

## MANAGEMENT REPORT

### CENTURY PEAK METALS HOLDINGS CORPORATION

Units 1403 & 1404, Equitable Bank Tower Condominiums  
8751 Paseo De Roxas, Salcedo Village, Makati City, Philippines 1227

#### PART I - FINANCIAL STATEMENTS

##### *Item 1. Financial Statements and General Disclosures*

###### *a. Financial Statements*

A copy of the unaudited consolidated financial statements of Century Peak Metals Holdings Corporation (the "Issuer", the "Corporation" or the "Company") as of and for the nine months ended September 30, 2015 is attached as **Annex 1**.

The copy of the audited financial statements of the Issuer as of and for the year ended December 31, 2014 is attached to the Definitive Information Statement of the Issuer as **Annex A**.

###### *b. Assets*

The following significant items comprise the Company's assets as at September 30, 2015.

###### **Property, Plant and Equipment**

The carrying value of property and equipment amounted to ₱1.01 billion and ₱1.16 billion as at September 30, 2015 and December 31, 2014, respectively.

This account includes mine site development costs incurred in the construction of road network, pier and stockyard. Measurement and recognition of this asset refers to those of 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.

Mine site development costs, transportation and field equipment were part of the group of assets acquired. These assets are initially recognized in the consolidated statement of financial position based on allocation of the total acquisition cost using their relative fair value.

### *Allowance for Impairment Losses on Property and Equipment*

As at December 31, 2014 and September 30, 2015, construction in progress represents the installation of CHGSI's smelting plant amounting to P34.40 million.

### **Explored Mineral Resources**

Explored mineral resources are part of the group of assets of CPC that were acquired in 2008, in exchange for shares of stock of the Parent Company. At acquisition date, these explored mineral resources were measured based on the expected cash flows from the explored area of about 400.0 hectares or 42.0% of total area covered by the MPSA.

The valuation also considered CPC's existing exploration permit in Puerto Princesa, Palawan covering an estimated area of 3,188.3 hectares and exploration permit application in Albor, Surigao del Norte with an estimated area of 5,136.3 hectares, without assigning financial or monetary value. Costs of exploration permits were immaterial and were charged to profit or loss. In addition, the valuation did not include any assignment of operating agreements and additional mining tenements that may contain other minerals.

The financial model yielded an expected NPV on CPC's group of assets amounting to P2.0 billion using an investment hurdle rate of 36.6%. The NPV computation assumed an average selling price of USD 27,500.00 per metric ton of pure nickel, which considered a 16.2% discount to London Metal Exchange quoted prices; a 15-year production and selling period with a maximum annual production yield of 2.0 million metric tons; and an average production cost of USD 6.4 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. The result of MIB's report dated April 9, 2008 fairly approximated 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 carrying value of explored mineral resources amounted to ₱1.81 billion as at September 30, 2015 and ₱1.86 billion as at December 31, 2014.

### **Deferred Tax Assets**

The Group's deferred tax assets in the consolidated statement of financial position as at September 30, 2015 and December 31, 2014 amounts to P6.20 million.

### **Other Noncurrent Assets**

The other noncurrent assets pertain mainly to non-current portion of deferred input vat and income tax holiday, amounting to P32.46 million and P38.41 million as at September 30, 2015 and December 31, 2014.

Rehabilitation funds were set up by the Group to ensure availability of financial resources for the satisfactory compliance with and performance of activities of its Environmental Protection and Enhancement Program during the specific phases of its mining projects. The funds also include a Social Development Management Program fund under a Memorandum of Agreement with the Development Bank of the Philippines.

The Group's rehabilitation funds are deposited with the said bank and earn interest at the respective bank deposit rates.

Others pertain to buses acquired by the Group for other transactions entered into by the Group through CSCI.

### **c. *Liabilities***

#### **Accounts payable and other current liabilities**

	<b>September 30, 2015 (Unaudited)</b>	December 31, 2014 (Audited)
Accounts payable	<b>100,855,196</b>	269,171,498
Contractors' fees	<b>8,071,104</b>	8,071,104
Others	<b>8,284,746</b>	1,079,254
	<b>₱117,211,046</b>	<b>₱278,321,858</b>

"Others" account include statutory payables, accrued salaries and various items that are individually immaterial.

Accounts payable are generally non-interest bearing and on a 30 - 60 days terms. It includes payables on heavy equipment which were used in operations.

