and that the growth between RTNMC and its communities is mutual.

Employees

RTNMC commits to ensuring that all its personnel are working in a healthy and safe environment. Various programs are created addressing concerns under these areas, as well as to enable personal development through trainings and benefits.

As of 2013, RTNMC has a total of 1,822 employees, including mine service contract workers. This is broken down into the following:

JOB CLASS	NUMBER of EMPLOYEES
Senior Staff	10
Junior Staff	17
Foreman	17
Supervisor	60
Technical	34
Confidential Technical/Clerical	10
Clerical	20
Rank & File	497
Casual/Seasonal/Contractual	147
Sub-Total	**812**
Mine Service Contract Workers	1,010
GRAND TOTAL*	1,822

** Total number of employees inclusive of regular, probationary, casual and contractual employees.*

Male	Female
626*	**39**

** Accounts for fulltime (658 regular and 7 probationary) employees only*

For economic empowerment of the IPs, it is company policy to hire employees from the local IP communities within the mining impact areas for the mining rehabilitation projects. The company seasonally maintains 50-150 IP employees in which usually 30% to 40% are females.

Turnover Rate

AGE	Headcount	Gender		Region	
		Male	Female	Local	Outside Operations
18-25	0	0	0	0	0
25-40	4	4	0	3	1
40-60	9	9	0	3	6
60+	1	1	0	1	0

Turnover rate is inclusive of 9 employees who retired in 2013.

CBA and Benefits

A Collective Bargaining Agreement (CBA) was entered between RTNMC and the Rio Tuba Nickel Workers Union covering 1,527 employees. Under the CBA, employees are given the following rights, among others:

- *The company will cooperate in the continuing objective to eliminate accidents and health hazards*
- *Employees shall not be required to work under conditions, which are unsafe or unhealthy beyond the normal hazards inherent in the operations*
- *Any serious accidents will be jointly investigated by the Chairman of the Union Safety Committee and two (2) employees acquainted with the condition of the place of accident, the Safety Engineer and the Shift Foreman of the shift in which the accident occurred and the Department Head. The recommendation and findings of the joint committee shall be presented in writing to the Resident Mine Manager*
- *The Union Safety Committee represented by 2 members, together with the mine's safety engineer shall make monthly inspections of the mine*
- *RTNMC will sponsor in-plant seminars on Labor Laws, Decrees, Rules and Regulations, Educational and Job Enrichment Productivity Program, SSS, PHILHEALTH, PAG-IBIG and include the DOLE's calendar of seminars and to hold meetings for the dissemination of new ones upon request of the union.*
- *The company allows at least 3 Union officers on official business to attend labor seminars and conventions and other labor related activities outside the minesite, as Union representation is required*
- *The company will sponsor job enrichment trainings to employees' out of school/ unemployed dependents once a year, through the assistance of TESDA*
- *A complaints mechanism will be provided by the company for the RTNMC Workers Union*

Employees are given benefits under the CBA which are way and above the standards provided by the Labor Code, as amended, and other allied laws, to name a few are:

Avg daily wage of rank & file employees - Php 597.14 compared to local minimum wage for National Capital Region (Php 451)
Night shift differentials calculated at 18%
Overtime & holiday pays are above the local requirement
Free Medical Hospitalization and Dental Services at company-run RTNFI Hospital
Sharing of medical referrals costs for employees and their legitimate dependents
Annual Physical Examination of all employees
General / Executive Check-up every three years for all employees aged 45 and above
Free transportation going to and fro work
Free housing with free water and electricity and 24/7 security.
Housing Allowance for those who have no assigned housing unit or have opted to stay outside the housing facility of the Company.
Free use of recreational facilities
Severance and Death Benefits

Health and Safety

As a responsible mining company, RTNMC ensures the health and safety of its workers by imposing strict safety programs and measures in its mine sites. Employees are also provided with the proper mining and safety equipment to avoid accidents and loss of man-hours.

Standard materials provided to miners are as follows:

- Skull guard
- Plastic goggles
- Dust/ gas respirator/ mask
- Air muff
- Hand gloves
- High visibility vest
- Rainboots
- Raincoat
- Safety shoes

RTNMC employees

RTNMC also established a Central Safety and Health Committee to handle issues relating to occupational health and safety programs of the operation and mine site. The committee is composed of:

- Resident Mine Manager – Chairman
- Safety Engineer – Presiding Officer
- Members – Division/Group/Department/Section heads, Union representatives, Contractors representatives, vendor representatives, Company physician, and Safety Inspector/Officer as secretariat.

This committee represents 78% of the total work force of the company including the Bargaining Unit. A total of 15 safety officers are appointed in the committee. This consists of all permanent, regular rank-and-file employees or workers employed by RTNMC in its mining operations, and excluding probationary, temporary, casuals, contractual, seasonal, employment for a fixed period, managerial employees, supervisory employees, confidential/confidential technical / security employees, employees holding confidential and technical positions and safety inspectors.

The safety officers conduct walkthrough inspections around the minesite to ensure that safety code is practiced by all the employees in the site. The team also conducts daily toolbox meetings as well as monthly safety meetings to regularly monitor the issues and concerns of the employees on safety measures.

As a result of RTNMC's safety policies, the company was able to achieve total combined man-hours of 7,040,597 in 2013. This also resulted in a registered frequency rate of 0.14 and severity rate of 1.98 for one lost time accident with 14 days lost. The recorded rates were calculated based on DENR standards.

In the area of health, the company provides employees with education, training, counseling, prevention and risk-control programs to assist workers, their families and community members on concerns related to serious diseases. The table below shows a summary of the assistance provided:

Assistance Program For Serious Diseases (HIV/AIDS, Diabetes, RSI, and Stress.)								
	Education/Training		Counselling		Prevention / Risk Control		Treatment	
Program Recipients	✔	X	✔	X	✔	X	✔	X
Workers	✔		✔		✔		✔	
Workers Families	✔		✔		✔		✔	
Community Members	✔		✔		✔		✔	

Emergency Response

RTNMC created an emergency response and preparedness program, approved by the DENR- Mines and Geosciences Bureau (MGB), to ensure that an effective and efficient response system has been set for emergency situations. Drills are periodically conducted to test the level of preparedness of the employees and to assess if there are any revisions that can be done to improve the emergency response process.

Each major Department has an emergency response team (ERT), whose members are trained in basic firefighting and medical rescue. They are assigned to be the first responder to emergencies within their department's jurisdiction, as well as operational areas including surrounding communities. A fire truck and ambulance (under the RFI hospital), both owned by the company, are always on standby for any emergencies.

SOCIAL DEVELOPMENT MANAGEMENT PLAN

In accordance with law, RTNMC has a Social Development and Management Plan (SDMP) that provides welfare services in the areas of education, health and sanitation, infrastructure and livelihood projects. The SDMP was formed through a memorandum of agreement with RTNMC, Coral Bay Nickel Corporation (CBNC) and the 11 surrounding barangays. In the agreement, CBNC will shoulder 2/3 while RTNMC will shoulder 1/3 of the budget for SDMP. At least 1.5% of RTNMC's gross cost is allotted to the implementation of SDMP services.

One of the most successful services under the SDMP is the scholarship program which has allowed 351 students pursue their academic goals. Infrastructure repair and improvement is also another focus area, wherein the company has improved the travel time for residents going from one community to another. Livelihood programs were likewise given emphasis to capacitate community members with the appropriate tools and skills to create help their own micro-enterprises.

RTNMC's SDMP also includes programs for Indigenous People (IP). A total of 27 tribes reside around the mine area in which 11 are from the impact community. In September 2010, the company turned over **PhP 30 million** to the Indigenous Peoples Development Office-Bataraza, Inc. (IPDO-BI) to implement various social projects exclusive to IPs only. This office is registered with Securities and Exchange Commission and is run by its Board of Trustees composed of tribal chieftains from the Indigenous Cultural Communities.

CORPORATE SOCIAL RESPONSIBILITY

CSR programs of RTNMC are implemented directly by the RTN Foundation, Inc. (RTNFI), a non-stock and non-profit institution duly registered with the Securities and Exchange Commission. The Foundation is in charge of the operations for the following:

- Secondary Level Hospital
- Leonides S. Virata Memorial School (LSVMS)
- 28 Indigenous Learning System (ILS)
- Gawad Kalinga (GK) Housing Program

The RTNFI Hospital provides regular employees with health and dental services, including pre-employment and annual medical examinations. Dependents of employees, including Indigenous People (IPs) are also covered by the medical and dental benefits. Illnesses are diagnosed and treated in a hospital operated by the Foundation, and financed by RTNMC.

RTNFI Hospital

In terms of education-based programs, RTN Foundation provided quality learning tools for the Leonides S. Virata (LSV) Memorial School, a school catering to student dependents of RTNMC employees, and from other barangays. In 2012-2013, LSV Memorial School served a total of 1,316 students in which 926 students are employed dependent and 433 are from the local community. The school employs 66 staff members, made up of licensed teachers and other administrative personnel.

An Indigenous Learning System (ILS), recognized by the DepEd was also introduced by RTNMC, as an alternative literacy program designed for indigenous people (IPs). Its manpower of 29 teachers, are mostly education course graduates who are assigned in different IP areas. These teachers are also given graduate study opportunities to enhance their teaching strategy. Learning materials and supplies are provided to the students, for free. As of December 2013, 28 ILS centers were introduced by RTNMC.

Students of Leonides S. Virata Memorial School

RTN Foundation continues to collaborate with Gawad Kalinga (GK) to build houses and implement soft programs for communities (including indigenous tribes) in the areas of operation. The goal of RTNFI is to build 1,000 houses within 10 years, in the identified impact areas of RTNMC. At present, a total of 214 units have been built and turned-over to resident-recipients in nine existing GK sites.

The soft programs of RTN Foundation and GK are composed of child and youth development undertakings that target different age groups:

PROGRAM	AGE GROUP
SIBOL (Pre-School Program)	3-6 Years Old
SAGIP (Tutorial activities for elementary pupils)	7-12 Years Old
SIGA (Workshops - arts, dancing, singing for out of school and high school youth)	13-21 Years Old

RTN Foundation also focuses on infrastructure for its CSR activities. Support is given to communities through infrastructure projects, such as the construction and maintenance of more than 51 kilometers of farm-to-market and other ancillary roads within the mining community and neighboring barangays. These include the following:

1. National Highway to Ocayam Elem. School 3.5 km
2. Tagdalungon Feeder Road 1.5 km
3. Macadam Road 7.0 km
4. Macadam – Kinurong Road 1.8 km
5. Taratac Feeder Road 10.8 km
6. Gotok-Luzvimin Road 2.5 km
7. Igang-Igang Feeder Road 3.5 km
8. National Highway to Culandanum 2.5 km

Livelihood programs are carried out by RTNMC to capacitate community members with the right tools and skills to create help their own micro-enterprises. Fisher folks working within Rio Tuba were given easier access to ice through the construction of an ice plant, run by RTNMC, which sells its products to fishermen at reasonable prices. This has been of great help to fisher folks who need to transport their harvest from one town to another. Owners of fishponds were also assisted by RTNMC in the construction of culverts for the inflow and outflow of brackish water. RTN Foundation also has a "Bayan-Anihan" program wherein a 10 m^2 plot is planted with 5 commonly-grown vegetables. This is to encourage families to have their own plots so that food security is assured.

