2010 ANNUAL REPORT

CENTURY PEAK
METALS HOLDINGS CORP.

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CORPORATE PROFILE

Century Peak Metals Holdings Corporation ("CPMHC," the "Company," the "Parent Company," or the "Issuer"), formerly Fil-Hispano Corporation, was registered with the Philippine Securities and Exchange Commission ("SEC") on December 30, 2003. On February 15, 2008, the SEC approved the change in the Company's corporate name to Century Peak Metals Holdings Corporation.

On April 14, 2008, the SEC approved the amendment of the Company's articles of incorporation. Its primary purpose was changed to include promoting, operating, managing, holding, acquiring or investing in corporations or entities that are engaged in mining activities or mining-related activities. The Company further expanded its primary purpose by including investing in real estate development and energy. Its amended articles of incorporation was approved by the SEC on March 18, 2010. The Company listed its common shares of stock with the Philippine Stock Exchange ("PSE") on October 6, 2009.

The registered office address of the Parent Company is at Units 1403 and 1404 Equitable Bank Tower Condominium, 8751 Paseo de Roxas, Makati City. The Company has two subsidiaries, its wholly-owned subsidiary Century Peak Corporation ("CPC"), and its 55%-owned subsidiary, Century Hua Guang Smelting Incorporated ("CHGSI").

The consolidated financial statements include the statements of the Parent Company, its wholly owned subsidiary, Century Peak Corporation (CPC) and its 55% owned subsidiary, Century Hua Guang Smelting Incorporated (CHGSI) (collectively referred to as the "Group").

VISION, MISSION, CSR, BUSINESS STRUCTURE

Vision Statement

An integrated mining company dedicated to operational excellence, conscious of its social and environmental responsibilities, and committed to delivering superior shareholder returns.

Mission Statement

- We shall invest in and operate a diversified and cost competitive portfolio of mines, tenements and businesses.
- We shall be committed to operational excellence, the safety of our employees and host communities, and the prudent stewardship of the areas we operate in.
- We shall be a socially responsible organization committed to engaging and uplifting the lives of people in our communities.
- We shall be mindful of the welfare of our employees and be partners in actualizing their potential and in the development of their careers.
- We shall always be aware of the concerns of all our stakeholders and be open to solutions and resolutions that are mutually beneficial.
- We believe and shall act in accordance with the idea that maximizing shareholder value and being a responsible corporate entity are not mutually exclusive propositions.

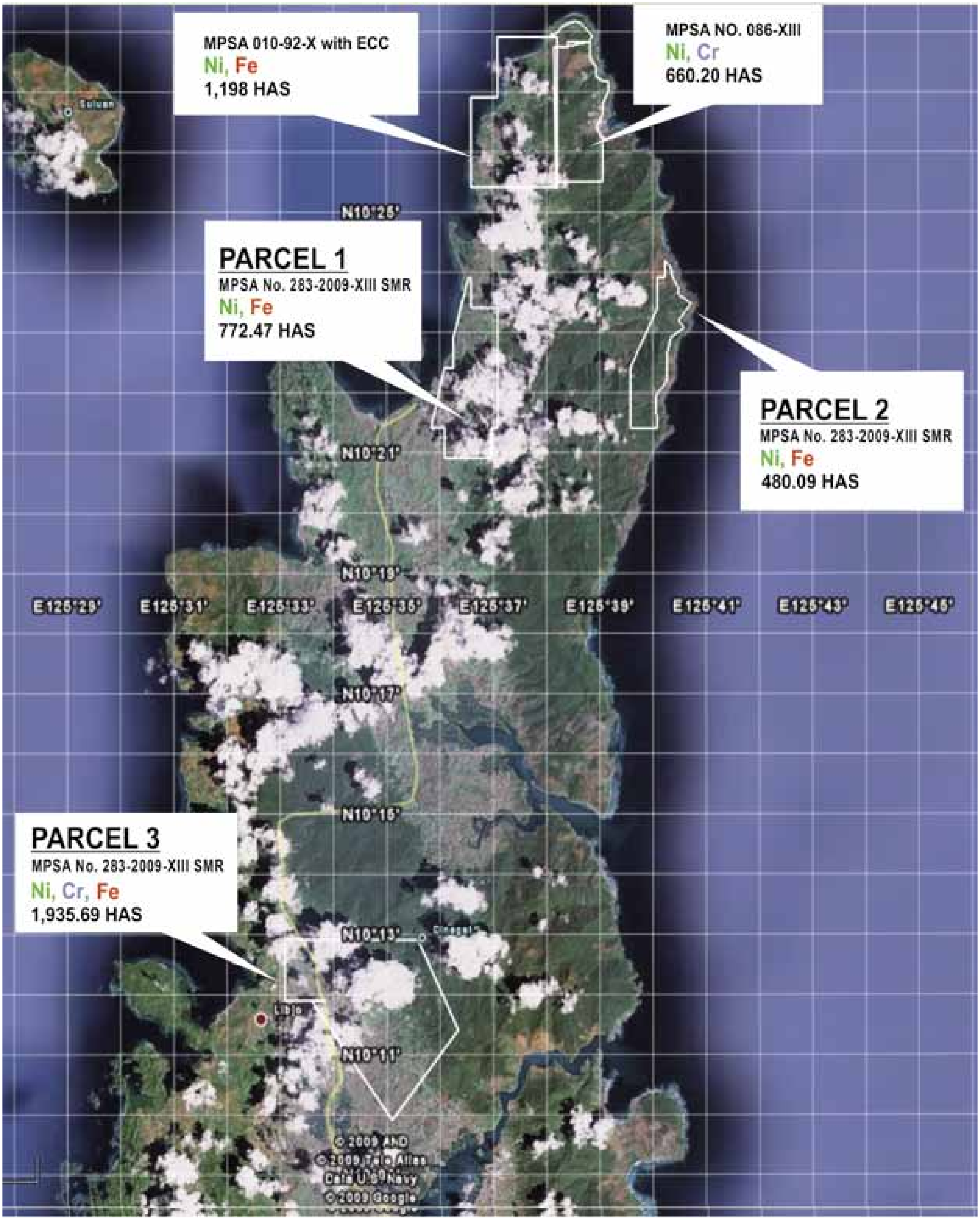
Corporate Social Responsibility

Century Peak Corporation conducts quarterly consultations with the stakeholders involved in its operations-the barangays, the towns, the provinces, the Church and environmentally concerned non-government organizations. These quarterly consultations include topics from security, community projects and education, infrastructure, pollution prevention measures, and other matters of community concern.

Business Structure

- Century Peak Metals Holdings Corporation
  - Century Peak Corporation Mining Operations (100%)
  - Century Hua Guang Smelting Inc. Smelting Operations (55%)

DINAGAT ISLAND PROJECTS



CHAIRMAN'S MESSAGE

Dear Shareholders and Friends,

When we look back at 2010, we continue to strengthen our foundation as a long term player in the mining industry. The company started to reorganize its operating units both at the head office level and mine site, putting into place systems and controls that would increase efficiency.

We are pleased to inform you that your Management has signed a memorandum of understanding with China Coal Geology Engineering Corporation to consider the possibility of establishing a Philippine-based Exploration Company that will explore mining properties all over the Philippines. Beijing based China Coal Geology Engineering Corporation (CCGEC) is China's largest coal exploration company. The envisioned joint venture company will provide high technology equipment and experienced engineers from China to Philippine mining companies. At present there is a shortage of technical equipment and mining experts available to Philippine-based mining companies who explore and mine in remote areas, and the new company intends to fill the void. The proposed partnership with China Coal Geology Engineering Corporation is subject to final approval of the Government of China. Outside China, specifically Queensland's Surat Basin, CCGEC has a project to establish 15 coal mines that would yield 50 to 80 million tons per year.


CHGSI Field Personnel inspecting the Smelter Site.


CFO Enrico Trinidad inspecting the site of the smelting facility. In the Leyte Industrial Development Estate (LIDE)

Smelting Plant

Despite some challenges your company will construct the first batch of furnaces in the smelting facility located in the Leyte Industrial Development Estate (LIDE). The smelting facility's configuration has been modified to utilize more cost effective and up to date technologies. Your Management is hopeful that the smelter operations will start in the coming months. Besides the smelter your Company will also build a Coking Coal plant which will provide the necessary component to produce the ferro nickel alloy from the smelters.

Smelting facility located in the Leyte Industrial development Estate (LIDE).

Mining Operations

Currently the mining properties owned and operated by your Company are the following:

Mining Rights

Tenement Designation	Area Covered (hectares)	Location	Mineralization
MPSA NO. 010-92-X	1,198	Loreto, Surigao del Norte	Nickel, Chromite, Iron
MPSA NO. 086-XIII	660.20	Loreto, Surigao del Norte	Nickel, Chromite
MPSA NO. 283-2009-XIII-SMR PARCEL 1	772.47	Loreto, Surigao del Norte	Nickel, Chromite, Iron
MPSA NO. 283-2009-XIII-SMR PARCEL 2	480.09	Loreto, Surigao del Norte	Nickel, Chromite, Iron
MPSA NO. 283-2009-XIII-SMR PARCEL 3	1,935.69	Libjo, Surigao del Norte	Nickel, Chromite, Iron
EPA-IVB-139	5,136	Puerto Princessa, Palawan	Nickel, Chromite, Manganese
PINAMUNGAHAN LIMESTONE PROPERTY (Joint Operating Agreement with Philippine Mining Development Corporation)	4,795	Toledo, Cebu	Limestone

Aerial view of Acoje Operations.