#### **Related Party Payables**

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. Transactions between related parties are accounted for at arm's-length prices or on terms similar to those offered to nonrelated entities in an economically comparable market.

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

Significant related party transactions represent mainly availment of non-interest-bearing advances from a stockholder for working capital purposes. As at September 30, 2015 and December 31, 2014, total outstanding advances from a stockholders amounted to ₱331.86 million and ₱392.11 million, respectively. The advances are payable on demand.

The outstanding balances are unsecured without fixed repayment terms and interest.

#### **d. *Income Statement***

The Group's Dinagat operations produce nickel and chromite ores. During the nine months ended September 30, 2015, the Group was able to ship out its inventory of nickel ore resulting to recognition of net loss amounting to ₱23.46 million compared with net income amounting to ₱311.02 million for the same period last year. There were three (3) shipments for the period. The Group through CPC, extracted a total of 563,234 WMT of nickel ore.

The Group's operating expenses for the nine months ended September 30, 2015 pertain mainly to taxes, permits and licenses, salaries and wages, depreciation and amortization, which represent 17%, 30%, and 25%, respectively of the total operating expenses.

#### ***Item 2. Information on Independent Accountants***

The principal external auditor is the firm R.G. Manabat & Co., CPAs (RGM & Co.). The Company engaged Mr. Dindo Marco M. Dioso, partner of RGM & Co., for the audit of the Company's books and accounts in 2014.

The re-election of RGM & Co. as the Corporation's independent public accountant will be taken up during the annual meeting of the stockholders on December 15, 2015 for the years 2015 to 2016.

*a. External Audit Fees*

The Group paid its external auditors the following fees for the last two (2) years for professional services rendered:

	<b>2013</b>	<b>2014</b>
Audit & audit-related fees	661,500	661,500
Tax fees	-	-
All other fees	-	-

Except for the audit of the Corporation's financial statements, no other professional services are rendered to the Corporation by the external auditor.

The Audit Committee reviews the audit plan and approves the audit report as well as the audited financial statements prior to approval by the Board of Directors.

## PART II - MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

### *Item 1. Business of the Issuer*

Century Peak Metals Holdings Corporation ("CPMHC" or the "Parent Company"), was registered with the Philippine Securities and Exchange Commission ("SEC") on December 30, 2003.

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. The amended articles of incorporation were 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 four subsidiaries;

<b>Company Name</b>	<b>Ownership</b>
Century Peak Corporation (CPC)	100%
Century Summit Carrier, Inc (CSCI)	80%
Century Sidewide Smelting, Incorporated (CSSI)	60%
Century Hua Guang Smelting, Incorporated (CHGSI)	55%

The core business of the Company is mining-related. Two of its subsidiaries, namely CPC and CHGSI are authorized to "invest in and engage in the business of operating and mining of mineral resources in the Philippines such as iron ore, copper, gold, silver, lead, manganese, chromite, nickel, etc." and "prospecting, exploring, milling, concentrating, converting, smelting, treating, refining and manufacturing, and preparing for the market, whether export or domestic, and producing and dealing in all its products and by-products of every kind and description and by whatsoever the same can be or may hereafter be produced."

In order to avail of incentives granted by the Government, CPC was registered with the Board of Investments (BOI) while CHGSI was registered with the Philippine Economic Zone Authority (PEZA).

On the other hand, the primary purpose of CSSI is "to invest in the business of operating and mining mineral resources (mineral ores) in the Philippines." It is also authorized to engage in "prospecting, exploring, milling, smelting and preparing for the market, whether export or domestic, of mineral ores."

Meanwhile, CSCI is engaged in the “operating of barges, steamships, motorboats and other kinds of water craft for the transportation of cargoes and passengers within the waters and territorial jurisdiction of the Philippines and on the high seas.” It may also act as an agent of domestic steam or other ships. On December 8, 2011, CSCI was registered with the Maritime Industry Authority with Certificate No. DSO-2006-003-086 (2014) under MARINA Circular 2006-003 issued pursuant to Section 4 Paragraph 2 and Section 6 (a) of Presidential Decree No. 474 and Section 12 (a) of Executive Order No. 125-A Republic Act to engage in Domestic Shipping Business. The Certification is valid until 07 December 2017.