Taganito Mining Corporation

In 1987, Taganito Mining Coporation (TMC) became operational in Taganito, Surigao del Norte through NAC's acquisition of the property from HMC, and, by 1989 TMC had already made its first commercial shipment. The Taganito minesite covers 4,862 h.a. of land, with 1,157.42 hectares disturbed and 3,705.29 hectares undisturbed. NAC has 65% ownership of the company. Its Mineral Production Sharing Agreement (MPSA) will expire by 2034.

TMC has ore sales revenue of PhP 3,109.1 million, with 3,893,150 WMT of nickel ore sold. Meanwhile, Saprolite ore sold to customers decreased to 1,416,588 WMT, while limonite ore sold increased to 2,476,562 WMT.

Environmental Responsibility

TMC ensures the protection of the environment surrounding its area of operations through various programs that focus on rehabilitating/ reforesting mined-out areas, lessening the impact on biodiversity, controlling the pollution from operations, management of solid waste, and management of watersheds.

These environmental initiatives are carried out in line with the Environmental Protection and Enhancement Program (EPEP) of TMC. Annually, the company sets a budget for the EPEPs and identifies key areas that programs will focus on, in consultation with the communities. Such key areas, for example, are the quality of land, air and water in and around the mine sites. To mitigate the impact on these aspects of the environment, TMC conducts the following activities:

Land	Air	Water
Removal/extraction of soil during the mining operation will result in the degradation of land surface. However, mitigating measures, such as reforestation and rehabilitation, are being laid to mitigate the impact on mined-out areas.	During dry months, dust emissions are managed using water truck lorries deployed to spray the active haulage roads.	During rain, run-off water will flow downstream from the mine pit, causing siltation. However, siltation ponds were strategically constructed to allow solids to settle before releasing the water to the river and meet the allowable DENR standard which is 90 mg/L (as per DAO-35).

MINE REHABILITATION

Mined out areas of TMC are rehabilitated through a process involving reshaping, backfilling, stabilization and tree planting. Through these efforts, the company was able to rehabilitate a total of 98.88 hectares of declared mined out areas in 2013, using 103,386 seedlings of native species and fast-growing species. Creeping grasses such as humidicola and vetiver grasses were also introduced to improve soil fertility.

One of the mined out pits, covering an area of 1.26 hectares was converted to a Gulayan and Prutasan (fruits and vegetable farm) where various kinds of forest trees, fruit trees and vegetables were planted. Fruits and vegetables such as squash, okra, eggplant, tomato, string beans, corn, etc are regularly harvested from the farm and distributed to employees. This is tangible proof that it is possible to bring back the soil fertility of mined out areas to generate economic value.

In support of research on rehabilitation, TMC allocated one hectare of land to the Department of Environment and Natural Resources – Ecosystems Research and Development Service (DENR-ERDS) and researchers from the University of the Philippines Los Banos. Their study, called "Landscape Functional Analysis (LFA) for Mine Rehabilitation", tries to discover better ways of using land for reforestation activities.

TMC allotted PhP 199 million for operational expenditures and PhP 61 million for capital expenditures, under the EPEP

Total of 98.88 hectares rehabilitated land, with over 103,386 seedlings planted by 2013

Tree-planting activity

REFORESTATION

Outside of mined out sites, TMC conducts reforesting and enrichment planting activities to help enrich the ecosystem, even outside its areas of operation. To date, 768.27 hectares of land has been reforested by TMC within its MPSA area, with over 1,028,523 seedlings planted, while outside of its claim area, 178.43 hectares have benefited from 18,471 seedlings planted thru seedling donations, as part of the company's commitment to the National Greening Program. Nearby coastal areas are also reforested by TMC by planting mangrove seedlings. Last year, the company planted 8,214 mangrove propagules along 2.12 hectares of land.

To supplement the reforestation programs of TMC, enrichment planting is also implemented, using fast growing plants, to help the tree seedlings propagate faster. A total of 193,658 mangium, auriculiformis, mangkono and lahilahi seedlings were planted along a total area of 156.86 hectares stretching within the Punta Naga and Cagdianao ridge slopes. Humedecola grass and coconet are used by the company to support the stabilization of slopes in open areas and bare lands to stop soil erosion. These areas are maintained by TMC through brushing and fertilizer application. So far, 90 hectares of land has been maintained by the company.

51,969 mangrove propagules have been planted by TMC along 23.81 hectares of land, to date

Part of the rehabilitation and reforestation program of TMC is the protection of the biodiversity in the environment around its mine sites. TMC monitors the propagation and levels of extinction risk of plants and trees around its areas of operation, to create policies and programs that can help protect specific species from any man-made threats. The plant species identified by the company are as follows:

Lower Risk / Least Concern (4)	Batino (*Alstonia macrophylla*)
	Dita (*Alstonia scholaris*)
	Salingogon (*Cratoxylum formosum*)
	Brackenridgea palustris
Vulnerable (4)	Tanglin (*Adenanthera intermedia*)
	Narra (*Pterocarpus indicus forma indicus*)
	Antipolo (*Artocarpus blancoi*)
	Mangkono (*Xanthostemon verdugonianus*)

Our exploration operations have minimal impact on the environment. Included in our exploration activities are environmental mitigation work programs which includes the establishment of a nursery in the exploration area. For the year 2013, the exploration team was able to gather almost 2,000 wildings which will be planted in various areas affected by drilling and test pitting activities.

Nursery at TMC minesite

TMC takes advantage of international environmental initiatives like the World Environment Month Celebration in June 2013, to conduct company-wide tree-planting activities at the watershed of Barangay Cagdianao. Two hundred employees participated in the activity, planting 3,000 forest tree seedlings along the mountain ridge. Other activities during the month long celebration included a motorcade, "Lakad Para sa Kalikasan" and art and photo competitions, among others.

POLLUTION CONTROL

Day-to-day operations of the company yield some amount of emission, disturbance and waste materials. To address this, TMC implements programs that monitor and reduce the effects of mine activities on the environment. In handling dust emissions, TMC conducts water spraying on roads around the mine sites, everyday, in a 2 shift schedule. Water lorries are used to spray the active mine roads, pier yard roads, campsite, causeway and the national highway.

Impact on the environment is also minimized by monitoring the energy consumption and GHG emissions of mining activities. The table below shows a summary of the emissions and consumption the company had for 2013:

Category	Material	Consumption	Unit	Source
Energy	Electricity (generated)	863,904	KWH	Gen Sets
Energy	Electricity (purchased)	40,260	KWH	SURNECO
Energy	Diesel	429,343	Li	Third Party Supplier

**Increase in GHG emission levels from 2012 was due to the construction of a belt conveyor, as well as the improvement of haulage roads, wharf and other facilities*

WASTE MANAGEMENT

Solid Waste Management Plan

TMC manages its solid waste through a sanitary landfill and a Material Recovery Facility (MRF). Last year, 1,498 m^3 of solid waste was disposed in the sanitary landfill, while 19,182 kg. of recyclable/ scrap metal items were recovered from the MRF. The saleable materials yielded an amount of PhP 189,907.55 in sales value.

Another solid waste material produced from mining activities are low grade boulders with no economic value. Mining operations yielded a total of 404,585 WMT of this material, in 2013, with 65,277 WMT used for matting mine yards and stockyards while the remaining 339,308 WMT was utilized for road ballasting and surfacing.

Hazardous Waste Management Plan

There are four types of hazardous waste generated from TMC's operations: used oil, used batteries, used motor oil filters and chemical acid waste from its assay laboratory. A covered storage facility is constructed at the mine site where used oil and oil filter contained in metal drums, and wet cell batteries are temporarily stored. These are then sold to buyers accredited by the Environment Management Bureau (EMB) for proper disposal. Beside the Storage Facility is a two chamber oil-water separator where contaminated oil is placed to separate contaminants from the oil, prior to storage in metal drums.

The assay laboratory analyzes the sample of nickel ore as per the required specification uses chemicals like HCl, H_2SO_4, HNO_3 and $HCLO_4$, HF and H_3PO_4 during ore digestion prior to analysis. All the waste solutions are first diluted then discharged into a sink which drains into an enclosed storage pit at the chemical waste storage area. The storage pit is lined with limestone at the bottom, to neutralize the acid solution before it is discharged to the foreshore settling pond.

WATER QUALITY DEGRADATION MEASURES

Watershed Management Plan

Another main environmental concern of TMC is the maintenance of good water quality and siltation. To address this, TMC devised a drainage system to collect and separate clear waters from disturbed areas. The clean water is discharged into Taganito River, while silt-laden runoff is discharged in settling ponds. Once suspended particles settle in the pond, the clean water is discharged into the environment.

For our purpose, TMC monitors the rate of water intake at the settling ponds and the quality at the discharge points. Parameters closely monitored are the Total Suspended Solids(TSS) and pH levels. Samples are regularly gathered at discharge points for quality testing. Also being monitored is Cr6+ concentration to establish benchmarking data as agreed with EMB.

TMC adopted the Taganito River in colaboration with EMB-Region 13 and the Local Government Unit (LGU). The 6.1 Km river is the main stream affected by the operation of TMC. A siltation pond was strategically built to arest run-off from the mine pits. Deposited sediment materials from upstream sources are periodically dredged using backhoes and a water master dredging machine.

In removing accumulated silt, TMC uses mechanical desilting in the river through a track excavator (Backhoe). Bouldering of the river is also being done continuously to strengthen the embankment and increase its height to protect nearby communities from floods and waves. New environmental structures were also constructed to improve the quality of the water coming from run-off of TMC's MPSA area. The drainage system was designed to isolate silted run-off from natural water so that water discharged into the Taganito River is clean.

Total Silt Volume Collected	
Mechanized	359,365.85 WMT (Settling ponds)
Manual	12,423.64 WMT (Settling ponds)
Catch Drainage	138,971.77 WMT (Drainage System)

Settling ponds

Water Consumption

Ground water consumed for TMC campsite operations was 65,773.06 m^3, and was used for day-to-day operational activities. Surface water was used to sprinkle on haul roads for dust suppression and to clean the national highway. TMC used 219,216 m^3 of surface water from the creek for the dust suppression.

Social Responsibility

TMC implements different projects to help develop the health, livelihood and address social issues facing the communities it operates in, as part of its corporate responsibility.

Employees

TMC employees

TMC's employees are the core of its business. The company ensures that each personnel has access to a healthy and safe working environment to maintain efficient work practices.

