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SEC Registration Number

O R I E N T A L P E N I N S U L A R E S O U R C E S

G R O U P I N C

(Company's Full Name)

8 1 S E N G I L P U Y A T A V E B G Y P A L A N A N

M A K A T I C I T Y P H I L I P P I N E S

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

Connie A. Minoza

(Contact Person)

63 (2) 8891129

(Company Telephone Number)

1 2

Month Day (Fiscal Year)

3 1

17-A 2016

(Form Type)

Month Day (Annual Meeting)

Permit to Sell Securities

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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



1. For the fiscal year ended December 31, 2016
2. SEC Identification Number CS200705606 3. BIR Tax Identification No. 006-710-868
4. Exact name of issuer as specified in its charter ORIENTAL PENINSULA RESOURCES GROUP, INC.
5. Makati City, Philippines  
Province, Country or other jurisdiction of incorporation or organization
6.  (SEC Use Only)  
Industry Classification Code:
7. 81 Sen. Gil Puyat Avenue, Palanan, Makati City  
Address of principal office
8. (632) 889-11-29  
Issuer's telephone number, including area code
9. Not Applicable.....  
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common shares at P1.00 par value	2,878,500,005
Principal Debt Outstanding	None

11. Are any or all of these securities listed on a Stock Exchange.

Yes [ x ] No [ ]

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

Philippine Stock Exchange, Inc. 2,878,500,005  
Common Shares of Stock

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [ x ] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [] No []

13. Aggregate market value of the voting stock held by non-affiliates of the registrant as of December 31, 2016:

- (a) Total number of shares held by non-affiliates as of December 31, 2016  
1,603,995,202
- (b) Closing price of the Registrant's share on the exchange as of December 31, 2016  
P1.060
- (c) Aggregate market price of (a) as of December 31, 2016 P1,700,234,914

APPLICABLE ONLY TO ISSUERS INVOLVED IN  
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [] No [] Not Applicable

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

None

## PART I - BUSINESS AND GENERAL INFORMATION

### Item 1. Business

#### A. Description of Business

##### Parent Company

Oriental Peninsula Resources Group, Inc. ("*Oriental*" or "*Parent Company*") was registered with the Philippine Securities and Exchange Commission (SEC) on April 16, 2007. Its principal activities are of those of investment holding with registered office address at No. 81 Sen. Gil Puyat Avenue, Palanan Makati City. As of December 31, 2015, the Parent Company is 24% owned by Redmont Consolidated Mines Corp.

The shares of stock of the Parent Company were listed in the Philippine Stock Exchange (PSE) on December 19, 2007 through Initial Public Offering (IPO).

##### Subsidiary

Citinickel Mines and Development Corporation (*Citinickel*) was registered with the Philippine Securities and Exchange Commission on June 5, 2006. Citinickel is primarily engaged to prospect, explore, locate, acquire, hold, work, develop, lease, operate and exploit mineral lands for chromite, copper, manganese, magnesite, silver, gold and other mineral products.

Citinickel's principal office is at 1760 Taft Avenue, San Isidro, Pasay City.

On July 4, 2007, the Parent Company acquired 94% ownership interest in Citinickel in exchange for 752,000 shares stock of the Parent Company. The acquisition resulted to the recognition of an intangible asset amounting to P746 million (see Note 12).

In 2012, the Parent Company converted portion of its advances amounting to P480,000,000 into Citinickel's share capital resulting to an increase of its ownership from 94% to 96%.

On March 12, 2015, the SEC approved the increase of Citinickel's authorized capital stock by P1,000,000,000. The increase was fully subscribed by the Parent Company of which, P926,500,000 was paid via conversion of advances. Consequently, the Parent Company's ownership increased from 96% to 99%.

As at December 31, 2016 and 2015, the Parent Company has 99% ownership interest in Citinickel.

The consolidated financial statements as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, were approved and authorized for issuance by the Parent Company's President on April 12, 2017.

##### Mineral Properties

On January 3, 2007, Citinickel was granted Mineral Production Sharing Agreement (MPSA) denominated as MPSA No. 229-2007-IVB for the contract area situated in Narra and Sofronio Espanola, Palawan for a total of 2,176 hectares. Citinickel was given the exclusive right to conduct and develop mining operations within the mineral property over a period of 25 years commencing from its date of effectivity.

Citinickel's MPSA was obtained through a deed of assignment of MPSA application from Olympic Mines and Development Corporation to Citinickel. On June 19, 2008, Environment Compliance Certificate was granted to Citinickel for its Pulot Nickel Mining Project.

## Business of Issuer

### Principal Products, Services and Market of the Company:

The Corporation is currently focused on the mining operations of Citinickel in the Mineral Property.

China is the primary market for nickel due to the thriving stainless steel industry and in response to the shortage in the domestic supply of metal due to the previous “de-stocking” of nickel. Further, with an upbeat forecast on the economy of China, the Corporation expects a continued growth in the demand for stainless steel and nickel.

The Corporation received several letters of intention from several foreign corporation for the supply of nickel laterite ore with an acceptable grade of at least 1.2

Below table shows the percentage of sales or revenues and net income contributed by foreign sales from 2011 to 2012. Only during 2011 commercial operation commenced.

Market	Sales Revenue and Net Income Contribution					
	2011	2012	2013	2014	2015	2016
<b>Australia</b>	<b>17%</b>	<b>15%</b>	<b>27%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>
<b>China</b>	<b>83%</b>	<b>83%</b>	<b>56%</b>	<b>81%</b>	<b>50%</b>	<b>51%</b>
<b>Japan</b>	<b>0%</b>	<b>2%</b>	<b>18%</b>	<b>19%</b>	<b>50%</b>	<b>49%</b>

### Competition

The Philippines produced approximately 1,271,271 DMT of nickel ore and 14,410 DMT of primary nickel in 2006. There are four (4) medium-scale nickel mines in the Philippines, presented in the following table:

Mining Company	Project Location	Breakdown of Nickel Ore by Quantity
Rio Tuba Nickel Mining Corporation	Rio Tuba, Bataraza, Palawan	Laterite: >30,000MT Low-grade ore: >20,000MT High-ferrous ore: >8,000MT Low-grade hard ore: >500MT
Cagiano Mining Corporation	Brgy. Valencia, Cagdiano, Surigao del Norte	Saprolite: >400MT Limonite: >370MT
Hinatuan Mining Corporation	Nonoc Island, Surigao City, Surigao del Norte	Saprolite: >3,000MT Limonite: >12,000MT
Taganito Mining Corporation	Taganito, Claver, Surigao del Norte	Marginal ore: >7,000MT Low-grade crushed ore: >15,000MT Limonite: >4,000MT
Coral Bay Nickel Corporation	Rio Tuba, Bataraza, Palawan	Nickel concentrate: >1,200 DMT

To the best of the Company’s knowledge, the abovementioned mining corporations are still its existing competitors as of December 31, 2012.

In 2006, the Philippines’ shipment of nickel ore to China reached 3.34 million tonnes – an increase of 11.6% from 2005. The amount supplied 88.5% of China’s imports of nickel ore. China’s nickel

producers have found the low-grade nickel ore of the Philippines to be more cost efficient than those of competing other countries – specifically Australia.

As of December 31, 2016, the nickel market is still considered a supplier's market and there is currently no significant market rigidity. The Company does not expect to face competition in marketing its nickel laterite ores.

#### Sources and availability of raw material

As previously mentioned, the focus of the Company at this time is the mining operations and production of the Mineral Property of Citinickel which consists of the Pulot Mine and the Toronto Mine.

ORE is not dependent on one or a limited number of suppliers for essential raw materials, energy or other items and there are no major existing supply contracts.

#### Customer

The business of the Company is not dependent upon a single customer or a few customers.

#### Transactions with or dependence on related parties

Citimax Group, Inc. ("Citimax"), which owns 48.90% of the Company has four mining projects namely: the Toronto and Pulot Nickel Mining Projects in Palawan, Basalt Mining Project in Antipolo, and Silica Mining Project in Roxas, Palawan. On January 8, 2007, Citinickel entered into an agreement with Citimax for the construction and development of mine-site, stockpile area, access road and jetty for its mining operations in the Mineral Property. The audited financial statements of the Company also shows the advances made by Citimax to Citinickel.

#### Research and Development Activities

As previously mentioned, the Company has commissioned for the conduct of a Feasibility Study in order to determine the economic viability of operating the Nickel Mining Projects. The Feasibility Study dated June 2007 recognized and affirmed that the Mineral Resources of the Mineral Property are economically mineable.

Likewise, the Company commissioned for an Independent Consulting Geologist's Report dated July 31, 2007 prepared by C.O.R. & Associates to render an independent opinion on the estimation, assessment and evaluation of the mineral deposits in the Mineral Property. By determining the level of geological knowledge and confidence that can be deduced from the exploration results, C.O.R. & Associates, acknowledges that the Mineral Resources in the explored areas within the Mineral Property are classified as Measured Mineral Resources. C.O.R. & Associates, Inc. further acknowledges that the extraction of the mineralized material, as demonstrated to be technically and commercially viable under reasonable assumptions in the Feasibility Study, warrants further modification of the Measured Mineral Resources to Probable Ore Reserves. Lastly, after due consideration of the uncertainties in realistically assumed Modifying Factors, C.O.R. & Associates establishes conversion of the Ore Reserves from being classified as Probable Ore Reserves to Proved Ore Reserves.

Confirmatory exploration activities shall be implemented simultaneously with other development works to validate previously dug pits and bored holes by Olympic Mines and Development Corporation and other companies prior to production stage. Channel sampling at one meter interval will be undertaken in relocated and recovered test pits. An additional of 200 confirmatory holes at 25 to 50 metres interval with average depth of 20 metres will be bored on blocks A and B in Pulot and Toronto Mines to validate collapsed pits and holes from previous activities and to determine the persistency of high grade saprolite and enriched garnierite.

The company's subsidiary has spent for confirmatory and exploration works as of December 31, 2013 in the amount of P54.708million in Española and P46.779million in Narra.

### Licenses, franchises, concessions and royalty agreement related to the operation of the Citinickel Mines and Development Corporation

The Mineral Property of the Company's wholly-owned subsidiary, Citinickel Mines and Development Corporation is covered by an approved Mineral Production Sharing Agreement ("MPSA") denominated as CMDC MPSA No. 229-2007-IVB. By virtue of the MPSA, Citinickel has the exclusive right to conduct and develop mining operations within the Mineral Property for a period of 25 years commencing from January 3, 2007.

Citinickel's MPSA encompasses a total Contract Area of 2,176 hectares, of which a total of 1,408 hectares is situated in the Pulot Mine and 768 hectares in the Toronto Mine. On June 19, 2008 the DENR has issued a large scale Environmental Compliance Certificate (ECC) to Citinickel for its Pulot Nickel Mining Project, Española, Palawan.

Both MPSA and ECC are still valid and effective as of the date of this Annual Report. The Company's target is to produce and export 800,000 MT of nickel ore per annum.

Other than the MPSA and ECC mentioned, the company is not a holder of any patent, trademark, copyright or franchise, nor the company's operations depend or are expected to depend on it. Thus, no steps are undertaken to secure rights in relation thereto.

### Government Regulations

Under the Philippine Constitution and the Philippine Mining Act of 1995, all mineral resources in the Philippines are owned by the State and as such the State has the full control and supervision of all mining exploration, development, utilization and processing of all mineral resources within the Philippine jurisdiction. The State is allowed however to enter into an agreement with qualified entities for the exploration, development and utilization of the aforesaid mineral resources. As previously mentioned, the Mineral Property is duly covered by an MPSA issued under the name of Citinickel.

Any subsequent amendments to the MPSA, shall affect the Company's future results of operations. More importantly, the term of Citinickel's MPSA with the Philippine Government shall terminate by the year 2032. In the event that the MPSA is pre-terminated by any party for any valid reason whatsoever before its expiration, the Company's operations and financial condition may be materially and adversely affected.

Moreover, environmental regulation covers all phases of the Company's mining business. As environmental legislation evolves in the jurisdictions in which the Company operates, the Company will have to comply with amendments in regulations. There is no assurance that the Company will have the capability to comply with such amendments.

Amendments in environmental regulation may require future approval and permits in line with the Company's operations. Such approval or permits could be delayed or thwarted. Delay in compliance with changes in environmental regulation may result in curtailment in mine exploration, development, or extraction. A failure to comply with permitting requirements may also result in unfavorable enforcement actions. Depending on the jurisdiction, judicial authorities may order the Company to cease operations or take corrective measures – scenarios that may require significant capital expenditures or un-economical remedial actions. Judicial authorities may also impose civil or criminal liabilities on the Company. The consequences of delay or failure in complying with amendments in environmental regulation may result in material and adverse impacts on the Company.

In addition to the foregoing, the Company has secured the necessary permits from both the DENR and the local government in all phases of its business operations.

### **Effect of Existing Governmental Regulations on the Business**

The Company believes that because mining activities in the Philippines is strictly regulated by the Philippine government, non-compliance or failure to comply on the existing government regulations

may delay the mining operations and thus the production itself. In case there will be new government regulations that would have an adverse effect on the Company's business, the Company is poised to make adjustment in its operations in order to comply with such new regulations.

It is worthy to note, however, that there is no need for any form of approval of the principal products of the Company was what is being regulated is the mining activities and not the products of such undertaking.

The company's subsidiary, Citinickel Mines and Development Corporation has acquired government approval of the Mineral Production Sharing Agreement last January 3, 2007 and is valid up to twenty-five (25) years.

#### Costs and Effects of Compliance with Environmental Laws

Environmental regulation covers all phases of the Company's mining business. Mining the Pulot and Toronto areas will alter the original surface feature or landscape and people living within the primary and secondary impact areas are affected as a consequence of such activity. To cushion the expected impacts to the environment in general as consequence of mining, Citinickel will implement an environmental protection and management program.

Citinickel has allocated of P30.24M for Environmental Measures Development Cost consisting of P2.24M for Camp Site Development and P28M for Pier Site Development, based on the modified Construction and Developments Projects as of April 2008.

#### **Amount Spent on Developmental Activities and Percentage to Revenues During Each of the Last Three Fiscal Years**

The table below shows the company's subsidiary spent for environmental protection and development.

Environmental protection and social development	Amount	% to Revenues
2016	12,119,432	2.81
2015	33,945,656	1.95
2014	49,570,784	1.40
2013	27,295,006	1.62
2012	10,575,311	0.49
2011	724,100	0.06

#### **Human Resources**

As of December 31, 2016, the Company has only two (2) employees performing administrative work and it does not anticipate to have additional employees for the ensuing twelve months. None of the employees are subject to any form of Collective Bargaining Agreement.

The company has not experienced any strike or had been threatened by a strike. Relationship between management and labor has been harmonious.

As of the date of this Annual Report, there are no further supplemental benefits or incentive arrangements the registrant has or will have with its employees.

The company's subsidiary (Citinickel Mines and Development Corporation) has forty-five (45) employees. Other workers of the company's subsidiary are under its sub-contractor.

Type of Employees	Citinickel Mines and Devt Corp.
-------------------	---------------------------------

Managerial	8
Administrative	10
Clerical	7
Operations	20
Total	90

Citinickel does not anticipate to have additional employees for the ensuing twelve months. None of the employees are subject to any form of Collective Bargaining Agreement.

Citinickel has not experienced any strike or had been threatened by a strike. Relationship between management and labor has been harmonious.

As of the date of this Annual Report, there are no further supplemental benefits or incentive arrangements the Citinickel has or will have with its employees.

### Major Risks Involved

There are numerous hazards and risks normally encountered in the exploration, development, and production of nickel. These include but are not limited to unusual and hindering geologic formations, rock bursts, unfavorable weather conditions, flooding and other occurrences that may arise out of the drilling and removal of material. Any such occurrence may cause damage to mines and other production facilities, damage to life or property, damage to the environment as well as legal liability. Although adequate precautions will be implemented, these precautions will not cancel out the above-mentioned risks. Although careful evaluation, experience, and knowledge will be present as fundamental tenets of the Company, the presence of such will not eliminate these risks.

The location and establishment of mineral resources, ore reserves, mine construction, ore extraction and metallurgical development will require major expenditures. However, it is impossible to ensure these will result in profitable commercial mining operations. There are many factors that contribute to the commercial viability of a mineral deposit. These include the attributes of the deposit (size, grade, proximity to infrastructure), commodity prices, and government regulations – particularly regulations involving prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection. Any adverse implications brought about by these factors may result in an unsatisfactory return on invested capital.

Further, the Company's business is exposed to a number of risks including harmful environmental conditions, industrial accidents, labor disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, volcanic eruptions, and earthquakes. Such circumstances may cause damage to mineral properties or production facilities, injury, death, environmental damage, damage to The Company's properties or the properties of others, operational delays, monetary losses and possible legal liability.

#### (1) Business

##### Brief Description of General Nature and Scope of Business

The Corporation's principal activity is investment holding. Since its incorporation on April 16, 2007, the Corporation has acquired one operating subsidiary, Citinickel Mines and Development Corporation, whose principal activity is to prospect, explore, locate, acquire, hold, work, develop, lease, operate and exploit mineral lands for nickel, chromite, copper, manganese, magnesite, silver, gold, and other precious and non-precious minerals.

Pursuant to a Deed of Exchange dated July 4, 2007 by and among the majority stockholders of Citinickel, as transferors and the Corporation as transferee, the transferors assigned in favor of the Corporation their 2,540,000 Citinickel shares of stocks, each with a par value of ₱10.00 per share, in

exchange for 752,000,000 shares of stocks of the Corporation, each with a par value of ₱1.00 per share, or an aggregate issue value of ₱752.0 million.

By virtue of the share swap, the Corporation recognized in its book the amount of ₱25.4 million as an “Investment in subsidiary” and the balance of ₱726.6 million as valuation of the “Explored mineral resources”.

Development cost as recognized in the book as “Mine site development” includes cost but not limited to cost of acquiring land and securing a permit to use the same as a mining road; as well as the cost of the construction of the mining road, which refers to mere clearing and grubbing, grading, hauling and disposal, gravelling and other miscellaneous road works. It also includes the cost of office building facilities, bachelor’s quarters, guest house, laboratory, canteen and motorpool as well as further costs of exploration.

### Business Development

#### MINING PLAN

##### Concept Mining

The most suitable and common mining method for a lateritic ore deposit is the contour mining. This method is widely used for shallow deposits.

Contour mining is accomplished by clearing the area to be mined, developing a strip cut to form a substantially horizontal bench and a vertical high wall that exposes the mineral deposit to be mined. Mining sequence follows the surface contour line of the deposit.

The salient features of the mine concept include:

- 3 meter bench height and 5 meter bench width;
- Multi-bench mining will be maintained to provide flexibility in meeting the different shipping grade and tonnage.
- spacing of 3 meters interval;
- Multi-bench mining. To flexibility in the mine operation in meeting the different shipping grade and tonnage.
- A starter dump for the topsoil and waste will be constructed adjacent to the first stage pit. The starter dump will be re-handled back to mined-out stage pits.
- Concrete bridges
- Mined-out stage pits will be re-contoured or rehabilitated by dumping the waste materials from the succeeding pits thereby minimizing the waste hauling distance. This offers the opportunity of implementing the “Progressive Mining-Rehabilitation” concept similar to that of coal “haul-back” method of mining.
- Mined-out stage pits will be re-contoured or rehabilitated by dumping the waste materials from the succeeding pits thereby minimizing the waste hauling distance. This offers the opportunity of implementing the “Progressive Mining-Rehabilitation” concept similar to that of coal “haul-back” method of mining.

Below are the parameters of the mine design:

Road Width	10 meters
Road Gradient (Pit to mine Stockyard)	12 Percent
Bench Width	5 meters
Bench Height	3 meters
Bench Slope (Active)	< 45 degrees

## Mining Sequence

After completing the site clearing and development, the mine development will follow. Production will start in Block 1 on level 226 200E 500N. The average ore to waste ratio for Pulot mine is 1.37. Reserve on Block 1 is projected to be mined at the end of Year 3. During Year 3, production on Block 2 will commence and mined simultaneously with the remaining reserve of Block 1. Mining in Block 2 will continue to Year 5. Block's 3 and 4 will be mined on Year 5 to 7.

Overburden will be pushed and/or hauled to the assigned starter waste dump. Development and production will continue up to level 204. After which, overburden and waste from level 231 will be pushed onto the area after it is mined out. Same sequence will be applied for the remaining area in Block 1. While the remaining reserve in Block 1 is being extracted, site development for block 2 will commence. The overburden on Block 2 will either be pushed to mined-out areas in Block 1 or hauled to the starter waste dump. The overburden will be pushed to fill in the void then graded and re-vegetated in consonance with the progressive rehabilitation program of the company.

While ore extraction is being performed in Block 2, site development for Block 3 will start with the overburden being pushed to mined-out areas in Block 2 and 1. Progressive rehabilitation will be conducted during lull in operations such as the wet season, which normally runs from June to October.

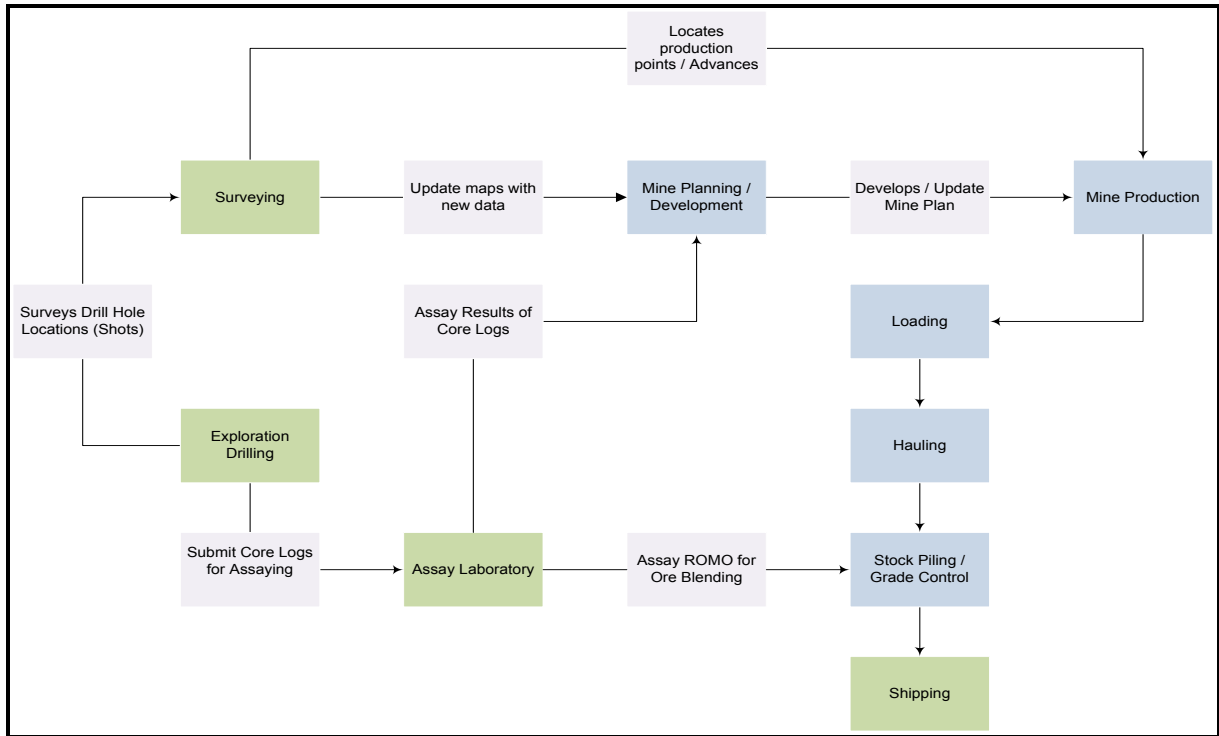
## Estimated Daily/Annual Production

Based on current delineated reserve and demand for nickel in the world market, the project will have the following annual production:

Year	Toronto Mine (WMT)	Pulot Mine (WMT)	Total (WMT)
1	800,000	800,000	1,600,000
2	1,200,00	1,200,00	2,400,000
3	1,200,00	1,200,00	2,400,000
4	1,200,00	1,200,00	2,400,000
5	1,200,00	1,200,00	2,400,000
6	1,200,00	1,200,00	2,400,000
7	1,050,00	1,050,00	1,050,000

Operations will be limited to approximately 180 days per year, which corresponds to the projected dry season in Palawan. Considering the parameter above, both mines is expected to have a daily output of <10,000 WMT.