### Mineral Rights

The table below summarizes the Group’s mineral rights, which were acquired through CPC, as at June 30, 2015:

<u>Tenement Designation</u>	<u>Area Covered (in Hectares)</u>	<u>Location</u>
Mineral Production Sharing Agreement (MPSA) 010-92-X	<u>1,198</u>	<u>Casiguran, Loreto, Dinagat Islands</u>
MPSA-283-2009-XIII-SMR Application for Mineral Production Sharing Agreement (APSA) 086-XIII	<u>3,188</u>	<u>Libjo (Albor), Dinagat Islands</u>
	<u>660</u>	<u>Acoje, Loreto, Dinagat Islands</u>

CPC acquired MPSA-010-92-X or 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.

MPSA-283-2009-XIII-SMR was approved by the DENR on June 19, 2009.

CPC released two Geologic Resource Evaluation Reports covering the Casiguran Nickel Project and a Resource Evaluation Report covering Rapid City Parcel II Prospect under MPSA-283-2009-XIII-SMR. These reports were prepared by Dr. Carlo A. Arcilla, an accredited competent person in accordance with the definition of the Philippine Mineral Reporting Code.

Based on the reports, the Casiguran Nickel Project 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). 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 represent 100,000 metric tons of pure nickel and 3.5 million tons of iron in respect of the Casiguran property, and 90,000 tons of pure nickel and 3.8 million tons of iron in respect of the Rapid City Parcel II Prospect, subject to mining plans and metal recovery parameters.

The Acoje Property is covered by APSA-086-XIII and Environmental Compliance Certificate (ECC) No. 008-345-301C. APSA-086-XIII is still in process with the MGB

Central Office as at December 31, 2013. CPC is the operator of this property by virtue of Memorandum of Agreement between CPC and Maharlika Dragon Mining Corporation executed on April 4, 2008 and registered with the Mines and Geosciences Bureau (MGB) Regional Office No. XIII on July 30, 2008. On March 25, 2014, CPC and CRAU Mineral Resources Corporation, owner of 47.5% of the property, entered into a Deed of Conditional Assignment transferring to the former the latter's interest over the said mineral property. Initial payment for the property was made on June 11, 2014 and the Deed of Conditional assignment was registered with MGB Regional Office No. XIII on July 4, 2014.

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

## ***Item 2. Plan of Operations***

### ***Mining Operations***

The Group, through CPC, has continuing exploration work in its properties in the Province of Dinagat Islands. With the mining equipment and other assets already in place, mining operations and nickel ore extraction in its Casiguran and Rapid City Parcel II properties will likewise be more aggressive. In addition to its production of lateritic nickel ore, the group intends to produce saprolite nickel ore. This will boost its earning potential in 2015. This focus on mining operations is consistent with the Group's strategy to optimize its assets for mineral extraction in order to take advantage of the large demand for its mineral ore.

For the third quarter of 2015, the Group exported three (3) shipments of nickel ore. This is due to significant decrease of price of nickel ore in world market and the unfavorable climate in the mining site.

### ***The Smelting Plant Project***

The Group's smelting plant project, which is to be undertaken through its subsidiary CHGSI, is located in LIDE. The ECC for the smelting plant project was issued last April 16, 2010. Initial civil works have been undertaken on the smelting plant. However, in late 2013, typhoon Yolanda wrought massive devastation in Leyte Island, significantly impairing the value of CHGSI assets in Leyte. Despite this, the company is optimistic that it will be able to pursue operations in the future as it continues evaluating possible investors and technology partners.

The Company entered into a partnership with Sidewide Resources (H.K.) Limited, a subsidiary of Chaoyang Saiwai Mining Co., Ltd. of P.R. China. This group owns an Iron Powder Processing Plant, Electric Furnace Smelting Plant, and primarily does trading of mineral ore. They have offices in Beijing, Shanghai and Hong Kong. It is the Company's plan to set up electric furnaces in the future to enhance the production of its nickel pig-iron at the LIDE.

### ***The Coking Coal Plant Project***

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 28<sup>th</sup> 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 Leyte Industrial Development Estate (LIDE) in Isabel, Leyte.

### *The Shipping Company*

The Group undertakes shipping operations through CSCI, an 80%-owned subsidiary of CPC, which complements the mining operations of CPC. It owns three (3) units of landing craft tanks (LCT) (self-propelled barges) with a capacity of 3000DWT registered with MARINA, namely Centuru Summit 1, Century Summit 2 and Century Summit 3. These vessels are utilized for the mining operations of CPC and chartered out during off mining season.