High grade Sample of Nickel.

Mr. Enrico Trinidad, CFO with Chinese Engineers and CHGSI field personnel in Leyte.

Last April 2010 a Geologic Resource Evaluation of the Casiguran mine prospect was prepared by Dr. Carlo A. Arcilla. The project area consists of 1,198 hectares situated in Sitio Omasdang, Barrio Panamon, within the Municipality of Loreto, Province of Dinagat Island. The Casiguran prospect is a laterite nickel deposit. The laterite resources are not just nickel resources, because of the significant(>40%) iron content which is a grade category called "China ore" comprising of ores with high Fe and Ni, in addition to purely nickel resources. The report reveals that the resources of the Casiguran mine prospect has 100,000 metric tonnes of Ni metal and 3.5 million tonnes of Fe metal.

Our mining group has been maintaining stockpiles of nickel laterite ore in anticipation of the commencement of operations of the smelting facility. Our mining operation in the Dinagat properties will expand because we are preparing to open up new nickel laterite areas for the source of feedstock for the smelter facility and possibly any excess production will be for the export market.

We look forward to a productive year ahead. Your management is grateful for your steadfast support.

Very truly yours,

Wilfredo D. Keng

STATEMENT OF MANAGEMENT RESPONSIBILITY

The management of Century Peak Metals Holdings Corporation and Subsidiaries is responsible for all information and representations contained in the consolidated financial statements for the periods ended December 31, 2010 and 2009. The consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition, and liabilities are recognized.

The Board of Directors reviews the consolidated financial statements before such statements are approved and submitted to the stockholders of the Company.

Manabat San Agustin & Co., CPAs, the independent auditor appointed by the stockholders, have audited the financial statements of the Company in accordance with Philippine Standards on Auditing and have expressed their opinion on the fairness of presentation upon completion of such audit, in the report to the stockholders.

Mr. Wilfredo D. Keng
President and Chief Executive Officer

Mr. Enrico M. Trinidad
Chief Finance Officer

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Century Peak Metals Holdings Corporation and Subsidiaries
Units 1403 and 1404 Equitable Bank Tower Condominium
8751 Paseo de Roxas, Makati City

We have audited the accompanying consolidated financial statements of Century Peak Metals Holdings Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2010 and 2009, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Century Peak Metals Holdings Corporation and Subsidiaries as at December 31, 2010 and 2009, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Other Matter
The consolidated financial statements of Century Peak Metals Holdings Corporation and Subsidiaries as at and for the year ended December 31, 2008 were audited by another auditor whose report thereon dated June 22, 2009 expressed an unqualified opinion on those statements.

MANABAT SANAGUSTIN & CO., CPAs

RICARDO G. MANABAT
Partner
CPA License No. 0024603
SEC Accreditation No. 0023-AR-2
Tax Identification No. 112-071-545
BIR Accreditation No. 08-001987-5-2010
Issued June 30, 2010; Valid until June 29, 2013
PTR No. 2639618MB
Issued January 3, 2011 at Makati City

April 13, 2011
Makati City, Metro Manila

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2010 and 2009

	Note	**2010**	2009
ASSETS			
Current Assets			
Cash	*6, 23*	**P46,026,214**	P211,622,843
Trade receivables	*7*	**5,394,881**	74,793,062
Inventories	*8*	**79,176,442**	79,176,442
Other current assets	*9*	**8,969,696**	8,687,199
Total Current Assets		**139,567,233**	374,279,546
Noncurrent Assets			
Available for sale securities	*10*	**1,500,000**	-
Investment properties	*11*	**21,385,768**	21,385,768
Property and equipment – net	*12*	**643,110,351**	600,944,910
Explored mineral resources – net	*13*	**2,015,071,626**	2,015,071,626
Deferred tax assets	*19*	**2,895,303**	9,824,856
Other noncurrent assets	*14*	**205,987,035**	602,265
Total Noncurrent Assets		**2,889,950,083**	2,647,829,425
		P3,029,517,316	P3,022,108,971
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and other current liabilities	*15*	**P26,503,119**	P97,892,709
Due to a stockholder	*22*	**143,086,277**	42,402,374
Income tax payable	*19*	**780,405**	1,293,484
Total Current Liabilities		**170,369,801**	141,588,567
Noncurrent Liability			
Provision for site rehabilitation	*16*	**7,010,715**	6,370,868
Equity			
Capital stock	*21*	**2,820,330,450**	2,820,330,450
Additional paid-in capital		**1,931,550**	1,931,550
Retained earnings		**(9,027,339)**	9,633,212
Total Equity Attributable to Equity Holders of the Parent		**2,813,234,661**	2,831,895,212
Equity attributable to minority interests		**38,902,139**	42,254,324
Total Equity		**2,852,136,800**	2,874,149,536
		P3,029,517,316	P3,022,108,971

See Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009 (With Comparative Figures for 2008)

	Note	**2010**	2009	2008
REVENUE		**P53,174,359**	P105,826,754	P58,743,110
COST OF SALES	*17*	**14,154,108**	41,152,555	11,803,612
GROSS INCOME		**39,020,251**	64,674,199	46,939,498
Operating expenses	*18*	**(52,396,406)**	(51,566,876)	(60,277,986)
Interest expense	*16*	**(639,847)**	(581,451)	(572,881)
Foreign exchange loss		**(644,964)**	(461,882)	-
Rent income		**280,000**	63,158	-
Interest income		**78,188**	19,703	100,752
INCOME (LOSS) BEFORE INCOME TAX		**(14,302,778)**	12,146,851	(13,810,617)
INCOME TAX EXPENSE (BENEFIT)				
Current		**780,405**	1,293,484	-
Deffered		**6,929,553**	6,923,567	(16,748,423)
	19	**7,709,958**	8,217,051	(16,748,423)
NET INCOME (LOSS) /TOTAL COMPREHENSIVE (LOSS) INCOME		**(P22,012,736)**	P3,929,800	P2,937,806
ATTRIBUTABLE TO:				
Equity holders of the parent company		**(P18,660,551)**	P5,311,542	P4,301,742
Minority interests		**(3,352,185)**	(1,381,742)	(1,363,936)
		(P22,012,736)	P3,929,800	P2,937,806
Earnings (Loss) Per Share				
Basic/Diluted	*25*	**(P0.0066)**	P0.0019	P0.0018

See Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009 (With Comparative Figures for 2008)

	Attributable to Equity Holders of the Parent						
	Capital Stock (Note 21)	Deposit for Stock Subscription	Additional Paid-in Capital	Retained Earnings	Total	Minority Interests	Total Equity
Balance at January 1, 2010	**P2,820,330,450**	**P -**	**P1,931,550**	**P9,633,212**	**P2,831,895,212**	**P42,254,324**	**P2,874,149,536**
Net income (loss)/Total comprehensive income (loss) for the year	-	-	-	(18,660,551)	(18,660,551)	(3,352,185)	(22,012,736)
Balance at December 31, 2010	**P2,820,330,450**	**P -**	**P1,931,550**	**(P9,027,339)**	**P2,813,234,661**	**P38,902,139**	**P2,852,136,800**
Balance at January 1, 2009	P2,820,330,450	P -	P1,931,550	P4,321,670	P2,826,583,670	P43,636,066	P2,870,219,736
Net income (loss)/Total comprehensive income (loss) for the year	-	-	-	5,311,542	5,311,542	(1,381,742)	3,929,800
Balance at December 31, 2009	P2,820,330,450	P -	P1,931,550	P9,633,212	P2,831,895,212	P42,254,324	P2,874,149,536
Balance at January 1, 2008	P20,330,450	P150,000,000	P1,931,550	P19,928	P172,281,928	P -	P172,281,928
Issuance of new shares	2,800,000,000	(150,000,000)	-	-	2,650,000,000	-	2,650,000,000
Increase in minority interests	-	-	-	-	-	45,000,002	45,000,002
Net income (loss)/Total comprehensive income (loss) for the year	-	-	-	4,301,742	4,301,742	(1,363,936)	2,937,806
Balance at December 31, 2008	P2,820,330,450	P -	P1,931,550	P4,321,670	P2,826,583,670	P43,636,066	P2,870,219,736

See Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009 (With Comparative Figures for 2008)