No processing will be utilized and therefore will not require construction of any processing plant. Oversized ores will be reduced using rock breakers or manual breaking while, and if needed run-of-mine will be sun dried before prior shipment to reduce the moisture content.



Typical Flow of the Mining Operation

## STATUS OF DEVELOPMENT

Almost all construction and development works needed for commercial operation were substantially completed during 2011 in preparation for the commencement of commercial operation. Continued and on-going road rehabilitation, pier/causeway maintenance. Additional silting ponds were being constructed and other camp site developments, establishment of plant nurseries and continue mine pit area development.

### Road Network and Drainage System

The Pulot mining area has an old 12-kilometer exploration road called Olympic Road, which was driven from the national highway in Barangay Labog to the mine site in Barangay Punang that connects the old logging and earlier exploration road made by previous mine operators.

The old Olympic road was completely rehabilitated and reconditioned to accommodate transport of ore from mine site to the ore drying area at the pier site. However, only half of the original Olympic Road was rehabilitated since after 7 km from mine site, a new diversion road was constructed to reduce travel time and distance between the mine site and the pier site. The completed road network has a total distance of approximately 14 km.

### Diversion Road

The development of a completely new diversion road from the original Old Olympic Mine road with the objective of shortening/cut the road distance and travel time from mine to the pier by 4kms, effectively reducing the hauling distance from 16 Kilometers to 12 Kilometers. With the certainty high fuel cost in the near future, the diversion road is expected greatly lessen its impact to our operation expense. This diversion road is 100% complete

### THE CONCRETE BRIDGES,

Another component of the haul road network is the construction of bridges, drainage canals, and box culverts for all water crossing along the road. There are three major river crossing, namely Tagusao river, Punang River and Malanap river hence the construction of permanent concrete bridge structures. The Tagusao and Punang River are 25 meter long span girder type concrete structure while the Malanap bridge is a 12 meter long double barrel box culvert bridge type. The bridges over Tagusao, Malanap and Punang Rivers were 100% complete already as of 2009.

#### Mine Camp Ore Stockyard

At the company owned 35 hectares property, which is located about a kilometer away from the mine underwent site development as the Mine camp site for the establishment of the mine offices and facilities and the ore stockyard. Roughly 70% or 24 hectares will be used as stockyard. The mine stockyard is designed to hold more than 500,000 WMT of ore at any given one time.

The mine ore stockyard will be used as the pre-piling area for Run-of-Mine ores (ROMO) and also to sun-dry piles with high moisture content. The oversize materials above 200mm will be collected and transferred to a boulder breaking area for manual breaking to the desired size (-200mm). The crushed rocks will then be sampled and, if found to be ore, will be transferred and piled into the crushed ore stockpile.

#### THE MINE CAMP AND ORE TRANSFER STOCKYARD

##### Mine Offices and Support Structure

Administration building, laboratory, sample prep, and motorpool comprise the current Mine offices and support structure constructed in the site. These structures are located adjacent the mine stockyard. More structures will be added when the operations get into full swing. The Admin building will also hold the offices of all engineering departments such as the mine development and production, Safety, Health and Environment, Geology among others.

The laboratory and sample prep was designed to process 150 - 200 samples a day using non-destruct XRF assay.

As of December 31, 2008 the construction of laboratory and sample prep is already 100% complete and scheduled to instrument installation, while the admin building is 90% complete.

##### Causeway (Mine Port)

Works to develop the causeway was started last May 2007 and is 100% complete as of December 31, 2008. The target length of the causeway is 200 meters which at said distance, we expect to reach a depth of 5 meters - ideal for Landing Craft Transports (LCT) to dock and loaded with the nickel ore.

The barge landing area is designed to have a capacity for 2 LCTs to dock at the same time therefore speeding up the loading process of ores to Panamax or Handimax Vessels.

#### Item 2. Properties

At present, except for its investment in Citinickel, the Company has two transportation equipment, a Navarra and one motorcycle, and office equipment. On the other hand, Citinickel's property include: land, buildings, machinery and equipment and mine site development cost.

Mine site development applies to road network and drainage system, pier, campsite and stockyard. This also includes costs to obtain permit to use the land as mining road, and also includes mining road construction which refers to mere clearing and grubbing, grading, hauling and disposal, gravelling and other miscellaneous road works.

Measurement and recognition of this asset apply to those of property, plant and equipment of the Company that will be used to develop and maintain the Company's mineral right property which has indicated various degrees of nickel mineral. Depreciation of mine and mining property is computed based on ore extraction over the estimated volume of proved and probable reserves as estimated by the parent company's geologist and certified by an independent geologist. Mine site development is still in progress and there has been no production yet, thus no depreciation expense was recognized in the financial statements. The management believes that there is no reason to provide impairment provision on this mine-site development cost.

The Company's subsidiary's operations are substantially conducted in its Mineral Properties in Palawan. The location and accessibility of these properties are presented below:

#### Pulot Mine

The Pulot Mine is situated in the municipality of Sofronio Espanola, Palawan, which is about 230 kilometers south of Puerto Princesa City, the capital of the province of Palawan. From Puerto Princesa, it is accessible by all type of vehicles through a 215-kilometre south national highway and a 15-kilometre all weather provincial road traversing from the municipality of Sofronio Espanola passing through barangay Pulot Interior to some portions of the mining area leading to the municipality of Quezon. The mine camp is about 1.5 kilometers from the junction with the new provincial road. Another access is through a 12-kilometer mine haul road (OMDC Road) at Barangay Punang.

Geographically, it is bounded by 9°3'53.81" to 9°6'30.05" north latitudes and 117°56'59.62" to 117°58'18.21" east longitudes covering approximately 1,408 hectares.

#### Toronto Mine

The Toronto mine is situated in the municipality of Narra, Palawan. Narra is about 110 kilometers south of Puerto Princesa City. From Puerto Princesa, it is accessible by all type of vehicles through the South National Highway and a five-kilometer all weather mine haul road traversing from the junction at Barangay San Isidro. The mine camp is within Block A.

Geographically, it is bounded by 9°12'48.89" to 9°14'50.09" north latitudes and 118°15'44.011" to 118°16'36.43" east longitudes covering approximately 768 hectares.

The Company and its subsidiary Citinickel does not have any mortgage, lien or encumbrance over the Mineral Property.

As reported Citinickel's property plant and equipment consists of the following as of December 31, 2013:

Description	Composition & Location
Pier, road networks, and other surface structures:	<p>Narra (Toronto Mine Site):  Admin. building  Laboratory building  Sample Prep building  Villas  On-going construction and development works:  Motorpool – 80% complete  Port operations &amp; maintenance office – 80% complete  Pier – with expansion at 95% complete</p> <p>Espanola (Pulot Mine Site):  Admin. building  Assay Lab building  Sample Prep building  Motorpool  On-going construction and development works:  2 Villas – 95% complete  New Admin. Office (at pier site) – 90% complete</p>

	Pier – with expansion at 50% complete
Machinery & equipment	Excavators Dump trucks Grader Dozer Vibratory compactors Generator Tower light Laboratory equipment Others
Transportation equipment	Service Pick-Up Motorcycles
Office furniture, fixture and equipment	Computers and peripherals

Citinickel's acquired some of its transportation equipment under the finance lease arrangement property under lease terms.

### Item 3. Legal Proceedings

#### 1) Involvement of Directors and Executive Officers in Legal Proceedings

The Corporation, at present, is not aware of any legal proceedings within the last three (3) years prior to the date of this Report, other than the following:

MARK BENEDICTO CONCEPCION vs. CITINICKEL MINES AND DEVELOPMENT CORPORATION and CAROLINE L. TANCHAY, FERNANDO M. PALLERA, MA. CORAZON LEYNES-XAVIER, PHILIP WATER EDWARD KING, FERNADO ESGUERRA, AMOR L. DIONISIO, BERNARDINO M. VENTURINA, ABRAHAM CONSTANTE GOMEZ-ESPEJO, in their capacities as Directors of Oriental Peninsula Resources Group, Inc. and ENGR. MANNY PUVENAL, DIOSDADO FERARIS AND SAMUEL RIOS, et. Al. (Civil Case 4351, Regional Trial Court of Palawan and Puerto Princesa City Branch 48; CA G.R. SP No. 101942)

The Provincial Mining Regulatory Board ("PMRB") represented by Mark Benedicto Concepcion filed a case against Citinickel and the directors of the Company for injunction with prayer for the issuance of TRO and writ of preliminary injunction. The Petitioner alleges that he is duly authorized by the PMRB to institute the action against the respondent and to seek for the injunction of the alleged illegal quarrying activities and the construction of a mining road/causeway of Citinickel. It further alleges that the aforesaid activities lead to the pier being constructed by the Company. The Regional Trial Court of Palawan issued a Writ of Preliminary Injunction against Citinickel and the Company in a Decision dated January 7, 2008.

Oriental filed a Petition for Certiorari before the Court of Appeals assailing the Orders dated 18 December 2007 and 21 December 2007 and the Decision dated 07 January 2008.

In a Resolution dated April 28, 2008 the Court of Appeals has granted the prayer of the Company for the issuance of injunction order against the Presiding Judge of RTC Branch 51 of Puerto Princesa City, the Provincial Mining Board and Mark Benedicto directing them to cease and desist from implementing the Order dated January 7, 2008.

MARK BENEDICTO CONCEPCION, ET AL., Complainant-Appellants, versus CAROLINE TANCHAY, ET. AL., respondents ( ISO No. 2007-886 for Violation of Section 103 of R.A. 7942)

On September 16, 2008, the Corporation received a copy of the Resolution of the Department of Justice ("DOJ") in the above-entitled case, wherein the DOJ resolved that the filing of the corresponding Information for violation of Section 103 of Republic Act No. 7942 against respondents Caroline Tanchay, Fernando Esguerra, Amor L. Dionisio, Bernardo M. Ventura and Abraham Constante Gomez- Espejo is deemed dopped and ordered dismissed. However, the recommendation for the filing of the corresponding Information for violation of Section 103 of Republic Act 7942 against respondents, Ferdinand Pallera, Corazon Leynes Xavier, Philip Edward King, Kenneth Radaza, et al is affirmed.

However, on December 22, 2008, the DOJ modified its earlier resolution and ordered the Panel of Arbitrators to withdraw the information filed against the respondents, Ferdinand Pallera, Corazon Leynes Xavier, Philip Edward King, Kenneth Radaza, et al for violation of Section 103 of Republic Act 7942.

On January 7, 2009, the Corporation received a copy of the Resolution of the DOJ which dismissed the petition for review filed by the complainants-appellants.

In addition, the Company, at present, is not aware of any legal proceedings prior to the date of this Report that are material to the evaluation of the ability or integrity of any director, any nominee for election as director, executive officer, underwriter or control person of the Company nor is the Company aware of:

- any bankruptcy petition filed by or against any business of which the incumbent directors or senior management of the Company was a general partner or executive officer, either at the time of filing of the bankruptcy petition or within three (3) years prior to that time;
- any conviction by final judgment in a criminal proceeding, domestic or foreign, pending against any of the incumbent directors or senior management of the Company;
- any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the incumbent directors or senior management of the Company in any type of business, securities, commodities or banking activities; and
- any finding by domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or said regulatory organization, that any of the incumbent directors or senior management of the Company has violated a securities or commodities law, and the judgment has not been reversed, suspended or vacated.

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

There were no matters submitted to a vote of security holders during the fourth quarter of the year covered by this report.

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## PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

#### Market Information

The shares of the Company are listed and traded at the Philippine Stock Exchange. The high and low closing prices of the Company's share for each quarter within the last three (3) fiscal years are as follows:

Period	High	Low
1Q 2014	1.88	1.39
2Q 2014	2.40	1.51
3Q 2014	3.06	2.06
4Q 2014	5.64	1.90
1Q 2015	2.65	2.05
2Q 2015	2.28	2.02
3Q 2015	2.10	1.18
4Q 2015	1.69	1.25
1Q 2016	1.36	0.81
2Q 2016	1.49	1.16
3Q 2016	1.28	0.85
4Q 2016	1.07	1.03

#### Holders of Securities

The number of shares issued and outstanding as of December 31, 2016 was 2,878,500,005 shares common stock at P1.00 par value.

Based on the records of the Company's Stock and Transfer Agent, Banco de Oro Unibank, Inc. – Trust and Investment Group, the Company has 32 stockholders as of December 31, 2016. The Top 20 stockholders are as follows:

	NAME	CITIZEN	SHARES OF COMMON STOCK ISSUED & OUTSTANDING	PERCENTAGE
1	REMONT CONSOLIDATED MINES CORP.	PHILIPPINES	700,000,000	24.32
2	CITIMAX GROUP, INC.	PHILIPPINES	479,871,000	16.67
3	PCD NOMINEE CORP. – FILIPINO	PHILIPPINES	464,923,255	16.15
4	GOLDEN SPIN REALTY, INC.	PHILIPPINES	422,071,200	14.66
5	SUNCORP MINES AND DEVELOPMENT CORP.	PHILIPPINES	226,500,000	7.87
6	FUYING HOLDINGS LIMITED	VIRGIN ISLANDS, BRITISH	150,000,000	5.21
7	XINHUA DEVELOPMENTS LIMITED	VIRGIN ISLANDS, BRITISH	150,000,000	5.21
8	YU RONG LIMITED	REPUBLIC OF SEYCHELLES	150,000,000	5.21
9	BILLION APEX DEVELOPMENT LTD.	VIRGIN ISLANDS, BRITISH	74,999,000	2.61
10	LAGUNA DISTILLERY CORPORATION	PHILIPPINES	50,000,000	1.73
11	PCD NOMINEE CORP. – NON FILIPINO	FOREIGN	7,855,800	0.27
12	PALLERA, FERDINAND M.	PHILIPPINES	1,000,000	0.04
13	TANCHAY, CAROLINE L.	PHILIPPINES	1,000,000	0.04
14	ESTATE OF ERLINDA MERKT & HEINRICH MERKT	PHILIPPINES	94,000	0.00
15	ESGUERRA, FERNANDO B.	PHILIPPINES	50,000	0.00
16	LLANTO, LIDUVINA C.	PHILIPPINES	40,000	0.00
17	MIGUEL DE CASTRO MARA-A OR BITUIN DE CASTRO MARA-A		35,000	0.00
18	KHO, DAVID L.	PHILIPPINES	20,000	0.00
19	PHILIPPINE QUALITY INVESTMENTS &	PHILIPPINES	20,000	0.00

	SECURITIES CORPORATION			
20	CHAN, ELVIRA ONG	PHILIPPINES	10,000	0.00
	<b>SUBTOTAL</b>		<b>2,878,489,255</b>	<b>100.00</b>
	OTHERS		10,750	0.00
	<b>TOTAL</b>		<b>2,878,500,005</b>	<b>100.00</b>

Total shares of common stock summary as of December 31, 2016:

	Total Shares Issued & Outstanding
Filipino	2,345,646,203
Foreign	532,854,802
Total	2,878,500,005

There are no foreign owned preferred shares.

#### Dividend Information

The Corporation to date has not yet declared or issued dividends. There is however no impediment for the Corporation to declare dividends in the future as the Corporation is authorized to declare cash or stock dividends or a combination thereof. A cash dividend declaration requires the approval of the Board and no shareholder approval is necessary. A stock dividend declaration requires the approval of the Board and of the shareholders representing at least two-thirds of the Corporation's outstanding capital stock. Holders of outstanding shares on a dividend record date for such shares will be entitled to the full dividend declared without regard to any subsequent transfer of shares, other than statutory limitations, there are no restrictions that limit the Corporation from paying dividends on common equity.

#### Recent Sales of Unregistered or Exempt Securities, including Recent Issuance of Securities Constituting an Exempt Transaction

In a Resolution dated August 2, 2007, the SEC confirmed that the issuance of 752,000,000 common shares of the Corporation at par value of P1.00 per share to its existing shareholder is exempt from registration requirements of the Securities Regulation Code.

Previously, on July 4, 2007, the Corporation entered into a Deed of Exchange with certain shareholders of Citinickel whereby in exchange for the latter's shares of stock, the Corporation issued 752,000,000 common shares in their favor.

### Item 6. Management's Discussion and Analysis or Plan of Operation.

#### Plan of Operations

The groups nickel mining project situated in the Municipality of Sofronio Española, Palawan and Narra, Palawan, started its commercial operation in 2011, four years after the issuance of MPSA to Citinickel in January 2007. Nickel ore export destinations are China, Japan and Australia which is measured and/or computed in wet metric tons (wmt). Based on current delineated reserve and demand for nickel in the world market, the group projected annual production for 2017 is 1,500,000 wmt, 2,500,000 for 2018 and 2019. Operations will be limited to approximately 180days per year, which corresponds to the projected dry season in Palawan.

For 2017, the group plans to continue its commercial operations with a target of Thirty (30) vessels. To enable to achieve said target the Company will be aggressive in providing necessary financial support to Citinickel for use in improvement of necessary equipment and facility in the mine sites in

Palawan. The Company is also looking into establishing a ferro-nickel plant. On the corporate side, the Company will continue in promoting good corporate governance and in pursuing its objective to be a Company with definite, concrete and effective corporate social responsibility with especial advocacy for health, education and environment.

### **Status Of Operation**

Owing to low prices of nickel globally, Citinickel has limited its shipment of nickel ore to only ten (10) vessels equivalent to 526,760 wet metric tons during 2016. Production was also slowed down and shipments were held starting on the 2<sup>nd</sup> quarter of the year in anticipation of the slumping prices of metals in the world market. As a result, Citinickel incurred losses in operations amounting to P241 million for the year ended December 31, 2016. Despite these events, Citinickel is continually improving its mining facilities in Palawan. Foremost to this is the completion of beneficiation plant in February 2016 in an effort to upgrade the quality of ore shipments. Total cost incurred in the construction of Beneficiation plant amounted to P195 million, funding to which came from internally generated cash. Additional construction works, site development, exploration and validation works are still on-going in the relation to Citinickel's mine site expansion. These efforts have come to fruition when Citinickel obtained a qualifying international standard certified ISO covering the nickel mining operations and post-mining activities for both its mine sites in Narra and Sofronio Española in Palawan.

The Company continued its various projects to its host communities in relation to the Company's Corporate Social Responsibility (CSR), as follows:

1. Education – scholarship programs, constructed school classrooms, school playground and computer laboratory building and provided computers.
2. Infrastructure – a water supply system and filtration project that will provide safe and clean drinking water in coordination with the Provincial Government of the Province of Palawan and the Municipal Government of the Municipality of Narra, Palawan and constructed covered gymnasium for both Narra and Española, solar dryer and multi-purpose hall in Narra.
3. Livelihood and/or sustainable agriculture programs – conducted livelihood training and seminars, provided vermin-composting facilities and distributed organic fertilizer to farmers.
4. Health and sanitation – provided health station, birthing home facility and equipment; conducted medical assistance and minor surgeries.
5. Others – financial support to LGU for activities such as Brigada Eskwela, Provincial Meet, Baragatan Festival, Palay Festival Celebrations and the like.

#### *Suspension of Mining Operations*

On July 22, 2016, an Order of Suspension of Mining Operations of Citinickel was served by the Mines and Geosciences Bureau (MGB) of the Department of Environment and Natural Resources (DENR) covering Citinickel's mine sites in San Isidro, Narra and Sofronio Española, both in the province of Palawan. The suspension arose from the September 10, 2015 Cease and Desist Order (CDO) issued by MGB on the ground that Citinickel was found to have developed a new mine site area (Mine Pit 2) and conducted mining operation therein without a Strategic Environmental Plan (SEP) clearance from the Palawan Council of Sustainable Development which is in violation of Republic Act (RA) 7611. Mine Pit 2 is a restricted zone under the SEP law and is not part of Citinickel's development and/or utilization work program. Other non-governmental organization also cited certain violations committed by Citinickel against the provisions of RA 7942 or the Philippine Mining Act of 1995 and RA 7611 or The SEP for Palawan Act of 1992 which were also made part of the grounds for issuing the CDO. Citinickel believes that the suspension order of MGB was prematurely and improperly issued as there was no prior audit conducted on its operation. Furthermore, Citinickel believes that it is compliant with the rules, regulation and mandate of the Philippine Mining Act (RA 7942) and other environmental laws as well as the obligations and restrictions imposed under the MPSA.

On October 21, 2016, following the completion of Mine Audit conducted on August 12-13, 2016 and pursuant to DENR Memorandum order on the *Audit of All Operating and Moratorium on New Mining Projects*, the DENR Mine Audit Report yielded the following results:

- Citinickel have secured relatively high marks in all parameters of the audit with the exception of the community relations where they only provided above average ranking.
- The audit report highlighted that a mine rehabilitation program is already in progress even prior to the suspension or audit; and
- Citinickel have high marks on safety in operations.

While certain exceptions were noted in the audit report, Citinickel has expressed commitment to fully comply and support the protection of environment and welfare of the communities within the contract area.

On February 8, 2017, the DENR issued an Order maintaining the suspension of Mining Operations issued by MGB to Citinickel. The suspension order shows that Citinickel has violated the mining and environmental laws, among others, as follows:

- failure to submit land use, quarterly status and production reports;
- failure to secure SEP Clearance;
- lack of Special Tree-Cutting Permit;
- lack of designated Community Relations Officer;
- not fully implementing the Social Development and Management Program; and
- impairment of the functions of a watershed in the contract area

Citinickel is exerting all administrative and legal effort to have the suspension order lifted and is optimistic that the MGB shall reasonably appreciate the validity of the contentions of Citinickel that the suspension order shall be lifted at the soonest possible time.

Thus, on March 1, 2017, Citinickel filed a Notice of Appeal to the Office of the President. Subsequently, Citinickel filed its Appeal Memorandum on March 2, 2017.

The management and its legal counsel believe that the suspension order has no basis and the outcome of legal actions taken will not have a material adverse effect on Group's operations. Accordingly, the management has assessed that the Group will continue as a going concern.

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## **BASIS OF PREPARATION, PRESENTATION AND CONSOLIDATION**

### Statement of Compliance

The accompanying consolidated financial statements of the Parent Company and its subsidiary (*collectively referred to as the Group*) have been prepared in accordance with generally accepted accounting principles as set forth in Philippine Financial Reporting Standards (PFRS), Philippine Accounting Standards (PAS) and interpretations thereof. PFRS are adopted standards by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB).

### Basis of Preparation and Presentation

The accompanying consolidated financial statements have been prepared using the historical cost basis of accounting. The consolidated financial statements are presented in Philippine Peso, the Group's functional currency and all values represent absolute amount except when otherwise indicated.

The preparation of the consolidated financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary as at December 31, 2016 and 2015 and for each of the three years in period ended December 31, 2016. The subsidiary is fully consolidated from the date of acquisition, being the date on which the Parent Company obtains control, and continues to be consolidated until the date that such control ceases.

The financial statements of the subsidiary are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

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

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### Current versus non-current classification

The Group presents assets and liabilities in the consolidated statements of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading; or
- Expected to be realized within twelve months after the end of the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the end of the reporting period.

The Group classifies all other assets as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

### Financial assets and liabilities

#### Date of recognition

Financial assets and financial liabilities are recognized in the consolidated statements of financial position of the Group when it becomes a party to the contractual provisions of the instrument.

#### Initial recognition

All financial assets and financial liabilities are initially recognized at fair value. Except for financial assets and financial liabilities at FVPL, the initial measurement of these financial instruments includes transaction costs.

#### Classification and subsequent recognition of financial instruments

The Group classifies financial assets into the following categories, (i) At fair value through profit or loss (FVPL), (ii) Available-for-sale, (iii) Held-to-maturity and (iv) Loans and receivable. The Group classifies its financial liabilities into (i) Financial liabilities at FVPL and (ii) Other financial liabilities. The classification depends on the purpose for which the investments were acquired or

liabilities incurred and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

(i) Financial Assets and Financial Liabilities at FVPL

Financial assets and financial liabilities at FVPL include financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as FVPL. After initial recognition, financial assets and financial liabilities at FVPL are carried at fair value, with any resulting gain or loss is recognized in profit or loss.

A financial asset or financial liabilities classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- It is part of an identified portfolio of financial instruments that the Group manages together and has recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as FVPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistently that would otherwise arise; or
- The financial asset forms part of a group of financial assets which is managed and its performance is evaluated on a fair value basis.
- It forms part of a contract containing one or more embedded derivatives.

As at December 31, 2016 and 2015, the Group has no financial assets and liabilities under this category.

(ii) Available-for-sale (AFS)

AFS are non-derivative financial assets that are either designated on this category or not classified in any of the other categories. Subsequent to initial recognition, AFS assets are carried at fair value in the consolidated statements of financial position. Changes in the fair value are recognized directly in equity account as "Fair value gain or loss on available-for-sale financial assets". Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in equity is included in consolidated statements of comprehensive income for the period.