The management of CPMHC is confident that over-all, operational targets for the year 2015 will be accomplished and the potential of the Group's resources will be realized.

### *Item 3. Results of Operations*

For the nine months ended September 30, 2015, the Group's operation resulted to net loss of ₱23.46 million.

**Table 2.1 Interim Unaudited Consolidated Statements of Comprehensive Income**

	For the nine months ended September 30				
	2015	2014	2013	% Change 2015 vs 2014	% Change 2014 vs 2013
<i>In thousands, except % change data</i>					
Revenue	<b>100,620</b>	1,008,271	-	-90.02	100
Cost of sales	<b>(65,769)</b>	(526,122)	-	-87.50	100
Depletion of explored mineral resources	<b>(52,586)</b>	(97,708)	-	-46.18	100
Gross income	<b>(17,735)</b>	384,441	-	-104	100
Operating expenses	<b>(23,843)</b>	(46,664)	(110,924)	-49	-58
Other expenses - net	<b>18,122</b>	(331)	(1,090)	557	-70
Net income (loss) after income tax	<b>(23,456)</b>	337,446	(112,014)	-107	-692
Net income (loss) attributable to the equity holders of the parent company	<b>(23,613)</b>	168,683	(96,395)	-114	-851
Earnings (Loss) per share					
Basic/Diluted	<b>(0.0084)</b>	0.0598	(0.0342)		

***Item 4. Operating Results for the nine months ended September 30, 2015 compared with September 30, 2014***

During the nine months ended September 30, 2015, there are three (3) shipments of nickel ore made by the Group. Due to slowdown in China economy, the selling price of nickel ore was more than 50% lower than last year. The Group made a cautious decision not to sell a large volume of nickel ore this year due to low market price.

Operating expenses of ₱23.84 million in 2015 was incurred compared with ₱46.66 million for the same period in 2014 or 48.91% lower. The Group's operating expenses for the nine months ended September 30, 2015 pertain mainly to taxes, permits and licenses, salaries and wages, depreciation and amortization, which represent 17%, 30%, and 25%, respectively of the total operating expenses.

The Group's Other Income pertains to Incentives generated from sale of nickel ore and sale of certain type of vehicles by a Subsidiary.

The Group's other expenses pertains to the cost of certain type of vehicles sold by a subsidiary.

## Item 5. Financial Condition

**Table 2.2 Consolidated Statements of Financial Position**

	<b>September 30, 2015 (Unaudited)</b>	December 31, 2014 (Audited)	December 31, 2013 (Audited)	% Change 2014 vs 2013	% Change 2013 vs 2012
<i>In thousands, except % change data</i>					
Total current assets	<b>460,768</b>	493,954	96,399	320	48
Total assets	<b>3,341,825</b>	3,586,649	3,053,117	16	-3
Current liabilities	<b>449,068</b>	670,435	476,252	37	37
Total liabilities	<b>459,351</b>	680,719	485,597	36	36
Total equity attributable to equity holders of the parent	<b>2,890,947</b>	2,914,560	2,580,812	6	-5
Equity attributable to minority interest	<b>-8,474</b>	-8,630	-13,292	1070	-117
Total equity	<b>2,882,474</b>	2,905,930	2,567,520	12	-8
Current assets/Total assets	<b>0.14</b>	0.14	0.03		
Current ratio	<b>1.03</b>	0.74	0.20		
Debt to equity ratio	<b>0.16</b>	0.23	0.19		

The Group has total assets amounting to ₱3.34 billion as at September 30, 2015 of which 86.23% comprise of inventories, property and equipment, explored mineral resources and other non-current assets. Property and equipment include mine site development cost which applies to road network, pier, stockyard and land rights. Depreciation is computed using the straight line method. The liabilities of the Group mainly consist of payables to contractors, suppliers and related parties. The payable to related parties represents advances which were used to finance the operations of the Holding Company and its subsidiaries.