As of 2013, TMC has a total of 1,327 employees at mine site, including mine service contractors. This is broken down into the following:

	FULL TIME	PROBATIONARY	SEASONAL & MARKETING	TOTAL
SR. MANAGEMENT	3	-	-	3
MIDDLE MANAGEMENT	7	-	-	7
STAFF	15	-	-	15
SUPERVISOR and TECHNICAL	114	4	-	118
RANK & FILE	219	11	-	230
SEASONAL WORKER/ MARKETING	-	-	954	954
GRAND TOTAL	358	15	954	1,327

Turnover rate:

Age Group	Male	Female	TOTAL
18 - 25	13		13
26 - 40	31	2	33
41 - 60	15		15
TOTAL	59	2	61

Collective Bargaining Agreement and Benefits

TMC recognizes the Taganito Labor Union (TLU) as the sole and exclusive bargaining representative of the appropriate bargaining unit, which consists of all permanent and regular rank and file employees and workers employed by TMC in its mining operations. The union binds itself to respect the Collective Bargaining Agreement (CBA) and agrees not to accept employees who do not belong to the appropriate bargaining unit. Both TMC and TLU respect the right of each employee to freely choose to join a union. The CBA took effect in February 1, 2010 and lasts until January 31, 2015. Sixty percent (60%) of the regular workforce is covered by collective bargaining agreement (CBA) which is 219 employees out of 358 regular employees.

Regular employees are also provided with a comprehensive benefits package to help them maximize their physical, financial and personal health and well-being. These benefits include healthcare (for employees and dependents), paid leaves, insurance, retirement benefits and wellness.

Apart from regular benefits, TMC provides employees with proper training to enhance their work skills. Part of the intensified internal training program was the selection of 21 qualified employees, trained and certified by TESDA, to become in-house trainers and facilitators. Training courses include topics on equipment operation and maintenance, occupational safety and health, environment, sample preparation and analysis, exploration, supervision and leadership, and personal development.

TMC also designs training programs for career advancement opportunities. To address growing demands for skilled drivers and operators, TMC screens applicants from its pool of rank and file employees and provides sufficient training to make them eligible for promotion. A summary of the average hours of training spent by employees is in the table below:

Employee Category	Training Hours
Senior Management	14.4 Hrs.
Middle Management	9.1 Hrs.
Supervisory/Technical	5.8 Hrs.
Rank & File	1.7 Hrs.

** Male -1.7 hrs. ; Female - 9.5 hrs.*

Health and Safety

The health and safety of the workforce is an area that the company puts much focus on. Proper health and safety policies are enforced to ensure little to no accidents happen within TMC's areas of operations. Employees are provided with suitable equipment to protect them from any effects of their tasks and enable them to efficiently carry out their work.

One of the policies of the company is to provide employees under the CBA with proper health and safety benefits, such as the ones below:

Health and safety benefits provided to CBA members:
- Medical, dental and hospitalization benefits
- Free annual physical exam
- Use of ambulance
- Creation and maintenance of a Central Safety Committee
- Accident investigation and reporting
- Identification and prevention of hazardous and unhealthy working conditions
- Safety paraphernalia
- Proper labeling of chemical containers
- Transportation for employees during weekly marketing
- Physical fitness facilities.

TMC workers are also provided with the required PPEs such as skull guards, reflectorized vests, rain boots, gloves and goggles to ensure their safety during exploration.

To monitor and advise about the effective implementation of Health and Safety Programs, TMC created the Central Safety Committee (CSC), Labor Management Committee (LMC), Safety Audit Committee and Loss Control Coordinators. These committees are represented by a total of 35 employees which includes department heads and contractors headed by the division manager.

TMC also conducts practical safety program training and development for its employees. Important safety trainings such as Basic Occupational Safety and Health (BOSH), Defensive Driving, Fire Safety, Fleet Safety and Safety Audit Training were conducted to continuously educate employees on safety awareness. A total of 29 trainings on safety were conducted during the year.

In terms of internal and external threats, TMC ensures the safety of its workers by providing proper security measures around the areas of operation. The company enlisted the support of 116 Special Civilian Armed Auxiliary (SCAA) whose main mission is to protect the company against any such threats. This para-military force underwent basic military training operations under the supervision of the Philippine Army to develop their skills and knowledge on security operations. The SCAA are also supplemented by 48 security guards who regulate access and man all vital facilities within TMC Campsite area.

TMC allotted PhP 3 million for internal and external training programs

The Labor Management Council (LMC) awarded TMC with the "Most Outstanding LMC for Industrial Peace Award"

As a result of these programs and activities, there was a dramatic improvement in TMC's safety performance with a significant drop of lost-time injury frequency rate from 1.12 in 2012 to 0.16 in 2013. The company also maintained Zero (0) Fatality, Zero (0) Occupational Diseases and 21 lost time due to 1 non-fatal accident.

SOCIAL DEVELOPMENT MANAGEMENT PLAN

For the SDMP, TMC implements various programs and projects for its 4 host and neighboring communities namely barangays Taganito, Urbiztondo, Hayanggabon and Cagdianao as well as for the 10 non-mining barangays of the Municipality. These projects are governed by the Health, Education, Livelihood, Public utilities/ services and Socio-cultural preservation (HELPS) as defined by the Mines and Geoscience Bureau RXIII and focus on areas such as infrastructure, education, health and indigenous people (IPs).

In terms of education programs, TMC allocated PhP 4.6 million for projects that included school repairs, installation of school guard house, improvement of school stage, provision of various educational materials and school supplies. Two other major projects under education are the scholarship program and the teacher sponsorship program. For the scholarship program, TMC provided a full scholarship grant to 25 deserving students from the host communities and financial assistance to 120 students from the 4 mining communities. Under the teacher sponsorship program, 7 teachers were supported which paved the way for the schools in the host communities to attain the 1:45 teacher-student ratio, as required by the DepEd.

TMC also participated in Brigada Eskwela 2013, by cleaning and repairing schools in 4 mining barangays, including Punta Naga Elementary School. In line with Brigada Eskwela's theme "*Isang Dekada ng Bayanihan Para sa Paaralan*", TMC donated various forest and fruit trees, backfilling and painting materials and conducted tree planting activities in the school grounds. Participants of the activity were TMC college scholars, summer job students from the communities, and Geology and ComRel personnel.

TMC's active support and participation in these activities contributed to Taganito Elementary School winning the National Award for "Best Implementer- Exceptional School Category" for Brigada Eskwela 2013.

For infrastructure projects, TMC allotted PhP 2.7 million for the following activities:

- Construction of Catholic Chapel in Brgy. Urbiztondo
- Renovation of the multi-purpose hall in Brgy. Daywan
- Improvement and installation of various structural requirements (wharf perimeter fence and jetmatic pumps) in day care centers in Wangke, Sapa and Cabugo
- Repair of Catholic and non-Catholic buildings of worship and facilities
- Improvement of barangay facilities such as street lighting, health center, pedestrian pathways, senior citizens' building, procurement of generator set, waste disposal facilities, and water system

A breakdown of the infrastructure projects of TMC can be found in the table below:

Year 2013 Infrastructure Development Projects		
Program / Project	**Stakeholder involved**	**Project Cost (PhP)**
Construction of Health Center Left Wing	Community	300,000.00
School Stage Improvement	School	170,000.00
Church Construction Phase 2 (Capangdan Catholic Chapel)	Church	1,000,000.00
Community Information Centers Improvement	Purok Centers	133,373.34
Fence Construction (San Labrador Chapel)	Church	100,000.00
Construction of Guard House	School	50,000.00
Church Construction Phase 1 (Valley Cathedral)	Church	300,000.00
Comfort Rooms Construction (Male and Female)	Senior Citizens	100,000.00
Daycare Center Improvement & Elem. Riprapping	School	50,000.00
Provision of Materials for Daycare Center Ceiling Installation	Daycare Center	30,000.00
Construction of Dental Trough	Daycare Center	25,000.00
Installation of Roofing and Trusses	Daycare Center	25,000.00
Store Building Construction	CAPSASD PO	150,000.00
Multi-purpose Hall Renovation	Community	50,000.00
Boulevard Perimeter Fence (Barangay Gymnasium)	Community	40,000.00
Street Lights Installation	Community	100,000.00
Provision of Materials (Senior Citizens Building)	Senior Citizens	30,000.00
Installation of 1 Jetmatic Pump	School	10,000.00
	Total	**2,663,373.34**

In the area of health, PhP 1.9 million was spent for various programs in the communities. These consisted of activities like a supplemental feeding project that aims to address malnutrition issues among children and the provision of medical equipment and facilities, and financial support for barangay health workers. Senior Citizens and Persons with Disabilities (PWDs) were also given focus, through TMC's inclusive community development program.

For livelihood programs a total of PhP 2.7M was spent to support different community-based entrepreneurial initiatives through company-organized People's Organizations (POs). One of the major activities of TMC was the comprehensive assessment of all POs established by the company through the years. The Participatory Organizational Profiling and Assessment or POPA was initiated together with the POs to collectively determine the strengths, weaknesses and gaps and areas for improvement of the groups as basis for appropriate intervention for future projects.

Under this component of the SDMP, TMC provides both financial and technical assistance to further strengthen the capacities of the POs to make them self-reliant and productive organizations of the communities. In the table below are the corresponding classifications of community-based POs:

Type of Business/ Enterprise	No. of CBOs	CBO
Merchandising *(e.g., General Merchandise, Hardware and Agrivet Supply,Bigasan and Assorted Goods, Sari-sari Store)*	6	CWOBB - Capandan Women's Organization Bigasan ng Barangay HATA - Hayanggabon Traders' Association PRIME- Panaghiusa Reporma sa Inesyatibong Magpalambo sa Ekonomiya GKKAB – Gawad Kalinga Kapitbahayan Bigasan ng Barangay CAPSASD – Capangdan Sabang Alliance for Sustainable Development URWASS - Urbiztondo Rural Workers Association
Home-Based Enterprises *(e.g., Waste Rugs and Doormat Making, food service)*	1	HARE - Hayanggabon Rural Entrepreneur
Transport service / Passenger Vehicles	1	TASFPA - Taganito Seedling Producers Micro-folks Association

Corporate Social Responsibility

TMC's CSR program is focused on the support and development of the Mamanwa IP group, through their registered group collectively known as Ampantrimtu. This organization is composed of 2 tribal groups with 120 households coming from Brgys. Taganito and Urbiztondo, with whom the company has an ongoing Memorandum of Agreement (MOA), as a result of the Free, Prior and Informed Consent (FPIC) provided by the IPs to TMC. Non-IP communities are also supported by the company in the areas of health, disaster risk reduction and infrastructure.

CSR for IP Communities

For the residents of Punta Naga Mamanwa Village, 2013 was highlighted with projects aimed at the continuous development of their tribal communities.

The Mamanwa tribe is composed of indigenous people (IPs) living in Taganito and Ubiztondo. TMC provided 120 homes, constructed in partnership with THPAL Nickel Corporation. Another village was also developed in coordinaton with Gawad Kalinga, providing 40 duplex units for 80 households.

Last year, improvements to a number of homes were made in the village. The project encouyraged the Mamanwas to furhter beautify the area and esnure thr safety of the environment and embark on individual home expansion and improvements. Apart from housing, slope stabilization abd road repairs were done in different parts of the community.