As at December 31, 2016 and 2015, the Group has no financial assets under this category.

(iii) Held-to-maturity (HTM)

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities wherein the Group has the positive intention and ability to hold to maturity. After initial measurement, HTM assets are carried at amortized cost using the effective interest method, less impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the effective interest rate. Any changes to the carrying amount of the investment are recognized in consolidated statements of comprehensive income.

As at December 31, 2016 and 2015, the Group has no financial assets under this category.

(iv) 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 arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement,

loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate.

Loans and receivables are included in current assets if maturity is within 12 months from the reporting date, otherwise these are classified as non-current assets.

This accounting policy relates to the Group's cash, receivables and advances to related parties, long-term deposit and mine rehabilitation fund.

#### *Other financial liabilities*

This category pertains to financial liabilities that are not designated or classified as FVPL. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral parts of the effective interest rate.

This accounting policy applies primarily to the Group's accounts payable and other liabilities, finance lease liability, and other obligations that meet the above definition (other than liabilities covered by other accounting standards).

Accounts payable are liabilities for supplies or services that have been received or provided and have been invoiced or formally agreed with the supplier. Accounts payables are non-interest bearing and are stated at their original invoice amount since the effect of discounting is immaterial.

Accruals are liabilities for goods or services that have been received or provided but have not been paid, invoiced or formally agreed with the supplier, including amounts due to employees.

#### *Reclassification of financial assets*

A financial asset is reclassified out of the FVPL category when the following conditions are met (i) the financial asset is no longer held for the purpose of selling or repurchasing it in the near term; and (ii) there is a rare situation.

A financial asset that is reclassified out of the FVPL category is reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in the consolidated statements of comprehensive income is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

#### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, the related assets and liabilities are presented gross in the consolidated statements of financial position.

#### *Impairment of financial assets*

At the end of each reporting period, Group assesses whether a financial asset or group of financial assets is impaired.

A financial asset or 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 and that loss event has an impact on the estimated future cash flows of a financial asset or a group of financial assets that can be reliably estimated. Objective evidence that a financial asset may have been impaired includes:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or

- It becomes probable that the borrower will enter bankruptcy or financial re-organization

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced by the impairment loss and the loss is recorded in the profit and loss.

If in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit and loss to the extent that the carrying amount of investment at the date the impairment is reversed, does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

#### *Derecognition of financial instruments*

##### *Financial asset*

A financial asset (or, where applicable a part of a financial asset or part of a group of 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.
- 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 the 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 original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

##### *Financial liability*

A financial liability is derecognized when the obligation under the liability is discharged or 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

#### Cash

Cash represents cash in banks.

#### Inventories

Inventories represent beneficiated nickel ore consisting of Limonite and Saprolite. Limonite are nickel ore with iron content of 20% or higher while Saprolite are nickel ore with iron content of less than 20%. Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined by the average production cost during the period for beneficiated nickel ore exceeding a determined cut-off grade. NRV is the estimated selling price in the ordinary course of business

less estimated cost necessary to make the sale. Periodic ore inventory survey is performed to determine the volume of ore inventory.

#### Stripping costs

The costs of stripping activity resulting to a benefit to be realized in the form of inventory are accounted for in accordance with principles of inventory. Stripping costs activity which provides a benefit in the form of improved access to ore is recognized as a non-current "Stripping Activity Asset". A stripping activity asset is initially measured at cost and subsequently carried at cost or its revalued amount less depreciation or amortization and impairment losses.

#### Explored mineral resources

The subsidiary's financial statements did not recognize in its books the mineral resources from its mineral property right but was recognized in the business combination with the Parent Company. This requires the Parent Company to use recognition and measurement practices that are part of those accounting policies in PFRS 6, Exploration for and Evaluation of Mineral Resources and PAS 38, Intangible Assets. The measurement and recognition of explored mineral resource is based on an independent valuation over the mineral property of Citinickel as supported by the Mineral Production Sharing Agreement (MPSA) and the expected value of the mineable ore reserve in the explored area of the Mineral Property. MPSA can be transferred for value and the mineable ore reserve identified in the explored area of the Mineral Property can be extracted, produced and sold.

Depletion of explored mineral resources is calculated using the units-of-production method based on estimated recoverable reserves, as this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Amortization shall begin when the nickel ore extraction begins or when the mine site is in the condition when it is capable to operate in the manner intended by management, whichever is earlier. Amortization shall cease at the earlier of the date that the intangible asset is classified as held for sale in accordance with PFRS 5 and the date that asset is derecognized.

The estimated recoverable reserves and the amortization method are reviewed periodically to ensure that the estimated recoverable reserves and method of depletion are consistent with the expected pattern of economic benefits from the explored mineral resources. If the estimated recoverable reserve is different from previous estimates, the basis of depletion shall be changed accordingly.

#### Impairment of explored mineral resources

The Parent Company recognizes Explored Mineral Resources and performs an impairment test on those assets when facts and circumstances suggest that the carrying amount of the assets may exceed their recoverable amounts. The Parent Company's policy on recognition of impairment varies from that in PAS 36, but measures the impairment in accordance with the standard once the impairment is identified. For purposes of explored mineral resources, when identifying an exploration and evaluation assets that may be impaired, one or more of the following facts and circumstances indicate that the Parent Company should test its assets for impairment: the period for which the entity has the right to explore in the specific areas has expired during the period or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and sufficient data exist to indicate that, although a development in the specific are is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

#### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depletion and depreciation and accumulated impairment losses, if any.

Upon completion of mine construction, the assets are transferred to property, plant and equipment under “*Pier, road networks and other surface structures*”. Mine properties, including mine rehabilitation asset are stated at cost, less accumulated depletion and accumulated impairment losses, if any.

The initial cost of property, plant and equipment consists of its purchase price, including import duties, taxes, borrowing costs and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to income in the period in which costs are incurred. In situations where it can be clearly demonstrated that the expenditures would result in an increase in future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of such property, plant and equipment.

When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expense, except for costs which qualify for capitalization relating to mining asset additions or improvements and mineable reserve development.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Estimated useful life
Beneficiation plant	10 years
Machineries and equipment	5-10 years
Transportation equipment	5-8 years
Furniture, fixture and equipment	2-5 years

During mining operation, depletion or amortization of mine and mining properties is calculated using the units-of-production method based on estimated recoverable reserves.

Depreciation or amortization of an item of property, plant 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.

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. When assets are derecognized, the cost and related accumulated depletion and depreciation and accumulated impairment losses are removed from the accounts and any resulting gain or loss is reflected in the consolidated statements of comprehensive income.

#### Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

#### *Computer software*

Computer software is amortized on a straight-line basis over its estimated useful economic life of five years and assessed for impairment whenever there is an indication that the intangible asset

may be impaired. The amortization commences when the computer software is available for use. The amortization period is reviewed at each financial year-end. Changes in the estimated useful life is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense is recognized in the Group's comprehensive income.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Group's statement of comprehensive income when the asset is derecognized.

#### Other non-current assets

Other non-current assets of the Group include input tax, Mine Rehabilitation Fund (MRF), software, accrued interest receivable and other deposits. Aside from MRF, which is restricted as to withdrawal for specified purpose, these are classified as non-current since the Group expects to utilize the assets beyond twelve (12) months from the end of the reporting period.

#### Equity

Share capital is determined using the par value of shares that have been issued.

Share premium represents contribution of shareholders to the Parent Company in excess of the par value.

Retained earnings includes all current and prior period results as disclosed in the consolidated statements of comprehensive income.

#### Other comprehensive income

Other comprehensive income comprises items of income and expenses that are not recognized in the profit or loss for the year in accordance with PFRS.

#### Revenue and cost 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.

- *Revenue from sale of beneficiated nickel ore*  
Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Revenue is the fair value of the consideration to be received at the time of sale, net of discounts and volume rebates, if there's any. Revenue from sale of ore is recognized when the ore is transferred to the buyer's vessel.
- *Interest income*  
Interest income is recognized on a time proportion basis using the effective interest rate that takes into account the effective yield on the asset.
- *Dividend income*  
Dividend income is recognized when the Group's right to receive the payment is established.
- *Other income*  
Revenue is recognized in the consolidated statements of comprehensive income as they are earned.

Cost is recognized in the consolidated statements of comprehensive income when the related revenue is earned (e.g. when goods are sold or services have been performed). Expenses are recognized upon utilization of the service or when they are incurred.

### Employee benefits

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 the plan assets, 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 the future contributions to the plan.

The cost of providing benefits under the defined benefit plans actuarially determined using the projected unit credit (PUC) method.

Defined benefit costs comprise the following:

- service cost;
- net interest on the net defined benefit liability or asset; and
- remeasurements of net defined benefit liability or asset.

Service costs, which include current service costs, past service costs and gains or losses on non-routine settlements, are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined 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 expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Re-measurements are not reclassified to profit or loss in subsequent periods.

### Foreign currency-denominated transactions

Transactions denominated in foreign currency are recorded using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are revalued using the closing exchange rate at the end of reporting period. Foreign exchange gains or losses are credited to or charged against current operations.

### Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, 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 the term of the renewal or extension was initially included in the lease term;
- (c) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
- (d) there is a substantial change to the asset.

Where 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) and at the date of renewal or extension period for scenario (b).

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated statements of comprehensive income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments are recognized as an expense in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

*Borrowing cost*

Borrowing cost arising from finance lease are generally treated as expense.

*Income taxes*

Current tax liabilities are measured at the amount expected to be paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantially enacted as at the reporting date.

Deferred tax assets and liabilities are recognized using the balance sheet method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences and the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized. Deferred tax liabilities are recognized for all taxable differences between the financial and tax reporting bases of liabilities. Deferred tax assets and liabilities are measured at the tax rates expected to apply to the periods when the asset is realized or the liability is settled.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Most changes in deferred tax assets and liabilities are recognized as a component of tax expense in the statement of comprehensive income. Only changes in deferred tax assets and liabilities that relate to items recognized directly to equity are recognized in equity and other comprehensive income.

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

*Basic earnings per common share*

Basic and diluted earnings per common share are computed by dividing the net income or loss attributable to the common shareholders by the weighted average number of common shares outstanding after giving retroactive effect to stock dividend declarations, if any, and changes in capital structure.

*Business combination*

On the acquisition of a subsidiary, the purchase method of accounting is applied whereby the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) on the basis of fair value at the date of acquisition. Those mineral reserves and resources that can be reliably measured are recognized in the assessment of fair values on acquisition.

The cost of the business combination is the aggregate of: (a) the fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer in exchange for control of the acquiree; and (b) and costs directly attributable to the business combination.

If the fair value attributable to the Parent Company's share of the identifiable net assets exceeds the consideration, the Parent Company reassesses whether it has correctly identified and measured the assets acquired and liabilities assumed and recognizes any additional assets or liabilities that are identified in that review. If that excess remains after reassessment, the Parent Company recognizes the resulting gain in the statement of comprehensive income on the acquisition date.

#### Impairment of non-financial assets

The carrying values of Inventories, Property, Plant and Equipment, Explored Mineral Resources and Other Non-financial Assets are reviewed for impairment when events or changes in circumstances indicate that their carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of Inventories, Property, Plant and Equipment, Explored Mineral Resources and Other Non-financial Assets is the greater of net selling price and value in use. 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 time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statements of comprehensive income.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined, net of any depreciation and depletion, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and depletion charges are adjusted in future years to allocate the asset's revised carrying amount, on a systematic basis over its remaining useful life.

#### Related party transactions and relationships

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 entity, or between, and/or among the reporting entity and its key management personnel, directors, or shareholders.

#### Provisions

##### *General*

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of reporting period, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long-term provisions are discounted to their present values, where time value of money is material.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements.

Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements.

#### *Provision for site rehabilitation*

The Group records the present value of estimated costs of legal and constructive obligation required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing of structures, dismantling operating facilities and restoration, reclamation and reforestation of affected areas. The obligation generally arises when 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 mine assets. Overtime, 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 profit or loss as a finance cost. Additional changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur.

Mine Rehabilitation Fund (MRF) committed for use in satisfying environmental obligations is included in "Other non-current assets" in the consolidated statements of financial position.

#### Contingencies

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

#### Segment reporting

Operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses whose operating results are regularly reviewed by the chief operating decision maker to make decisions about how resources are to be allocated and for which discrete financial information is available.

As at December 31, 2016 and 2015, the Group's operating segment consists only of its mining activities. Accordingly, the Group does not present segment information.

#### Events after the reporting date

Any event after the reporting date that provides additional information about the Group's position at reporting date (adjusting event) is reflected in the financial statements. Any event after the reporting date that is not an adjusting event is disclosed in the notes to the consolidated financial statements when material.

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## **CHANGES IN ACCOUNTING STANDARDS AND DISCLOSURES**

#### New Accounting Standards and Amendments to Existing Standards Effective as at January 1, 2016

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to PFRS effective beginning January 1, 2016. The adoption however did not result to any material changes in the consolidated financial statements.

#### *Amendments to PAS 1, Presentation of Financial Statements – Disclosure Initiative*

The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

- That entities shall not reduce the understandability of their consolidated financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions

- That specific line items in the statement of income and OCI and the balance sheet may be disaggregated
- That entities have flexibility as to the order in which they present the notes to consolidated financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

These amendments do not have any significant impact on the Group.

*Amendments to PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets Clarification of Acceptable Methods of Depreciation and Amortization*

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendment does not have any impact on the Group's financial position or performance.

*Amendments to PAS 16, Property, Plant and Equipment, and PAS 41, Agriculture - Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments do not have any impact to the Group as the Group does not have any bearer plants.

*Amendments to PAS 27, Separate Financial Statements - Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendment does not have any impact on the Group's financial position or performance.

*Amendments to PFRS 10, Consolidated Financial Statements, PFRS 12, Disclosure of Interests in Other Entities, and PAS 28, Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception.*

These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when it measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method. These amendments are not applicable to the consolidated financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments do not have any impact on the Group's consolidated financial statements.

*Amendments to PFRS 11, Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*

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

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendment does not have any impact on the Group's financial position or performance.

*PFRS 14, Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items in the statement of comprehensive income. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. This standard does not have any impact on the Group's financial position or performance.

*Annual Improvements to PFRSs (2012-2014 cycle)*

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and do not have any material impact to the Group's consolidated financial statements. They include:

- *PFRS 5, Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*  
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
- *PFRS 7, Financial Instruments: Disclosures - Servicing Contracts*  
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.
- *PFRS 7, Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*  
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*  
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
  
- PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'*  
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

*New Accounting Standard, Amendments to Existing Standards and Interpretations Effective Subsequent to December 31, 2016*

Standards issued but not yet effective up to date of issuance of the Group's consolidated financial statements are listed below. The listing consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt these standards when they become effective. The Group does not expect the adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on the consolidated financial statements.

*Effective 2017*

*Amendments to PAS 7, Statement of Cash Flows*

The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. They are effective for annual periods beginning on or after January 1, 2017, with earlier application being permitted.

*Amendments to PAS 12, Income taxes – Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. These amendments are not expected to have any significant impact on the Group.

*Effective 2018*

*Amendments to PAS 40, Investment Property – Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development, into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. . The amendments are effective for annual periods beginning on or after July 1, 2018. Retrospective application is only permitted if

that is possible without the use of hindsight. The amendments are not expected to have any impact on the Group.

*Philippine IFRIC Interpretation 22, Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or nonmonetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the interpretation on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Group does not expect the adoption of this interpretation to have any significant impact on the consolidated financial statements.

*Amendments to PFRS 2, Share-based Payment – Classification and Measurement of Share-based Payment Transactions*

The amendments are intended to clarify following:

- Accounting for cash-settled share-based payment transactions that include a performance condition;
- Classification of share-based payment transactions with net settlement features; and
- Accounting for modifications of share-based payment transactions from cash-settled to equity settled

They are effective for annual periods beginning on or after January 1, 2018. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. Early application of the amendment is permitted.

*Amendments to PFRS 4, Insurance Contracts – Applying PFRS 9 ‘Financial Instrument’ with PFRS 4 ‘Insurance Contracts’*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard, before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021. The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9. The amendments are not applicable to the Group since there are no activities that are predominantly connected with insurance or issue insurance contracts. They are effective for annual periods beginning on or after January 1, 2018.

*PFRS 9, Financial Instruments (2014)*

PFRS 9 (2014) replaces PAS 39, Financial Instruments: Recognition and Measurement, and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting

requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management. The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Group is still assessing the potential impact on its consolidated financial statements resulting from the application of PFRS 9.

#### *PFRS 15, Revenue from Contracts with Customers*

PFRS 15 replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange nonmonetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Group is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date.

#### *Annual Improvements to PFRSs (2014-2016 cycle)*

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2018 and will not have any material impact to the Group's consolidated financial statements. They include:

- *PFRS 1, First-time Adoption of Philippine Financial Reporting Standards*  
The amendment deleted the short-term exemptions in paragraphs E3-E7 of PFRS 1, because they have now served their intended purpose.
- *PFRS 12, Disclosure of Interests in Other Entities*  
The amendment clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.
- *PAS 28, Investments in Associates and Joint Ventures*  
The amendment clarified that the election to measure at fair value through profit or loss an investment in associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

#### *Effective 2019*

##### *PFRS 16, Leases*

On January 13, 2016, the IASB issued its new standard, PFRS 16, *Leases*, which replaces PAS 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating lease or finance leases in accordance with PAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their statement of financial position, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is not permitted until the FRSC has adopted the new revenue recognition standard. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective application, with options to use certain transition reliefs.

#### *Deferred*

*PFRS 10, Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are originally effective from annual periods beginning on or after January 1, 2016. This mandatory adoption date was later on deferred indefinitely pending the final outcome of the IASB's research project on International Accounting Standards 28. Adoption of these amendments when they become effective will not have any impact on the consolidated financial statements.

## SUMMARY OF SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgments are made by management on the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### 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:

The preparation of the consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Judgments are made by management on the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### 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:

##### *Determination of functional currency*

The Group, based on the relevant economic substance of the underlying circumstances, has determined its functional currency to be the Philippine Peso. The functional currency is the currency of the primary economic environment in which the Group primarily operates. It is the currency that mainly influences labor, materials and other costs of providing goods and services.

##### *Classifying financial instruments*

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

##### *Assessing whether an agreement is a finance or operating lease*

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

##### *Determination of fair value of assets and liabilities*

The Group measures fair value of assets and liabilities using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

##### Level 1

Included in the Level 1 category are assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. Assets and liabilities are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

##### Level 2

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

##### Level 3

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

Fair value measurement is disclosed in Note 6.

##### *Capitalization of mine exploration cost*

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits are likely, either from future exploration, or sale, or where activities have not reached a stage which permits a

reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the consolidated statements of comprehensive income in the period when the new information becomes available.

#### *Commencement of mining production*

The Group assesses the stage of mine property under construction to determine when a mine moves into the production stage. When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expense, except for costs that qualify for capitalization relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation/amortization is recorded.

#### Estimates

The key estimates and assumptions concerning the future and other key sources of estimation of 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 useful lives of property, plant and equipment*

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear or tear, commercial obsolescence and legal or other limits on the use of the assets.

Property, plant and equipment, net of accumulated depreciation, excluding pier, road networks and other surface structures, mine rehabilitation asset and construction in progress, amounted to P561.2 million and P455.9 million in 2016 and 2015, respectively. (see Note 11)

#### *Estimating NRV of inventories*

The carrying value of inventories is carried at lower of cost and NRV. The estimates used in determining NRV is dependent on the recoverability of its cost with reference to existing market prices, location or the recent market transactions. The amount and timing of recorded cost for any period would differ if different estimates were used.

#### *Recoverability and estimates of explored mineral resources*

Mineral reserves and resources estimates for development projects are, to a large extent, based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of costs based on anticipated tonnage and grades of ores to be mined and processed, the configuration of the ore body, expected recovery rates from the ore, estimated operating costs, estimated climatic condition and other factors. Proven reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and extractions and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. All proven reserve estimates are subject to revision, either upward or downward, based on new information, such as from block grading and production activities or from changes in economic factors including product prices, contract terms or development plans.

Estimates of reserves for underdeveloped or partially developed area are subject to greater uncertainty over their future life than estimates of reserves for areas that are substantially developed and depleted. As an area goes into production, the amount of proven reserves will be subject to future revision once additional information becomes available. As those areas are further developed, new information may lead to revisions.

#### *Estimating depletion rate and ore recoverable reserves*

Depletion rates used to amortize mining properties and mine are assessed on an annual basis based on the results of latest estimate of recoverable reserve, which is subject to future revisions.

The Group estimates its ore reserves and mineral resources 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 commodity value, 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 value of mine properties, property, plant and equipment, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortization charges.

#### *Commencement of mining production*

The Group assesses the stage of mine property under construction to determine when a mine moves into the production stage. When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expense, except for costs that qualify for capitalization relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation/amortization is recorded.

#### *Estimating provision for mine rehabilitation and decommissioning*

The Group is legally required to fulfill certain obligations under its Mineral Production Sharing Agreement (MPSA) and Environmental Compliance Certificate (ECC) issued by the DENR when it abandons depleted mine pits. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability. 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 reporting date represents management's best estimate of the present value of the future rehabilitation cost required. Assumptions used to compute the site rehabilitation costs are reviewed and updated annually.

Provision for site rehabilitation costs amounted to P72.8 million in 2016 and P64.5 million in 2015. (see Note 16)

#### *Impairment of intangible asset*

Purchase method of accounting requires extensive use of accounting estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at the acquisition date.

The Parent Company's business acquisitions have resulted to the recognition of intangible asset which is subject to a periodic impairment test. The Parent Company determines whether the intangible asset is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the intangible asset is allocated. Estimating the value in use requires the Parent Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount of intangible asset as at December 31, 2016 and 2015 amounted to P581.3 million and P587.8 million, respectively which is classified under "Explored mineral resources" in the consolidated statements of financial position. (see Note 12)

#### *Estimating allowance for impairment losses on non-financial assets*

The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Several factors are considered which could trigger that impairment has occurred. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have material adverse effect on the results of operations.

As at December 31, 2016 and 2015, management believes that no provision for impairment losses is necessary.

#### *Determining retirement benefits*

The determination of the Group's obligation and costs for retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions, as described in Note 25, include among others, discount rates and future salary increase rates. In accordance with Revised PAS 19, actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligations in such future periods. While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's retirement liability.

Retirement benefit obligation amounted to P3,803,981 and P2,896,620 as at December 31, 2016 and 2015, respectively. (see Note 25)

#### *Litigations and assessment*

The Group is currently involved in some legal proceedings. While estimates have been developed on possible outcome of these cases, management believes that the ultimate outcome will not have a material effect on the consolidated financial statements. However, a change in underlying estimates could affect the consolidated financial statements in the future.

As at December 31, 2016 and 2015, there were no provision for litigation and assessment in the accompanying financial statements.

#### *Assessing recoverability of deferred tax assets*

Deferred tax assets, including those arising from un-utilized tax losses require management to assess the likelihood that the Group will generate taxable income in future periods, in order to utilize recognized deferred tax assets.

The Group reviews the carrying amounts of deferred tax asset at each reporting date and assesses if it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The Group has recognized deferred tax asset amounting to P38,531,473 and P27,303,828 as at December 31, 2016 and 2015, respectively. (see Note 26)

#### *Realizability of input tax*

The Group assesses the realizability of input tax based on its ability to utilize the asset. The assessment is made on a continuing basis year on year.

Input tax, included under "Other non-current assets - net" amounted to P117,926,818 and P116,798,166 as at December 31, 2016 and 2015, respectively. (see Note 13)

## FAIR VALUE MEASUREMENT

The fair value for assets and liabilities traded in active market at the reporting date is based on their quoted market price. For all other assets and liabilities not listed in an active market, the fair value is determined by using appropriate techniques or comparison to similar instruments for which market observable prices exists.

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instruments or based on a valuation technique, the Group recognizes the difference between the transaction price and fair value in the statements of income unless it qualifies for recognition as some other type of asset.

Assets and liabilities measured at fair value and those which are not measured at fair value but fair value is required to be disclosed are categorized in a manner discussed in note 5.