### 5.1 Material Variances Affecting the Balance Sheet

Balance sheet accounts as of September 30, 2015 with variances of plus or minus 5 percent against December 31, 2014 balances are discussed, as follows:

#### Current Assets

1. The decrease in Cash from ₱99.5 million as at December 31, 2014 to ₱11.03 million as at September 30, 2015 is attributable to the payments or settlement of payables to suppliers and advances from stockholders.
2. The decrease in Trade Receivable is attributable to the full collection of receivables from 2014 while in the 3<sup>rd</sup> Quarter of 2015, the company made three shipments of nickel ore with 163,841 WMT with a total amount of \$2,237,619.
3. The increase in Other Current Assets from ₱67.42 million as at December 31, 2014 to ₱121.53 million as at September 30, 2015 is attributable mainly to advances of the Company to its Suppliers.
4. The increase in Due from Related Parties from ₱20.28 million 2014 to ₱56.28 million in 2015 is attributable to the additional funds needed by other CPMHC subsidiaries.

5. The increase in Inventories from ₱49.92 million in 2014 to ₱197.24 million in 2015 is attributable to the increase of production of nickel ore due to the Group's decision not to sell its inventory due to significant decrease in market price in world market. As at September 30, 2015, the company has a beginning inventory of 101,285 WMT of nickel ore and produced 563,234 WMT with an ending inventory of 500,678 WMT of nickel ore.

#### **Liabilities and Equity**

6. The decrease in Accounts Payable & other current liabilities from ₱278.32 million as at December 31, 2014 to ₱117.21 million as at September 30, 2015 are due to payments made to suppliers.
7. The decrease of Due to a Stockholder account from ₱392.11 million in 2014 to ₱331.86 million in 2015 was due to payment or settlement of advances of stockholders.

#### **Item 6. Liquidity and Capital Resources**

The table below shows the Group's consolidated cash flows for the nine months ended September 30, 2015 and 2014:

**Table 2.3 Interim Unaudited Consolidated Statement of Cash Flows**

	<b>For the nine months ended September 30</b>		
<i>In thousands, except % change data</i>	<b>2015</b>	2014	% change
Net cash provided by (used in)			
operating activities	<b>(₱49,602)</b>	₱566,615	(109)
Net cash used in investing activities	<b>21,751</b>	(432,181)	(105)
Net cash used in financing activities	<b>(60,256)</b>	(132,625)	(55)
Effect of exchange rate changes in cash	<b>(395)</b>	(22)	(169)
Net increase (decrease) in cash	<b>(88,503)</b>	1,788	(505)
Cash at beginning of period	<b>99,529</b>	4,126	231
Cash at end of period	<b>₱11,026</b>	₱5,914	(86.44)

The Group has funded its pre-operating expenses through capital-raising exercise that started in October 2007. With the current rate of operations and sales of nickel ore, the Group believes that it can generate sufficient resources to finance its working capital requirements. The Group expects to regularly undertake shipment of ore and the corresponding management and collection of accounts receivable, and temperance of accounts payable. Capital expenditures such as the additional purchase of property and equipment can be met by the Group via collections from sales and, if necessary, infusions of either equity or debt through the shareholders. All funding for the Group's operations for the next 12 months shall be internally generated. The majority shareholder has committed to continually provide working capital to the Group to assure its continuous operations.

## ***Item 7. Risks***

The Group's principal financial instruments comprise of cash. The main purpose of these financial instruments is to finance the Group's operations. The Group has other financial assets and liabilities such as receivables, advances to related parties, and accrued expenses and other current liabilities, which arise directly from its operations.

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 Board of Directors (BOD) reviews and approves policies for managing each of these risks, which are summarized below.

### **Market Risks**

#### ***Foreign currency risk***

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

The following table shows the Company's significant foreign currency-denominated monetary assets and liabilities in their US Dollar (USD) and Philippine Peso equivalents as at September 30, 2015:

	U.S. Dollar	PhilippinePeso <sup>1</sup>
<i>Current financial assets:</i>		
Cash	\$129,493	₱6,052,544
Receivables	1,597,689	74,675,986
	<b>\$1,727,182</b>	<b>₱80,728,530</b>

<sup>1</sup>The exchange rate used to convert the U.S. dollar amounts into Philippine peso was US\$1.00 to ₱46.74, the peso-dollar exchange rates as quoted in the Philippine Dealing System as at September 30, 2015.

There were no other significant foreign currency-denominated monetary assets and liabilities as at September 30, 2015.

#### ***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.

#### ***Liquidity Risk***

The Group's exposure to liquidity risk relates to raising funds. The Group manages its liquidity profile to be able to finance capital expenditures and service maturing debts.

To cover its financing requirements, the Group intends to use internally generated funds and available short-term credit facilities.

As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise.