Punta Naga is also home to the Punta Naga School, one of the education facilities constructed and supported by TMC and THPAL through the Adopt a School Program. For school year 2013-2014, enrollment went up to 438, from 236 in the previous year. This resulted in the hiring of 3 additional teachers and repair of 5 additional classrooms to accommodate the new students. Improvements of other school facilities and provision of educational materials such as posters and reference books were also key projects of TMC. Planting of various tree species and carabao grasses within the school grounds and selected areas of the community were initiated in coordination with the company's community relations and environment group, scholars, parents, teachers and students. Educational assistance to 15 high school and college scholars was also provided by the company.

In terms of health support, TMC established a tribal clinic in the heart of the Village, wherein community-based medical consultations with free medicines were conducted. The company also encouraged healthier living by having families install vegetable gardens in their respective backyards to address malnutrition concerns and to contribute to food security. Community clean-ups in partnership with the school and the women sector were also regular activities that helped maintain the cleanliness of the community. TMC and THPAL are also planning the establishment of a Water and Sanitation Committee which will be responsible for the care and maintenance of a water system that will be installed by both companies.

Students of the Punta Naga School

Other programs were also conducted with the IPs, such as informal classes for the women sector referred to as "Mother Classes", and Youth Classes which aim to address specific concerns related to target sectors. Values formation, reproductive health, hygiene, grooming, proper nutrition and basic home management and emergency preparedness were the focal topics throughout the year. Aside from these activities, the company also continued to assist the IPs in the facilitation of their medical referrals, papers for employment and coordination with the National Commission on Indigenous People (NCIP).

CSR Program for Non-IP Communities

Apart from programs for the IP communities, TMC also implements CSR activities for non-IP communities both in the mining and non-mining barangays.

One of TMC's major CSR projects for the year was the conduct of its annual medical-surgical mission. In February 2013, TMC and THPAL went to 6 mining barangays to provide its residents with medical services such as major and minor surgeries, lab exams and general consultations. All in all, 2,116 people received different medical services during the mission. The breakdown is as follows:

Service	Persons Benefitted
Minor Surgery	89
Major Surgery	109
General Consultation	1,696
Laboratory Exam	420

Another major initiative of the company is its program for disaster risk reduction and management through its in-house Emergency Response Team (ERT). In January 2013, incessant rains caused evacuations in barangays around the minesites, prompting TMC to provide assistance to the affected communities. The Crisis Management Team, called Oplan Flood, responded by coordinating with the LGU for the evacuation process and management of the evacuation center of the barangay. This included preparation of food, relief goods and provision water supply. A total of 2,013 evacuees were assisted.

Aside from natural calamities, TMC also responds to man-made disasters. One such event was a fire in the community of Barangay Taganito, which affected 105 households and 367 individuals. TMC's fire brigade spearheaded the response together with the medical team, who attended to first-aid injuries. The ComRel unit of TMC also facilitated the evacuation center management in partnership with the Local Government Unit (LGU). Company employees pooled together to provide assorted goods, while TMC management also provided cash grants amounting to PhP2,500 for families affected by the fire.

CLOSURE PLAN

TMC already has a Final Mine Rehabilitation and Decommissioning Plan (FMRDP) that was approved in July 2012 covering its entire operation. This, however, is subject for review and revision to include new aspects of the company's operation.

Hinatuan Mining Corporation

The Hinatuan Mining Corporation (HMC) was incorporated in 1979 and was granted rights over Tagana-an, Surigao del Norte, in 1980. By 1983, the size of the property expanded with the acquisition of additional claims. The Tagana-an minesite covers an area of 773.77 hectares and is 100% owned by NAC. Since 2011, HMC has recorded 327.49 hectares of disturbed land. The Mineral Production Sharing Agreement (MPSA) of HMC for the Taganaan Mine will expire in 2032.

In 2013, HMC's revenue from sale of ore was PhP 3,438.9 million. An aggregate of 99.0 thousand WMT of saprolite ore was sold to Japanese and Chinese customers and 3,342.9 thousand WMT of limonite ore to Chinese customers.

Environmental Responsibility

HMC recognizes its responsibility towards the environment around its areas of operation. For 2013, HMC allotted a budget of PhP 91.3 million for its Environmental Protection and Enhancement Programs (EPEP). This budget was used for various environmental projects that focus on rehabilitation and reforestation, biodiversity, pollution control, solid and hazardous waste management and watershed management, among others. Other key projects of HMC were the National Greening Program, environmental monitoring, coastal resource management and various research initiatives with academic institutions and private organizations.

HMC's expenditures for its EPEP in 2013 was PhP 91 million

Other initiatives of HMC focus on the mitigation of environmental impacts by focusing on key areas such as Land, Air and Water. Efforts to maintain the quality of these areas are as follows:

Land	Air	Water
Progressive rehabilitation and reforestation	Dust control thru regular road grading and spraying	Construction of siltation ponds/ sumps and curtain canals

National Greening Program

Through the National Greening Program (NGP), HMC works with its communities to protect and enhance the environment through reforestation. Families with limited livelihoods were engaged by the company to join and help achieve the company's goal of environmental protection and enhancement through community-based seedling production and reforestation.

Some of the programs done in partnership with the NGP are:
- Mining Forest Program
- Coastal Resource Management Program
- Environmental Monitoring Program
- Research and Development

Hinatuan Island

REHABILITATION

HMC has consistently put an effort to progressively rehabilitate (backfill and reshape) around 15 hectares of mined-out areas. From this amount of land, about 5 hectares were gradually re-vegetated with 19,500 seedlings planted in 2013. The community was also asked to assist in the efforts to expedite the process through its Community Output-Based Reforestation Program. Since 2011, HMC has rehabilitated 31 hectares of land in its areas of operation.

REFORESTATION

Outside the mined-out areas, HMC forested a total of 163 hectares of disturbed areas with 188,223 seedlings planted. In addition, a total of 15,000 seedlings equivalent to 30 hectares were donated to communities under the said program.

The overall reforestation accomplishment outside mining areas is 193 hectares, with about 203,200 seedlings planted

For coastal areas, 97,848 mangrove seedlings were planted on 33.39 hectares resulting in 156,317 mangrove seedlings have planted on around 40.64 hectares since the program started in 2011. Regular coastal water monitoring is conducted by HMC and the water quality has remained within DENR limit.

	Year 2013		Cumulative (as of Dec 31 2013)	
	Area (In Hectares)	# of Seedlings Planted	Area (In Hectares)	# of Seedlings Planted
Mined Out areas				
HMC	5.28	19,536	31.12	55,238
Outside Mining Areas				
HMC	192.85	203,223	228.73	243,080
Mining Disturbed Areas				
HMC	33.30	83,832	64.66	118,661
Coastal Areas				
HMC	33.39	97,848	40.64	156,317

HMC also implements the Coastal Resource Management Program (CRMP) covering a variety of activities such as the assessment of coastal and marine resources, protection of reef from degradation due to mining impact and enhancement of existing coastal and marine resources.

Regular coastal clean-ups and underwater clean ups were conducted along the coasts of Barangay Talavera and Hinatuan Island wherein local residents worked with company employees, guests from government and non-government agencies and professional diving communities.

On the aspect of research and linkages, HMC collaborated with UPLB and Caraga State University in the study of various species suited for mine rehabilitation. An ongoing study on the feasibility of Jatropha was also initiated with a private firm, Kibitech, Inc.

What is the difference between NGP and Mining Forest Program?

The National Greening Program (NGP) covers all mining contractors, permittees, permit holders and/or lessees. It was created by President Aquino in the early part of CY 2011 through Executive Order No. 26 declaring the implementation of NGP as a government priority.

The Mining Forest Program, however covers tree planting within areas encompassed by permit/ lease/contract areas of mining companies especially those that are idle or not needed for active mining operations and mined-out areas or areas programmed for rehabilitation after mining operations have already been fully completed.

Under the NGP guidelines, however, mining companies are now compelled to undertake reforestation projects over and above or in addition to those implemented under their respective mining forest programs. To differentiate between the two mandatory reforestation programs, the "mining forest program" covers only reforestation activities within the confines or boundaries of mining permit/contract/lease/tenement areas while the NGP guidelines specifically covers mandatory reforestation activities outside of mining contract/permit/lease/tenement areas.

Other species being studied and listed under the IUCN of HMC are:

- Shorea negrosensis (categorized as vulnerable and critically endangered species by DENR and IUCN)
- Camptostemon philippinense (recognized by conservation authorities as endangered species)
- Paphiopedilum barbatum (categorized as vulnerable species by DENR and IUCN)
- Xanthostemon verdugonianus (endemic to the country and considered as an endangered species)

POLLUTION CONTROL

HMC manages its solid and hazardous wastes from operations and coming from communities through efficient and responsible programs. The company implements waste segregation, operationalized MRF, composting and landfilling. The company also has all applicable permits to handle hazardous wastes.

HMC also continuously monitors its surrounding environment by conducting a regular water sampling, air sampling and monitoring of the drainage and siltation ponds. The results of the sampling are reported to the DENR regional offices of MGB and EMB on a quarterly basis. A separate monitoring of the Multi-Partite Monitoring Team (MMT) is also being undertaken on a quarterly basis.

The HMC TNP environmental monitoring complies with the prescribed monitoring requirements of DENR which is implemented through the Multipartite Monitoring Team (MMT). MMT members are composed of DENR-MGB 13, DENR EMB 13, REACH Foundation, Inc., Barangay Talavera LGU, religious sector representative and HMC representative.

Summary of the emissions, and energy used in last year's operations can be found in the table below:

Category	Material	Amount	Unit	Source
Energy	Electricity	394,027	KWH	Gen Sets
Energy	Diesel	5,382,227	Li	Third Party Supplier
GHG Emissions	CO2	14,454	Tonnes	-

WASTE MANAGEMENT

Solid Waste Management

HMC manages its solid waste in compliance with DAO 2001-34 under RA 9003A. Waste materials generated by operations of the company are segregated and disposed accordingly, while plastics, wood branches, and leaves are shredded into smaller pieces separately by the granulator. The shredded biodegrable materials are used as mulch in mine rehabilitation, and metal scraps are sold to authorized buyer.

In managing these materials, the company uses a controlled dumpsite established at Eastern 1 where solid wastes are segregated into biodegradable and non-biodegradable. Recyclable materials are recovered and stored in the Materials Recovery Facility (MRF) at Kaskag Area and sold to scrap buyers, while biodegradable wastes are utilized as feed to the garbage granulator for use in production of vermiculture compost.

Hazardous Waste management

Identified hazardous waste are collected and transported by trained PCO personnel and properly stored at hazardous facility at Central Area. All hazardous wastes generated from the minesite are properly accounted and reported to the EMB Regional Office. Once ready for transport, these hazardous wastes are delivered, treated and stored through DENR-accredited transporters/ treaters.