The following table presents the fair value of the Group's financial assets and liabilities recognized in the consolidated Statements of Financial Position as at December 31, 2016 and 2015:

2016	Level 1	Level 2	Level 3
<b>Assets</b>			
<b>Loans and receivables</b>			
Cash *	P -	P 37,655,996	P -
Receivables	-	38,632,453	-
Advances to related parties	-	2,188,795,441	-
Accrued interest receivable	-	14,389,255	-
Long-term deposit	-	957,569,202	-
Mine rehabilitation fund	-	58,614,985	-
	P -	P 3,295,657,332	P -
<b>Liabilities</b>			
<b>Accounts payable and other liabilities</b>			
Trade	P -	P 254,550,601	P -
Others	-	2,422,744	-
Dividends payable	-	12,960,000	-
	P -	P 269,933,345	P -

\* Amount is exclusive of cash on hand of P5,000.

2015	Level 1	Level 2	Level 3
<b>Assets</b>			
Cash *	P 3,761,850	P -	P -
Receivables	-	317,910,809	-
Advances to related parties	-	2,006,319,543	-
Long-term deposit	-	957,803,337	-
Mine rehabilitation fund	-	57,963,989	-
	P 3,761,850	P 3,339,997,678	P -
<b>Liabilities</b>			
<b>Accounts payable and other liabilities</b>			
Trade	P -	P 53,666,050	P -
Others	-	2,072,744	-
Finance lease liability	-	5,098,948	-
Dividends payable	-	12,336,206	-
	P -	P 73,173,948	P -

\* Amount is exclusive of cash on hand amounting to P5,000.

2014	Level 1	Level 2	Level 3
<b>Assets</b>			
Cash	P 1,904,341,258	P -	P -
Receivables	-	409,103,073	-
Advances to related parties	-	445,592,572	-
Mine rehabilitation fund	-	42,086,047	-
	P 1,904,341,258	P 896,781,692	P -
<b>Liabilities</b>			
<b>Accounts payable and other liabilities</b>			
Trade	P -	P 66,488,429	P -
Others	-	2,004,227	-
	P -	P 68,492,656	P -

2013	Level 1	Level 2	Level 3
<b>Assets</b>			
Cash	P 76,556,183	P -	P -
Receivables	-	734,435,875	-
Advances to related party	-	571,970,057	-
Other financial assets	-	11,129,317	-
	P 76,556,183	P 1,317,535,249	P -
<b>Liabilities</b>			
<b>Accounts payable and other liabilities</b>			
Trade	P -	P 69,417,013	P -
Others	-	1,807,168	-
Finance lease liability	-	999,909	-
Advances from related parties	-	934,089,474	-
	P -	P 1,006,313,564	P -

2012	Level 1	Level 2	Level 3
<b>Assets</b>			
Cash	P 37,270,110	P -	P -
Receivables	-	1,053,536,101	-
	P 37,270,110	P 1,053,536,101	P -
<b>Liabilities</b>			
<b>Accounts payable and other liabilities</b>			
Trade	P -	P 74,910,199	P -
Others	-	1,843,885	-
Finance lease liability	-	1,169,827	-
Advances from related parties	-	1,017,406,575	-
	P -	P 1,095,330,486	P -

## RISK MANAGEMENT OBJECTIVES AND POLICIES

### Risk Management Framework

The Group's Board of Directors is responsible for the over-all effectiveness of risk management system. Furthermore, an operating committee was created to guide the BOD in developing risk management policies. It is also the committee's purpose to lead the general evaluation and to provide assistance in the continuous improvement of risk management, control and governance processes by ensuring that:

- (i) Financial reports comply with established internal policies and procedures, pertinent accounting and auditing standards, and other regulatory requirements;
- (ii) Risks are properly identified, evaluated and managed, specifically in the areas of managing credit, market, liquidity, operational, legal and other risk;
- (iii) The BOD is properly assisted in the development of policies that would enhance the risk management.

### Credit Risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial asset as shown in the face of the consolidated statements of financial position as of December 31, 2016, 2015, 2014, 2013, and 2012 as presented below:

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Cash*	P37,655,996	P3,761,850	P1,904,341,258	P76,556,183	P37,270,110
Receivables	38,632,453	317,910,809	409,103,073	734,435,875	1,053,536,101
Advances to related party	2,188,795,441	2,006,319,543	445,592,572	571,970,057	0
Accrued interest receivable	14,389,255	0	0	0	0
Long term deposit	957,569,202	957,803,337	0	0	0
Mine rehabilitation fund	58,614,985	57,963,989	42,086,047	11,128,317	0
	<b>P3,295,657,332</b>	<b>P3,347,759,528</b>	<b>P2,801,122,950</b>	<b>P1,394,091,432</b>	<b>P1,090,806,211</b>

\*Amount is exclusive of cash on hand amounting to P5,000.00 in 2015 and 2016.

As part of the Group's policy, deposits are only maintained with reputable financial institutions and receivables are monitored on an on-going basis to identify accounts for which collection is doubtful.

Credit quality by class of the Group's financial assets as at December 31, 2016, 2015, 2014, 2013 and 2012 are summarized in the following tables:

2016		Niether Past Due Nor Impaired (High)	Past Due But Not Impaired	Past Due and Individually Impaired	Total
Cash *	P	37,655,996	P -	P -	P 37,655,996
Receivables					
Trade receivables		30,111,498	8,376,955	-	38,488,453
Other receivables		-	144,000	-	144,000
Advances to related parties		2,188,795,441	-	-	2,188,795,441
Long-term deposit		957,569,202	-	-	957,569,202
Accrued interest receivable		14,389,255	-	-	14,389,255
Mine rehabilitation fund		58,614,985	-	-	58,614,985
	P	3,287,136,377	P 8,520,955	P -	P 3,295,657,332

\* Amount is exclusive of cash on hand of P5,000.

2015		Niether Past Due Nor Impaired (High)	Past Due But Not Impaired (30 - 180 days)	Past Due and Individually Impaired	Total
Cash *	P	3,761,850	P -	P -	P 3,761,850
Receivables					
Trade receivables		79,705,823	238,060,986	-	317,766,809
Other receivables		-	144,000	-	144,000
Advances to related parties		2,006,319,543	-	-	2,006,319,543
Long-term deposit		957,803,337	-	-	957,803,337
Mine rehabilitation fund		57,963,989	-	-	57,963,989
	P	3,105,554,542	P 238,204,986	P -	P 3,343,759,528

\* Amount is exclusive of cash on hand amounting to P5,000.

2014		Niether Past Due Nor Impaired (High)	Past Due But Not Impaired (30 - 180 days)	Past Due and Individually Impaired	Total
Cash	P	1,904,341,258	P -	P -	P 1,904,341,258
Receivables					
Trade receivables		145,211,003	263,392,070	-	408,603,073
Advances to officers and employees		-	500,000	-	500,000
Advances to related parties		445,592,572	-	-	445,592,572
Mine rehabilitation fund		42,086,047	-	-	42,086,047
	P	2,537,230,880	P 263,892,070	P -	P 2,801,122,950

2013	Niether				Total
	Past Due Nor Impaired (High)	Past Due But Not Impaired (30 - 180 days)	Past Due and Individually Impaired		
Cash	P 76,556,183	P -	P -	P	76,556,183
Receivables					
Trade receivables	95,291,347	638,060,888	-		733,352,235
Advances to officers and employees	-	1,083,640	-		1,083,640
Advances to related party	571,970,057	-	-		571,970,057
Mine rehabilitation fund	11,129,317	-	-		11,129,317
	P 754,946,904	P 639,144,528	P -	P	1,394,091,432

2012	Niether				Total
	Past Due Nor Impaired (High)	Past Due But Not Impaired (30 - 180 days)	Past Due and Individually Impaired		
Cash	P 37,270,110	P -	P -	P	37,270,110
Receivables					
Trade receivables	188,144,460	864,452,001	-		1,052,596,461
Advances to officers and employees	-	939,640	-		939,640
	P 225,414,570	P 865,391,641	P -	P	1,090,806,211

High grade cash are working cash fund placed, invested, or deposited in banks belonging to top ten (10) banks in the Philippines in terms of resources and profitability.

High grade accounts, other than cash, are accounts considered to be of high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

The aging analyses of financial assets that are past due but not impaired as at December 31, 2016, 2015, 2014, 2013 and 2012 are as follows:

2016	Days past due				Total
	30 days	60 days	90 days	over 90 days	
Receivables					
Trade receivables	P -	P -	P -	P 8,376,955	P 8,376,955
Other receivables	-	-	-	144,000	144,000
	P -	P -	P -	P 8,520,955	P 8,520,955

2015	Days past due				Total
	30 days	60 days	90 days	over 90 days	
Receivables					
Trade receivables	P 142,823,365	P 46,694,340	P 47,599,927	P 943,354	P 238,060,986
Other receivables	-	-	-	144,000	144,000
	P 142,823,365	P 46,694,340	P 47,599,927	P 1,087,354	P 238,204,986

2014	Days past due				Total
	30 days	60 days	90 days	over 90 days	
<b>Receivables</b>					
Trade receivables	P 114,642,021	P 85,923,849	P 62,826,200	P -	P 263,392,070
Advances to officers and employees	-	-	-	500,000	500,000
	<b>P 114,642,021</b>	<b>P 85,923,849</b>	<b>P 62,826,200</b>	<b>P 500,000</b>	<b>P 263,892,070</b>

2013	Days past due				Total
	30 days	60 days	90 days	over 90 days	
<b>Receivables</b>					
Trade receivables	P 350,933,488	P 127,612,178	P 102,089,742	P 57,425,480	P 638,060,888
Advances to officers and employees	433,456	270,910	325,092	54,182	1,083,640
	<b>P 351,366,944</b>	<b>P 127,883,088</b>	<b>P 102,414,834</b>	<b>57,479,662</b>	<b>P 639,144,528</b>

2012	Days past due				Total
	30 days	60 days	90 days	over 90 days	
<b>Receivables</b>					
Trade receivables	P 466,804,081	P 181,534,920	P 121,023,280	P 95,089,720	P 864,452,001
Advances to officers and employees	366,460	225,514	272,496	75,171	939,640
	<b>P 467,170,540</b>	<b>P 181,760,434</b>	<b>P 121,295,776</b>	<b>95,164,891</b>	<b>P 865,391,641</b>

#### Liquidity Risk

The ability of the Group to finance capital expenditures and meet obligations as they become due is important to the Group's operations. The Group's policy is to maintain liquidity at all times. Any shortfalls are addressed in advance to seek available financing internally or through third parties.

The table below summarizes the maturity profile of the Group's financial liabilities as of December 31, 2016, 2015, 2014, 2013, and 2012, based on undiscounted contractual payments:

	Year	<1 month	>1 month & <3 months	>3months & <1 year	>1year	Total
Accounts payable and other liabilities	2016	P254,550,601	P -	P2,422,744	P -	P27,877,745
	2015	53,666,050	-	2,072,744	-	55,738,794
	2014	47,553,559	939,482	19,999,615	-	68,492,656
	2013	36,709,723	643,482	33,870,976	-	71,224,181
	2012	56,126,329	779,139	19,848,616	-	76,754,084
Finance lease liability	2016	-	-	-	-	-
	2015	493,285	996,447	3,609,216	-	5,098,948
	2014	-	-	-	-	-
	2013	83,326	166,652	749,931	-	999,909
	2012	97,846	194,972	877,369	-	1,169,827
Dividends payable	2016	-	-	12,960,000	-	12,960,000
	2015	-	-	12,336,206	-	12,336,206
	2014	-	-	-	-	-
	2013	-	-	-	-	-
	2012	-	-	-	-	-

Advances from related party	2016	-	-	-	-	-
	2015	-	-	-	-	-
	2014	-	-	-	-	-
	2013	-	-	-	934,089,474	934,089,474
	2012	-	-	1,017,406,575	-	1,017,406,575

#### Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

#### Interest rate risk

The management of interest rate risk involves maintenance of appropriate blend of financial instruments with consideration on the maturity profile of the security. Exposures of cash to interest rate risk comprise the following:

2016	Interest rate	Due in			Total
		1 year	2 - 5 year	beyond 5 years	
Cash*	0.21% - 0.25%	P 37,655,996	P -	P -	P 37,655,996
Long-term deposit	2.10%	-	957,569,202	-	957,569,202
Mine rehabilitation fund	2% - 2.5%	-	-	58,614,985	58,614,985
		P 37,655,996	P 957,569,202	P 58,614,985	P 1,053,840,183

\* Amount is exclusive of cash on hand of P5,000.

2015	Interest rate	Due in			Total
		1 year	2 - 5 year	beyond 5 years	
Cash*	0.21% - 0.25%	P 3,761,850	P -	P -	P 3,761,850
Long-term deposit	1.73%	-	957,803,337	-	957,803,337
Mine rehabilitation fund	2% - 2.5%	-	-	57,963,989	57,963,989
		P 3,761,850	P 957,803,337	57,963,989	P 1,019,529,176

\* Amount is exclusive of cash on hand amounting to P5,000.

2014	Interest rate	Due in			Total
		1 year	2 - 5 year	beyond 5 years	
Cash	0.20% - 0.24%	P 1,904,341,258	P -	P -	P 1,904,341,258
Mine rehabilitation fund	2% - 2.5%	-	-	42,086,047	42,086,047
		P 1,904,341,258	P -	42,086,047	P 1,946,427,305

As of December 31, 2016, 2015, 2014, 2013 and 2012, there are no other significant financial instruments for which the Group is exposed to interest rate risk.

The table below demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax:

		Increase/Decrease in interest rates	Effect on profit before tax
Cash, long-term deposit and mine rehabilitation fund	2016	+200 bps	10,348,038

2016	-200 bps	(10,348,038)
2015	+200 bps	20,390,584
2015	-200 bps	(20,390,584)
2014	+200 bps	38,928,546
2014	-200 bps	(38,928,546)

#### Foreign exchange risk

The risk that Group will face with respect to this is the unstable changes in foreign exchange rates particularly in US dollar. To minimize this risk, the Group maintains a considerable amount of cash so as not to be affected by the fluctuation of Philippine peso vis-à-vis US dollar.

The Group's foreign currency-denominated financial assets and their Philippine peso equivalents as at December 31, 2016, 2015, 2014, 2013, 2012 are as follows:

	2016				2015			
	US\$		Peso		US\$		Peso	
	Amount		Equivalent		Amount		Equivalent	
<b>Cash</b>	\$	615,118	P	30,640,912	\$	2,025	P	95,499
<b>Receivables</b>		772,659		38,488,453		5,408,231		255,084,609
<b>Long-term deposit</b>		2,130,588		106,130,976		20,307,072		957,803,338
	\$	3,518,365	P	175,260,341	\$	25,717,328	P	1,212,983,446

	2015				2014			
	US\$		Peso		US\$		Peso	
	Amount		Equivalent		Amount		Equivalent	
<b>Cash</b>	\$	2,025	P	95,499	\$	42,630,818	P	1,902,059,229
<b>Receivables</b>		5,408,231		255,084,609		7,749,891		345,776,873
<b>Long-term deposit</b>		20,307,072		957,803,338		-		-
	\$	25,717,328	P	1,212,983,446	\$	50,380,709	P	2,247,836,102

The following table demonstrates the sensitivity to a reasonable change in the US\$ exchange rate, with all other variables held constant, of the Group's income and equity:

	2014				2013			
	US\$		Peso		US\$		Peso	
	Amount		Equivalent		Amount		Equivalent	
<b>Cash</b>	\$	42,630,818	P	1,902,059,229	\$	1,501,490	P	66,687,684
<b>Receivables</b>		7,749,891		345,776,873		16,511,736		733,352,235
	\$	50,380,709	P	2,247,836,102	\$	18,013,226	P	800,039,919

	2013				2012			
	US\$		Peso		US\$		Peso	
	Amount		Equivalent		Amount		Equivalent	
<b>Cash</b>	\$	1,501,490	P	66,687,684	\$	561,008	P	23,110,682
<b>Receivables</b>		16,511,736		733,352,235		25,551,606		1,052,596,461
	\$	18,013,226	P	800,039,919	\$	26,112,614	P	1,075,707,143

The following table demonstrates the sensitivity to a reasonable change in the US\$ exchange rate, with all other variables held constant, of the Group's income and equity:

	Increase/Decrease in US Dollar rates	Effect on Income and Equity
2016	+5%	6,134,093
	-5%	(6,134,093)
2015	+5%	P42,454,421
	-5%	(42,454,421)
2014	+5%	P78,674,264
	-5%	(78,674,264)
2013	+5%	28,001,397
	-5%	(28,001,397)
2012	+5%	37,649,750
	-5%	(37,649,750)

## CASH

This account represents cash deposits with banks which generally earn interest based on prevailing bank interest rates and consists of the following:

As of December 31, 2016, 2015, 2014, 2013, and 2012 this account consists of:

	2016	2015	2014	2013	2012
Local currency	7,020,084	3,671,351	2,282,029	9,868,499	
Foreign currency	30,640,912	95,499	1,902,059,229	66,687,684	
	<b>37,660,996</b>	<b>3,766,850</b>	<b>1,904,341,258</b>	<b>76,556,183</b>	<b>37,270,110</b>

## RECEIVABLES

The breakdown of this account follows:

	2016	2015	2014	2013	2012
Trade receivables	38,488,453	317,766,809	408,459,073	733,352,235	P1,052,596,461
Advances to officers and employees	0	0	500,000	1,083,640	939,640
Other receivables	144,000	144,000	144,000		
	<b>38,632,453</b>	<b>317,910,809</b>	<b>409,103,073</b>	<b>734,435,875</b>	<b>P1,053,536,101</b>

Management believes that the carrying value of receivables is a reasonable approximation of its fair value and that no allowance for impairment losses is necessary.

## INVENTORY

Beneficiated nickel ore as of December 31, 2016, 2015, 2014, 2013, and 2012 are as follows:

	2016	2015	2014	2013	2012
Limonite	231,426,092	276,264,649	228,275,235	209,450,037	P154,087,164
Saprolite	550,783,738	544,291,056	398,733,543	141,271,278	-
<b>Total</b>	<b>782,209,830</b>	<b>820,555,705</b>	<b>627,008,778</b>	<b>350,721,315</b>	<b>P154,087,164</b>

Inventories are carried at cost as at December 31, 2016, 2015, 2014, 2013, and 2012.

## PROPERTY, PLANT AND EQUIPMENT

As at December 31, 2016, this account consists of:

	Pier, road networks and other surface structures	Mine rehabilitation asset	Machineries and equipment	Beneficiation plant	Transportation equipment	Furniture, fixtures and equipment	Construction in progress	Total
<b>Cost</b>								
At January 1, 2016	P 1,355,074,047	P 55,720,000	P 820,946,607	P -	P 51,490,598	P 3,954,491	P 570,640,000	P 2,857,825,743
Additions	-	-	200,000	195,169,470	2,753,350	168,695	22,250,480	220,541,995
Capitalized provision for site rehabilitation	-	7,038,000	-	-	-	-	-	7,038,000
Reclassification	592,139,760	-	-	750,720	-	-	(592,890,480)	-
At December 31, 2016	1,947,213,807	62,758,000	821,146,607	195,920,190	54,243,948	4,123,186	-	3,085,405,738
<b>Accumulated depreciation and depletion</b>								
At January 1, 2016	313,743,558	9,022,345	387,355,787	-	30,343,380	2,828,193	-	743,293,263
Additions	11,424,922	593,571	74,172,597	14,694,014	4,219,217	607,767	-	105,712,088
At December 31, 2016	325,168,480	9,615,916	461,528,384	14,694,014	34,562,597	3,435,960	-	849,005,351
<b>Net Book Value</b>								
At December 31, 2016	P 1,622,045,327	P 53,142,084	P 359,618,223	P 181,226,176	P 19,681,351	P 687,226	P -	P 2,236,400,387

As of December 31, 2015, this account consists of:

	Pier, road networks and other surface structures	Machineries and equipment	Transportation equipment	Furniture, fixtures and equipment	Construction in progress	Total
<b>Cost</b>						
At January 1, 2015	P 1,404,385,327	P 820,461,917	P 44,317,664	P 3,620,951	P 570,640,000	P 2,843,425,859
Additions	750,720	484,690	8,428,000	333,540	-	9,996,950
Capitalized provision for site rehabilitation	5,658,000	-	-	-	-	5,658,000
Disposal	-	-	(1,255,066)	-	-	(1,255,066)
At December 31, 2015	1,410,794,047	820,946,607	51,490,598	3,954,491	570,640,000	2,857,825,743
<b>Accumulated depreciation and depletion</b>						
At January 1, 2015	271,775,283	300,525,868	25,049,745	2,156,872	-	599,507,768
Additions	50,990,620	86,831,128	5,999,610	670,112	-	144,491,470
Disposal	-	-	(705,975)	-	-	(705,975)
At December 31, 2015	322,765,903	387,356,996	30,343,380	2,826,984	-	743,293,263
<b>Net Book Value</b>						
At December 31, 2015	P 1,088,028,144	P 433,589,611	P 21,147,218	P 1,127,507	P 570,640,000	P 2,114,532,480

As of December 31, 2014 this account consists of:

	Pier, road networks and other surface structures	Machineries and equipment	Transportation equipment	Furniture, fixtures and equipment	Construction in progress	Total
<b>Cost</b>						
At January 1, 2014	P 1,395,184,979	P 643,104,266	P 41,194,364	P 3,347,981	P 570,640,000	P 2,653,471,590
Additions	920,348	190,057,651	3,123,300	272,970	-	194,374,269
Capitalized provision for site rehabilitation	8,280,000	-	-	-	-	8,280,000
Disposal	-	(12,700,000)	-	-	-	(12,700,000)
At December 31, 2014	1,404,385,327	820,461,917	44,317,664	3,620,951	570,640,000	2,843,425,859
<b>Accumulated depreciation and depletion</b>						
At January 1, 2014	183,671,017	235,843,797	19,709,676	1,464,709	-	440,689,199
Additions	88,104,266	75,373,738	5,340,069	692,163	-	169,510,236
Disposal	-	(10,691,667)	-	-	-	(10,691,667)
At December 31, 2014	271,775,283	300,525,868	25,049,745	2,156,872	-	599,507,768
<b>Net Book Value</b>						
At December 31, 2014	P 1,132,610,044	P 519,936,049	P 19,267,919	P 1,464,079	P 570,640,000	P 2,243,918,091

As of December 31, 2013, this account consists of:

	Pier, road networks and other surface structures	Machineries and equipment	Transportation equipment	Furniture, fixtures and equipment	Construction in progress	Total
<b>Cost</b>						
At January 1, 2013	P 1,381,192,495	P 634,724,446	P 40,011,430	P 2,992,066	P -	P 2,058,920,437
Additions	192,484	8,379,820	4,638,000	355,915	570,640,000	584,206,219
Capitalized provision for site rehabilitation	13,800,000	-	-	-	-	13,800,000
Disposal	-	-	(3,455,066)	-	-	(3,455,066)
<b>At December 31, 2013</b>	<b>1,395,184,979</b>	<b>643,104,266</b>	<b>41,194,364</b>	<b>3,347,981</b>	<b>570,640,000</b>	<b>2,653,471,590</b>
<b>Accumulated depreciation and depletion</b>						
At January 1, 2013	112,546,291	170,226,993	16,609,906	852,934	-	300,236,124
Additions	71,124,726	65,616,804	5,200,477	611,775	-	142,553,782
Disposal	-	-	(2,100,707)	-	-	(2,100,707)
<b>At December 31, 2013</b>	<b>183,671,017</b>	<b>235,843,797</b>	<b>19,709,676</b>	<b>1,464,709</b>	<b>-</b>	<b>440,689,199</b>
<b>Net Book Value</b>						
<b>At December 31, 2013</b>	<b>P 1,211,513,962</b>	<b>P 407,260,469</b>	<b>P 21,484,688</b>	<b>P 1,883,272</b>	<b>P 570,640,000</b>	<b>P 2,212,782,391</b>

As of December 31, 2012 this account consists of:

	Pier, road networks and other surface structures	Machineries and equipment	Transportation equipment	Furniture, fixtures and equipment	Total
<b>Cost</b>					
At January 1, 2012	P 1,357,783,380	P 453,628,409	P 29,859,691	P 1,989,691	P 1,843,261,171
Additions	1,052,115	181,096,037	10,151,739	1,002,375	193,302,266
Capitalized provision for site rehabilitation	22,357,000	-	-	-	22,357,000
<b>At December 31, 2012</b>	<b>1,381,192,495</b>	<b>634,724,446</b>	<b>40,011,430</b>	<b>2,992,066</b>	<b>2,058,920,437</b>
<b>Accumulated depreciation and depletion</b>					
At January 1, 2012	26,768,032	115,005,068	11,869,542	368,273	154,010,915
Additions	85,778,259	55,221,925	4,740,364	484,661	146,225,209
<b>At December 31, 2012</b>	<b>112,546,291</b>	<b>170,226,993</b>	<b>16,609,906</b>	<b>852,934</b>	<b>300,236,124</b>
<b>Net Book Value</b>					
<b>At December 31, 2012</b>	<b>P 1,268,646,204</b>	<b>P 464,497,453</b>	<b>P 23,401,524</b>	<b>P 2,139,132</b>	<b>P 1,758,684,313</b>

Depreciation and depletion charged to operations amounted to P105,712,088 in 2016, P144,491,470 in 2015, P169,510,236 in 2014, P142,553,782 in 2013, and P146,225,209 in 2012.