#### ***Credit Risk***

The Group's credit risk relates to other financial assets of the Group, which comprise mainly of cash and cash equivalents and receivables. The exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Cash are considered good quality as these pertain to deposits in reputable banks.

The Group continuously reviews credit policies and processes and implements various credit actions, depending on assessed risks, to minimize credit exposure.

#### ***Item 8. Top Key Performance Indicators***

Results of operations are analyzed using the following key performance indicators, among other measures:

##### **Tons Extracted and Ore Grade Sold and Shipped**

Tons extracted and ore grade are key determinants of sales volume. Higher tonnage and ore grade are directly proportional to revenue level.

##### **Actual Production Cost**

Production cost per ton is a key measure of operating efficiency. A lower unit production cost both in ore extraction and smelting operation will result in the Group's meeting, if not exceeding, its profitability targets.

##### **Earnings per Share**

The Company's earnings per share is a key measure of the Company's effectiveness in meeting its financial targets that in turn, will provide investors comparable benchmarks relative to similar companies.

#### ***Item 9. Known Trends, Events or Uncertainties***

There is no known event that will trigger a direct or contingent financial obligation that is material to the Company. Moreover, there are no known significant trends, demands, commitments or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in a material way. There are no material commitments for capital expenditures not reflected in the Company's consolidated financial statements. There is likewise no significant seasonality or cyclicity in its business operation that would have a material effect on the Company's financial condition or results of operations. There were no other significant elements of income or loss that did not arise from the Company's continuing operations. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships

of the Company with unconsolidated entities or other persons created during the reporting period. There are no line items in the Company's consolidated financial statements not already explained for causes either above or in the Notes to the Consolidated Financial Statements other than due to the usual period-to-period fluctuations in amounts natural in every business operations.

#### ***Item 10. Distribution Methods of Products and Services***

##### ***Demand for Nickel from China***

China is the world's largest producer and consumer of stainless steel. In 2010, China produces over 50% of the global production and that figure is expected to grow over the next few years. Common stainless steel contains between 2-14% Nickel.

In 2006, nickel prices started to surge because of China's huge demand and China's nickel supply was affected. An opportunity surfaced when Chinese stainless steel producers realized that they need an alternative supplier for Nickel. China Steel was one of the first to start producing the alternative pig iron (NPI) in 2006.

##### ***Nickel Pig Iron (NPI)***

Laterite Nickel ore accounts for about two-thirds of the world's nickel resources but is generally not used for producing refined pure nickel because of its low nickel content that ranges between 1 - 2%.

After a series of sintering and smelting processes, removing impurities such as phosphorus, sulfur and silicon to specification, the laterite nickel ore can be processed into nickel pig iron that contains between 4% to 13% nickel with Iron and other metals accounting for the balance.

Chinese stainless steel producers use nickel pig iron, to which they will add chromium and other materials, to produce 200 to 300 series stainless steel which accounts for more than 70% of total stainless steel production in China.

##### ***The future of Nickel Pig Iron***

Chinese domestic growth demand for nickel and nickel pig iron far exceeds the increase in production of nickel in China over the next few years.

With the Chinese Government Steel Industry Restructuring Program, many nickel pig iron producers have been shut down due to poor environmental standards. Hence with demand still growing and supply of nickel pig iron being substantially reduced, demand for nickel pig iron from producers like China Steel is still strong. The slowdown in China economy starting 2015 has a major effect on the future of Nickel Pig Iron. Although the China economy is still growing by at least 6%, the price of nickel ore was greatly affected as their stock file inventory accumulated from previous years are still available.

### ***Indonesian Ore Ban***

On January 12, 2014, the ban on exports of unprocessed ore in Indonesia took effect, the result of legislation that was passed five years ago. Exports of lateritic nickel ore over the last several years to China have fueled the growth of its NPI industry. China's NPI plants rely exclusively on nickel ore, primarily from Indonesia and secondarily from the Philippines. It is estimated that Indonesia sold over 50 million WMT of high-grade saprolite ore to China last year, in contrast to the Philippines' supply of less than 10 million WMT of medium and high-grade materials. As there are limited sources of particularly high grade saprolite ore in our country, it is unlikely that the Philippines will be able to increase production to replace Indonesian ore.