Used oil is also carefully managed by the company. Last year, a total of 238 drums of used oil were used for operations. To improve the management of used oil, the storage facility at the motorpool area was expanded to utilize a special containment unit. Internal waste materials (low grade pale gray soil), on the other hand, are also dumped together with the top soil for mine rehabilitation purposes.

WATER QUALITY DEGRADATION MEASURES

Watershed Management Plan

HMC invested on a number of heavy equipments for its drainage maintenance and desilting program. One of the major projects is the re-engineering of main settling ponds to accommodate the volume of sediments and eroded materials from mine erosion.

Around 127,529 m^3 of silt were removed from existing settling ponds, silt collector sumps and drainages. So far, the total volume capacity of the established settling ponds and silt collector sumps stands at over 115,323 m^3. Additional settling ponds and sumps are being constructed to accommodate the water run-off from active mine areas and other disturbed areas.

Water Consumption

HMC used about 26,015 Gallons of water (98.47749 m^3) for drinking purposes. The water was taken from filtered springs around the area. For planting purposes, HMC uses about 8,400 m^3 of water every year, while 34,380 m^3 is used for dust suppression. Water for these purposes are sourced from Kaskag creek and settling ponds.

Multi-series settling pond

Since the start of the project, 264,122.23 m^3 of silt has been recovered from established settling ponds, silt collector sumps and drainages

Social Responsibility

HMC implements different projects to help develop the health, livelihood and address social issues facing the communities it operates in, as part of its corporate responsibility.

Employees

As of 2013, HMC's total workforce is at 1,245. Breakdown of the company's employees below:

JOB CLASS	NUMBER of EMPLOYEES
Regular	148
Probationary	6
Consultant	1
PMI Agency	642
Security Agency	46
Rio Grande	128
Germar	74
Tombo	200
GRAND TOTAL	**1,245**

Employee Turnover
Male: 12
Female: 4
Total: 16

Group tree-planting activity

CBA & Benefits

As with other NAC companies, a Collective Bargaining Agreement, covering 85.86% of HMC employees, is agreed upon by HMC and its workers' union. The breakdown of employees under the CBA is as follows:

Total number of employees	155
Total Rank & File employees	92
Confidential employees	13
Union members	9

Regular employees are also provided with the following benefits:

HMC Regular Employees' Benefits:
- Free meals
- Free laundry
- Free accommodation
- SSS, PHILHEALTH,PAG-IBIG
- Company Uniform
- Rice allowance
- Toiletries
- Medicine allowance
- Medicard(HMO)
- Sick leave
- Vacation leave
- Paternity leave,
- Group insurance,
- Fly in-fly out airfare ticket
- Year end bonus & midyear bonus

Rank and File Benefits
- SSS,PHILHEALTH,PAG-IBIG,
- Free accomodation,
- Rice allowance,
- Medicine allowance,
- Medicard (HMO),
- Group life insurance,
- Year end bonus & midyear bonus,
- Sick leave, Vacation leave,
- Paternity leave,
- Company uniform

Health and Safety

HMC considers the immense value of its workforce for its everyday operations. To ensure that their physical and mental well-being are maintained, the company developed and maintains health and safety programs for these employees.

One program is the creation of a Central Safety, Health and Environmental Committee (CSHEC) by the company. This committee is made up of 30 employees, 12 Labor-Management Council, 5 management and 13 union officers. Apart from ensuring that proper health, safety and environmental practices are followed within HMC's areas of operation, the committee is also in charge of approving the Annual Safety and Health Program (ASHP) of HMC, that is submitted to Mines and Geosciences Bureau 13 (MGB 13).

The company also conducts health programs like lectures to educate workers on occupational hygiene, pulmonary TB, heat exhaustion/ heat stroke and other medical conditions to help employees maintain their good health inside and outside the workplace. HMC also conducts fitness programs to promote a non-sedentary lifestyle to its workers. To monitor the health of employees, the company conducts check-ups with sugar blood tests.

Disaster recovery rescue drill

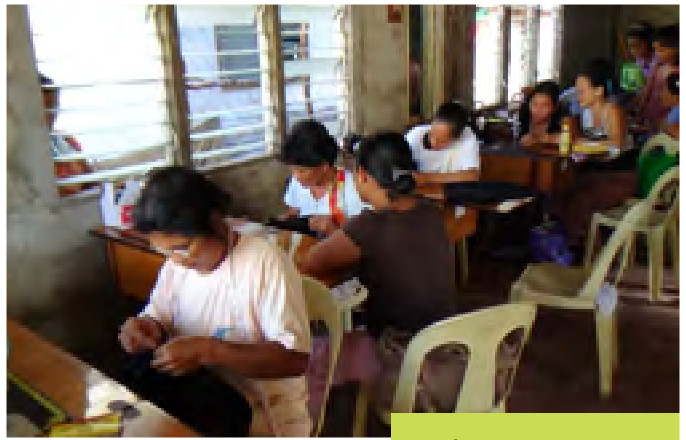
SOCIAL DEVELOPMENT MANAGEMENT PLAN

Similar to the other NAC companies (RTNMC, TMC and CMC), HMC also has a Social Development Management Plan (SDMP) that is developed every five years in consultation with the communities to address their issues and needs. Under the SDMP, HMC was able to implement projects covering areas of education, health, infrastructure and livelihood, for residents around the areas of operation.

Educational Assistance PhP 12,508,096.55

Health PhP 3,290,469.36

Infrastructure PhP 3,057,778.00


Livelihood PhP 1,852,875.75


Information Campaign/ Mining Technology & Research PhP 4,475,089.33


Socio-Cultural PhP 287,858.57

Total PhP 25,472,167.56

Tech-Voc Scholars attending TESDA skills training

Under education, HMC scholars from day care pupils to secondary students, were provided with free school and matriculation fees, shoes, uniforms, bags, and educational supplies, while schools were given audio-visual equipment which include computer units and accessories. HMC also constructed school buildings and other school infrastructure support to augment the shortage of educational facilities in the community.

Twenty-three (23) college scholars from host communities and the Municipality of Tagana-an were fully supported by the company as they took various courses like Engineering, Education, Environment and Mining. The students are enrolled in the following cities: Surigao, Butuan, Cebu, Dumaguete, and Manila.

HMC, in partnership with Technical Education and Skills Development Authority (TESDA), provides assistance to its automotive, electronics and welding scholars through the 'enrollment to employment' scholarship. Last year, 61 scholars benefited from the program, going under holistic training that includes character-building and attitude towards work training, basic occupational safety and health and actual skills training at TESDA centers in Surigao and Davao. The company also enrolled the scholars in basic American English training in Butuan to prepare them for future employment here and abroad.

Recently, HMC scholars had the following accomplishments:

- 14 welding scholars completed their requirements to be eligible for employment abroad, with the assistance of TESDA.
- 18 automotive scholars are waiting for their OJT training in Butuan City in some of the world's biggest and well-known car companies.
- 29 electronic scholars on their OJT at Panasonic in Laguna.

HMC supports 1,251 scholars from day care to college including those enrolled in the technical-vocational (tech-voc) scholarship program

The company has also achieved a major milestone in education by implementing the Dynamic Learning Program (DLP)- a new science-based teaching methodology- for the first time in the Caraga Region, and third in Mindanao. The program was developed by Drs. Christopher and Ma. Victoria Bernido, both Ramon Magsaysay awardees for education. Assistance through trainings and seminars to DepEd teachers and administrators were also provided.

The company assists in the training of DepEd teachers and administrators to enhance teaching and learning method. HMC also supported other DepEd educational setups and policies such as the Alternative Learning System or and other extra-curricular activities especially in sports.

Under the health component of SDMP, HMC consistently implements its quarterly medical-dental mission, in partnership with the Tagana-an Municipal Health Office. The mission is carried in 3 host communities, namely: Brgy. Talavera, Sitio Campandan and Sitio Bagong Silang. The outreach program benefitted patients by providing them with free medical consultation, tooth extraction and medicines. HMC also conducted a feeding program for 72 underfed children resulting in the complete eradication of malnourishment in the community as reported by the barangay health center.

Under the ICE advocacy, 50 students benefited from the Summer Job Program through the Hinatuan mining Employment and Learnership Program for Students (HELPS)

HMC medical mission

500 patients benefited from the quarterly medical-dental mission of HMC

In terms of public infrastructure and utilities, HMC successfully repaired and rehabilitated the water systems of Brgy. Talavera and Sitio Bagong Silang. In addition, the operationlization of Sitio Campandan electrification project was attained. The company provided homes in the entire community with free service drop wires and electricity meters and street lighting.

HMC also sponsored the formulation of the Barangay Development Plan (BDP) of the 13 neighboring barangays from the Municipality of Tagana-an as part of its research program as the official guiding principle in improving the barangay and attaining progress in all its communities.

To help uplift the economic condition of residents, HMC implemented various livelihood projects in 2013. These projects were:

- Development of the peoples' organizations (POs)
- Support for dress making/tailoring livelihood and handicraft production
- Facilitation of entrepreneurial skills and organization development trainings
- Introduction of proper fish processing

HMC supported Peoples Organization with their custom-made handbags

Close to 650 families are direct beneficiaries of HMC livelihood programs and income-generating projects in both, Tagana-an and South Dinagat Nickel Projects

In addition, HMC utilized its Mining Technology and Research funds specifically on Feasibility Study on potential livelihood projects and local socio-economic profiling for HMCs SDMP.

Cagdianao Mining Corporation

Incorporated in 1979, Cagdianao Mining Coporation (CMC) is located in Cagdianao, Dinagat Island. The company acquired the rights to operate its mine in 1998, and was operational by 1999. Like HMC, CMC is 100% owned by NAC. Mining operations cover 697 hectares of land in Dinagat Island.

In 2013, revenue from sale of ore was at PhP 737.9 million. CMC sold an aggregate of 888.8 thousand WMT of nickel ore ore in the same year. The volume of saprolite ore sold increased by 60.0 thousand WMT however, there was a 256.8 decrease in limonite ore sold.

Environmental Responsibility

CMC is committed to the principles of sustainable development and recognizes its roles as steward of the environment. The reforestation program of the company is aimed to increase forest cover of denuded areas. The program is also supports the MGB's Mining Forest Program (MFP) and National Greening Program (NGP) of the government. Managing the impact on biodiversity, the environment team has come up with an offsetting strategy on activities associated by mining through the protection of Maraguing Watershed. Hence, improve its habitat and consequently meet the living conditions of flora and fauna.

Currently, CMC does not have any mined-out sites. But much action and planning have already been ongoing to reduce any environmental impacts that the company may have in and around its areas of operation.

CMC Eco Park

REFORESTATION

Greening and reforestation has been conducted outside the mining areas and in denuded areas within its Mineral Production Sharing Agreement (MPSA) which are not suitable for mining. In 2012, CMC planted on 4.3 hectares with almost 5,000 seedlings. Organic fertilizer from the company's vermi-compost project is being used to improve survival rates of the plants. CMC spent PhP 23 million for the programs under EPEP.