Agreements pertaining to construction of mine structures, purchase of machineries and transportation equipment were entered into with a related party. (see Note 27)

Construction in progress pertains to the progress billing of Citimax on mine site expansion and on-going site development. It is included in property, plant and equipment and is stated at cost. Depreciation is not computed until the relevant assets are completed and put into operation or use.

The Group acquired transportation equipment in 2015 under the finance lease arrangement. The net book value of the transportation equipment acquired under this arrangement as of December 31, 2015 amounted to P7,409,000.

## EXPLORED MINERAL RESOURCES

The Explored Mineral Resources reported in the consolidated statements of financial position amounted to P581.3 million in 2016 and P587.8 million in 2015. This represents the excess of shares issued by the Parent Company to acquire 94% ownership in Citinickel, which meets the definition of an intangible asset that is controlled and provide economic benefits, separable and arises from its mineral property rights and claims for which fair value was measured reasonably.

The intangible asset arising from the business combination was arrived at using the Discounted Cash Flow (DCF) method covering an aggregate area of 2,176 hectares of mining claims in Narra and Española, Palawan. DCF analysis works on the principles of anticipation of investor benefits expressed in cash flow generation potential of an entity that owns the mineral property. The intangible asset was valued at an investment hurdle rate of 25% for a 17-year production period at market price of nickel prevailing at the time of valuation.

Movement of this account is shown below:

	2016	2015	2014	2013	2012
Explored mineral resources	P746,401,594	P746,401,594	P746,401,594	P746,401,594	P746,401,594
Accumulated amortization					
At January 1	P158,588,050	P136,545,910	95,725,686	60,773,240	15,373,085
Amortization	6,493,061	22,042,140	40,820,224	34,952,446	45,400,155
At December 31	P165,081,111	P158,588,050	136,545,910	95,725,686	60,773,240
<b>Balance</b>	<b>P581,320,483</b>	<b>P587,831,544</b>	<b>P609,855,684</b>	<b>P650,675,908</b>	<b>P685,628,354</b>

## OTHER NON-CURRENT ASSETS

This account consists of:

	2016	2015	2014	2013	2012
Long-term deposit	P957,569,202	P957,803,337	P -	P -	P -
Input tax	117,926,818	116,798,166	115,347,274	113,007,152	108,776,860
Mine rehabilitation fund (MRF)	58,614,985	57,963,989	42,086,047	11,129,317	-
Deferred tax asset	-	-	2,783,771	1,720,911	533,057
Accrued interest receivable	14,389,255	-	-	-	-
Software – net	797,163	1,216,143	1,464,510	1,315,000	-
Others	6,495,973	6,495,973	6,495,973	6,001,527	6,001,527
<b>Balance</b>	<b>P1,155,793,396</b>	<b>P1,140,277,608</b>	<b>P168,177,575</b>	<b>P133,173,907</b>	<b>P115,731,444</b>

Long-term deposit represents placement of funds with maturity of more than 12 months after the end of the reporting period. This deposit earns interest at market prevailing rate. Accrued interest receivable on this deposit amounted P14,389,255 as at December 31, 2016.

Input tax represents the 12% Value Added Tax (VAT) paid on purchases of goods and services.

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 from the MRF should be authorized by the MRF Committee, the external overseeing body charged with the duties of managing, operating, monitoring and safekeeping of the MRF. The MRF earns interest at the respective bank deposit rates. Movements of MRF are as follows:

	2016	2015	2014
Balances, January 1	P57,963,989	P42,086,047	P11,129,317
Placement during the year	-	15,318,000	30,682,000
Interest earned – net	1,148,351	762,171	400,455
Trustee fee	(497,355)	(202,229)	(125,725)
<b>Balances, December 31</b>	<b>P58,614,985</b>	<b>P57,963,989</b>	<b>P42,086,047</b>

Deferred tax asset pertains to the tax effect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Breakdown of software is as follows:

	2016	2015	2014	2013	2012
<b>Cost</b>					
Balances, January 1	P2,213,650	P2,049,400	P1,525,000	P525,000	P525,000
Additions	-	164,250	524,400	1,000,000	-
Balances, December 31	2,213,650	2,213,650	P2,049,400	P1,525,000	P525,000
<b>Accumulated amortization</b>					
Balances, January 1	997,507	584,890	P210,000	P105,000	P -
Additions	418,980	412,617	374,890	105,000	105,000
Balances, December 31	1,416,487	997,507	P584,890	P210,000	P105,000
<b>Net Book Value</b>	<b>797,163</b>	<b>1,216,143</b>	<b>P1,464,510</b>	<b>P1,315,000</b>	<b>P420,000</b>

Included in “Others” are cash bond posted with judicial bodies in compliance with legal cases wherein the Group or its officers are defendants and security deposits on lease arrangements. (see Note 31)

## ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	2016	2015	2014	2013	2012
Trade payable	P254,550,601	P53,666,050	P66,488,429	P69,417,013	P74,910,199
Taxes payable	15,745,566	9,656,696	14,642,784	38,598,218	18,788,103
Other liabilities	2,422,744	2,072,744	2,004,227	1,807,168	1,843,885
	<b>P272,718,911</b>	<b>P65,395,490</b>	<b>P83,135,440</b>	<b>P109,822,399</b>	<b>P95,542,187</b>

As of December 31, trade payables pertain to liabilities to third parties for the purchase of supplies, equipment and services. Trade payables are usually settled on a 30-60 days term.

Taxes payable includes excise taxes on sale of nickel ore and other taxes due to government.

Other liabilities substantially consist of accrued professional fees.

## FINANCE LEASE LIABILITY

The Group acquired transportation equipment under the finance lease agreement. The lease is payable for a period of 1 year with annual interest ranging from 8% to 10%.

Future minimum lease payments under the lease, together with the present value of minimum lease payments in 2015, 2013 and 2012 are as follows:

	2015	2014	2013	2012
Future minimum lease payments	P5,312,541		P1,053,546	P1,338,855
Less: amount representing interest	213,593		53,637	169,028
Present value of minimum lease payments	<b>P5,098,948</b>		<b>P999,909</b>	<b>P1,169,827</b>

Transportation equipment subject of the finance lease have a carrying value of P9,807,496, P11,650,926 and P9,391,808 as at December 31, 2014, 2013 and 2012, respectively. (see Note 11)

Interest expense charged to operation amounted to P42,908 in 2015, P53,637 in 2014, P202,148 in 2013, and P365,345 in 2012. (see Note 22)

## DEPOSIT FOR FUTURE CAPITAL SUBSCRIPTION

On various dates during 2013, the Parent Company received a total of P500 million from third parties intended for subscription of the Parent Company's proposed increase in share capital. Pending submission of requirements for such increase, the payment was lodge to Deposit for future capital subscription presented in the liabilities section of the Statement of Financial Position in accordance with SEC Financial Bulletin No. 006.

The advances are not subject to interest and will be converted to share capital soon after approval from the SEC of increase in share capital is sought.

The deposits were converted to share capital on May 16, 2014.

## PROVISIONS

As of December 31, 2016, 2015 and 2014, this account consists of:

	2016	2015	2014
Provision for site rehabilitation cost	P72,776,208	P64,528,302	P57,266,831
Provision for royalties	71,560,636	79,307,837	-
	<b>P144,336,844</b>	<b>P143,836,139</b>	<b>P57,266,831</b>

### Provision for site rehabilitation cost

Citinickel is legally required to fulfill certain obligations as required under its Environmental Compliance Certificate (ECC) issued by Department of Environment and Natural Resources (DENR). Citinickel recognized the present value of the liability for these costs as part of the related property and equipment accounts, which are depreciated, on a straight-line basis over the estimated useful lives of the related property and equipment or the contract period whichever is shorter.

Breakdown of this account as of December 31, 2016, 2015, 2014, 2013, and 2012 is presented below.

	2016	2015	2014	2013	2012
Initial recognition	P -	P -	P -	P -	P -
Balance, January 1	64,528,302	P57,266,831	46,324,844	29,758,857	5,982,188
Additional provision	7,038,000	5,658,000	8,280,000	13,800,000	22,357,000
Accretion of interest	1,209,906	1,603,471	2,661,987	2,765,987	1,419,669
	<b>P72,776,208</b>	<b>P64,528,302</b>	<b>P57,266,831</b>	<b>P46,324,844</b>	<b>P29,758,857</b>

The provision is presented at a discounted value using the Philippine bond yield of 2.80% as effective interest rate.

#### Provision for royalties

Under the MPSA, Citinickel is required to allocate royalty payment to the Indigenous Cultural Community (ICC) of not less than 1% of gross output of minerals sold.

The movement of this account as at December 31, 2016 and 2015 is presented below.

	<b>2016</b>	<b>2015</b>
Balance, January 1	<b>P 79,307,837</b>	P -
Additional provision	<b>4,311,643</b>	79,307,837
Payments made	<b>(12,058,844)</b>	-
	<b>P 71,560,636</b>	P 79,307,837

## EQUITY

Share capital transactions from the date of incorporation up to December 31, 2015 are as follows:

Date	Transactions	Authorized shares	Issued shares	Shares subscribed	Share premium
April 16, 2007	Upon incorporation and subscription	P 1,500,000,000	P -	P 400,000,000	P -
May 14, 2007	Issuance	-	5	-	-
June 8, 2007	Payment of subscription	-	400,000,000	(400,000,000)	-
July 4, 2007	Issuance	-	752,000,000	-	-
December 10, 2007	Initial public offering	-	300,000,000	-	429,309,301
May 7, 2014	Increase in authorize capital	2,000,000,000	-	-	-
May 16, 2014	Conversion of deposit on stock subscription	-	500,000,000	-	13,921,420
October 13, 2014	Issuance	-	926,500,000	-	1,795,175
		<b>P 3,500,000,000</b>	<b>P 2,878,500,005</b>	<b>P -</b>	<b>P 445,025,896</b>

Details of share capital transactions are as follows:

- Upon incorporation, the stockholders subscribed to 400 million shares out the 1,500 million authorized common shares. At the time of subscription, P100 million was paid in the form of cash. Full payment thereon was received on June 8, 2007.
- On May 14, 2007, additional 5 shares were issued to the Parent Company's elected Board of Directors.
- On July 4, 2007, a group of majority stockholders of Citinickel assigned in favor of the Parent Company their 94% ownership in Citinickel corresponding to 2,540,000 common shares at P10 par value per share in exchange for 65.27% of common shares of the Parent Company equivalent to 752 million common shares at P1 par value per share. The exchange transaction was confirmed by the SEC as an exempt transaction under the Securities and Regulation Code. The tax-free exchange was approved by the Bureau of Internal Revenue in October 2007.
- On December 10, 2007, the SEC approved the registration of the Parent Company's 1,452,000,005 common shares. The initial public offering (IPO) was conducted on December 10, 2007 at an offer price of P2.68 per share. The excess of offer price over the par value was credited to share premium, net of IPO cost and expenses.
- On May 7, 2014, the Board of Directors and stockholders of the Parent Company approved the increase in authorized capital from P1.5 billion shares divided into 1.5 billion

shares to P3.5 billion divided into 3.5 billion shares, both with par value of P1 per share. The required subscription was satisfied by a debt-to-equity conversion amounting to P513,921,420. The excess of debt-to-equity conversion was credited to share premium.

- On various dates in 2014, private placements were received for 926.5 million shares amounting to P928,295,175. The excess amounting to P1,795,175 was credited to share premium.

#### *Non-controlling interest*

Non-controlling interest pertains to equity interest held by the minority shareholders of Citinickel as at December 31, 2016 at 1.41%, as of December 31, 2015 at 1.49% and as of December 31, 2014, 2013 and 2012 at 4.10%.

## REVENUES

(i) Sales of ore represents sale of beneficiated nickel ore amounting to P431,164,348 in 2016, P1,744,663,711, P3,548,554,954 in 2015, 2014, P1,623,657,743 in 2013, and P2,156,419,972 in 2012.

(ii) Other revenues is broken down as follows:

	2016	2015	2014	2013	2012
FOREX Gain	P42,453,264	P47,918,726	P23,067,615	P65,087,301	P -
Interest Income on:					
Cash	51,975	155,390	212,188	439,113	138,606
Long-term deposit	18,404,646	14,862,114	-	-	-
Mine rehabilitation fund	1,435,438	952,714	500,568	-	-
Foreign exchange gain	42,453,264	47,918,726	23,065,696	-	-
Gain on disposal of machinery and transportation equipment	-	(429,091)	438,988	148,203	-
Sale of scrap	-	-	370,051	-	-
	<b>P62,345,323</b>	<b>P63,459,853</b>	<b>P24,589,410</b>	<b>P65,674,617</b>	<b>P138,606</b>

Foreign exchange gain represents adjustment of foreign currency denominated long-term deposit and trade receivables at year-end.

## COST OF SALES

For the three years in the period ended December 31, 2015, this account consists of:

	2016	2015	2014	2013
Contract fees	P162,523,347	P620,802,820	P899,382,663	P429,350,785
Gas, oil and lubricants	42,105,000	162,289,360	343,443,256	305,354,998
Depreciation, depletion and amortization	107,378,165	159,863,888	204,298,227	171,693,976
Auto parts and supplies	26,229,219	43,720,460	49,013,080	69,315,697
Mining exploration	-	-	15,307,952	6,802,255
Other charges	1,911,231	3,626,028	10,763,474	16,799,620
Changes in stockpile inventory	30,146,962	990,302,556	1,522,208,652	999,317,331
	38,345,875	(193,546,927)	(276,287,463)	(196,634,152)
	<b>P378,492,837</b>	<b>P796,755,629</b>	<b>P1,245,921,189</b>	<b>P6802,683,179</b>

Contract fees pertain to services offered by contractors related to the mining activities of the Group. These services include, but are not limited to, hauling, stevedoring, maintenance and security. Portion of which is provided by a certain related party. (see Note 27)

### SHIPPING AND LOADING COSTS

This account consists of the following in the period ended December 31, 2016, 2015, 2014, 2013 and 2012:

	2016	2015	2014	2013	2012
Contract fees	P161,232,322	P220,680,079	P107,753,462	P45,606,248	P54,386,268
Gas, oil and lubricants	2,475,466	11,132,640	29,792,483	30,535,500	46,521,924
Other services	3,222,468	7,229,755	8,923,906	3,717,010	9,007,499
	P166,930,256	P239,942,474	P146,469,851	P79,858,758	P109,915,691

### EXCISE AND OTHER TAXES

The breakdown of this account in the period ended December 31, 2016, 2015, 2014, 2013 and 2012 is as follows:

	2016	2015	2014	2013	2012
Excise taxes	P8,623,287	P34,893,274	P70,971,039	P32,473,155	P43,129,299
Royalties	4,311,643	90,363,291	1,528,692	6,658,902	1,152,642
	P12,934,930	P125,256,565	P72,499,731	P39,132,057	P44,281,941

Excise taxes represent 2% tax on gross revenues as provided in the National Internal Revenue Code as the Government's share in the Group's output.

Royalties represent the share of the indigenous people on the gross revenue of the Group as required by the MPSA.

### FINANCE COSTS

This account for the period ended December 31 consists of:

	2016	2015	2014	2013	2012
Interest expense on advances	P -	P -	P47,812,500	P76,500,000	
Accretion of interest (see Note 16)	1,209,906	1,603,471	2,661,987	2,765,987	P1,419,669
Interest expense on finance lease	213,593	42,908	53,637	202,148	365,345
Bank charges	106,494	170,966	233,741	81,998	141,866
	P1,529,993	P1,817,345	P50,761,865	P79,550,133	P1,926,880

In 2013, a memorandum of agreement was executed between Citinickel and Citimax Group Inc. wherein a total of P850 million of advances of Citimax Group Inc. to Citinickel shall be restricted and reserve for the issuance of shares of stock of Citinickel in favor of Citimax Group Inc.. Furthermore the advances shall earn an interest at the rate of 9% per annum until actual conversion takes place.

Accordingly, interest expense amounting to P47.8 million and P76.5 million in 2014 and 2013, respectively, were incurred in accordance with the above agreement. The same was applied to "Advances to related parties". (see Note 27)

### ADMINISTRATIVE EXPENSES

This account consist of:

This account consists of:

	<b>2016</b>	2015	2014
Personnel costs	<b>P 19,434,255</b>	P 20,183,360	P 18,757,486
Representation and entertainment	<b>13,961,084</b>	21,283,074	17,437,832
Environmental protection and social development	<b>12,119,432</b>	33,945,656	49,570,784
Taxes and licenses	<b>11,638,683</b>	4,090,069	14,677,272
Professional fees	<b>9,588,663</b>	8,910,812	7,338,850
Security services	<b>7,778,700</b>	9,816,401	8,528,730
Depreciation and amortization (see Notes 11 and 13)	<b>5,245,964</b>	7,082,338	6,407,122
Employees' welfare and benefits	<b>4,639,463</b>	3,839,224	2,016,233
Compromise and penalties	<b>3,226,912</b>	165,600	13,272,900
Insurance	<b>2,542,874</b>	1,449,375	5,934,326
Rent	<b>2,472,059</b>	2,433,440	2,115,990
Communication, light and water	<b>2,353,303</b>	1,634,475	5,501,700
Advertisements	<b>2,213,420</b>	1,493,000	876,555
Shipping, trucking and freight	<b>2,040,392</b>	378,502	932,020
Outside services	<b>2,017,382</b>	1,430,619	1,593,344
Transportation and travel	<b>1,518,944</b>	100,000	1,066,258
Repairs and maintenance	<b>1,490,292</b>	3,175,263	2,172,930
Donations	<b>1,030,000</b>	10,000,000	562,855
Provision for retirement benefit expense (see Note 25)	<b>907,361</b>	833,430	471,842
Office supplies	<b>444,097</b>	356,457	127,800
Clothing and uniforms	-	-	1,267,841
Miscellaneous	<b>985,280</b>	637,309	686,356
	<b>P 107,648,560</b>	P 133,238,404	P 161,317,026

		2014 <i>(As restated, see Note 3)</i>	2013 <i>(As restated, see Note 3)</i>
	2015		
Environmental protection and social development	<b>P 33,945,656</b>	P 49,570,784	P 27,295,006
Representation	<b>21,283,074</b>	17,437,832	8,308,427
Personnel costs	<b>20,183,360</b>	18,757,486	6,288,942
Donations	<b>10,000,000</b>	562,855	1,025,400
Security services	<b>9,816,401</b>	8,528,730	9,610,374
Professional fees	<b>8,910,812</b>	7,338,850	5,763,973
Depreciation and amortization	<b>7,082,338</b>	6,407,122	5,917,253
Taxes and licenses	<b>4,090,069</b>	14,677,272	6,290,991
Employees' welfare and benefits	<b>3,839,224</b>	2,016,233	3,152,741
Repairs and maintenance	<b>3,175,263</b>	2,172,930	1,929,236
Rent	<b>2,433,440</b>	2,115,990	2,203,200
Communication, light and water	<b>1,634,475</b>	5,501,700	2,340,551
Advertisements	<b>1,493,000</b>	876,555	852,716
Insurance	<b>1,449,375</b>	5,934,326	3,723,450
Outside services	<b>1,430,619</b>	1,593,344	229,526
Provision for retirement benefit expense <i>(see Note 25)</i>	<b>833,430</b>	471,842	-
Shipping and mobilization	<b>378,502</b>	932,020	3,026,492
Office supplies	<b>356,457</b>	127,800	346,274
Compromise and penalties	<b>165,600</b>	13,272,900	-
Transportation and travel	<b>100,000</b>	1,066,258	2,630,197
Clothing and uniforms	-	1,267,841	901,053
Miscellaneous	<b>637,309</b>	686,356	1,509,259
	<b>P 133,238,404</b>	P 161,317,026	P 93,345,061

As of December 31, 2013 and 2012:

	2013	2012
Personnel costs	P6,288,942	P6,849,013
Professional fees	5,763,973	5,857,907
Security services	9,610,374	7,108,210
Shipping and mobilization	3,026,492	4,209,052
Representation	8,308,427	9,160,107
Advertisements	852,716	3,954,297
Donations	1,025,400	1,179,257
Employees' welfare & benefits	3,152,741	4,634,839
Insurance	3,723,450	3,726,536
Repairs and maintenance	1,929,236	4,767,636
Clothing and uniforms	901,053	446,350
Environmental protection and social dev't.	27,295,006	10,575,311
Communication, light and water	2,340,551	2,053,978
Gasoline and oil	-	-
Depreciation and amortization	5,917,253	5,330,025
Office supplies	346,274	298,263
Rent	2,203,200	1,301,200
Taxes and licenses	6,290,991	5,984,651

Compromise and penalties	-	-
Transportation & travel	2,630,197	2,545,787
Outside services	229,526	1,157,801
Miscellaneous	1,509,259	952,252
	P93,345,061	P82,092,472

## REGISTRATION WITH THE BOARD OF INVESTMENTS (BOI)

On March 9, 2011, Citinickel was registered with the BOI under Executive Order No. 226 as New Producer of Nickel Ore on a Non-Pioneer Status.

As a BOI-registered entity, Citinickel is entitled to the following incentives, among others:

- a. Income Tax Holiday (ITH) for four (4) years from March 9, 2011 to March 8, 2015. Citinickel was granted with a bonus year by the BOI;
- b. Tax credit on taxes and duties paid on raw materials and supplies used in producing its export product for a period of ten (10) years from start of commercial operations;
- c. Importation of consigned equipment for a period of ten (10) years from date of registration;
- d. Exemptions from wharfages dues, any export tax, duties, imposts and fees for a ten (10) year period from date of registration; and
- e. Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

Citinickel may avail of a bonus year in any of the following cases:

- a. The indigenous raw materials used in the manufacture of the registered product is at least fifty percent (50%) of the total cost of raw materials for the preceding years prior to the extension unless the BOI prescribes a higher percentage; or
- b. The ratio of total imported and domestic capital equipment to the number of workers for the project does not exceed US\$25,000 to one (1) direct labor; or
- c. The net foreign exchange savings or earnings amount to at least US\$500,000 annually during the first three (3) years of operation.

## RETIREMENT BENEFIT OBLIGATION

The Group does not have an established retirement plan and only conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) which is a defined benefit type and provides a retirement benefit equal to 22.5 days pay for every year of credited service. The regulatory benefit is paid in a lump sum upon retirement.