	Note	**2010**	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		**(P14,302,778)**	P12,146,851	(P13,810,617)
Adjustments for:				
Depreciation and amortization	*12, 13*	**16,450,545**	13,920,600	13,683,508
Interest expense		**639,847**	581,451	572,881
Unrealized foreign exchange loss		**(87,669)**	156,276	-
Interest income		**(78,188)**	(19,703)	(100,752)
Operating income (loss) before working capital changes		**2,621,757**	26,785,475	345,020
Decrease (increase) in:				
Trade receivables	*7*	**69,475,707**	(16,206,228)	(58,743,110)
Inventories	*8*	**-**	(19,102,746)	(60,073,696)
Other current assets		**(282,497)**	(6,083,872)	(2,467,011)
Increase (decrease) in:				
Accounts payable and other current liabilities		**(71,389,590)**	19,056,694	12,831,889
Net cash generated from (used for) operations		**425,377**	4,449,323	(108,106,908)
Interest received		**78,188**	19,703	100,752
Income tax paid		**(1,293,484)**	-	-
Net cash provided by (used in) operating activities		**(789,919)**	4,469,026	(108,006,156)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property and equipment	*12*	**(58,615,986)**	(35,814,961)	(2,372,459)
Collection (grant) of loans receivable		**-**	108,000,000	(108,000,000)
Acquisition of AFS securities	*10*	**(1,500,000)**	-	-
Decrease (increase) in:				
Due from related parties	*22*	**-**	190,573,942	(190,573,942)
Other noncurrent assets	*14*	**(205,384,770)**	-	(602,265)
Net cash provided by (used in) investing activities		**(265,500,756)**	262,758,981	(301,548,666)
CASH FLOWS FROM FINANCING ACTIVITIES				
Advances from (payments to) a stockholder		**100,683,903**	(56,900,000)	99,302,374
Proceeds from issuance of shares		**-**		160,740,733
Net cash provided by (used in) financing activities		**100,683,903**	(56,900,000)	260,043,107
EFFECT OF EXCHANGE RATE CHANGES IN CASH		**P10,143**	P -	P -
NET INCREASE (DECREASE) IN CASH		**(165,596,629)**	210,328,007	(149,511,715)
CASH AT BEGINNING OF YEAR	*6*	**211,622,843**	1,294,836	150,806,551
CASH AT END OF YEAR	*6*	**P46,026,214**	P211,622,843	P1,294,836

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

Century Peak Metals Holdings Corporation ("CPMHC or the Parent Company"), formerly Fil-Hispano Corporation, was registered with the Philippine Securities and Exchange Commission (SEC) on December 30, 2003. On February 15, 2008, the SEC approved the change in the Parent Company's corporate name to Century Peak Metals Holdings Corporation.

On April 14, 2008, the SEC approved the amendment of the Parent Company's articles of incorporation changing its primary purpose to promoting, operating, managing, holding, acquiring or investing in corporations or entities that are engaged in mining activities or mining-related activities.

The Parent Company listed its common shares of stock with the Philippine Stock Exchange on October 6, 2009.

On May 27, 2010, SEC approved the amendment of the Parent Company's articles of incorporation changing the registered principal office to Units 1403 and 1404 Equitable Bank Tower Condominium, 8751 Paseo de Roxas, Makati City.

The consolidated financial statements include the separate financial statements of the Parent Company, its wholly-owned subsidiary, Century Peak Corporation (CPC) and its 55%-owned subsidiary, Century Hua Guang Smelting Incorporated (CHGSI) (collectively referred to as the "Group").

Mineral Rights of CPC

The table below summarizes CPC's mineral rights:

Tenement Designation	Area Covered (hectares)	Location
MPSA-010-92-X	1,198	Casiguran, Loreto, Dinagat Islands
MPSA-283-2009-XIII-SMR	3,188	Libjo (Albor), Dinagat Islands
EPA-IVB-139	5,136	Ihawig, Puerto Princesa, Palawan
APSA-086-XIII	660	Acoje, Loreto, Dinagat Islands

CPC acquired Mineral Production Sharing Agreement (MPSA) No. 010-92-X covering its Mineral Right in Loreto, Province of Dinagat Islands, otherwise known as the Casiguran Nickel Project, by virtue of a Deed of Assignment executed with Casiguran Mining Corporation on May 29, 2006, which was approved by the Department of Environment and Natural Resources (DENR) on December 11, 2006.

In addition to the MPSA over the Casiguran Nickel Project, CPC's mineral right in Libjo (Albor), Dinagat Islands is covered by MPSA-283-2009-XIII-SMR, which was approved on June 19, 2009.

Furthermore, CPC also has an existing Exploration Permit Application (EPA) designated as EPA-IVB-139 covering its property in Ihawig, Puerto Princesa, Palawan which is currently under the initial evaluation of Mines and Geosciences Bureau (MGB) Regional Office IV-B.

The Acoje Property is covered by APSA-086-XIII as well as by Environmental Compliance Certificate (ECC) No. 008-345-301C. The Application for Mineral Production Sharing Agreement (APSA) is still under final evaluation by the MGB Central Office.

Mining Operations of CPC
CPC has ongoing exploration work in its properties in the Province of Dinagat Islands and mining activities in selected areas in the same island and has stockpile the ore in anticipation for the forthcoming operation of the smelter located at the Leyte Industrial Development Estate (LIDE).

Management believes that significantly more value will be added to the Company's raw ore, and therefore shareholder interests will be maximized, by smelting it and selling it as nickel pig iron. This is also in conjunction with the government's plan to prohibit the sale of raw ore by 2016.

CPC recently released two Geologic Resource Evaluation Reports, an update to its Casiguran Mine Prospect, Dinagat Island covered by its MPSA 010-92-X and a new Resource Evaluation Report for its Rapid City Parcel II Prospect covered by its MPSA 283-2009-XIII-SMR, both prepared by Dr. Carlo A. Arcilla, an Accredited Competent Person in accordance with the definition of the Philippine Mineral Reporting Code (PMRC).

Based on the reports, the Casiguran Mine Prospect has a combined indicated and measured resource of 9,897,000 DMT with a grade of 1.02% Nickel (at 0.8% nickel cut-off). In addition, new data from the Rapid City Parcel II Prospect reveal a combined indicated and measured resource of 9,067,000 DMT with a grade of 1.07% Nickel (at 0.8% Nickel cut-off). These could represent to 100,000 metric tons of pure nickel and 3.5 million tons of iron in its Casiguran property, and 90,000 tons of pure nickel and 3.8 million tons of iron in their Rapid City property, subject to mining plans and metal recovery parameters.

The management looks forward to continue developing and exploring these mineral properties either on its own or with joint venture partners.

The Smelting Plant Project
Located at the Leyte Industrial Development Estate (LIDE), the Company's smelting plant project, through its subsidiary CHGSI, will be constructed in three phases. It is important to note that CHGSI was issued its Environmental Compliance Certificate (ECC) for its Ferro-Nickel smelting plant project last April 16, 2010. With the issuance of the aforementioned ECC, CHGSI shall now commence with the project implementation of its smelting plant at the LIDE.

Also to be located at the LIDE, CHGSI has an approved application with PEZA for its proposed Coking Coal Production Project, and the Supplemental Agreement to its Registration Agreement last 28th October 2009 was signed into effect last March 01, 2011. The Company's Coking Coal Plant project will be a support system to its Ferro-Nickel Smelting Plant. It is CHGSI's approach to making the Ferro-Nickel Smelting Plant as self-sustaining as possible.
CHGSI has received its Amended Environmental Compliance Certificate (ECC), with Reference Code 1003-0011 issued by the Environmental Management Bureau (EMB), Central Office, to include the installation of a Coking Coal Plant to be located at the LIDE in Isabel, Leyte.

Approval of Consolidated Financial Statements
The accompanying consolidated financial statements as at and for the years ended December 31, 2010 and 2009 were authorized for issuance by the Board of Directors (BOD) on April 13, 2011.

2. Basis of Preparation

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

Basis of Measurement
The consolidated financial statements of the Group have been prepared on a historical cost basis. All values are rounded to the nearest peso, unless otherwise indicated.

Functional and Presentation Currency
The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. Each entity in the Group determines its own functional currency. The functional currency of the subsidiaries is also the Philippine peso.

Use of Estimates and Judgments
The preparation of the consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5 to the consolidated financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3. Changes in Accounting Policies

Adoption of New or Revised Standards, Amendments to Standards and Interpretations
The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new, amendments to and revised standards effective January 1, 2010.

- Revised PFRS 3, *Business Combinations* (2008), effective for annual periods beginning on or after July 1, 2009, incorporates the following changes that are likely to be relevant to the Group's operations:

  - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations.
  - Contingent consideration will be measured at fair value, with subsequent changes therein recognized in profit or loss.
  - Transaction costs, other than share and debt issue costs, will be expensed as incurred.
  - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognized in profit or loss.
  - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

  The adoption of this revised standard has no significant effect on the financial statements of the Company as of December 31, 2010.

- Revised PAS 27, *Consolidated and Separate Financial Statements* (2008), effective for annual periods beginning on or after July 1, 2009, requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the Company loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in profit or loss. Impact of the adoption of this revised standard has no significant effect on the financial statements of the Company as of December 31, 2010.

- Philippine Interpretation IFRIC-17, *Distributions of Noncash Assets to Owners*, provides guidance on the accounting for nonreciprocal distributions of noncash assets to owners acting in their capacity as owners. It also applies to distributions in which the owners may elect to receive either the noncash asset or a cash alternative. The liability for the dividend payable is measured at the fair value of the assets to be distributed. Impact of the adoption has no significant effect on the financial statements of the Company as of December 31, 2010.