Other activities are continuously conducted for the maintenance and protection of reforested areas, including re-planting, brushing, fertilizer application and pruning. With respect to coastal areas, the company conducts maintenance efforts for 4,600 mangrove propagules planted on about 0.62 hectares of the declared Valencia Marine Protected Area.

CMC rehabilitated area

198.51 hectares of land has benefited from planting projects in pursuit of the Carbon Sink Program and National Greening Program

Similar to RTNMC, for their exemplary environmental programs, CMC received the Presidential Mineral Industry Environmental Award - Platinum Achievement (surface mining category) during the 2010 annual National Mine Safety and Environment Conference.

POLLUTION CONTROL

CMC implements programs and policies that aim to reduce the impact of its operations on the environment. Some of these projects include management of dust emissions, regular maintenance of equipment, management of waste and monitoring of emissions and energy use.

In order to minimize the generation of dust, the company employs the following activities:

- Regular water spraying of all haulage areas, including barangay roads, especially during dry season in the months of May to September
- Employed four (4) water Lorries for spraying, wherein a total of 3,305 trips or equivalent to 33,050 cu.m. of water was sprayed in most major mine and community roads
- Periodic grading of haulage areas
- Periodic road matting of haulage areas
- Creation of dust barriers through the planting of trees at the barangay roadsides and mine access road
- Regular conduct of in-house monitoring on ambient air, with the use of a High Volume Sampler.

Water spraying at CMC minesite

So far, CMC has not experienced any violations or major issues from the local residents pertaining to airborne dust due t the mitigating measures done by the company.

As a means of reducing CO2 emissions, a considerable number of equipments/ facilities were provided with mufflers. Periodic maintenance schedules on various equipments also were conducted to ensure they run safely and efficiently.

Planting of diversified species within and outside MPSA area is another initiative to reduce greenhouse gas emission. Trees are proven to sequester carbon and other chemicals emitted during mining operation. To date, a total of 198.51 hectares of land has been used for planting activities in pursuit of the Carbon Sink Program and National Greening Program.

In terms of energy consumption, CMC used 817 MWH for operational activities, through its gen sets. To power these gen sets and other heavy equipment, the company consumed 1.88 million liters of diesel fuel, while 11,910 liters of gasoline was used for other equipment.

WASTE MANAGEMENT

The company developed a Waste Management Program to ensure that waste generated in the camp site are collected, segregated, stored, transported and disposed properly. CMC also established a Waste Management System where wastes from the Mine Camp Area and Mine Pit Area are collected and transported to the Material Recovery Facility (MRF). In the MRF, waste materials are segregated into scrap metals, recyclables, waste oil, waste tires and batteries. The steel scraps gathered from the MRF are sold to approved scrap buyers and generate additional income.

Solid Waste Management

The total solid waste (garbage) generated in 2013 was 1,422 m^3. Out of this, only 595 m^3 were disposed to sanitary landfills and the rest were stored in the MRF and used as compostable materials, accounting for the remaining 827 m^3.

Waste generated from mining operations (stripping and extraction), on the other hand, produced non-profit rock materials. These rocks were dumped temporarily in designated waste dump areas or stockpile zones for future use like filling for haul roads, causeways and silt pond structures. Other overburden materials will be used for rehabilitation/ revegetation for backfilling of denuded or mined-out areas. The total stripped waste generated during Year 2013 accounted to 656, 653.9 WMT.

Hazardous Waste Management

All hazardous materials generated by the company such as used oil, lubricants, tires and batteries are temporarily stored in the MRF to keep emissions from affecting the environment. CMC also installed oil and water separator within the fuel depot, fuel storage areas and other areas handling hazardous substances in adherence to RA 6969 known as "Hazardous, Toxic and Nuclear Waste Act of 1990".

WATER QUALITY DEGRADATION MEASURES

Water Management Plan

Water is discharged from silt ponds and drainage canals that are directed into rivers/streams. Currently, CMC has no data on the quantity of water that discharges into these bodies of water as it is hard to quantify the volume of run-off that goes into various silt ponds.

In terms of silt management, over 77,000 m^3 of silt was removed from existing settling ponds. To help improve the process, additional settling ponds were constructed fronting the CMC Mine Camp with a total capacity of about 2,060 m^3.

CMC settling ponds have a total volume capacity of over 392,800 m^3

Water Consumption

CMC's main source of water supply for domestic consumption is drawn from two spring water sources of Pinagbahan area and Maraguing watershed. In 2013, a total of 33,050 cu.m was withdrawn from both sources.

CLOSURE ACTIVITIES

CMC agrees to the principle of the Final Mine Rehabilitation and Decommissioning Plan (FMRDP), as a means of rehabilitating excavated, mined-out, settling ponds and disturbed areas to the condition of environmental safety.

The company also agrees to prevent or eliminate long term environmental impacts by returning mined land to a physically and chemically stable, productive and self-sustaining condition while taking into consideration the beneficial uses of the land and the surrounding areas. The Closure Plan ensures that alternative skills and sustainable livelihood opportunities are provided to the mine employees including their dependents and to the host and neighboring communities.

Decommissioning is also the transition period that begins with the cessation of the mine pit and the nickel lateriate production and ends with the removal of all unwanted structures. The company shall adopt a decommissioning strategy for each mine component, including mitigating measures to assure that potential adverse environmental impacts shall be minimized during the course of the decommissioning period. However, all building structures, recreational facilities, housing, pier and causeway shall be turned-over to the Local Government Unit (LGU) of Barangay Valencia. During the decommissioning and after mine closure, monitoring and maintenance shall be continued until such a time that the area is declared safe by the Mines & Geosciences Bureau.

Social Responsibility

CMC gives much time and resources to the development of programs that aim to benefit its employees, and the communities that surround its areas of operation.

Employees

As of 2013, CMC's total workforce is at 703. This number is made up of regular, probationary and other types of employees. The breakdown of CMC's workforce is as follows:

Sr. Manager	1
Manager	3
Supervisor	36
Rank and File	132
Total Probationary & Regular	**172**
Seasonal	531
Total Workforce*	**703**

CBA and Benefits

Of the regular CMC employees, 61% (104 of 172) are covered by the collective bargaining agreements (CBA) under CMWU-NAFLU-KMU. The union is close shop where all non-confidential rank and file are automatic members of the union. The CBA is renewed every 5 years while economic provisions are reviewed after 3 years. Salient features of the CBA include members' compensation and benefits, incentives, union security, grievance procedure, no strike, lock-out and work stoppage provisions and Labor Management Committee.

Full time employees and rank and file employees are also given the following benefits:

- Supervisors up to Senior Managers - free housing and messing, Fly In- Fly Out (FIFO), vacation and sick leave credits, life insurance, medical insurance including legal dependents, rice allowance, and toiletries allowance
- Rank and File employees - free housing ,vacation and sick leave credits, life insurance, medical insurance including legal dependents, rice allowance, and toiletries allowance
- Seasonal drivers and heavy equipment operators are given rice and cash production incentives.

CMC considers the immense value of its workforce for its everyday operations. To ensure that their physical and mental well-being are maintained, the company developed and maintains health and safety programs for its employees.

Health and Safety

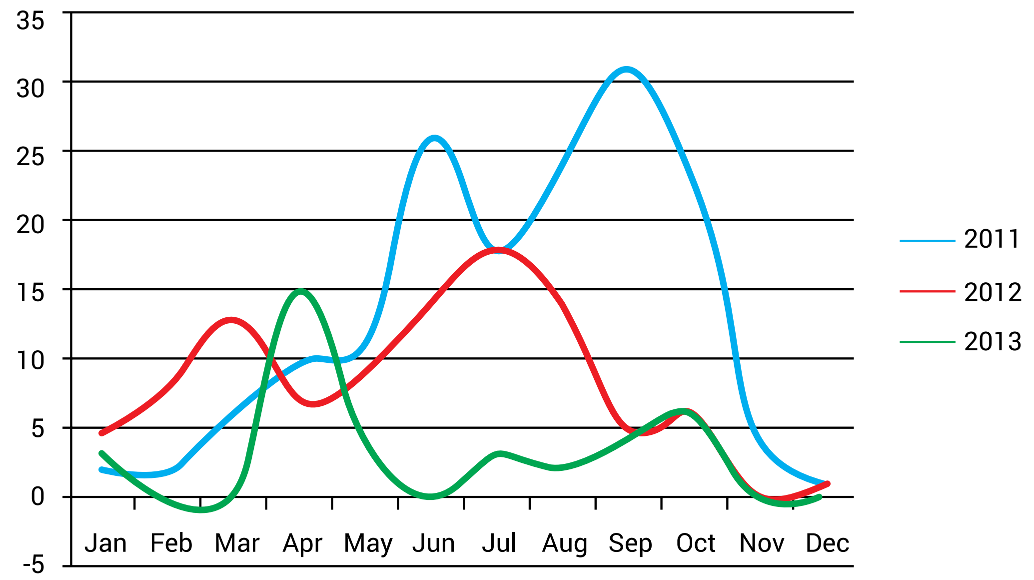
It is the objective of the company to integrate total loss control into the management system so that people, equipment, materials and the environment are amply protected from accidents. Line managers take direct hand in pursuing loss prevention activities through the following standards:

1. Personal Injury and Loss of Life Prevention
2. Property Damage and Wastage Control
3. Comfortable Health Care Environment
4. Safety, Health and Environment Policy
5. Total Loss Control Management
6. Central Safety and Health Committee
7. Safety and Health/Loss Control Tours

Programs and activities implemented to ensure achievement of the health and safety objectives include planned Inspection, job and task analysis, accident/incident investigation, emergency preparedness, maintenance organizational health and safety rules, accident and incident analysis, employee training, issuance and monitoring of proper usage of personal protective equipment, health services, regular group meetings, advocacy, regular monitoring and evaluation.

Million Manhour Milestone

As of December 2013 the company acquired Ten Million Two Hundred Thousand Three Hundred Eighty and 01/100 (10,204,380.01) without lost time accident. For Fiscal Year July 2013 to June 2014 the company acquired Eight Hundred Nineteen Thousand Five Hundred Sixty Seven and 75/100 (819,567.75) as of December 2013. Incidents have significantly reduced from 156 in Y2011 to 40 in Y2013 or 74% reduction.



3 year Accident Record

YEAR	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2011	2	2	6	10	11	26	18	24	31	23	2	1	156
2012	5	8	13	7	9	14	18	14	5	6	0	1	100
2013	3	0	0	15	4	0	3	5	4	6	0	0	40

SOCIAL DEVELOPMENT MANAGEMENT PLAN

CMC implemented various projects in the areas of Health, Education, Livelihood, Public Utilities and Socio Cultural Values (HELPS) under the SDMP to benefit its host and neighboring barangays: Valencia, Boa, Legaspi and Sitio Maytubig. Apart from the SDMP, the company also implements extended programs for Corporate Social Responsibility, which are outside the SDMP fund. Currently, the company is in its 3rd year of the 5 year SDMP.