The amount of retirement liability recognized in the consolidated statement of financial position follows:

	2016	2015	2014	2013
Present value of obligation	P3,803,981	P2,896,620	P2,074,406	P1,193,528
Fair value of plan asset	-	-	-	-
	<b>P3,803,981</b>	<b>P2,896,620</b>	<b>P2,074,406</b>	<b>P1,193,528</b>

The movements in present value of the obligation are as follows:

	2016	2015	2014	2013
Present value of obligation, beginning	P2,896,620	P2,074,406	P1,193,528	P1,193,528
Interest service cost	130,058	93,141	62,780	-
Current service cost	777,303	740,289	409,062	
Actuarial (gain) loss	-	(11,216)	409,036	
Present value of obligation, ending	<b>P3,803,981</b>	<b>P2,896,620</b>	<b>P2,074,406</b>	<b>P1,193,528</b>

The amounts of retirement benefits recognized in the consolidated statements of comprehensive income are broken down as follows:

	2016	2015	2014
Current service cost	P777,303	P740,289	P409,062
Net interest	130,058	93,141	62,780
	<b>P907,361</b>	<b>P833,430</b>	<b>P471,842</b>

The movements in re-measurement loss on retirement benefit obligation are as follows:

	2016	2015	2014
Re-measurement loss, beginning	P397,820	P409,036	P -
Actuarial (gain) loss on retirement benefit obligation	-	(11,216)	409,036
Re-measurement loss, ending	397,820	397,820	409,036
Less: Deferred tax effect	(119,346)	(119,346)	(122,711)
	<b>P278,474</b>	<b>P278,474</b>	<b>P286,325</b>

The sensitivity analyses based on reasonably possible changes of each significant assumption on the retirement benefit obligation are as follows:

	2016	2015
Decrease in RBO due to 100 bps increase in discount rate	<b>P (600,797)</b>	P (430,259)
Increase in RBO due to 100 bps decrease in discount rate	<b>745,679</b>	534,016
Increase in RBO due to 100 bps increase in salary increase rate	<b>520,269</b>	495,494
Decrease in RBO due to 100 bps decrease in salary increase rate	<b>(430,380)</b>	(409,886)
	<b>December 31</b>	
		2014
		<i>(As restated, see Note 3)</i>
		<b>2015</b>
Decrease in RBO due to 100 bps increase in discount rate	<b>P (430,259)</b>	P (308,520)
Increase in RBO due to 100 bps decrease in discount rate	<b>534,016</b>	382,074
Increase in RBO due to 100 bps increase in salary increase rate	<b>495,494</b>	352,885
Decrease in RBO due to 100 bps decrease in salary increase rate	<b>(409,886)</b>	(292,848)

The principal actuarial assumptions used to determine retirement benefits are illustrated in the table below:

	2016	2015	2014
Discount rate	4.89%	4.89%	4.49%
Salary increase rate	5.00%	5.00%	5.00%

Shown below is the undiscounted maturity analysis of the benefit payments as of December 31, 2016 and 2015:

	2016	2015
Less than 1 year	P -	P -
More than 1 year to 5 years	932,900	932,900
More than 5 years	669,905	669,905
	P1,602,805	P1,602,805

## INCOME TAXES

The Group's income tax expense (benefit) for the three years in the period ended December 31, 2016, 2015, 2014 is broken down as follows:

	2016	2015	2014	2013	2012
Current	P592,981	P811,604	P360,869	P77,735	P18,098
Deferred	(23,937,324)	(11,899,209)	(20,380,873)	18,696,394	(533,057)
	P(23,344,343)	P(11,087,605)	P(20,020,004)	P18,774,129	P(514,959)

The reconciliation of tax on pretax income computed at the applicable statutory rates to tax expense reported in the statements of comprehensive income are as follows:

As of December 31, 2016:

	2016	2015	2014
Statutory income tax	P (52,208,071) P	153,603,944 P	505,550,935
Adjustments resulting from:			
Income subjected to final taxes	(5,967,618)	(4,791,066)	(213,827)
Final tax	592,981	811,604	117,895
Non-deductible expenses	6,808,447	10,995,862	13,113,378
Effect of ITH	-	(172,751,527)	(542,639,813)
Unrecognized temporary differences	27,429,918	1,043,578	4,051,428
Tax expense reported in the statements of comprehensive income	P (23,344,343) P	(11,087,605) P	(20,020,004)

As of December 31, 2015 and 2014 (as restated):

	2015	2014 (As restated, see Note 3)	2013
Statutory income tax	P 153,603,944	P 505,550,935	P 143,059,317
Adjustments resulting from:			
Income subjected to final taxes	(4,791,066)	(213,827)	(100,552)
Non-deductible expenses	4,383,220	217,173	3,928,633
Effect of ITH	(152,384,495)	(505,193,412)	(146,809,663)
Movements in temporary differences for which deferred income taxes were recognized	(11,899,209)	(20,380,873)	18,696,394
Tax expense reported in the statements of comprehensive income	P (11,087,605)	P (20,020,004)	P 18,774,129

As of December 31, 2013 and 2012:

	2013	2012
Statutory income tax	P143,059,317	P142,640,661
Adjustments resulting from:		
Income subjected to final taxes	(100,552)	(35,877)
Non-deductible expenses	3,928,633	439,670
Effect of ITH	(146,809,663)	(143,026,356)
Movements in temporary differences for which deferred income taxes were recognized	18,696,394	(533,057)
Tax expense reported in the statements of comprehensive income	P18,774,129	P(514,959)

Components of the Group's deferred tax assets and liabilities as at December 31, 2016 and 2015 are as follows:

	2016	2015
Deferred tax assets on:		
Provision for site rehabilitation cost	P 21,468,191	P 2,642,491
Unrealized foreign exchange loss	12,916,625	-
Provision for royalties	3,005,463	23,792,351
Retirement benefit obligation	1,141,194	868,986
	<b>38,531,473</b>	<b>27,303,828</b>
Deferred tax liability on unrealized foreign exchange gain	-	12,709,679
	<b>P 38,531,473</b>	<b>P 14,594,149</b>

Components of the Group's deferred tax assets and liabilities as of December 31, 2015, and 2014 and January 1, 2014 are as follows:

	<b>December 31</b>		
	<b>2015</b>	2014 <i>(As restated, see Note 3)</i>	January 1, 2014 <i>(As restated, see Note 3)</i>
Deferred tax assets on:			
Provision for site rehabilitation cost	<b>P 2,642,491</b>	P 2,161,449	P 1,362,853
Provision for royalties	<b>23,792,351</b>	-	-
Retirement benefit obligation	<b>868,986</b>	622,322	358,058
	<b>27,303,828</b>	2,783,771	1,720,911
Deferred tax liability on unrealized			
foreign exchange gain	<b>12,709,679</b>	85,466	19,526,190
	<b>P 14,594,149</b>	P 2,698,305	P (17,805,279)

The Group did not provide any deferred tax assets on net operating loss carry over (NOLCO) amounting to P51,858,675 and P5,920,005 in 2016 and 2015, respectively. Management believes that it may not be probable that future taxable income will be available in the near future against which the deferred tax asset can be utilized.

The breakdown of NOLCO, which can be claimed as deduction from future taxable income of the Group within three years from the year the taxable loss was incurred is as follows:

Year Incurred	Year of Expiration	NOLCO - 2016	NOLCO - 2015	NOLCO - 2014
2016	2019	P156,607,494		
2015	2018	13,504,759	P3,478,598	
2014	2017	2,749,999	13,504,759	P13,504,759
2013	2016	-	2,749,999	2,749,999
2012	2015	-	-	2,510,825
		<b>P172,862,249</b>	<b>P19,733,351</b>	<b>P18,765,583</b>

## RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates.

The following table provides the total amount of transactions that have been entered into with related parties and the outstanding balances as of December 31, 2016, 2015, 2014, 2013 and 2012:

<b>2016</b>	<b>Amount of transactions</b>	<b>Advances to related parties</b>	<b>Terms and conditions</b>
<i>Affiliates</i>			
Citimax Group, Inc.			
Cash advances	P 604,032,841	P 1,820,644,635	Unsecured; no fixed repayment term; noninterest bearing
Contract fees	339,862,764	-	Unsecured; no fixed repayment term; noninterest bearing
Oriental Energy and Power Generation Corp.			
Cash advances	-	279,592,628	Unsecured; no fixed repayment term; noninterest bearing
<i>Stockholder</i>			
Cash advances	54,778,505	88,558,178	Unsecured; no fixed repayment term; noninterest bearing
	<b>P 998,674,110</b>	<b>P 2,188,795,441</b>	

<b>2015</b>	<b>Amount of transactions</b>	<b>Advances to related parties</b>	<b>Terms and conditions</b>
<i>Affiliates</i>			
Citimax Group, Inc.			
Cash advances	P 2,080,846,579	P 1,692,947,242	Unsecured; no fixed repayment term; noninterest bearing
Contract fees	276,757,111	-	Unsecured; no fixed repayment term; noninterest bearing
Oriental Energy and Power Generation Corp.			
Cash advances	279,592,628	279,592,628	Unsecured; no fixed repayment term; noninterest bearing
<i>Stockholder</i>			
Cash advances	-	33,779,673	Unsecured; no fixed repayment term; noninterest bearing
	<b>P 2,637,196,318</b>	<b>P 2,006,319,543</b>	

<b>2014</b>	<b>Amount of transactions</b>	<b>Advances to related parties</b>	<b>Terms and conditions</b>
<i>Affiliate</i>			
Citimax Group, Inc.			
Cash advances	P 400,588,353	P 411,342,899	Unsecured; no fixed repayment term; noninterest bearing
Interest on advances	47,812,500	-	Unsecured; no fixed repayment term; interest bearing
Contract fees	510,934,185	-	Unsecured; no fixed repayment term; noninterest bearing
<i>Stockholder</i>			
Cash advances	41,839,683	34,249,673	Unsecured; no fixed repayment term; noninterest bearing
	<b>P 1,001,174,721</b>	<b>P 445,592,572</b>	

2013	Amount of transactions	Year-end balances		Terms and conditions
		Advances to related parties	Advances from related parties	
<i>Affiliate</i>				
Citimax Group, Inc.				
Cash advances	P 681,610,898	P 571,970,057	P 926,500,000	Unsecured; no fixed repayment term; noninterest bearing
Interest on advances	76,500,000	-	-	Unsecured; no fixed repayment term; interest bearing
Mine site expansion and development	570,640,000	-	-	Unsecured; no fixed repayment term; noninterest bearing
Contract fees	414,732,699	-	-	Unsecured; no fixed repayment term; noninterest bearing
<i>Stockholder</i>				
Cash advances	-	-	7,589,474	Unsecured; no fixed repayment term; noninterest bearing
	P 1,743,483,597	P 571,970,057	P 934,089,474	

Related party	Relationship	Transaction Description	Year	Amount	Year-end balances	
					Advances from related party	Advances to related party
Citimax Group, Inc.	Affiliate	<b>Payment of advances</b>	<b>2013</b>	<b>P 72,270,327</b>	<b>P 926,500,000</b>	<b>P -</b>
		<b>Cash advances</b>	<b>2013</b>	<b>571,970,057</b>	-	<b>571,970,057</b>
		Progress billings	2012	191,824,037	998,770,327	-
Caroline L. Tanchay	President	<b>Payment of advances</b>	<b>2013</b>	<b>11,046,774</b>	<b>7,589,474</b>	<b>-</b>
			2012	-	18,636,248	-
<b>Total</b>			<b>2013</b>	<b>P 655,287,158</b>	<b>P 934,089,474</b>	<b>P 571,970,057</b>
Total			2012	P 191,824,037	P 1,017,406,575	P -

Transactions with related parties are made at normal market prices. These advances are unsecured, no fixed repayment term and non-interest bearing except for advances from Citimax as discussed in note 22. There have been no guarantees received or provided for any related party receivables or payables.

Details of transactions with related parties are as follows:

(i) *Citimax Group, Inc. (Citimax)*

Citimax is an affiliate subject to common control of certain stockholders. The Group made cash advances to Citimax to cover its working capital requirement. Cumulative advances to Citimax as of December 31, 2015, 2014 and 2013 amounted to P1.7 billion, P411 million and P572 million, respectively.

Citimax provides services related to mining activities. These services include, but not limited to hauling, stevedoring, equipment maintenance and equipment rental. Contract fees are applied to the advances.

(ii) *Oriental Energy and Power Generation Corp. (Oriental Energy)*

Oriental Energy is an affiliate subject to common control of certain stockholders. The Group made cash advances to Oriental Energy to cover its working capital requirement. Cumulative advances to Oriental Energy as of December 31, 2015 amounted to P280 million.

(iii) *Stockholder*

The Group made cash advances to Ms. Caroline L. Tanchay. The advances are not subject to interest, no fixed repayment period and has no collateral.

(iv) During the year, there was no compensation to the key management personnel of the Group.

## EARNINGS/(LOSS) PER SHARE

Earnings/(loss) per share is computed by dividing the net income(loss) by the weighted average number of common shares as follows:

	2016	2015	2014	2013	2012
Net income/(loss) attributable to equity holders of the Parent Company (a)	P (147,601,780)	P514,941,572	P1,633,420,885	P437,667,245	P452,925,171
Divided by the weighted average common shares outstanding during the year (b)	2,878,500,005	2,878,500,005	1,808,625,005	1,452,000,005	1,452,000,005
Earnings/(Loss) per share (a/b)	(0.051)	0.179	0.903	0.301	0.312

As of December 31, 2016, 2015, 2014, 2013, and 2012 the Parent Company has no potential shares with dilutive effect.

## IMPAIRMENT TESTING OF INTANGIBLE ASSET

The Group performs an impairment test on intangible assets when facts and circumstances suggest that the carrying amount of the assets may exceed their recoverable amounts. The Group's policy on recognition of impairment varies from that in PAS 36, but measures the impairment in accordance with the standard once the impairment is identified. On top of those mentioned in PFRS 6, tests are performed with the following key indicators.

- *Uncertainty in estimation of mineral resources.* Technical, geologic and market data on the mineral resource are estimates and there is no assurance that the anticipated tonnages and grade will be achieved, neither can it be ascertained that the indicated recovery rate will be realized.
- *Discounted cash flow method.* For purposes of computing the net present value using discounted cash flow method, the valuation of intangible assets involves the extraction of non-replaceable resource, a terminal value was not assigned to represent the cash flows to be earned beyond the projected period.
- *Market risk.* There are risks arising from the possibility that the value of an investment will decrease due to movement in market factors. The standard market risk factors relevant to the

valuation of the intangible assets are: (a) Commodity risk, or the risk that commodity prices will change and (b) Currency risk, or the risk that foreign exchange rates will change.

## **CAPITAL MANAGEMENT OBJECTIVES AND POLICIES**

The Group's capital management objective is to ensure its ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The following table presents the capital the Group manages as at December 31, 2016, 2015 and 2014:

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Share capital	P2,878,500,005	P2,878,500,005	P2,878,500,005
Share premium	445,025,896	445,025,896	445,025,896
	P3,323,525,901	P3,323,525,901	P3,323,525,901

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. No changes were made in the objectives and policies or processes during the years ended December 31, 2016, 2015 and 2014.

The Group is not subject to externally imposed capital requirements.

## **COMMITMENTS AND CONTINGENCIES**

### Commitments

#### Mine site expansion and development

In relation to the mine site expansion and on-going site development, the Group has contractual obligation with Citimax representing the balance of works still to be provided by the latter. Contractual commitments as of December 31, 2015 and 2014 amounted to P258 million and P147 million, respectively.

#### Operating lease

The Group has lease arrangements, which are renewable upon mutual agreement and are accounted for as an operating lease. These lease agreements required the Group to pay security deposits which are included under "Other non-current assets" in the consolidated statements of financial position.

The future minimum lease commitments under these arrangements are as follows:

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Less than 1 year	P1,060,860	P2,472,054	P2,368,440
More than 1 year to 5 years	-	1,060,860	3,532,914
	P1,060,860	P3,532,914	P5,901,354

### Contingencies

The Group is a defendant in lawsuits involving certain operating agreements and mining issues for which no adjustments has been made in the financial statements. The management, based on the opinion of their legal counsel, believes that these lawsuits and claims have no material impact on its mining operation and financial condition of the Group.

## OTHER MATTERS

### *Non-cash investing activities*

Non-cash investing activities in 2016, 2015, 2014 and 2013 are as follows:

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Additions to property, plant and equipment arising from provision for site rehabilitation cost	P7,038,000	P5,658,000	P8,280,000	P13,800,000
Additions to property, plant and equipment arising from finance lease	-	6,118,400	-	3,618,224
	P7,038,000	P11,776,400	P8,280,000	P17,418,224

### *Reclassification*

Certain accounts in 2015, 2014 and 2013 consolidated financial statements were reclassified to conform to 2016 consolidated financial statements presentation.

ORIENTAL PENINSULA RESOURCES GROUP, INC.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

A S S E T S	2016	2015	2016 vs 2015			
			Horizontal Analysis		Vertical Analysis	
			in amount	in %	a	b
<b>Current Assets</b>						
Cash	₱37,660,996	₱3,766,850	33,894,146	899.80%	0.53%	0.05%
Receivables	38,632,453	317,910,809	-279,278,356	-87.85%	0.55%	4.53%
Inventories	782,209,830	820,555,705	-38,345,875	-4.67%	11.08%	11.69%
Total Current Assets	858,503,279	1,142,233,364	-283,730,085	-24.84%	12.16%	16.27%
<b>Non-current Assets</b>						
Property, plant and equipment - net	2,236,400,387	2,114,532,480	121,867,907	5.76%	31.68%	30.13%
Explored mineral resources	581,320,483	587,813,544	-6,493,061	-1.10%	8.23%	8.38%
Advances to related parties	2,188,795,441	2,006,319,543	182,475,898	9.10%	31.01%	28.59%
Deferred tax asset	38,531,473	27,303,828	11,227,645	41.12%	0.55%	0.39%
Other non-current assets - net	1,155,793,396	1,140,277,608	15,515,788	1.36%	16.37%	16.25%
Total Non-current Assets	6,200,841,180	5,876,247,003	324,594,177	5.52%	87.84%	83.73%
<b>TOTAL ASSETS</b>	<b>₱7,059,344,459</b>	<b>₱7,018,480,367</b>	<b>40,864,092</b>	<b>0.58%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Accounts payable and other liabilities	₱272,718,911	₱65,395,490	207,323,421	317.03%	3.86%	0.93%
Finance lease liability	-	5,098,948	-5,098,948	-100.00%	0.00%	0.07%
Dividends payable	12,960,000	12,336,206	623,794	5.06%	0.18%	0.18%
Deposit for future capital subscription	-	-	0	#DIV/0!	0.00%	0.00%
Income tax payable	-	-	0	#DIV/0!	0.00%	0.00%
Total Current Liabilities	285,678,911	82,830,644	202,848,267	244.90%	4.05%	1.18%
<b>Non-current Liabilities</b>						
Advances from related parties	-	-	0	#DIV/0!	0.00%	0.00%
Deferred tax liability	-	12,709,679	-12,709,679	-100.00%	0.00%	0.18%
Provisions	144,336,844	143,836,139	500,705	0.35%	2.04%	2.05%
Retirement benefit obligation	3,803,981	2,896,620	907,361	31.32%	0.05%	0.04%
Total Non-current Liabilities	148,140,825	159,442,438	-11,301,613	-7.09%	2.10%	2.27%
Total Liabilities	433,819,736	242,273,082	191,546,654	79.06%	6.15%	3.45%
<b>Equity Holders of the Parent Company</b>						
Share capital	2,878,500,005	2,878,500,005	0	0.00%	40.78%	41.01%
Share premium	445,025,896	445,025,896	0	0.00%	6.30%	6.34%
Remeasurement loss on retirement benefit obligation - net of deferred tax	(278,474)	(278,474)	0	0.00%	0.00%	0.00%
Retained earnings	3,151,762,119	3,299,363,899	-147,601,780	-4.47%	44.65%	47.01%
	6,475,009,546	6,622,611,326	-147,601,780	-2.23%	91.72%	94.36%
<b>Non-controlling Interest</b>	<b>150,515,177</b>	<b>153,595,959</b>	<b>-3,080,782</b>	<b>-2.01%</b>	<b>2.13%</b>	<b>2.19%</b>
Total Equity	6,625,524,723	6,776,207,285	-150,682,562	-2.22%	93.85%	96.55%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱7,059,344,459</b>	<b>₱7,018,480,367</b>	<b>40,864,092</b>	<b>0.58%</b>	<b>100.00%</b>	<b>100.00%</b>

See accompanying Notes to Financial Statements

ORIENTAL PENINSULA RESOURCES GROUP, INC.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

A S S E T S	2016	2014	2016 vs 2014		Vertical Analysis	
			Horizontal Analysis in amount	in %	a	b
<b>Current Assets</b>						
Cash	₱37,660,996	₱1,904,341,258	-1,866,680,262	-98.02%	0.53%	29.72%
Receivables	38,632,453	409,103,073	-370,470,620	-90.56%	0.55%	6.38%
Inventories	782,209,830	627,008,778	155,201,052	24.75%	11.08%	9.78%
Total Current Assets	858,503,279	2,940,453,109	-2,081,949,830	-70.80%	12.16%	45.89%
<b>Non-current Assets</b>						
Property, plant and equipment - net	2,236,400,387	2,243,918,091	-7,517,704	-0.34%	31.68%	35.02%
Explored mineral resources	581,320,483	609,855,684	-28,535,201	-4.68%	8.23%	9.52%
Advances to related parties	2,188,795,441	445,592,572	1,743,202,869	391.21%	31.01%	6.95%
Deferred tax asset	38,531,473	-	38,531,473	#DIV/0!	0.55%	0.00%
Other non-current assets - net	1,155,793,396	168,177,575	987,615,821	587.25%	16.37%	2.62%
Total Non-current Assets	6,200,841,180	3,467,543,922	2,733,297,258	78.83%	87.84%	54.11%
<b>TOTAL ASSETS</b>	<b>₱7,059,344,459</b>	<b>₱6,407,997,031</b>	<b>651,347,428</b>	<b>10.16%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Accounts payable and other liabilities	₱272,718,911	₱83,135,440	189,583,471	228.04%	3.86%	1.30%
Finance lease liability	-	-	0	#DIV/0!	0.00%	0.00%
Dividends payable	12,960,000	-	12,960,000	#DIV/0!	0.18%	0.00%
Deposit for future capital subscription	-	-	0	#DIV/0!	0.00%	0.00%
Income tax payable	-	-	0	#DIV/0!	0.00%	0.00%
Total Current Liabilities	285,678,911	83,135,440	202,543,471	243.63%	4.05%	1.30%
<b>Non-current Liabilities</b>						
Advances from related parties	-	-	0	#DIV/0!	0.00%	0.00%
Deferred tax liability	-	85,466	-85,466	-100.00%	0.00%	0.00%
Provisions	144,336,844	57,266,831	87,070,013	152.04%	2.04%	0.89%
Retirement benefit obligation	3,803,981	2,074,406	1,729,575	83.38%	0.05%	0.03%
Total Non-current Liabilities	148,140,825	59,426,703	88,714,122	149.28%	2.10%	0.93%
Total Liabilities	433,819,736	142,562,143	291,257,593	204.30%	6.15%	2.22%
<b>Equity Holders of the Parent Company</b>						
Share capital	2,878,500,005	2,878,500,005	0	0.00%	40.78%	44.92%
Share premium	445,025,896	445,025,896	0	0.00%	6.30%	6.94%
Remeasurement loss on retirement benefit obligation - net of deferred tax	(278,474)	(286,325)	7,851	-2.74%	0.00%	0.00%
Retained earnings	3,151,762,119	2,784,422,327	367,339,792	13.19%	44.65%	95.31%
	6,475,009,546	6,107,661,903	367,347,643	6.01%	91.72%	95.31%
<b>Non-controlling Interest</b>	<b>150,515,177</b>	<b>157,772,985</b>	<b>-7,257,808</b>	<b>-4.60%</b>	<b>2.13%</b>	<b>2.46%</b>
Total Equity	6,625,524,723	6,265,434,888	360,089,835	5.75%	93.85%	97.78%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱7,059,344,459</b>	<b>₱6,407,997,031</b>	<b>651,347,428</b>	<b>10.16%</b>	<b>100.00%</b>	<b>100.00%</b>