- *Improvements to PFRSs 2009*, contain 15 amendments to 12 standards. The improvements are generally effective for annual periods beginning on or after January 1, 2010. The following are the relevant improvements or amendments to PFRSs, none of which has a significant effect on the consolidated financial statements of the Company:

- PFRS 2, *Share-based Payment* and PFRS 3 *Business Combinations* (Revised 2008). The amendments clarify that business combinations as defined in PFRS 3 (2008) are outside the scope of PFRS 2, notwithstanding that they may be outside the scope of PFRS 3. Therefore business combinations among entities under common control and the contribution of a business upon the formation of a joint venture will not be accounted for under PFRS 2.

- PAS 38, *Intangible Assets*. The amendments clarify that: (i) an intangible asset that is separable only together with a related contract, identifiable asset or liability is recognized separately from goodwill together with the related item; and (ii) complementary intangible assets with similar useful lives may be recognized as a single asset. The amendments also describe valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination for which no active market exists.

- PFRS 8, *Operating Segments*. The amendments clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker.

- PAS 1, *Presentation of Financial Statements*. The amendments clarify that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments.

- PAS 7, *Statement of Cash Flows*. The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities.

- PAS 36, *Impairment of Assets*. The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in PFRS 8 before applying the aggregation criteria of PFRS 8.

- PAS 39, *Financial Instruments: Recognition and Measurement*. The amendments provide: (i) additional guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated; (ii) clarify that the scope exemption in PAS 39 paragraph 2(g) is restricted to forward contracts, i.e. not options, between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date within a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and (iii) clarify that the gains or losses on a cash flow hedge should be reclassified from other comprehensive income to profit or loss during the period that the hedged forecast cash flows impact profit or loss.

<u>New or Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted</u>
The Group will adopt the following new or revised standards, amendments to standards and interpretations relevant to the Group on the respective effective dates. The Group does not expect the adoption of these new or revised and amendments to standards and interpretations to have a significant impact on the consolidated financial statements.

Effective 2011

- Amendment to PAS 32, *Financial Instruments: Presentation – Classification of Rights Issues*, permits rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The amendment is applicable for annual periods beginning on or after February 1, 2010.

- Revised PAS 24, *Related Party Disclosures* (2009), amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The revised standard is effective for annual periods beginning on or after January 1, 2011.

- Improvements to PFRSs 2010 contain 11 amendments to six standards and to one interpretation. The amendments are generally effective for annual periods beginning on or after January 1, 2011. The following are the said improvements or amendments to PFRSs which the Group did not early adopt. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

  - PFRS 3, *Business Combinations*. The amendments: (i) clarify that contingent consideration arising in a business combination previously accounted for in accordance with PFRS 3 (2004) that remains outstanding at the adoption date of PFRS 3 (2008) continues to be accounted for in accordance with PFRS 3 (2004); (ii) limit the accounting policy choice to measure non-controlling interests upon initial recognition at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event of liquidation; and (iii) expand the current guidance on the attribution of the market-based measure of an acquirer's share-based payment awards issued in exchange for acquiree awards between consideration transferred and post-combination compensation cost when an acquirer is obliged to replace the acquiree's existing awards to encompass voluntarily replaced unexpired acquiree awards. The amendments are effective for annual periods beginning on or after July 1, 2010. Early application is permitted and is required to be disclosed.

  - PAS 27, *Consolidated and Separate Financial Statements*. The amendments clarify that the consequential amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates*, PAS 28, *Investments in Associates* and PAS 31, *Interests in Joint Ventures* resulting from PAS 27 (2008) should be applied prospectively, with the exception of amendments resulting from renumbering. The amendments are effective for annual periods beginning on or after July 1, 2010. Early application is permitted.

  - PFRS 7, *Financial Instruments: Disclosures*. The amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements. The amendments are effective for annual periods beginning on or after January 1, 2011. Early application is permitted and is required to be disclosed.

  - PAS 1, *Presentation of Financial Statements*. The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognized in other comprehensive income is also required to be presented, but may be presented either in the statement of changes in equity or in the notes. The amendments are effective for annual periods beginning on or after January 1, 2011. Early application is permitted.

Effective 2012

- *Disclosures - Transfers of Financial Assets (Amendments to PFRS 7)*, require additional disclosures about transfers of financial assets. The amendments require disclosure of information that enables users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets. Entities are required to apply the amendments for annual periods beginning on or after July 1, 2011. Earlier application is permitted. Entities are not required to provide the disclosures for any period that begins prior to July 1, 2011.

Effective 2013

- PFRS 9, *Financial Instruments* (2009) was issued as the first phase of the PAS 39 replacement project. The chapters of the standard released in 2009 only related to the classification and measurement of financial assets. PFRS 9 (2009) retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and contractual cash flow characteristics of the financial asset. In October 2010, a new version of PFRS 9 *Financial Instruments* (2010) was issued which now includes all the requirements of PFRS 9 (2009) without amendment. The new version of PFRS 9 also incorporates requirements with respect to the classification and measurement of financial liabilities and the derecognition of financial assets and financial liabilities. The guidance in PAS 39 on impairment of financial assets and hedge accounting continues to apply. The new standard is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. PFRS 9 (2010) supersedes PFRS 9 (2009). However, for annual periods beginning before January 1, 2013, an entity may elect to apply PFRS 9 (2009) rather than PFRS 9 (2010).

Under prevailing circumstances, the adoption of the above new or revised standards, amendments to standards and interpretations in 2011, 2012 and 2013 is not expected to have any material effect on the financial statements. Additional disclosures required by the new or revised standards, amendments to standards and interpretations will be included in the financial statements, where applicable.

4. Summary of Significant Accounting Policies

Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been consistent and aligned with the policies adopted by the Group.

Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealized income and expense arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Non-controlling interest

Non-controlling interest represent the portion of profit and loss and net assets not held by the Group in CHGSI and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statements of financial position, separately from equity attributable to equity holders of the Parent Company.

Financial Instruments

Date of Recognition. Financial instruments are recognized in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transactions costs.

Determination of Fair Value. The fair value of financial instruments traded in active markets is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques and comparison to similar instruments for which market observable prices exist.

Categories of Financial Instruments. The Group classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and the liabilities incurred and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of December 31, 2010 and 2009, the Group has no financial assets at FVPL, HTM investments and financial liabilities at FVPL.

Loans and Receivables. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at cost or amortized cost in the consolidated statement of financial position. Amortization is determined using the effective interest method. Loans and receivables are included in current assets if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent assets. Gains and losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

The Group's cash, trade receivables, and due from related parties are classified under this category.

Cash comprises cash balances in banks and petty cash fund.

AFS financial assets. AFS financial assets are non-derivative investments that are not designated as another category of financial assets. AFS financial assets are initially measured at fair value plus incremental direct transaction costs. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost less impairment. All other AFS financial assets are carried at fair value. Dividend income is recognized in the profit or loss when the Group becomes entitled to the dividend. Unrealized gains or losses arising from marking-to-fair value of AFS financial assets are recognized in other comprehensive income until the investment is sold or impaired, whereupon the cumulative gains and losses previously recognized in other comprehensive income are reclassified to profit or loss as a reclassification adjustment.

The AFS securities represent the Group's investments in the common shares of Century Peak Property Development, Inc. These equity instruments do not have a quoted market price in an active market and are measured at cost.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations (e.g., payables, accruals) or noninterest-bearing loans and borrowings, if any.

The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

The Group's accounts payable and other current liabilities and due to a stockholder are classified under this category.

Impairment of Financial Assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets Carried at Amortized Cost. If there is an objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

The Group first assesses whether objective evidence of impairment exist individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. The Group uses specific criteria in determining whether the receivables will be assessed on a specific approach such as, continuous default in payment of the customers on their maturing obligations, customers' bankruptcy and status of receivables under litigation. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that the group of financial assets is collectively assessed for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as historical collection experiences, past due status and term. Assets that are individually assessed for impairment and for which an impairment loss is or continue to be recognized are no longer included in a collective assessment of impairment.

If, in a 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, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in profit or loss.

AFS Financial Assets Carried at Cost. If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

<u>Derecognition of Financial Assets and Liabilities</u>
Financial Assets. A financial asset (or, when applicable a part of financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the assets have expired;

- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangements; or

- The Group has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from the asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Financial Liabilities. 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 derecognition of the original liability and the recognition of a new liability, and the differences in the respective carrying amounts is recognized in profit or loss.

<u>Offsetting of Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount 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 the master netting agreements as the related assets and liabilities are presented gross in the consolidated statements of financial position.

<u>Inventory</u>
Mine products inventory, which consists of nickel ore is stated at the lower of cost and net realizable value (NRV). NRV for mine products is the selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. The Company uses the weighted average method of inventory costing.

Under the weighted average cost formula, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the period. The average may be calculated on a periodic basis, or as each additional shipment is received, depending upon the circumstances of the entity.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at cost less any impairment in value.