977 elementary and high school students benefited from financial assistance of CMC through the SDMP

To uplift education in the four barangays, CMC provides support to the public schools in the form of subsidies for volunteer teachers, assistance for building repairs and improvements and provision of multi-media equipment, desktop computers, and printers. Last year, 2 classrooms were constructed and materials for school renovations and facilities were provided to communities.

Elementary and high school students were provided with assistance to pay for their schooling, while 18 deserving college scholars from the host and neighboring communities were given the opportunity of free college education. Twenty-four teachers were also provided with subsidies by the SDMP fund.

Gift giving at Cabiton-an

CMC has been conducting annual medical missions in the communities where the company operates. These missions include free medical consultations, with first-aid medicines and vitamins, feeding programs for children between the ages 4-7 years old, and the provision of health supplies for the Senior Citizens.. Under the Company's CSR, a NAC-wide medical mission was also conducted which catered major and minor surgeries for all patients coming from the communities of its three Operating Companies in CARAGA.

Medical missions at Brgy. Legaspi

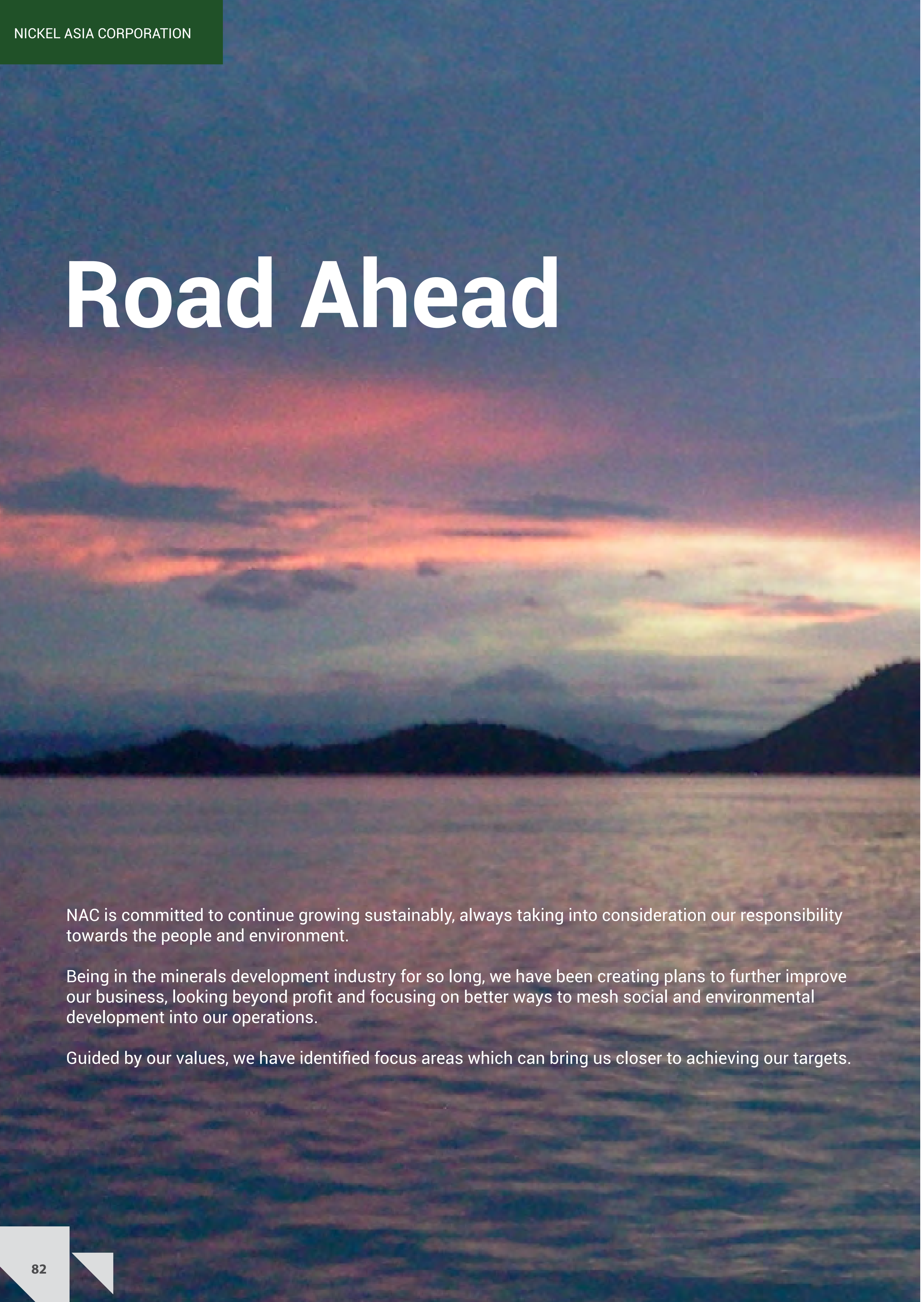
To help develop infrastructure in the barangays CMC provides assistance by building, refurbishing or rehabilitating buildings and other structures. In Barangay Valencia, two day care centers were constructed while centers in neighboring barangays were given assistance for improvement. Water systems improvement in the four Barangays and the installation of solar powered street lights were also conducted, in 2013.

In terms of livelihood, technical services training on heavy equipment operations through TESDA was conducted for qualified men from the community. The production of curtains and fashion accessories were also taught to women and out-of-school-youth, wherein trainees were provided with tools and materials needed to start-up a small business. Other women goups were also trained in hot meals – commercial cooking and food processing, also provided with the needed ingredients, materials and equipment. A tilapia culture project was introduced and implemented for one barangay, and other previously implemented projects such as hog and poultry raising, rice retailing, and agrivet supplies retailing were sustained. Trainings on organizational developement, financial and project management were also conducted in order to equip the beneficiaries, or the People's Organizations (POs), in the establishement, management and monitoring phases, thus,strengthening the groups and enabling them to sustain these programs. A livelihood center building was also constructedat the host community, which will serve as a trade venue for SDMP's livelihood programs for the women's association such as hardware supply store, credit cooperative and tailoring shop.

Commercial cooking training at Valencia

Health supplies for the senior citizens

Furthermore, in the light of inspiring and bringing hope to our future generations, a first ever conducted in the mining communities of CARAGA Region, was the 3-day Values Formation Seminar for the young people, the "YOUTH", held last year by CMC. SK Officials and other youth leaders from the host community of the Company actively went through the experience of being shaped into becoming responsible future leaders and citizens of the community and of the country.



Road Ahead

NAC is committed to continue growing sustainably, always taking into consideration our responsibility towards the people and environment.

Being in the minerals development industry for so long, we have been creating plans to further improve our business, looking beyond profit and focusing on better ways to mesh social and environmental development into our operations.

Guided by our values, we have identified focus areas which can bring us closer to achieving our targets.

GRI Content Index Sheet

Profile Disclosure	Description	Page No.	Section / Direct Answer
1.1	Statement from the most senior decision-maker of the organization	2	Joint Message from Chairman and President
1.2	Description of key impacts, risks, and opportunities	23	Risk related to business
2.1	Name of the organization	4	About NAC
2.2	Primary brands, products, and/or services	10	Products & Services
2.3	Operational structure of the organization	8	Corporate Structure
2.4	Location of organization's headquarters	92	Corporate Directory
2.5	Number of countries where the organization operates	9	Overview of 4 operating mines
2.6	Nature of ownership and legal form	8	About NAC
2.7	Markets served	12	Products & Services
2.8	Scale of the reporting organization	22	Social Responsibility
2.9	Significant changes during the reporting period		There were no major changes
2.10	Awards received in the reporting period		
3.1	Reporting period	1	About the Report
3.2	Date of most recent previous report	1	About the Report
3.3	Reporting cycle	1	About the Report
3.4	Contact point for questions regarding the report	92	Corporate Directory
3.5	Process for defining report content	1	About the Report
3.6	Boundary of the report	1	Corporate Structure
3.7	State any specific limitations on the scope or boundary of the report		Reported in operational mine sites only
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities		Ownership percentage
3.9	Data measurement techniques and the bases of calculations		Based on the internal standards for mining industry
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement		None
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods		This is the first sustainability report
3.12	Table identifying the location of the Standard Disclosures in the report.	83	GRI Content Index Sheet
3.13	Policy and current practice with regard to seeking external assurance for the report.	90	External Assurance Certificate
4.1	Governance structure of the organization, including committees under the highest governance body	14	Board Committee
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	14	The Board
4.3	For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members	14	The Board
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body		2013 Annual Report
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives and the organization's performance		2013 Annual Report
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	15	Audit & Risk Committee
4.7	Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees	15	Nomination Committee

4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	7	Mission, vision, corporate values
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	15	Audit & Risk Committee
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization		
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses		None
4.13	Memberships in associations and/or national/international advocacy organizations in which the organization		Chamber of Mines, Philippines
4.14	List of stakeholder groups engaged by the organization	27	Stakeholder Management
4.15	Basis for identification and selection of stakeholders with whom to engage	27	Stakeholder Management
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	27	Stakeholder Management
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	27	Stakeholder Management

Performance Indicator	Description	Page No.	Section / Direct Answer
Economic			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	24	Economic Profitability
EC2	Financial implications and othe r risks and opportunities for the organization's activities due to climate change.	23, 26	Risk related to business and industry, financial position
EC3	Coverage of the organization's defined benefit plan obligations.		PhP 963 Million was spent on employee benefits
EC4	Significant financial assistance received from government.		We pay equal / higher to the local minimum wage as specified by the local government for the region
EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.		We have specific suppliers for the services they comply with our environmental / social requirement criteria.
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.		We hire site workers (rank & file level employees from the local community of the mine site.
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.		Social Development Mgmt. Plan Corporate Social Responsibility
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	43, 55, 68, 80	Social Development Mgmt. Plan Corporate Social Responsibility
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	43, 55, 68, 80	Social Development Mgmt. Plan Corporate Social Responsibility

Environment			
EN1	Materials used by weight or volume.	39	Materials Stewardship
EN2	Percentage of materials used that are recycled input materials.		
EN3	Direct energy consumption by primary energy source.	36, 51, 64, 75	Pollution Control
EN4	Indirect energy consumption by primary source.		
EN5	Energy saved due to conservation and efficiency improvements.	64	Pollution Control
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.		
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.		
EN8	Total water withdrawal by source.	38, 52, 66, 77	Water Quality Measures
EN9	Water sources significantly affected by withdrawal of water.	38, 52, 66, 77	Water Quality Measures
EN10	Percentage and total volume of water recycled and reused.		
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	32, 49, 63, 74	Reforestation
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	18	Environmental Responsibility
EN13	Habitats protected or restored.	32, 49, 63, 74	Reforestation
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	18	Mine Rehabilitation Reforestation
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.		None of the IUCN species are affected
EN16	Total direct and indirect greenhouse gas emissions by weight.	36, 51, 64, 75	Pollution Control
EN17	Other relevant indirect greenhouse gas emissions by weight.	36, 51, 64, 75	Pollution Control
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	36, 51, 64, 75	Pollution Control
EN19	Emissions of ozone-depleting substances by weight.		We don't emit ODS
EN20	NOx, SOx, and other significant air emissions by type and weight.		
EN21	Total water discharge by quality and destination.	38, 52, 66, 77	Water Quality Measures
EN22	Total weight of waste by type and disposal method.	36, 51, 66, 77	Waste Management
EN23	Total number and volume of significant spills.		There were no significant spills
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.		All our waste are properly disposed by the DENR accredited recycler
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	38, 52, 66, 77	Water Quality Measures
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	17, 30, 48, 62, 74	Environmental Responsibility