See accompanying Notes to Financial Statements

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A S S E T S	2016	2013	2016 vs 2013		Vertical Analysis	
			Horizontal Analysis in amount	in %	a	b
<b>Current Assets</b>						
Cash	₱37,660,996	₱76,556,183	-38,895,187	-50.81%	0.53%	1.62%
Receivables	38,632,453	734,435,875	-695,803,422	-94.74%	0.55%	15.53%
Inventories	782,209,830	350,721,315	431,488,515	123.03%	11.08%	7.41%
Total Current Assets	858,503,279	1,161,713,373	-303,210,094	-26.10%	12.16%	24.56%
<b>Non-current Assets</b>						
Property, plant and equipment - net	2,236,400,387	2,212,782,391	23,617,996	1.07%	31.68%	46.78%
Explored mineral resources	581,320,483	650,675,908	-69,355,425	-10.66%	8.23%	13.76%
Advances to related parties	2,188,795,441	571,970,057	1,616,825,384	282.68%	31.01%	12.09%
Deferred tax asset	38,531,473	-	38,531,473	#DIV/0!	0.55%	0.00%
Other non-current assets - net	1,155,793,396	132,815,849	1,022,977,547	770.22%	16.37%	2.81%
Total Non-current Assets	6,200,841,180	3,568,244,205	2,632,596,975	73.78%	87.84%	75.44%
<b>TOTAL ASSETS</b>	<b>₱7,059,344,459</b>	<b>₱4,729,957,578</b>	<b>2,329,386,881</b>	<b>49.25%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Accounts payable and other liabilities	₱272,718,911	₱109,822,399	162,896,512	148.33%	3.86%	2.32%
Finance lease liability	-	999,909	-999,909	-100.00%	0.00%	0.02%
Dividends payable	12,960,000	-	12,960,000	#DIV/0!	0.18%	0.00%
Deposit for future capital subscription	-	500,000,000	-500,000,000	-100.00%	0.00%	10.57%
Income tax payable	-	44,461	-44,461	-100.00%	0.00%	0.00%
Total Current Liabilities	285,678,911	610,866,769	-325,187,858	-53.23%	4.05%	12.91%
<b>Non-current Liabilities</b>						
Advances from related parties	-	934,089,474	-934,089,474	-100.00%	0.00%	19.75%
Deferred tax liability	-	19,526,190	-19,526,190	-100.00%	0.00%	0.41%
Provisions	144,336,844	46,324,844	98,012,000	211.58%	2.04%	0.98%
Retirement benefit obligation	3,803,981	-	3,803,981	#DIV/0!	0.05%	0.00%
Total Non-current Liabilities	148,140,825	999,940,508	-851,799,683	-85.19%	2.10%	21.14%
Total Liabilities	433,819,736	1,610,807,277	-1,176,987,541	-73.07%	6.15%	34.06%
<b>Equity Holders of the Parent Company</b>						
Share capital	2,878,500,005	1,452,000,005	1,426,500,000	98.24%	40.78%	30.70%
Share premium	445,025,896	429,309,301	15,716,595	3.66%	6.30%	9.08%
Remeasurement loss on retirement benefit obligation - net of deferred tax	(278,474)	-	-278,474	#DIV/0!	0.00%	0.00%
Retained earnings	3,151,762,119	1,152,119,420	1,999,642,699	173.56%	44.65%	24.36%
Total Equity	6,475,009,546	3,033,428,726	3,441,580,820	113.46%	91.72%	64.13%
<b>Non-controlling Interest</b>	<b>150,515,177</b>	<b>85,721,575</b>	<b>64,793,602</b>	<b>75.59%</b>	<b>2.13%</b>	<b>1.81%</b>
Total Equity	6,625,524,723	3,119,150,301	3,506,374,422	112.41%	93.85%	65.94%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱7,059,344,459</b>	<b>₱4,729,957,578</b>	<b>2,329,386,881</b>	<b>49.25%</b>	<b>100.00%</b>	<b>100.00%</b>

See accompanying Notes to Financial Statements

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

A S S E T S	2016	2012	2016 vs 2012		Vertical Analysis	
			Horizontal Analysis in amount	in %	a	b
<b>Current Assets</b>						
Cash	₱37,660,996	₱37,270,110	390,886	1.05%	0.53%	0.98%
Receivables	38,632,453	1,053,536,101	-1,014,903,648	-96.33%	0.55%	27.69%
Inventories	782,209,830	154,087,164	628,122,666	407.64%	11.08%	4.05%
Total Current Assets	858,503,279	1,244,893,375	-386,390,096	-31.04%	12.16%	32.72%
<b>Non-current Assets</b>						
Property, plant and equipment - net	2,236,400,387	1,758,684,313	477,716,074	27.16%	31.68%	46.22%
Explored mineral resources	581,320,483	685,628,354	-104,307,871	-15.21%	8.23%	18.02%
Advances to related parties	2,188,795,441	-	2,188,795,441	#DIV/0!	31.01%	0.00%
Deferred tax asset	38,531,473	-	38,531,473	#DIV/0!	0.55%	0.00%
Other non-current assets - net	1,155,793,396	115,731,444	1,040,061,952	898.69%	16.37%	3.04%
Total Non-current Assets	6,200,841,180	2,560,044,111	3,640,797,069	142.22%	87.84%	67.28%
<b>TOTAL ASSETS</b>	<b>₱7,059,344,459</b>	<b>₱3,804,937,486</b>	<b>3,254,406,973</b>	<b>85.53%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Accounts payable and other liabilities	₱272,718,911	₱95,542,187	177,176,724	185.44%	3.86%	2.51%
Finance lease liability	-	1,169,827	-1,169,827	-100.00%	0.00%	0.03%
Dividends payable	12,960,000	-	12,960,000	#DIV/0!	0.18%	0.00%
Deposit for future capital subscription	-	-	0	#DIV/0!	0.00%	0.00%
Income tax payable	-	-	0	#DIV/0!	0.00%	0.00%
Total Current Liabilities	285,678,911	96,712,014	188,966,897	195.39%	4.05%	2.54%
<b>Non-current Liabilities</b>						
Advances from related parties	-	1,017,406,575	-1,017,406,575	-100.00%	0.00%	26.74%
Deferred tax liability	-	-	0	#DIV/0!	0.00%	0.00%
Provisions	144,336,844	29,758,857	114,577,988	385.02%	2.04%	0.78%
Retirement benefit obligation	3,803,981	-	3,803,981	#DIV/0!	0.05%	0.00%
Total Non-current Liabilities	148,140,825	1,047,165,432	-899,024,607	-85.85%	2.10%	27.52%
Total Liabilities	433,819,736	1,143,877,446	-710,057,710	-62.07%	6.15%	30.06%
<b>Equity Holders of the Parent Company</b>						
Share capital	2,878,500,005	1,452,000,005	1,426,500,000	98.24%	40.78%	38.16%
Share premium	445,025,896	429,309,301	15,716,595	3.66%	6.30%	11.28%
Remeasurement loss on retirement benefit obligation - net of deferred tax	(278,474)	-	-278,474	#DIV/0!	0.00%	0.00%
Retained earnings	3,151,762,119	714,452,175	2,437,309,944	341.14%	44.65%	18.78%
Total Equity	6,475,009,546	2,595,761,481	3,879,248,065	149.45%	91.72%	68.22%
<b>Non-controlling Interest</b>	<b>150,515,177</b>	<b>65,298,559</b>	<b>85,216,618</b>	<b>130.50%</b>	<b>2.13%</b>	<b>1.72%</b>
<b>Total Equity</b>	<b>6,625,524,723</b>	<b>2,661,060,040</b>	<b>3,964,464,683</b>	<b>148.98%</b>	<b>93.85%</b>	<b>69.94%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱7,059,344,459</b>	<b>₱3,804,937,485</b>	<b>3,254,406,974</b>	<b>85.53%</b>	<b>100.00%</b>	<b>100.00%</b>

See accompanying Notes to Financial Statements

## Balance Sheet

### 2016 vs 2015

Current assets as of 2016 is 24.84% lower compared to 2015. Cash increase by 899.80%, but receivables and inventories decrease by 87.85% and 4.67% respectively. This is due to slow down in sales versus 2015.

Non-current asset increased by 5.52%. Property, plant and equipment increased by 5.76%, advances to related party by 9.10%, Deferred tax asset by 41.12% and other non-current asset by 1.36%. Explored mineral resources decrease by 1.10% due to depletion.

Total assets increased by 0.58% compared to 2015.

Current liabilities increased by 244.90% compared to 2015. Accounts payable increased by 317.03% and Dividends payable at 5.06% due to non-collection of some stockholders of their dividends. Finance lease liability decrease by 100%.

Non-current liabilities decreased by 7.09%. Deferred tax decreased by 100%, but provisions for royalties and Final Mine Rehabilitation increased by 0.35% and Retirement benefit obligation by 31.32%

Total liabilities increased by 79.06%.

Stockholders' equity decreased by 2.22% due to decreased in Retained earnings. Decreased in retained earnings is due to net loss from operations. No movement in the share capital and share premium.

Total liabilities and equity increased by 0.58%.

### 2015 vs 2014

Current assets as of 2015 is 61.15% lower compared to 2014. Cash and receivables decreased by 99.80% and 22.29% respectively, though inventory increased by 30.87%. Cash and receivables decreased due to lower sales compared to 2014.

Non-current asset is 69.46% higher compared to 2014. Property, plant and equipment decreased by 5.77% and explored mineral resources by 3.61% due to depreciation and amortization. Advances to related party increased by 250.26% due to advances made in favor to Oriental Energy & Power Generation Corporation by Citinickel. Other non-current assets also increased by 594.26% due to additional placement in trust fund for Final Mine Rehabilitation Fund in compliance and long term placements.

Total assets increased by 9.53% compared to 2014.

Current liabilities decreased by 0.37%, though non-current liabilities increased by 39.64%. This is due to additional provision for Final Mine Rehabilitation Fund, IP Royalty Share and Retirement Benefit obligation for employees of Citinickel.

Stockholders equity increase by 8.15% compared to 2014. No changes in the share capital and share premium. Decreased of 2.74% for remeasurement loss on retirement benefit obligation, net of deferred tax. Retained earnings increased by 18.05%.

Total Liabilities and Stockholders equity increased by 9.53%.

### 2014 vs. 2013

Current assets as of 2014 is 153.11% higher compared to 2013. Cash increased by 2387.51% and receivables decreased by 44.30% which is due to payments of client of trade accounts receivables. Inventories increased by 78.78% compared to 2013.

Non-current assets decreased by 2.84% as of by 2014 compared to 2013. Property, plant and equipment increased by 1.41%, due to additional capital equipments purchased within the year. Other non-current asset increased by 26.16%, this comprised of the Mine Rehabilitation FUND (MRF), Input Tax, Deferred Tax Asset, Software and others. During 2013, the MRF was set-up with Development Bank of the Philippines – Trust in compliance with DENR requirements. As of December 31, 2013 it has an ending balance of P11,129,317, and during 2014, additional funds were set aside and deposited to the Trust Fund account of around P30.956M. Decreased of 6.27% to explored mineral resources account is due to depletion, and decreased by 22.10% of the advances to related parties is due to payments of related parties.

Total asset increased by 35.46% compared to 2013.

Current liabilities composed only of accounts payable & accrued and other liabilities. The decrease of 86.39% in 2014 compared to 2013 is due to payments of liabilities and conversion of the recognized deposit for future capital and subscription in the amount of P500M in 2013 to equity. Income tax payable of P242,712 in 2014 and P44,461 in 2013 are due to gain on sale of machinery and transportation equipment.

Non-current liabilities composed of payable to related party and provision for site rehabilitation. Total non-current liabilities decreased by 94.26% compared to 2013. These is because of settlement of Advances from related parties decreased by 100% during the year. Decreased by 99.56% of deferred tax liability is also due to updating of tax payments. Provision for site rehabilitation increased by 23.62% in 2014 compared to 2013, this account was set up in 2011 as one of the requirement by Mines and Geosciences Bureau of the Department of Environment and Natural Resources, this also include the Final Mine Rehabilitation Fund during 2012.

Total Liabilities is 91.82% lower compared to 2013.

Share capital increased by 98.24% compared and share premium by 3.66% due to increased of authorized capital stock and additional investment and subscription. Retained earnings for 2014 is 141.78% higher compared to 2013. Total equity increased by 100.92% against 2013.

Total liabilities and equity increased by 35.46% compared to 2013.

### 2013 vs 2012:

Current assets as of 2013 decreased by 6.68% compared to 2012. These comprise of cash and cash equivalents, receivables, and inventory. There was an increase in cash and cash equivalents by 105.41% and inventories by 127.61%, though there was a decrease in receivables by 30.29% compared to 2012 balances.

Increase in cash and cash equivalent is due to payments from clients of trade accounts receivable. The decrease in trade receivables is due to decrease of sales of ore made during the year compared to 2012. Inventory pertains to nickel laterite produced and on stock pile ready for shipment as of December 31, 2012 and 2011.

Non-current assets increased by 39.38% compared to 2012. This account consists of property and equipment, explored mineral resources, advances to related party and other non-current asset. Property and equipment increased by 25.82% due to additional capital equipment and service vehicles purchased, and construction and development and/or expansion works during the year. Explored mineral resources decreased by 5.09% due to depletion, deducted from this account the produced and shipped out inventory as of the year end. Advances to related party amounted to P571.9M recognized in 2013. Other non-current asset increased by 14.76% due to increase in input tax, recognized deferred tax asset, software and others (cash bond posted with judicial bodies in compliance with the legal cases wherein Oriental or its officers are defendants) during the year.

Total Asset increased by 24.31% compared to 2012.

Current liabilities composed only of accounts payable & accrued and other liabilities. The increase of 531.63% in 2013 compared to 2012 is due to the recognition of deposit for future capital and subscription in the amount of P500M and income tax payable of P44,461 during 2013. Said payables pertains to auto parts and supplies, gas and oil, and others that are necessary for the commercial operation. Income tax payable pertains to gain on the sale of service vehicle made in 2013.

Non-current liabilities composed of payable to related party and provision for site rehabilitation. Advances from related parties decreased by 8.19% due to payment of advances made during the year. Recognized during 2013 deferred tax liability in the amount of P19.5M. Provision for site rehabilitation increased by 55.67% in 2013 compared to 2012, this account was set up in 2011 as one of the requirement by Mines and Geosciences Bureau of the Department of Environment and Natural Resources, this also include the Final Mine Rehabilitation Fund during 2012.

Total Liabilities is 40.82% lower compared to 2012.

No changes in the capital stock and share premium for year 2013 and 2012.

Retained earnings for 2013 is 61.26% higher compared to 2012.

Total Equity increased by 17.21%, and total liabilities and equity by 24.31% compared to 2012.

## Income Statement

ORIENTAL PENINSULA RESOURCES GROUP, INC.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

	Note	2016	2015	2016 vs 2015			
				Horizontal Analysis in amount	Horizontal Analysis in %	Vertical Analysis a	Vertical Analysis b
<b>REVENUES</b>							
Sale of ore	18 P	431,164,348	1,744,663,711	-1,313,499,363.00	-75.29%	-286.14%	333.52%
Other income - net	18	62,345,323	63,459,853	-1,114,530.00	-1.76%	-41.38%	12.13%
		<b>493,509,671</b>	<b>1,808,123,564</b>	<b>-1,314,613,893.00</b>	<b>-72.71%</b>	<b>-327.52%</b>	<b>345.65%</b>
<b>COSTS AND EXPENSES</b>							
Cost of sales	19	378,492,837	796,755,629	-418,262,792.00	-52.50%	-251.19%	152.31%
Shipping and loading costs	20	166,930,256	239,042,474	-72,112,218.00	-30.17%	-110.78%	45.70%
Excise and other taxes	21	12,934,930	125,256,565	-112,321,635.00	-89.67%	-8.58%	23.94%
Finance cost	22	1,529,993	1,817,345	-287,352.00	-15.81%	-1.02%	0.35%
Administrative expenses	23	107,648,560	133,238,404	-25,589,844.00	-19.21%	-71.44%	25.47%
		<b>667,536,576</b>	<b>1,296,110,417</b>	<b>-628,573,841.00</b>	<b>-48.50%</b>	<b>-443.01%</b>	<b>247.77%</b>
<b>INCOME BEFORE INCOME TAX</b>		<b>(174,026,905)</b>	<b>512,013,147</b>	<b>-686,040,052.00</b>	<b>-133.99%</b>	<b>115.49%</b>	<b>97.88%</b>
<b>INCOME TAX EXPENSE (BENEFIT)</b>							
Current	26	592,981	811,604	-218,623.00	-26.94%	-0.39%	0.16%
Deferred		(23,937,324)	(11,899,209)	-12,038,115.00	101.17%	15.89%	-2.27%
		<b>(23,344,343)</b>	<b>(11,087,605)</b>	<b>-12,256,738.00</b>	<b>110.54%</b>	<b>15.49%</b>	<b>-2.12%</b>
<b>INCOME FOR THE PERIOD</b>		<b>(150,682,562)</b>	<b>523,100,752</b>	<b>-673,783,314.00</b>	<b>-128.81%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>OTHER COMPREHENSIVE INCOME</b>							
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>							
Remeasurement gain (loss) on retirement benefit obligation		-	11,216	-11,216.00	-100.00%	0.00%	0.00%
Deferred tax effect		-	(3,365)	3,365.00	-100.00%	0.00%	0.00%
		-	7,851	-7,851.00	-100.00%	0.00%	0.00%
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>P</b>	<b>(150,682,562)</b>	<b>P 523,108,603</b>	<b>-673,791,165.00</b>	<b>-128.81%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>INCOME ATTRIBUTABLE TO:</b>							
Equity holders of the Parent Company	28 P	(147,601,780)	514,941,572	-662,543,352.00	-128.66%	97.96%	98.44%
Non-controlling interest		(3,080,782)	8,159,180	-11,239,962.00	-137.76%	2.04%	1.56%
	<b>P</b>	<b>(150,682,562)</b>	<b>P 523,100,752</b>	<b>-673,783,314.00</b>	<b>-128.81%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO</b>							
<b>EQUITY HOLDERS OF THE PARENT COMPANY</b>	28 P	<b>(0.051)</b>	<b>P 0.179</b>				

ORIENTAL PENINSULA RESOURCES GROUP, INC.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

	Note	2016	2015	2016 vs 2014			
				Horizontal Analysis in amount	in %	Vertical Analysis a	b
<b>REVENUES</b>							
Sale of ore	18 P	431,164,348	P 3,548,551,954	-3,117,387,606	-87.85%	-286.14%	208.14%
Other income - net	18	62,345,323	24,587,491	37,757,832	153.57%	-41.38%	1.44%
		<b>493,509,671</b>	<b>3,573,139,445</b>	<b>-3,079,629,774</b>	<b>-86.19%</b>	<b>-327.52%</b>	<b>209.58%</b>
<b>COSTS AND EXPENSES</b>							
Cost of sales	19	378,492,837	1,245,921,189	-867,428,352	-69.62%	-251.19%	73.08%
Shipping and loading costs	20	166,930,256	357,469,851	-190,539,595	-53.30%	-110.78%	20.97%
Excise and other taxes	21	12,934,930	72,499,731	-59,564,801	-82.16%	-8.58%	4.25%
Finance cost	22	1,529,993	50,761,865	-49,231,872	-96.99%	-1.02%	2.98%
Administrative expenses	23	107,648,560	161,317,026	-53,668,466	-33.27%	-71.44%	9.46%
		<b>667,536,576</b>	<b>1,887,969,662</b>	<b>-1,220,433,086</b>	<b>-64.64%</b>	<b>-443.01%</b>	<b>110.74%</b>
<b>INCOME BEFORE INCOME TAX</b>		<b>(174,026,905)</b>	<b>1,685,169,783</b>	<b>-1,859,196,688</b>	<b>-110.33%</b>	<b>115.49%</b>	<b>98.84%</b>
<b>INCOME TAX EXPENSE (BENEFIT)</b>							
Current	26	592,981	360,869	232,112	64.32%	-0.39%	0.02%
Deferred		(23,937,324)	(20,380,873)	-3,556,451	17.45%	15.89%	-1.20%
		<b>(23,344,343)</b>	<b>(20,020,004)</b>	<b>-3,324,339</b>	<b>16.61%</b>	<b>15.49%</b>	<b>-1.17%</b>
<b>INCOME FOR THE PERIOD</b>		<b>(150,682,562)</b>	<b>1,705,189,787</b>	<b>-1,855,872,349</b>	<b>-108.84%</b>	<b>100.00%</b>	<b>100.02%</b>
<b>OTHER COMPREHENSIVE INCOME</b>							
<i>Items not to be reclassified to profit or loss in subsequent periods:</i>							
Remeasurement gain (loss) on retirement benefit obligation		-	(409,036)	409,036	-100.00%	0.00%	-0.02%
Deferred tax effect		-	122,711	-122,711	-100.00%	0.00%	0.01%
		-	(286,325)	286,325	-100.00%	0.00%	-0.02%
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>P</b>	<b>(150,682,562)</b>	<b>P 1,704,903,462</b>	<b>-1,855,586,024</b>	<b>-108.84%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>INCOME ATTRIBUTABLE TO:</b>							
Equity holders of the Parent Company	28 P	(147,601,780)	P 1,633,104,133	-1,780,705,913	-109.04%	97.96%	95.77%
Non-controlling interest		(3,080,782)	72,085,654	-75,166,436	-104.27%	2.04%	4.23%
	<b>P</b>	<b>(150,682,562)</b>	<b>P 1,705,189,787</b>	<b>-1,855,872,349</b>	<b>-108.84%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO</b>							
<b>EQUITY HOLDERS OF THE PARENT COMPANY</b>	<b>28 P</b>	<b>(0.051)</b>	<b>P 0.903</b>				

Citinickel's commercial operation started only in 2011.

Gross revenue derived from sales of nickel ore during 2016 amounted to P431,164,348 which is 75.29% lower compared to 2015. This is due to lower sales volume and continuing low price of nickel ore during 2016 and the suspension of mining operations during 3<sup>rd</sup> quarter and up to year-end. During 2016, the group has exported ten (10) vessels only, which is 20% only of its target shipment. 2014 sales amounted to P3,548,551,954, which is 118.55% higher compare to 2013 at P1,623,657,743, and 64.56% versus 2012 at P2,156,419,972. Increased of sales revenue during 2014 is due to good market price and demand of nickel ore during the second quarter of 2014. Declined in sales of ore in 2013 compared to 2012 is due to the volatility of price on the London Metal Exchange and increment weather conditions. Other revenues comprise the FOREX gain, interest income and gain on disposal of machinery and transportation equipment.

Cost and expenses comprised of production costs, depreciation, depletion and amortization, excise and other taxes, finance cost and other administrative expenses. Cost and expenses for 2016 is 48.50% lower compared to 2015.

Income before income tax for 2016 is 133.99% lower compared to 2015.

Barring any unforeseen circumstances, the Company's Board of Directors is confident that the future operating financial performance of the Company and its subsidiary are expected to be satisfactory in the coming period.

- i) There is no known trend, event or uncertainty that has or is reasonably likely to have a negative impact on the Company's short-term or long-term liquidity.
- ii) The liquidity of the Company is generated from the Company's financial resources and from the Initial Public Offering proceeds.
- iii) There is no known cause for the Company to raise additional funds in the next 12 months.
- iv) There is no known trend, event of uncertainty that has or that is reasonable expected to have a negative impact of the projected commencement of commercial operations.
- v) There is no significant element of loss that is expected to arise from the Company's and its subsidiary's continuing operations.
- vi) There is no known cause for any material change from the Company's inception in one or more of the line items of the Company's financial statements.
- vii) There were no unexpected seasonal aspects that had a material impact effect on the financial condition or results of operations.

The Financial Soundness Indicators of the Company and its subsidiary are as follows:

	2016	2015	2014	2013	2012
<b>A. Current/Liquidity Ratios:</b>					
Current ratio = current asset/current liabilities	3.01	13.79	35.37	1.90	12.87
Quick ratio = (current asset – inventories) / current liabilities	0.27	3.88	27.83	1.33	11.28
Cash ratio = (cash + marketable securities) / current liabilities	0.13	0.05	22.91	0.13	0.39
<b>B. Solvency Ratio/Debt-to-Equity Ratio:</b>					
Solvency ratio = (After tax profit + Depreciation/Depletion) / (Long term + Short term liabilities)	-0.09	2.19	13.59	0.39	0.58
Debt-to-Equity ratio = Total liabilities / Total Equity	0.07	0.04	0.02	0.52	0.43
<b>C. Asset-to-Equity Ratio = Total Asset/ Total Equity</b>	1.07	1.04	1.02	1.52	1.43
<b>D. Profitability Ratios</b>					
Net profit margin analysis = Net income/Net sales (revenue)	-34.95%	29.98%	48.06%	28.21%	22.07%
Return on assets = Net income/Ave. total assets	-2.14%	7.79%	30.63%	10.73%	13.09%
Return on equity = Net income/Average equity	-2.25%	8.02%	36.34%	16.47%	19.64%
Return on capital employed = Net income/Capital employed	-2.14%	7.79%	30.63%	10.73%	13.09%
*Capital employed = average liabilities + average equity					

E. Book Value per Share = Total equity / outstanding issued shares	2.30	2.35	2.18	2.15	1.83
F. Income/(Loss ) per Share = Net income / outstanding issued shares	-0.05	0.179	0.903	0.301	0.312

As of December 31, 2015, 2014, 2013, 2012, and 2011 the Parent Company has no potential shares with dilutive effect.

The Company's management intends to analyze future results of operations through the following key performance indicators, among other measures:

**i.) Tonnes Extracted and Ore Grade.**

Tonnes extracted and ore grade are key determinants of sales volume. Higher tonnage and ore grade are directly proportional to the level of revenues.

**ii.) Average Metal Prices.**

The average prices to be realized for Citinickel's products are key indicators in determining the Company's revenue level. Selling prices for nickel laterite ore are derived from quoted world spot and forward market prices as provided in the London Metal Exchange.

**iii.) Foreign Exchange Rate.**

Proceeds from the sale of nickel laterite ores are all denominated in U.S. dollars. A stronger U.S. dollar relative to the Philippine peso will provide the Company and its subsidiary higher peso sales revenue.

**iv.) Unit Production Cost.**

Production cost per tonne is a key measure of operating efficiency. A lower unit production cost will be incurred as the Company effectively takes advantage of economies of scale.