Investment properties are derecognized when these have been disposed or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

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

Mine Site Development Costs

Cost incurred for exploration and development of mining properties are deferred as incurred. These deferred costs are charged to expense when the results of the exploration activities are determined to be negative or not commercially viable. When exploration results are positive or commercially viable, these deferred costs are capitalized as part of "Mine development cost" account classified under property and equipment.

Depreciation of mine site development costs is computed based on ore extraction over the estimated volume of proved and probable ore reserves as estimated by the Group's geologist and certified by an independent geologist.

Mine site development costs are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the item is derecognized.

Explored Mineral Resources

Explored mineral resources represent the Group's intangible asset for its right to mine certain areas. Such intangible asset, which has a definite useful life, was acquired by the Group in relation to its acquisition of a group of assets.

Explored mineral resources are measured at cost of acquisition less accumulated amortization and accumulated impairment losses, if any. Acquisition cost is based on an independent valuation of the right to mine as supported by the MPSA equivalent to the expected value of the mineable ore reserve in the explored area of the mineral property (see Note 13).

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 assets 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.

Property and Equipment

Property and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment in value. Land is carried at cost less any impairment in value.

The initial cost of property and equipment consists of the purchase price including import duties (except land), borrowing costs (during the construction period) and other costs directly attributable to bring the asset to its working condition and location for its intended use. Cost also includes the cost of replacing part of such property and equipment when the recognition criteria are met and the present value of the estimated cost of dismantling and removing the asset and restoring the site where the asset is located.

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to operations in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Depletion or amortization of mine site development costs are calculated using the units-of-production method based on estimated recoverable reserves. Depreciation of other items of property and equipment is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Number of Years
Transportation and field equipment	8 - 15
Office space and improvements	25
Office equipment	3 - 5

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, depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment. The assets' residual values are reviewed and adjusted, if appropriate, at each reporting date.

Construction in-progress is included in property and equipment and stated at cost which includes cost of construction and other direct costs. Construction in-progress is not depreciated until such time the relevant assets are ready for operational use.

Property and equipment also include the estimated costs of rehabilitating the mine site, for which the Group is legally and constructively liable. These costs, included as part of mine site development costs, are amortized over the term of the MPSA which is 25 years.

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

Impairment of Non-financial Assets

The Group assesses at each reporting date whether there is an indication that the explored mineral resources, property and equipment and investment properties may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less the costs of disposal. Value in use is the present value of future cash flows expected to be derived from an asset. 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 assessment of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Any impairment loss is recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and depletion, had no impairment loss been recognized for the asset in prior years. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over remaining useful life.

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

Revenue from Sale of Minerals
Revenue from sale of minerals, such as nickel ore, is recognized on the date that minerals are delivered to the customer. Revenue is the fair value of the consideration received or receivable, net of taxes, such as value added tax (if applicable), estimated returns, discounts and volume rebates.

Interest Income
Interest income is recognized as the interest accrues, taking into account the effective yield on the asset.

<u>Leases</u>
Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the term of the lease.

<u>Foreign Currency-Denominated Transactions</u>
Transactions in currencies other than the functional currency are initially recorded using the functional currency rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency closing rate of exchange prevailing at the reporting date. All differences are taken to profit or loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the functional currency rate of exchange prevailing at the dates of the initial transactions.

<u>Income Taxes</u>
Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except for items recognized directly in equity or in other consolidated statements of comprehensive income.

Current Tax
Current tax is measured at the amount expected to be paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the reporting date.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except: (a) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and, (b) in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits and unused tax losses can be utilized except: (a) where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and, (b) in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets 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 tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current tax liabilities.

Provisions

Provisions, if any, are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a portion of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Provision for Site Rehabilitation

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailing dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the 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.

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

Earnings (Loss) Per Share
Basic earnings (loss) per share in the consolidated financial statements is determined by dividing net income (loss) attributable to equity holders of the Parent Company by the weighted average number of shares outstanding, after giving retroactive effect to any stock dividends declared during the year. Diluted EPS is computed in the same manner as basic EPS, however, net income attributable to common shares and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares (see Note 25).

Events After the Reporting Date
Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed when material.

Segment Reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

As of December 31, 2010 and 2009, the Group's operating segment consists only of its mining activities. Accordingly, the Group does not present segment information.

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The judgments and estimates used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the reporting date, giving due consideration to materiality. Actual results could differ from such judgments and estimates. The Group believes that the following represent a summary of these significant judgments and estimates, and related impact and associated risks in the consolidated financial statements:

Judgments
Functional Currency
Each entity determines its own functional currency. Based on the economic substance of the underlying circumstances relevant to the Parent Company, the functional currency has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Parent Company operates. It is the currency that mainly influences the costs of labor, material and other costs.

Legal Contingencies
The estimate of the probable costs for the resolution of possible claims have been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results.

There are no on-going litigations filed against the Parent Company and its subsidiaries that would have a material adverse impact on the Group's consolidated financial condition and consolidated financial performance.

Leases
The Group has entered into commercial property leases related to its office spaces. The Group has determined that it does not retain the significant risks and rewards of ownership of these properties which are being leased by the Group under operating lease arrangements.

Estimates and Assumptions

Net Realizable Value of Inventory

The Group estimates NRV of its ore inventory by calculating the net selling price less all costs still to be incurred in converting the relevant inventory to saleable product, and delivering it to the customer. Management determines the grade of the material as well as the physical quantities. Grade is determined using x-ray fluorescence results, confirmed through colorimetric and current wet analyses. Quantity is measured using volumetric survey. Net selling price is computed based on quoted prices, adjusted to reflect the level of mineral content, at reporting date.

As of December 31, 2010 and 2009, the inventories are carried at the lower of cost and NRV amounting to P79.2 million (see Note 8).

Financial Assets not Quoted in an Active Market.

The Company classifies financial assets by evaluating, among others, whether a financial asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination of whether quoted prices are readily and regularly available, whether the market from which the price quotes were obtained can be considered deep enough to qualify as an "active" market, and whether those prices represent actual and regularly occurring market transactions on an arms' length basis.

Estimating Allowance for Impairment Losses on Input Value-Added Tax

The Group maintains an allowance for impairment losses at a level considered adequate to provide for probable unrecoverable amounts of input value-added tax. The level of this allowance is evaluated by management on the basis of factors that affect the recoverability of the account. The management has assessed that there is no impairment of input value-added tax as of December 31, 2010 and 2009.

Useful Lives of Property and Equipment

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

Property and equipment, net of accumulated depreciation, excluding land and mine site development costs, amounted to P202.3 million and P167.5 million as at December 31, 2010 and 2009, respectively (see Note 12).

Impairment of Nonfinancial Assets

The Group assesses the impairment of its explored mineral resources, property and equipment and investment property whenever events or changes in circumstances indicate that the carrying value of the assets or group of assets may not be recoverable. Factors that the Group considered in deciding when to perform impairment review includes the following, among others:

- The period for which the Group has the right to explore the specific areas has expired 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 the 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;
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the explored mineral resource is unlikely to be recovered in full from successful development or by sale;
- Significant under-performance of a business or product line in relation to expectations;
- Significant negative industry or economic trends; or
- Significant changes or planned changes in the use of the assets.

As of December 31, 2010 and 2009, management assessed that there are no impairment indicators relating to the Group's non-financial assets. Accordingly, the Group did not recognize any impairment loss on its non-financial assets in 2010, 2009 and 2008.

The carrying values of investment properties, property and equipment, and explored mineral resources are disclosed in Notes 11, 12, and 13, respectively.

Valuation of Explored Mineral Resources
The Group recognized explored mineral resources at its fair value as of initial recognition. The Group estimated the fair value based on the cash flow generation of the relevant mineral property covered by the acquired MPSA. Assumptions and methods used in the estimation are disclosed in Note 13. The amount initially recognized would differ if the Group utilized different valuation methodologies and assumptions. Using a different amount to recognize the explored mineral resources as of initial recognition would affect the periodic amortization expense and any impairment losses which may be subsequently recognized.

The carrying value of explored mineral resources amounted to P2,015.1 million as of December 31, 2010 and 2009 (see Note 13).

Estimating Recoverable Reserves
Recoverable reserves and resource 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 upon 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 conditions and other factors. Proven reserve estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonablly 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 undeveloped or partially developed areas are subject to greater uncertainty over their future life than estimates for 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. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amount and timing of recorded depletion expenses for any period would be affected by changes in these factors and circumstances.

The carrying value of mine site development costs and explored mineral resources amounted to P400.6 million and P2,015.1 million as of December 31, 2010, respectively, and P393.2 million and P2,015.1 million as of December 31, 2009, respectively (see Notes 12 and 13).

Site Rehabilitation Costs
The Group is legally required to fulfill certain obligations under its MPSAs and 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 payable. 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 costs required. Assumptions used to compute the site rehabilitation costs are reviewed and updated annually.

As of December 31, 2010 and 2009, the provision for site rehabilitation costs amounted to P7.0 million and P6.4 million, respectively (see Note 16).

6. Cash

This account consists of the following:

	2010	2009
Cash in bank	**P46,009,214**	P211,605,843
Petty cash fund	**17,000**	17,000
	P46,026,214	P211,622,843

7. Trade Receivables

This account consists of:

	2010	2009
Receivables from the sale of:		
Chromite	**P5,394,881**	P49,043,067
Nickel ore	**-**	25,749,995
	P5,394,881	P74,793,062

Trade receivables are noninterest-bearing and are generally on 30-60 days terms.