EN27	Percentage of products sold and their packaging materials that are reclaimed by category.		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.		There were no significant fines
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.		Impact on Biodiversity - Sea transport
EN30	Total environmental protection expenditures and investments by type.	17, 30, 48, 62, 74	Environmental Responsibility
Labor Practices			
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.	22, 40, 53, 66, 78	Employees
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region.	41, 53, 66	Employees
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	41, 53, 66, 78	Benefits
LA15	Return to work and retention rates after parental leave, by gender.		All the employees returned after their parental leave
LA4	Percentage of employees covered by collective bargaining agreements.	41, 53, 66, 78	CBA
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.		
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programs.	42, 54, 67, 79	Health & Safety
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.	42, 54, 67, 79	Health & Safety
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	42, 54, 67, 79	Health & Safety
LA9	Health and safety topics covered in formal agreements with trade unions.	41, 54, 66	Health & Safety
LA10	Average hours of training per year per employee by gender, and by employee category.	41, 54, 66	Benefits
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	41, 54, 66	Benefits
LA12	Percentage of employees receiving regular performance and career development reviews, by gender.		We conduct annual performance reviews for our employees
LA13	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	14	Reported in employment level
LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.		Employee salary is based on the position and level of responsibility they hold in the company but not based on the gender.

Human Resources			
HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.		
HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.		All our suppliers need to implement social standards of the company
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.		
HR4	Total number of incidents of discrimination and actions taken.		There were no actions of discrimination taken
HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.		We ensure that there are no risk to the CBA we have with the employees and al the members fully enjoy their rights
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.		We ensure that none of our as well as our local suppliers have any incidents of child labor practice.
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.		There were no incidents of forced / com-pulsory labor in the company and mine site
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	42, 54, 67, 79	Health & Safety
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	42, 57	Corporate Social Responsibility
HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.		We ensure that none of our operations have any impact on human rights of our employees and surrounding communities. We have designed programs to ensure no violations of such occur in through any of our operations.
HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.		There were no such grievances
Society			
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.		Community Relations & Development Social Development Management Plan Corporate Social Responsibility
SO9	Operations with significant potential or actual negative impacts on local communities.		Community Relations & Development Social Development Management Plan Corporate Social Responsibility
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.		Community Relations & Development Social Development Management Plan Corporate Social Responsibility
SO2	Percentage and total number of business units analyzed for risks related to corruption.		
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.		
SO4	Actions taken in response to incidents of corruption.		
SO5	Public policy positions and participation in public policy development and lobbying.		

SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.		
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.		There were no such actions
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.		There were no such fines
Product Responsibility			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	39	Material Stewardship
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.		There were no such incidents
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.		
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.		
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.		
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.		
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.		
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.		
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.		-

Mining Sector Supplement

Profile Disclosure	Description	Page No.	Section / Direct Answer
EC7 – MMSS	Commentary added to include Proportion of local workforce as well as local management	22	Social Responsibility
EN2 – MMSS	Commentary added to clarify the scope of scrap	16	Environmental Responsibility
EN12 – MMSS	Commentary added to emphasize the link to resettlement and closure activities. Compilation added to report on biodiversity impacts of resettlement or closure.	59, 77	Closure Plan
MM1	Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated.	18, 32, 49, 63, 74	Mine Rehabilitation
EN13 – MMSS	Compilation added to report on biodiversity offsets.	18, 32, 49, 63, 74	Rio Tuba Nickel Mining Corp. Taganito Mining Corp. Hinatuan Mining Corp. Cagdinao Mining Corp.
EN14 – MMSS	Commentary added to describe the relevance of ecosystems services. Commentary added to compilation to invite reporting on ecosystems services and approaches.	18, 32, 49, 63, 74	Mine Rehabilitation
MM2	The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (%) of those sites with plans in place.	18, 32, 49, 63, 74	Environmental Responsibility
EN20 – MMSS	Commentary added to include mobile and stationary sources.		Environmental Responsibility
MM3	Total amounts of overburden, rock, tailings, and sludge and their associated risks.		All our sites have EPEP plans in place for environmental protection
EN23 – MMSS	Commentary added to clarify the scope of spillages. Compilation added to report on the outcome of spillage incidents.		
MM4	Number of strikes and lock-outs exceeding one week's duration, by country.		
LA7 – MMSS	Commentary added under compilation to include a description of fatal accidents.	42, 54, 67, 79	Health & Safety Mgmt
HR5 – MMSS	Commentary added under compilation to report how freedom of association policy is implemented.		There were no incident of spillage
MM5	Total number of operations taking place in or adjacent to Indigenous Peoples' territories, and number and percentage of operations or sites where there are formal agreements with Indigenous Peoples' communities.	42, 57	Corporate Social Responsibility
SO1 – MMSS	Commentary added to describe the relevance of community engagement processes.	43, 55, 68, 80	Health & Safety
MM6	Number and description of significant disputes relating to land use, customary rights of local communities and Indigenous Peoples.	42, 57	There were no such disputes with any of our host communities
MM7	The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and Indigenous Peoples, and the outcomes.		There were no such grievances
MM8	Number (and percentage) of company operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, the site; the associated risks and the actions taken to manage and mitigate these risks.		
MM9	Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process.		
MM10	Number and percentage of operations with closure plans.		All our sites have closure plan
SO8 – MMSS	Commentary added on judgments related to health, safety and labor laws.	42, 54, 67, 79	Health & Safety
MM11	Programs and progress relating to materials stewardship.	39	Material Stewardship

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Independent Assurance Statement

Introduction

ECC International (ECCI) has been engaged by the management of Nickel Asia Corporation (Company) to provide an independent assurance of its 2013 Annual Sustainability Report. The intended users of this assurance statement are the management and all other key stakeholders of the company.

Scope of Work

The assurance was planned and conducted in line with the requirements of the international standard AA 1000 AS. We performed a Type II, Moderate Level of Assurance and evaluated the Company's Sustainability Performance based on its 2013 Annual Sustainability Report and other information/data made available by the company for the reporting period from January 01st, 2013 to December 31st 2013 with respect to:
- AA 1000 APS Standard - Principles of Materiality, Inclusivity and Responsiveness
- Global Reporting Initiative (GRI) G3.1 Guidelines

Assurance Procedure

We performed assurance based on our methodology which is built on our professional experience and international standards for assurance. We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance conclusions.

We used the GRI Quality of Information Principles to evaluate the performance data together with the company's data protocols for how the sustainability performance data is measured, recorded and reported. This formed the basis of the Reporting Criteria for undertaking our assurance work. In doing so, we have:
- Reviewed the company's approach to stakeholder engagement and materiality analysis
- Review of the company's Environment, Economic & Social (EES) policies, plans and practices
- Reviewed the consistency of data/information within the report as well between the report and the original source
- Conducted interviews/discussions with senior management and decision makers from different functions/locations of the company
- Performed sample audits on certain data streams to validate the accuracy, completeness and reliability of the data collection, compilation and reporting system

Financial data reported in the 2013 Annual Sustainability Report is taken directly from the independently audited financial statements and the same has not been checked against its source as part of this assurance process.

Adherence to AA1000 Principles

Inclusivity:

Nickel Asia Corporation was found to have a variety of well-managed mechanisms to regularly engage with all their stakeholders frequently. The company considers stakeholder concerns and addresses them through proper channels. This report clearly indicates the various stakeholders the company is involved with and their method of engagement with them.

Materiality:

We reviewed and analyzed the process of defining the material aspects for Nickel Asia Corporation addressed in this report. The major concerns for the Company are environmental protection and community development. The Company has a well-defined Social Development Management Plan (SDMP) and Environmental Protection Enhancement Program (EPEP) in place which provides them the roadmap to address the sustainability issues.

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Responsiveness:

The company has adequate set of policies and guidelines in place to respond to the stakeholder concerns. Some of the key process has been defined in the stakeholder management section of the report. It was also evident that company responds to their stakeholders on a timely basis.

Key Observations & Recommendations

- Nickel Asia Corporation has implemented well-defined standards on social development, safety, employee motivation, environmental protection and mining process. The conveyor system used to transport the product from the mining site to the distribution is a very commendable step as it supports in environmental protection and safety of employees. We recommend implementing such technology in the other mine sites as well.

- Nickel Asia Corporation engages with the key internal and external stakeholders on a regular basis. In future reports we recommend further disclosure on how stakeholder engagement impacts the company's response to material sustainability issues.

- Nickel Asia Corporation measures its sustainability performance individually for each mining site. We suggest to make it more aligned and standard across all the sites.

- Nickel Asia Corporation has reported well on its EES performance in the report and we recommend that more focus is also provided, especially to the environmental & social performance of the company's supply chain

Conclusion

In our opinion, the company has represented its Sustainability Performance in the report for the year 2013 in a fair and balanced manner and meets the requirement of Type-2, Moderate level of assurance. Nothing has come to our attention which is different to what is disclosed in this report. The Company follows the regulatory requirements of the Philippines and the disclosures in this sustainability report are verified from such regulatory reports. This report adheres to the AA1000 principles of Materiality, Inclusiveness and Responsiveness.

The reporting principles for defining the report content and quality are followed in line with the GRI G3.1 Guidelines along with Mining Sector Supplement. The company has disclosed materiality issues in line with GRI G3.1 and is qualified to attain a level of B+ for their 2013 Sustainability Report

All the Standard disclosure and Performance Indicators related to the SDMP & EPEP have been externally assured and the credibility of the data disclosed has been verified.

Responsibilities

The Preparation, Presentation and Content of the Nickel Asia Corporation's 2013 Annual Sustainability Report are the sole responsibility of the company. The company is responsible for determining the Sustainability goals & objectives, performance and for establishing and maintaining appropriate data management systems and internal control systems from which the reported information is derived.

Our responsibility is to express an independent conclusion on the company's Sustainability performance disclosed and defined within the scope of work as mentioned above. Our statements represent our independent opinion and intended to all stakeholders of the company including its management.

Kama Neson Ganeson
Lead Assurer
ECC International Corp. Philippines

Date - July 10, 2014
Bataraza, Palawan; Taganito, Surigao del Norte

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Acknowledgement

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Taganito Mine
Barangay Taganito, Claver, Surigao del Norte

Cagdianao Mine
Barangay Valencia, Cagdianao, Dinagat Islands

Hinatuan Mine
Barangay Talavera, Taganaan, Surigao del Norte

Corporate Website:
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