**v.) Earnings Per Share.**

The Company's bottom line operating results as reflected in its earnings per share is a key measure of the Company's effectivity in administering the operations of its subsidiary. Earnings per share is expressed as the amount per share of the Company's outstanding capital stock.

## Item 7. Financial Statements

The consolidated financial statements and schedules listed in the accompanying index to Financial Statements and Supplementary Schedules are filed as part of Form 17-A.

## Item 8. Information on Independent Accountants, Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The company's consolidated financial statements have been audited by R.R. Tan and Associates, CPAs, with office address at Unit 1705, Antel Global Corporate Center, Julia Vargas Avenue, Ortigas Center, Pasig City, independent auditors, as stated in their reports appearing herein.

There were no changes in, nor disagreements with accountants on accounting and financial disclosure for the same periods or any subsequent interim period.

Below table shows the aggregate fees\* incurred in years 2014, 2015 and 2016 for professional services rendered by R.R. Tan & Associates:

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Audit and audit related services	P398,517	P375,698	P278,702.12
Non-audit services	0	0	0
<b>Total</b>	<b>P398,517</b>	<b>P375,698</b>	<b>P278,702.12</b>

\*Excluding subsidiary

## PART III - CONTROL AND COMPENSATION INFORMATION

### Item 9. Directors and Executive Officers

(1) The Directors and Officers of the Company are as follows:

<b>Name of Directors</b>	<b>Age</b>	<b>Nationality</b>	<b>Present Position</b>
Caroline L. Tanchay	48	Filipino	Chairman/President
David Attewill	55	British	Director
Alonzo C. Española	51	Filipino	Director
Fernando B. Esguerra	81	Filipino	Director
Ferdinand M. Pallera	49	Filipino	Director
Josephine Joy D. Caneba	36	Filipino	Director
Gioan Fernand A. Legaspi	40	Filipino	Independent Director
Maria Katrina C. Franco	36	Filipino	Independent Director
Jose Marie E. Fabella	40	Filipino	Corporate Secretary
Amor L. Dionisio	66	Filipino	Treasurer
Miguel D. de Regla	54	Filipino	Chief Financial Officer

**Caroline L. Tanchay.** Ms. Tanchay is the Chairman and President of the Corporation. She is also President of Citimax Group, Inc., Rockworks Resources Corp., Rockworks Inc., Maxwell Heavy Equipment Corp., Chairman of Citinickel Mines and Development Corp. and Director of Moreland Realty Corp. She graduated from the De La Salle University in 1988 with a degree in Bachelor of Science in Commerce Major in Management.

**David Attewill.** Mr. Attewill is a Director of the Corporation. He is also the Manager of International Operations for Worley Parsons Limited, and is currently the President of Euro Decommissioning Services, Philippines, Inc. He used to be the Operations Director for Crew Minerals Corporation, Inc., EDS Philippines, Inc. and Cleveland Bridge LTD. He also held the position of managing director for Kvaerner Philippines Corp., Inc. He obtained his Master of Business Administration degree from the University of West of England, UK, in 1993.

**Alonzo C. Española.** Mr. Española is a Director of the Corporation. He also holds the position of President in various corporations such as Martam Shipping Corporation, Grain Corporation, Bandila Construction and Development Corporation and Hardrock Aggregates, Inc. He obtained his degree in Bachelor of Science in business Administration and Management from the Letran College in 1985.

**Fernando B. Esguerra.** Engr. Esguerra is a Director of the Corporation. He is also the President of Falcon Peak Resources Development Corporation and member of the Board of directors of China Nickel Mining Philippines Corp., and Olympic Mines and Development Corp., He used to be the Executive Vice President and Director of Olympic Mines and Development Corp., President of Pyramid Hill Mining and Industrial Corp., Director of Mt. Abo-abo Agro Industrial Development Corp., President of Patricia Louise Mining and Development Corp., President of Sara Marie Mining and Development Corp. and Director of Palawan Alpha South Resources Development Corp. Engr. Esguerra earned his BS Mining Engineering degree at Mapua Institute of Technology and MS Geology degree at Stanford University. He is also a graduate of the Management Program of De La Salle University.

**Ferdinand Pallera.** Mr. Pallera is a Director of the Corporation. He has over 23-year experience in General Management and Company Development in the Philippines. His primary background is establishment, strategic planning, operating and business development of other business affiliates within various industries including Mining, Infrastructure, Power, Restaurant and Hospitality Industry. He was President for Citinickel Mines and Development Corporation in the Philippines providing general management of the mining company. Currently, he is managing Hardrock Aggregates Inc., as Vice President for Operations. Hardrock is a non-metallic mining company affiliate of the group. He is also engaged as Vice President of Oriental Energy and Power Generation Corporation, a power generation company which produces renewable energy through hydro power run-of-the river. He is also managing Director of Oriental Grand Resorts & Leisure Corporation which is engaged in the hospitality business. He was likewise Vice President for Operations of Bandila Construction and Development Corporation, a company which provides operational management, administration services, engineering and strategy coordination. Mr. Pallera finished his BS Business Administration-Management degree at Letran College in Manila.

**Josephine Joy D. Caneba.** Atty. Caneba is a Director of the Corporation. She is the Managing Director of the company's subsidiary, Citinickel Mines and Development Corporation. She is likewise the Managing Partner of Santiago Gaspar Caneba Franco Law Offices since 2014 up to the present. Her areas of expertise are in the fields of Corporation Law, Aviation Law, Mergers and Acquisition, Initial Public Offering and Capital Markets. She also serves/has served as Chief of Management System of JV Angeles Construction Corporation, President and Chief Executive Officer of Philippines AirAsia, Inc., Chief Operations Officer and Accountable Manager of AirAsia Zest, Head-Legal and Compliance Department of AirAsia, Inc., and Senior Associate of Feria Tantoco Robeniol Law Offices. Atty. Caneba obtained her Bachelor of Laws degree from the University of Santo Tomas and earned her degree in Bachelor of Arts in Communication Management from Assumption College.

**Gioan Fernand A. Legaspi.** Atty. Legaspi is an Independent Director of the Corporation. He is a partner at the Legaspi Barcelo & Salamera Law Offices (LEBARSA LAW). His professional experience includes having been a Senior Partner at the Benitez Legaspi Barcelo Rafael & Salamera Law Office (BELARUS LAW) from 2005-2012, Assistant Manager of Banco de Oro- EPCI, Inc.'s Legal Services Group in 2007, Associate Lawyer of the Benitez Parlade Africa Herrera Parlade and Panga Law Offices (PABLAW) from 2003-2004 and Executive Assistant IV of the Sandiganbayan from 1998-2003. He obtained his Bachelor of Laws degree, Magna Cum Laude, from the University of Santo Tomas in 2002 and his Bachelor of Arts degree major in Political Science from the Ateneo de Manila University.

**Maria Katrina C. Franco.** Atty. Franco is an Independent Director of the Corporation. She is a partner at Santiago Gaspar Caneba Franco since 2014. She is also a member of the faculty of the De la Salle College of Law at BGC, Taguig City. Her professional experience includes having been an Associate Lawyer of Feria Tantoco Robeniol Law Offices and of Salvador Guevarra and Associates Law Offices. She has been a Law Intern at the Office of Legal Aid of the UP College of Law, Student Assistant under Prof. Rowena Daroy-Morales and Student Intern at Mega Magazine and Museo Pambata. Atty. Franco obtained both her Bachelor of Laws degree and Bachelor of Fine Arts degree from the University of the Philippines. She likewise earned 24 units in Master of Arts in Political Science from the same university.

**Amor L. Dionisio.** Ms. Dionisio is the Treasurer of the Corporation. She is also a director of the following corporations: Maxwell Heavy Equipment Corp., Rockworks Resources Corp., She graduated from the University of Sto. Tomas in 1974, with a degree in Bachelor of Science in Commerce

**Jose Marie E. Fabella.** Atty. Fabella is the Corporate Secretary of the Corporation. He is a partner at the Fabella and Fabella Law Office and specializes in the practice of Corporate and Securities Law. He is Corporate Secretary and Legal Counsel to a number of publicly-listed and private companies. After being admitted to the Philippine Bar in 2005, he joined several law offices as an associate lawyer. Thereafter, he served as Securities Counsel III at the Securities Registration Division in the Corporation Finance Department of the Philippine Securities and Exchange Commission until January 2010. Apart from conducting lectures to listed companies, Atty. Fabella is an MCLE lecturer on Securities Law and a Masters of Law (Commercial Law) Candidate at the San Beda College Graduate School of Law.

**Miguel De la Cruz De Regla.** Mr. De Regla is the Chief Financial Officer of the Corporation. He is in the accounting practice for the past thirty (30) years. He graduated from Polytechnic University of the Philippines (PUP) Manila with a Bachelor of Science degree major in Accounting.

#### SIGNIFICANT EMPLOYEES

The Company is not dependent on the services of any particular employee. It does not have any special arrangements to ensure that any employee will remain with the Company and will not compete upon termination.

#### FAMILY RELATIONSHIPS

Caroline L. Tanchay, Chairman of the Board of Director and President of the Corporation is the niece of Ms. Amor L. Dionisio, Treasurer of the Corporation.

Other than the foregoing, none of the directors or executive officers of the Corporation are related.

#### INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

As of the date of this report, the Company does not know of any other pending litigation aside from those already mentioned above, within the last three years, to which it or any of its affiliate, or of which any of their property is the subjected.

In addition, the Company, at present, is not aware of any legal proceedings within the last three (3) years prior to the date of this Report that are material to the evaluation of the ability or integrity of any director, any nominee for election as director, executive officer, underwriter or control person of the Company nor is the Company aware of:

- any bankruptcy petition filed by or against any business of which the incumbent directors or senior management of the Company was a general partner or executive officer, either at the time of filing of the bankruptcy petition or within three (3) years prior to that time;
- any conviction by final judgment in a criminal proceeding, domestic or foreign, pending against any of the incumbent directors or senior management of the Company;
- any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the incumbent directors or senior management of the Company in any type of business, securities, commodities or banking activities; and
- any finding by domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or said regulatory organization, that any of the incumbent directors or senior management of the Company has violated a securities or commodities law, and the judgment has not been reversed, suspended or vacated.

### Item 10. Executive Compensation

(1) Compensation Table

The following is a summary of the aggregate compensation during the year 2010, 2011 and 2012 of the executive officers and members of the board of directors of the Company as a group:

<b>SUMMARY COMPENSATION TABLE</b>					
Annual Compensation (PhP)					
	2012	2013	2014	Bonus	Other Compensation
5 Most Highly Compensated Officers					
Caroline L. Tanchay – President & Chairman					
Fernando B. Esguerra – Director					
Miguel de Regla – Chief Financial Officer					
Irving Lin - Director					
David Attewil - Director					
<b>Total</b>	0	0	0	0	0
Total Compensation of					

Other Unnamed Officers	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

#### Compensation of Directors and Officers

As of December 31, 2016, all directors did not receive any compensation except a reasonable per diem for attendance during meetings.

There are no special compensatory arrangements between the Corporation and its directors and officers.

#### Employment Contracts and Termination of Employment and Change-in-Control Arrangement

There are no special arrangements as to the employment contract of any executive officer such that said officer will be compensated upon his resignation, retirement or other termination from the Corporation or its subsidiaries, or as may result from a change-in-control except as provided by law.

### Item 11. Security Ownership of Certain Beneficial Owners and Management

#### Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2016, the Corporation knows of no persons who, directly or indirectly, are the record and/or beneficial owners of more than five percent (5%) of any class of the Corporation's voting securities, except as set forth in the table below:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares	Percent Held
Common	REDMONT CONSOLIDATED MINES CORP. 8 Gasan St., Masambong, Quezon City	REDMONT CONSOLIDATED MINES CORP.	Filipino	700,000,000	24.32
Common	CITIMAX GROUP, INC. 81 Sen. Gil Puyat Avenue, Brgy. Palanan, Makati City (stockholder) Nominee: CAROLINE TANCHAY	CITIMAX GROUP, INC.	Filipino	479,871,000	16.67
Common	GOLDEN SPIN REALTY, INC. 6 <sup>th</sup> Floor MNA Building, 186 2 <sup>nd</sup> Street corner Bonifacio Drive, Port Area, Manila (stockholder) Nominee:	GOLDEN SPIN REALTY, INC.	Filipino	422,071,200	14.66

Common	SUNCORP MINES AND DEVELOPMENT CORP. 161 Villaruel St., Pasay City	SUNCORP MINES AND DEVELOPMENT CORP.	Filipino	226,500,00	7.87
Common	FUYING HOLDINGS LIMITED P.O. Box 957, Offshore Incorporation Center	FUYING HOLDINGS LIMITED	British	150,000,000	5.21
Common	XIN HUA DEVELOPMENTS LIMITED P.O. Box 957, Offshore Incorporation Center	XIN HUA DEVELOPMENTS LIMITED	British	150,000,000	5.21
Common	YU RONG LIMITED P.O. Box 957, Offshore Incorporation Center	YU RONG LIMITED	British	150,000,000	5.21
TOTAL				278,442,200	79.15

(2) Security Ownership of Management

The following table shows the shares beneficially owned by the directors and executive officers of the Corporation as of December 31, 2016:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Citizenship	Percent of Class
Common	Caroline L. Tanchay	1,000,000	Direct	Filipino	0.04
Common	David Attiwell	1	Direct	British	0.00
Common	Alonzo C. Española	1	Direct	Filipino	0.00
Common	Fernando B. Esguerra	50,000	Direct	Filipino	0.00
Common	Ferdinand M. Pallera	1,000,000	Direct	Filipino	0.03
Common	All Directors and Executive Officers as a group	2,050,002			0.06

(3) Voting Trust Holders of 5% or More

The Corporation is not aware of any voting trust or similar arrangements involving securities of the Corporation or of any person who holds more than five percent (5%) of a class of securities under a voting trust or similar agreements.

(4) Changes in Control

The Corporation is not aware of any arrangements entered into by the Corporation or any shareholder thereof which may result in the change in control of the Corporation.

## Item 12. Certain Relationships and Related Transactions

There are transactions and arrangements between the Company and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements.

Transaction with Citimax Group, Inc:

### (i) Acquisition and construction of mine-site

On January 8, 2007, the Citinickel entered into an agreement with, Citimax Group, Inc. (the Contractor), for the construction and development of the mine-site particularly the road network, piersite, pier construction and campsite in Sofronio Española, Palawan. The contract also includes confirmatory exploration and exploration works to validate previously dug pits and board holes prior to production stage. Detailed mapping of structures, mineralization and profile shall be done as a forward activity to subsequent regular test pitting and exploration works. The contract price is P275.15 million.

On August 28, 2007 Citinickel also engaged the Contractor through a Letter of Intent for additional construction agreement covering mineral land survey, additional campsite development; additional pier site development and land acquisition, draining system for the road network and campsite, and construction of bridges. For this project, the contractor's project management consultancy fee is P20 million.

On April 10, 2008 Citinickel's Board of Directors approved the modification and/or order changes in the works for the construction and development of Citinickel's mine site. These consolidates the agreement entered last January 8, 2007, August 28, 2007 and the additional/modification construction and/or development works not included on those agreements such as the re-engineering of design of causeway, road expansion and diversions, additional bridges. New contract amounted to P929,979,581 excluding of Value Added Tax. As of December 31, 2010, the project is 82% complete equivalent to a contract value of P762 million.

On August 28, 2010, Citinickel engaged the Contractor through a Letter of Intent for the Toronto Mine Site Construction and Development Works in Brgy. San Isidro, Narra Palawan for a contract price of P662 Million. The contract covers the following scope of works: preliminary engineering, survey works, mine planning, road rehabilitation, (8km from mine site to causeway), stock pile area, cause rehabilitation expansion and construction of pier head, camp site development, confirmatory exploration works, exploration of 40 has areas only. Unpaid progress billing as of December 31, 2010 amounted to P500 million.

During 2010 and 2009, certain expenses of the Company are paid by Citimax Group, Inc. on behalf of the Company. These advances are unsecured, without fixed repayment terms and interest.

### (ii) Purchase of equipment

During 2007, the Company acquired from Citimax Group, Inc., transportation equipment, trucks, bulldozer, payloader, elf, generator and other heavy equipment for a total of P249,594,522. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

### (iii) Advances for operating expenses

During 2009 and 2008, certain expenses of the Parent Company are paid by Citimax Group, Inc. in behalf of the Company. The advances are unsecured, without fixed repayment terms and interest.

Transactions with key management personnel

(i) Certain officer of the Parent company provides for the Parent Company's working requirements. As of December 31, 2009 and 2010 advances from officer amounted to P13,535,759 and P18,593,967.00, respectively. The advances are not subject to interest and have no fixed repayment period.

(ii) During the year, there was no compensation to key management personnel of the Company.

The transactions with related parties are always evaluated with fairness and are accounted for at arms' length prices or on terms similar to those offered to non-related entities in an economically comparable market.

## PART IV – CORPORATE GOVERNANCE

### Item 13. Corporate Governance

Oriental Peninsula Resources Group, Inc. ("ORE") is committed to high standards of corporate governance in discharging its obligations to act in the interests of the public and to enhance shareholders' value. It has substantially complied throughout the period under review with the applicable principles and provisions set out in ORE's Manual on Corporate Governance dated October 5, 2007.

The Board further adopted the Revised Manual of Corporate Governance pursuant to Memorandum Circular 6 Series of 2009 and 9 Series of 2014.

#### The Board

There is an effective and appropriately constituted Board who received relevant information required to properly accomplish their duties. The Board is comprised of three executive directors and four non-executive directors that reflect a blend of different ages, financial and commercial experiences.

All non-executive officers are independent of management and free from any business which could materially interfere with the exercise of their independent judgment.

The Nomination Committee is mandated to ensure that there is a formal and transparent procedure for the appointment of new Directors of the Board. Where appropriate, every director receives training, taking into account his individual qualifications and experience. Training is also available on an ongoing basis to meet individual needs.

The term of office of all directors, including independent directors and officers shall be one (1) year and until the successors are duly elected and qualified.

#### Board Process

Members of the Board met when necessary throughout the year to adopt and review its key strategic and operational matters; approve and review major investments and funding decision; adopt and monitor appropriate internal control; and ensure that the principal risks of the Company are identified and properly managed.

The Board worked on an agreed agenda as it reviews the key activities of the business.

The Corporate Secretary is responsible to the Board and is available to individual Directors in respect of Board procedures.

## Committees

The Board has established a number of committees with specific mandates to deal with certain aspects of its business. All of the Committees have defined terms of reference.

### Audit Committee

The Audit Committee functions under the terms of reference approved by the Board. It meets at least twice a year and its roles include the review of the financial and internal reporting process, the system of internal control and management of risks and the external and internal audit process. The Audit Committee reviews the scope and results of the audit with external auditors and obtains external legal or other independent professional advice where necessary.

Other functions of the Audit Committee include the recommendation of the appointment or re-appointment of external auditors and the review of audit fees.

### Nomination Committee

The Committee assesses and recommends to the Board candidates for appointment of executive and non-executive directors positions. The Committee also makes recommendations to the Board on its composition. The Committee meets as required.

### Remuneration Committee

The Remuneration Committee is responsible in determining the Company's policy on executive remuneration and in specifying the remuneration and compensation packages on the employment or early termination from office of each of the executive directors of the Company. All decisions of the Remuneration Committee are only recommendatory and they are referred to the Board for final approval. The Remuneration Committee also monitors the compensation packages of other senior executives in the group below the Board level. The Committee meets as required.

### Compliance Officer

The CO is responsible for ensuring that the Company's corporate principles are consistently adhered to throughout the organization. The CO acts independently and his role is to supply the top management with the necessary information on whether the organization's decisions comply with professional rules and regulations, internal directives, regulatory authorities, and the statutory law.

### Relation with Shareholders

The Directors place a high importance on maintaining good relationships with the shareholders and ensure that they are kept informed of significant Company developments. The Company encourages shareholders to attend its annual stockholders' meetings that provide opportunities for stockholders to ask questions to the Board/Management.

PART V - EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

(a) Exhibits

EXHIBIT	
(1) Audited Financial Statements	See Annex "A"

(b) Reports on SEC Form 17-C

Please find below a list of items reported under SEC Form 17-C, as amended, during the past twelve months:

Date	Matters Approved/ Reported
December 28, 2015	The Company advised that the Board of Directors of its subsidiary, Citinickel Mines & Development Corp. ("CMDC"), approved to declare a special cash dividend amounting to PhP872,100,000.00 or equivalent to a PhP5.71 dividend per share to all its stockholders of record as of December 31, 2015. The dividend shall be taken from the unrestricted retained earnings of CMDC as of December 31, 2015, with payment date scheduled on or before January 27, 2016.
January 7, 2016	The Company advised that the Board of Directors of its subsidiary, CMDC, approved to move the payment date of the dividend to on or before January 31, 2016 from its previous schedule of on or before January 27, 2016.  This is in connection with the previous disclosure that the Board of CMDC declared a special cash dividend on December 28, 2015 amounting to PhP872,100,000.00 or equivalent to a PhP5.71 dividend per share to all its stockholders of record as of December 31, 2015. The dividend shall be taken from the unrestricted retained earnings of CMDC as of December 31, 2015.
May 31, 2016	The Company advised that the Board approved the postponement of the annual stockholders' meeting of the Company which pursuant to its By-Laws should be held on the last Friday of May of every year. The postponement aims to give the Company sufficient time to prepare for the additional matters which may have to be presented to the stockholders. The Board shall convene at a later date to determine the exact date, time and venue of the annual stockholders' meeting as well as the record date.
July 27, 2016	The Company informed that its subsidiary, CMDC, received Suspension Order dated July 22, 2016 from the Mines and Geosciences Bureau suspending mining operations under Mineral Production Sharing Agreement No. 229-2007-IVB, subject to the result of the mine audit to be undertaken pursuant to Development of Environment and Natural Resources memorandum Order No. 2016-01 dated July 8, 2016.
October 24, 2016	The Company advised that the Board approved the holding of the

	Corporation's Annual Stockholders' Meeting on December 8, 2016. The record date is set on November 10, 2016. The venue and other details of the ASM shall be announced at a later date.
November 3, 2016	<p>The Company informed that its subsidiary, CMDC, received a Certification from the Mines and Geosciences Bureau MIMAROPA Regional Office.</p> <p>The Certification allows the issuance of a Mineral Ore Export Permit ("MOEP") pursuant to existing laws and regulations for a total of 2,705,679 WMT "existing nickeliferrous laterite ore stockpiles" in Citinickel's pier yards, as verified/ validated by the technical personnel of the MGB.</p> <p>With the above approval and upon the issuance of the MOEP, ORE, through Citinickel, will be able to resume its revenue generating activities and shall not be prevented from selling its nickel ores whenever favorable terms and conditions are agreed with buyers and likewise upon taking into consideration favorable market conditions.</p>
November 11, 2016	The Company advised that the Mines and Geosciences Bureau issued today the MOEP to its subsidiary, CMDC.
December 8, 2016	Results of 2015 Annual Stockholders' Meeting and Organizational Meeting

-END-

**SIGNATURES**

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporation Code, this report is signed on behalf of the Company by the undersigned, thereunto duly authorized in QUEZON CITY on APR 26 2017.

By:

**ORIENTAL PENINSULA RESOURCES GROUP, INC.**

Issuer

By:



**CAROLINE L. TANCHAY**  
President and CEO



**FERDINAND M. PALLERA**  
Chief Operating Officer



**MIGUEL DE REGLA**  
Chief Finance Officer



**JOSE MARIE E. FABELLA**  
Corporate Secretary



**CONNIE A. MINOZA**  
Comptroller and Accounting Officer

**SUBSCRIBED AND SWORN** to before me this 26 APR 2017 affiants exhibiting to me the following competent evidence of identity, to wit:

<b>NAMES</b>	<b>ID No.</b>	<b>PLACE OF ISSUE</b>
CAROLINE L. TANCHAY	33-1956303-1	SSS
FERDINAND M. PALLERA	03-8355769-4	SSS
MIGUEL DE REGLA	03-4752096-8	SSS
JOSE MARIE E. FABELLA	Unified Multi-Purpose ID CRN 0033-5787885-6	SSS
CONNIE A. MINOZA	33-6583014-5	SSS

Doc. No. 04;  
Page No. 01;  
Book No. XXXXX  
Series of 2017.

**ATTY. JAIME L. MARIO, JR.**  
**NOTARY PUBLIC**  
PTR No. 3802899  
IBP No. 1055657  
ISSUED ON 03 JAN. 2017  
ISSUED AT QUEZON CITY  
ROLL No. : 18051