8. Inventories

As of December 31, 2010 and 2009, the Group's inventories consist of nickel ore stockpile with a carrying value of P79.2 million. These inventories are carried at cost.

9. Other Current Assets

This account consists of the following:

	2010	2009
Input value-added tax	**P8,927,339**	P8,656,463
Rent receivable	**20,000**	27,578
Creditable withholding tax	**3,158**	3,158
Others	**19,199**	-
	P8,969,696	P8,687,199

10. Available for Sale Securities

On December 21, 2010, the CPMHC had subscribed to 15,000 shares of Century Peak Property Development, Inc. (CPPDI) with a par value of P100 per share or P1.5 million. CPPDI was incorporated on the same date.

The management determined its investment in CPPDI as investment in unquoted AFS equity securities as it is not their intention to sell the securities. The Company's investment represents 3.0% ownership interest in the latter.

As of December 31, 2010, the unquoted AFS equity securities are carried at cost amounting to P1.5 million.

11. Investment Properties

Investment properties consist of two parcels of land with a carrying value of P21.4 million as of December 31, 2010 and 2009. The fair value of the land amounted to P35.4 million and P32.2 million as of December 31, 2010 and 2009, respectively. The fair value represents the amount at which the assets could be exchanged between a knowledgeable and willing buyer and seller in an arm's length transaction at the date of valuation as determined by independent professional qualified appraisers.

12. Property and Equipment

Movements of this account are presented below.

	2010						
	Land	Mine Site Development Costs	Transportation and Field Equipment	Office Space and Improvement	Office Equipment	Construction in-progress	Total
Cost:							
Balance at beginning of year	**P40,221,355**	**P394,493,022**	**P178,788,761**	**P -**	**P1,526,922**	**P11,833,607**	**P626,863,667**
Additions	**-**	**7,546,060**	**-**	**25,655,850**	**3,122,601**	**22,291,475**	**58,615,986**
Reclassification	**-**	**-**	**-**	**11,833,607**	**-**	**(11,833,607)**	**-**
Balance at end of year	**40,221,355**	**402,039,082**	**178,788,761**	**37,489,457**	**4,649,523**	**22,291,475**	**685,479,653**
Accumulated depreciation and amortization:							
Balance at beginning of year	**-**	**1,247,771**	**23,960,972**	**-**	**710,014**	**-**	**25,918,757**
Depreciation and amortization	**-**	**208,661**	**14,653,493**	**749,789**	**838,602**	**-**	**16,450,545**
Balance at end of year	**-**	**1,456,432**	**38,614,465**	**749,789**	**1,548,616**	**-**	**42,369,302**
Net book value	**P40,221,355**	**P400,582,650**	**P140,174,296**	**P36,739,668**	**P3,100,907**	**P22,291,475**	**P643,110,351**

	2009					
	Land	Mine Site Development Costs	Transportation and Field Equipment	Office Equipment	Construction in-progress	Total
Cost:						
Balance at beginning of year	P -	P389,015,246	P135,056,325	P1,019,715	P -	P525,091,286
Additions	40,221,355	5,477,776	43,732,436	507,207	11,833,607	101,772,381
Balance at end of year	40,221,355	394,493,022	178,788,761	1,526,922	11,833,607	626,863,667
Accumulated depreciation and amortization:						
Balance at beginning of year	-	226,050	13,102,927	354,531	-	13,683,508
Depreciation and amortization	-	1,021,721	10,858,045	355,483	-	12,235,249
Balance at end of year	-	1,247,771	23,960,972	710,014	-	25,918,757
Net book value	P40,221,355	P393,245,251	P154,827,789	P816,908	P11,833,607	P600,944,910

Mine site development costs include costs incurred in the construction of road network, pier, stockyard and other property and equipment being used to develop and maintain CPC's mineral right property in Casiguran Property which has indicated various degrees of nickel mineralization.

13. Explored Mineral Resources

Movements of this account are presented below.

Cost	P2,016,756,977
Accumulated depletion	(1,685,351)
	P2,015,071,626

The explored mineral resources acquired as part of the group of assets of CPC is measured based on the expected cash flow generation of the explored area of about 400 hectares or 42% of total area covered by the MPSA.

The valuation also considers CPC's existing exploration permit in Puerto Princesa, Palawan covering an estimated area of 3,188.25 hectares and exploration permit application in Albor, Surigao del Norte with an estimated area of 5,136.32 hectares but without assigning financial or monetary value. Cost from the exploration permits are substantially immaterial and charged to operation. In addition, this valuation does not include any assignment of operating agreement and additional mining tenements that may contain other minerals.

The financial model yielded an expected net present value (NPV) on CPC's group of assets estimated at P2.2 billion using an investment hurdle rate of 36.6%. The NPV computation assumed an average selling price of USD 27,500 per metric ton of pure nickel which considers a 16.2% discount to London Metal Exchange quoted prices; a 15-year production and selling period with a maximum annual production yield of 2 million metric tons; and an average production cost of USD 6.43 per wet metric ton. The valuation was prepared by Asian Alliance Investment Corporation (AAIC), an independent financial advisor. Subsequently, the Parent Company appointed Multinational Investment Bancorporation (MIB), another independent financial advisor, to render fairness opinion to the valuation. MIB's report dated April 9, 2008 fairly approximates that of AAIC's report.

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.

The assumptions used in the valuation included a number of market factors that are subject to market risk, such as commodity risk and currency risk. Significant changes in the commodity prices and foreign exchange rates would affect the fair value of the explored mineral resource.

The Group has no extractions during the year as management intends to reserve the nickel ore inventory until completion of the smelting plant located in Leyte (see Note 14).

CPC recently released two Geologic Resource Evaluation Reports, an update to its Casiguran Mine Prospect, Dinagat Island covered by its MPSA 010-92-X and a new Resource Evaluation Report for its Rapid City Parcel II Prospect covered by its MPSA 283-2009-XIII-SMR, both prepared by an Acrredited Competent Person in accordance with the definition of the Philippine Mineral Reporting Code (PMRC).

Based on the reports, the Casiguran Mine Prospect has a combined indicated and measured resource of 9,897,000 DMT with a grade of 1.02% Nickel (at 0.8% nickel cut-off). In addition, new data from the Rapid City Parcel II Prospect reveal a combined indicated and measured resource of 9,067,000 DMT with a grade of 1.07% Nickel (at 0.8% Nickel cut-off). These could represent to 100,000 metric tons of pure nickel and 3.5 million tons of iron in its Casiguran property, and 90,000 tons of pure nickel and 3.8 million tons of iron in their Rapid City property, subject to mining plans and metal recovery parameters.

14. Other Noncurrent Assets

As of December 31, 2010 and 2009, the account consists of the following:

	2010	2009
Advances to suppliers	**P205,151,500**	P -
Rehabilitation fund	**835,535**	602,265
	P205,987,035	P602,265

On April 20, 2010, the CHGSI entered into a purchase transaction for two blast equipment to be used in the smelting process. The purchased equipment are not yet delivered as of December 31, 2010 but are expected to be received by the end of July 2011. Total advances made amounted to P205.2 million as of December 31, 2010.

The rehabilitation fund is set up by the Company to ensure availability of funds for its satisfactory compliance with commitments and performance of the activities stipulated in its Environmental Protection and Enhancement Program (EPEP) or Annual Environmental Protection and Enhancement Program (AEPEP) during the specific phases of its project.

On July 22, 2010, the Company's Mine Rehabilitation Fund Committee entered into a Memorandum of Agreement (MOA) with Development Bank of the Philippines (DBP) whereby the former shall put up a Social Development Management Program Fund which shall be deposited with the latter.

The total funds amounted to P0.8 million and P0.6 million as of December 31, 2010 and 2009, respectively.

15. Accounts Payable and Other Current Liabilities

This account consists of:

	2010	2009
Accounts payable	**P9,191,195**	P70,904,371
Accrued contractors' fee	**16,796,923**	26,842,905
Others	**515,001**	145,433
	P26,503,119	P97,892,709

Accounts payable are noninterest-bearing and are generally on 30-60 days terms.

16. Provision for Site Rehabilitation

Movement of this account is presented below.

	2010	2009
At beginning of year	**P6,370,868**	P5,789,417
Accretion of interest	**639,847**	581,451
At end of year	**P7,010,715**	P6,370,868

A provision is recognized for the estimated rehabilitation costs of the Group's mine site upon termination of the term of its MPSA, which is 25 years. The provision is calculated by the Group's engineers based on an estimate of the expected cost to be incurred to rehabilitate the mine site. The provision is presented at discounted value using the Philippine bond yield of 9.93% as effective interest rate.

17. Cost of Sales

This account consists of:

	2010	2009	2008
Materials	**P9,137,883**	P5,981,603	P7,049,902
Contractors' fee	**3,325,109**	26,932,079	-
Excise tax	**1,063,487**	-	-
Transportation expense	**-**	7,738,919	4,753,710
Other charges	**627,629**	499,954	-
	P14,154,108	P41,152,555	P11,803,612

18. Operating Expenses

This account consists of:

	Note	**2010**	2009	2008
Depreciation and depletion	*12, 13*	**P16,450,545**	P13,920,600	P13,683,508
Taxes and licenses		**8,313,386**	10,464,855	26,572,788
Salaries, wages and employee benefits		**8,639,131**	8,957,213	10,662,182
Professional fees		**4,954,348**	4,496,480	1,389,102
Transportation and travel		**4,366,274**	4,834,965	171,710
Utilities		**3,456,650**	1,046,676	1,079,754
Repair and maintenance		**2,015,605**	247,077	225,883
Rentals	*26*	**1,196,778**	3,224,790	1,822,002
Office supplies		**766,919**	499,793	396,227
Representation		**217,217**	993,184	192,355
Donation		**-**	521,200	1,154,750
Others		**2,019,553**	2,360,043	2,927,725
		P52,396,406	P51,566,876	P60,277,986

19. Income Taxes

The provision for current income tax in 2010 and 2009 represents MCIT.

The components of the Group's deferred tax assets in the consolidated statements of financial position are as follows:

	2010	2009	2008
Carryforward benefits of MCIT	**P2,073,889**	P1,293,484	P -
Income tax effects of:			
NOLCO	**179,048**	8,007,776	16,508,744
Provision for site rehabilitation, net of the carrying value of the related capitalized rehabilitation cost	**668,667**	476,713	239,679
Unrealized foreign exchange loss	**(26,301)**	46,883	-
	P2,895,303	P9,824,856	P16,748,423

Upon approval of CHGSI's Philippine Economic Zone Authority (PEZA) registration in 2009 (see Note 20), the Group derecognized the previously recognized deferred tax assets on CHGSI's unused NOLCO amounting to P1.3 million. Further, the Group did not recognize the carryforward benefit of NOLCO incurred in 2010 and 2009 by the Parent Company. The P6.1 million DTA relating to the unused NOLCO recognized in 2009 by the Parent Company was reversed in 2010 as management believes that it is no longer probable that sufficient taxable profit will be available to the Parent Company to allow the benefit of part or all of the DTA to be utilized.

MCIT incurred in 2010 and 2009 amounting to P0.8 million and P1.3 million, respectively will expire in 2013 and 2012. The carryforward benefit from NOLCO that can be claimed as deduction against regular income tax are as follows:

NOLCO					
Year Incurred	Carryforward Benefit Up to	Amount	Applied Previous Years	Applied Current Year	Unapplied
2007	2012	P32,151,180	P25,813,144	P -	P6,338,036
2008	2013	1,298,986	-	-	1,298,986
2009	2014	7,845,643	-	-	7,845,643
2010	2015	18,304,332	-	5,741,213	12,563,119
					P28,045,784

Under Section 244 of National Internal Revenue Code of 1997 the net operating loss of a business or enterprise for any taxable year immediately preceding the current taxable year which had not been previously offset as deduction from gross income, shall be carried over as a deduction from gross income for the next three (3) consecutive taxable years immediately following the year of such loss. Provided, that for mines other than oil and gas wells, a net operating loss without benefits of incentives provided for under Executive Order No. 226, as amended, otherwise known as the Omnibus Investment Code of 1987, incurred in any of the first ten (10) years of operation may be carried over as a deduction from taxable income for the next five (5) years immediately following the year of such loss.

The reconciliation of income tax expense computed at the statutory tax rates to income tax expense (benefits) recognized in profit or loss is summarized as follows:

	2010	2009
Income tax expense computed at statutory tax rates (30% in 2010 and 2009)	**(P4,290,833)**	P3,644,055
Income tax effects of:		
Interest income subjected to final tax	**(23,456)**	(5,911)
Effect of change in unrecognized deferred tax assets	**12,024,247**	4,578,907
	P7,709,958	P8,217,051

20. Registration with the Board of Investments (BOI) and PEZA

CPC registration with BOI

On May 7, 2010, CPC was registered with the BOI under Executive Order No. 226 as New Producer of Nickel Ore on a Non-Pioneer Status without income tax holiday (ITH).

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

a. 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;

b. Importation of consigned equipment for a period of ten (10) years from date of registration;

c. Exemption from wharfage dues, any export tax, duties, imposts and fees for a ten (10) year period from date of registration; and

d. Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

Such incentives are available to CPC starting January 13, 2010.

CHGSI registration with PEZA

On October 28, 2009, CHGSI was registered with the PEZA under Republic Act (RA) No. 7916 as an ecozone export enterprise to engage in the production of ferro-nickel (pig iron) at the Leyte Industrial Development Estate - Special Economic Zone.

As a PEZA-registered entity, CHGSI is subject to a 5% tax on gross income less allowable deductions, as defined in RA No. 7916 as amended by RA No. 8748, in lieu of all national and local taxes, after the four year income tax holiday (ITH) period. The ITH will commence when CHGSI starts its commercial operations.

21. Capital Stock

As of December 31, 2010, 2009 and 2008, the movement details of capital stock are as follows:

	2010		2009		2008	
	Number of shares	**Amount**	Number of shares	Amount	Number of shares	Amount
Authorized, P1.00 par value	**3,575,000,000**	**P3,575,000,000**	3,575,000,000	P3,575,000,000	3,575,000,000	P3,575,000,000
Issued:						
Beginning of year	**2,820,330,450**	**P2,820,330,450**	2,820,330,450	P2,820,330,450	20,330,450	P20,330,450
Issuance	-	-	-	-	2,800,000,000	2,800,000,000
End of year	**2,820,330,450**	**P2,820,330,450**	2,820,330,450	P2,820,330,450	2,820,330,450	P2,820,330,450

On February 15, 2008, the SEC approved the increase in the authorized capital stock of the Parent Company from P75.0 million divided into 187.5 million common shares with a par value of P0.40 per share to P3.575 billion divided into 3.575 billion common shares with a par value of P1.00 per share. Out of the increase in the authorized capital stock, P880.0 million, divided into 880.0 million common shares has been subscribed.

On March 19, 2008, the SEC approved the valuation of P2.180 billion worth of shares of stock of the Parent Company to be issued in exchange for the 40.0 million shares of stock of CPC.

Also in 2008, 470.0 million shares of stock of the Parent Company were subscribed and issued for cash at P1.00 par value, equivalent to P470.0 million.

22. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries are related entities of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals and companies associated with these individuals also constitute related entities.

In considering each possible related entity relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The Company's significant related party transaction involves extension of noninterest-bearing advances to subsidiaries, CPC and CHGSI, for working capital purposes. The Group and these related parties have common stockholders. These advances are collectible on demand.

Compensation of Key Management Personnel
Compensation and other benefits of key management personnel of CPC amounted to P2.2 million and P2.0 million in 2010 and 2009, respectively. The management and accounting functions are being performed by CPC for the Group.

23. Fair Value Measurements

Fair Values

Set out below is a comparison by category of the carrying amounts and fair values of all of the Group's financial instruments that are carried in the consolidated financial statements at other than fair values as at December 31, 2010 and 2009:

	2010		2009	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets:				
Available for sale securities	**P1,500,000**	**P1,500,000**	P -	P -
Loans and receivables:				
Cash	**46,026,214**	**46,026,214**	211,622,843	211,622,843
Trade receivables	**5,394,881**	**5,394,881**	74,793,062	74,793,062
Financial liabilities:				
Other financial liabilities:				
Accounts payable and other current liabilities	**26,503,119**	**26,503,119**	97,892,709	97,892,709
Due to a stockholder	**143,086,277**	**143,086,277**	42,402,374	42,402,374

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

Cash, Trade Receivables, Accounts Payable and other current liabilities and Due to a Stockholder. Due to the short-term nature of transactions, the fair values approximate the amount of consideration at reporting date.

24. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise due to a stockholder and cash. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group has various other financial instruments such as trade receivables, AFS securities and accounts payables and other current liabilities, which arise directly from its operations.

It is, and has been throughout the reporting period, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are market risk, liquidity risk and credit risk. The market risk exposure of the Group can be further classified to foreign currency risk and commodity price risk. The BOD reviews and agrees policies for managing each of these risks and they are summarized below.

Market Risks

Foreign Currency Risk

The Group's currency exposure relates to foreign currency transactions in which receivables and payables have to be collected and paid.

The following table shows the Group's significant foreign currency-denominated monetary assets and liabilities and their US Dollar (USD) equivalents:

	2010		2009	
	U.S. Dollar	**Philippine Peso***	U.S. Dollar	Philippine Peso*
Current financial assets:				
Cash	**$16,153**	**P708,161**	$449,639	P20,874,504
Receivables	**123,058**	**5,394,881**	1,611,051	74,793,062
	139,211	**6,103,042**	2,060,690	95,667,566
Current financial liabilities:				
Accounts payable and other current liabilities	**-**	**-**	248,838	11,552,319
Net assets	**$139,211**	**P6,103,042**	$1,811,852	P84,115,247

** The exchange rate used to translate the U.S. dollar amounts into Philippine peso was US$1.00 to P43.84 and P46.43, the peso-dollar rate as quoted through the Philippine Dealing System as at December 31, 2010 and 2009, respectively.*

The following table sets out, for the year ended December 31, 2010 and 2009, the impact of the range of reasonably possible movement in the U.S. dollar to peso exchange rates with all other variables held constant, on the Group's income before tax (due to changes in the fair value of monetary assets and liabilities).

Appreciate (Depreciate) in Philippine Peso	Effect on 2010 income before income tax	Effect on 2009 income before income tax
5%	P305,152	P4,205,762
(5%)	(305,152)	(4,205,762)

There is no other impact on equity except those already affecting profit or loss.

Commodity Price Risk
The Group's mine product revenues are based on international commodity quotations (i.e., primarily on London Metal Exchange quotes) over which the Group has no significant influence or control. This exposes the Group's results of operations to commodity price volatilities that may significantly impact its cash flows.

The table below shows the effect on income before income tax should there be a change in the price of nickel ore based on the inventory of the Group as of December 31, 2010 and 2009:

Change in metal prices	Effect on 2010 income before income tax	Effect on 2009 income before income tax
Increase by 10%	P1,780,254	P3,958,822
Decrease by 10%	(1,780,254)	(3,958,822)

There is no other impact on equity except those already affecting profit or loss.

Credit Risk
The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Moreover, counterparty credit limits are reviewed by management on an annual basis. The limits are set to minimize the concentration risks and mitigate financial loss through potential counterparty failure.

With respect to credit risk arising from the other financial assets of the Group, which comprises cash and trade receivables, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Company's trade receivables are concentrated to only one customer as of December 31, 2010.

As of December 31, 2010 and 2009, the following tables provide the credit information and maximum exposure of the Group's financial assets:

	2010			
	Neither past due nor impaired	**Past due but not impaired**	**Impaired**	**Total**
Loans and receivables				
Cash	**P46,026,214**	**P -**	**P -**	**P46,026,214**
Trade receivables	**5,394,881**	**-**	**-**	**5,394,881**
	P51,421,095	**P -**	**P -**	**P51,421,095**

	2009			
	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Loans and receivables				
Cash	P211,622,843	P -	P -	P211,622,843
Trade receivables	71,729,976	3,063,086	-	74,793,062
	P283,352,819	P3,063,086	P -	P286,415,905

The table below shows the credit quality of the Group's financial assets as of December 31, 2010 and 2009 based on their historical experience with the corresponding debtors:

	2010			
	Neither past due nor impaired			
	Grade A	**Grade B**	**Grade C**	**Total**
Loans and Receivables				
Cash	**P46,026,214**	**P -**	**P -**	**P46,026,214**
Trade receivables	**5,394,881**	**-**	**-**	**5,394,881**
	P51,421,095	**P -**	**P -**	**P51,421,095**

	2009			
	Neither past due nor impaired			
	Grade A	Grade B	Grade C	Total
Loans and Receivables				
Cash	P211,622,843	P -	P -	P211,622,843
Trade receivables	71,729,976	-	-	71,729,976
	P283,352,819	P -	P -	P283,352,819

The credit quality of financial asset was determined as follows:

- Grade A receivables pertain to those receivables from customers that always pay on time or even before the maturity date. The credit quality of cash in banks is based on the credit standing or rating of the counterparty.
- Grade B includes receivables that are collected on their due dates provided that they were reminded or followed up by the Group.
- Those receivables which are collected consistently beyond their due dates and require persistent effort from the Group are included under Grade C.

Cash is considered of good quality as this pertains to deposits in reputable banks.

At December 31, the aging analyses of the trade receivables are as follows:

	Total	Neither past due nor impaired	Past due but not impaired			Impaired
			0-30 days	31-60 days	61-90 days	
2010	**P5,394,881**	**P -**	**P -**	**P -**	**P5,394,881**	**P -**
2009	74,793,062	71,729,976	3,063,086	-	-	-

Liquidity Risk
The Group's objective is to maintain a balance between continuity of funding and flexibility through advances to and from related parties.

The contractual maturity of the Group's trade and nontrade payables is generally within 30 to 90 days after the recognition of the liability.

The table below summarizes the maturity profile of the Group's financial liabilities as of December 31, 2010 and 2009 based on contractual undiscounted payments:

	2010					
	On demand	**Less than 3 months**	**3 to 6 months**	**6 to 12 months**	**More than 1 year**	**Total**
Accounts payable and other current liabilities	**P -**	**P26,503,119**	**P -**	**P -**	**P -**	**P26,503,119**
Due to a stockholder	**143,086,277**	**-**	**-**	**-**	**-**	**143,086,277**
Total	**P143,086,277**	**P26,503,119**	**P -**	**P -**	**P -**	**P169,589,396**

	2009					
	On demand	Less than 3 months	3 to 6 months	6 to 12 months	More than 1 year	Total
Accounts payable and other current liabilities	P -	P97,892,709	P -	P -	P -	P97,892,709
Due to a stockholder	42,402,374	-	-	-	-	42,402,374
Total	P42,402,374	P97,892,709	P -	P -	P -	P140,295,083

Capital Management
The primary objective of the Group's capital management is to ensure that it maintains strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2010 and 2009.

The Group monitors its capital using debt to equity ratio, which is total debt divided by the total equity. The Group includes total liabilities within total debt. Equity includes capital stock, additional paid-in capital and retained earnings.

	2010	2009
Accounts payable and other current liabilities	**P26,503,119**	P97,892,709
Income tax payable	**780,405**	1,293,484
Due to a stockholder	**143,086,277**	42,402,374
Provision for site rehabilitation	**7,010,715**	6,370,868
Total debt	**177,380,516**	147,959,435
Capital stock	**2,820,330,450**	2,820,330,450
Additional paid-in capital	**1,931,550**	1,931,550
Retained earnings	**(9,027,339)**	9,633,212
Total equity	**P2,813,234,661**	P2,831,895,212
Debt–to-equity ratio	**0.06:1.00**	0.05:1.00

25. Earnings Per Share Computation

The following table presents information necessary to calculate earnings per share:

	2010	2009	2008
Net income (loss) attributable to equity holders of the Parent Company (a)	**(P18,660,551)**	P5,311,542	P4,301,742
Weighted average number of common shares outstanding (b)	**2,820,330,450**	2,820,330,450	2,336,721,742
Basic/diluted earnings (loss) per share (a/b)	**(P0.0066)**	P0.0019	P0.0018

The Parent Company has no dilutive shares for the years 2010, 2009 and 2008.

26. Operating Lease

Group as the Lessee
The Group has an operating lease agreement for the lease of its office space. On January 31, 2010, the lease contract was extended for two months until March 31, 2010. The Group did not renew the lease agreement, as the Group had transferred to its new office space.

Expense relating to rental of building amounted to P1.2 million in 2010 and P3.2 million in 2009.

27. Other Matters

Memorandum of Agreement with Adnama Mining Resources, Inc.
On March 25, 2009, CPC granted Adnama Mining Resources, Inc. ("Adnama") an exlusive right to develop, mine and extract minerals within a pre-defined limited explored area in the Casiguran Property and Rapid City. The agreement is for one year renewable upon mutual agreement of both parties. The parties agree that during the actual mining operation, CPC shall pay Adnama a fixed fee per WMT for sale of minerals extracted and produced from the mineral properties, subject to compliance with the agreed specifications stated in the Agreement. CPC did not renew the contract for the year 2010.

28. Note to Statements of Cash Flows

The Group's noncash investing activity consists of purchase of certain property and equipment on account amounting to nil and P66.0 million in 2010 and 2009, respectively.

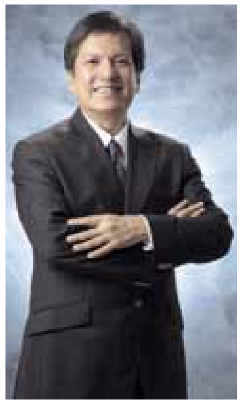
BOARD OF DIRECTORS & CORPORATE OFFICERS

BOARD OF DIRECTORS

Wilfredo D. Keng
President/CEO, Chairman

Liu Guanghuo
Vice Chairman

Venancio Sambar
Director /Compliance Officer



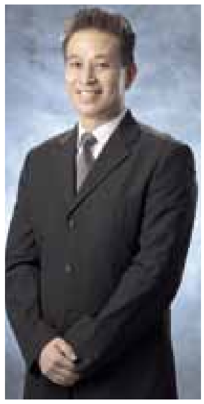
Luis T. Banson
Director

Emilio Tiu
Director

David L. Wuson
Director

Fmr. Sen. Ernesto F. Herrera
Independent Director

Fmr. Sen. Richard J. Gordon
Independent Director



Benito A. Ong
Independent Director

CORPORATE OFFICERS

Enrico M. Trinidad*
Chief Finance Officer

Ramon E. Adviento**
Head of Operations

Michael B. Obusan
Head of Mine Tenement

Emmanuel C. Paras
Corporate Secretary

Ma. Angela C. Ong
Assistant Corporate Secretary

* Joined CPMH in January 2011

** Joined CPMH in May 2011

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Transfer Agent
Stock Transfer Service, Inc.

Stock Symbol
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