While stockpiles of ore have been accumulating in China over the year in review as a result of the ban, once consumed towards the latter part of 2014, NPI production should drop significantly and China's stainless steel producers will have to source its nickel requirements elsewhere. This should lead to a more balanced global supply and demand picture, if not eventually leading to more stable nickel prices. We have indeed already seen a significant price increase on our ore products during the 9-month period immediately following the imposition of the ban, although prices decreased significantly afterwards. There is much speculation on whether or not the ore ban will continue or eventually be reversed, either in full or in part such that some level of exports would resume. Our belief is that much will depend on whether or not the ban will ultimately lead to the construction of processing plants, which is uncertain at this time given the high costs associated with such projects, as well as geopolitical considerations.

### ***Saprolite Nickel Ore***

The higher value saprolite nickel ore has a significant market in China and Australia, and with the Indonesian ore ban, this will open up the market for producers from the Philippines.

### ***Item 11. Group's Strategic Plan***

The Group will continue to take advantage of the demand of nickel ore and chromite in China, which is its principal market. In addition to its production of lateritic nickel ore, the Group plans to extract the higher value of saprolite nickel ore for export to the Chinese and Australian market. This strategy will optimize revenue and improve share value. The slowdown in China economy starting 2015 has greatly affected the price of nickel ore. The Group has taken a cautious decision on selling selectively starting this year as we build up the nickel ore inventory.

### ***Item 12. Other Information***

#### ***Century Peak Corporation (CPC)***

On May 7, 2010 CPC was registered with the Board of Investments (BOI) with Certificate of Registration No. 2010-093, on its mining and extraction of nickel ore at

Casiguran, Loreto, Province of Dinagat, as a new project on a Non-Pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226).

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, subject to posting of re-export bond;
- 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.

CPC has a Joint Operating Agreement with the Philippine Mining Development Corporation (PMDC) as the operating partner for the exploration, development and mining operations of the Pinamungahan Limestone Property. This covers an area of 4,795 hectares located in Toledo and Pinamungahan, Cebu.

#### ***Century Hua Guang Smelting Incorporated (CHGSI)***

CHGSI is incorporated in the Philippines. It was registered with the SEC on January 14, 2008.

The principal activities of CHGSI are to invest in and engage in the business of operating and mining mineral resources in the Philippines and prospecting, exploring, milling, concentrating, converting, smelting, treating, refining and manufacturing, and preparing for the market, whether export or domestic, and producing and dealing in all its products and by-products of every kind and description and by whatsoever process the same can be or may hereafter be produced.

On October 28, 2009, CHGSI was registered with PEZA under Certificate of Registration No.09-56 for the production of ferro-nickel (pig iron) at the Leyte Industrial Development Estate - Special Economic Zone.

By virtue of its PEZA Registration, CHGSI is entitled, among other incentives, to four (4) years Income Tax Holiday, which shall be reckoned upon its start of commercial operations, as well as tax and duty free importation of its capital equipment and raw materials, subject to its compliance with the terms and conditions of its registration.

Moreover, 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.

#### **CHGSI Registration with MGB and EMB**

CHGSI has filed its application for a Mineral Processing Permit (MPP) for its Smelting Plant and is currently under evaluation with the MGB Regional Office, Region 8. It

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, aside from its smelting plant, also to be located at the Leyte Industrial Development Estate (LIDE) in Isabel, Leyte.

### ***Century Sidewide Smelting Incorporated (CSSI)***

The primary purpose of CSSI is to invest in the business of operating and mining mineral resources (mineral ores) in the Philippines. CSSI's activities also involve prospecting, exploring, milling, smelting and preparing for market, whether export or domestic, of mineral ores.

The Company entered into partnership with Sidewide Resources (H.K.) Limited, a subsidiary of Chaoyang Saiwai Mining Co., Ltd. of P.R. China. This group owns an iron powder processing plant, electric furnace smelting plant, and primarily does trading of mineral ore. They have offices in Beijing, Shanghai and Hong Kong. It is the Company's plan to set up electric furnaces in the future to enhance the production of its nickel pig-iron. From this newly formed partnership CSSI was incorporated.

CSSI is incorporated in the Philippines. It was registered with the SEC on September 6, 2011.

### ***Century Summit Carrier, Inc. (CSCI)***

CSCI is incorporated in the Philippines. It was registered with the SEC on September 29, 2011. On December 8, 2011, CSCI was registered with the Marina Industry Authority ("Marina") with Certificate No. DSO-2006-003-086 (2014) under Marina Circular 2006-003 issued pursuant to Section 4 Paragraph 2 and Section 6 (a) of Presidential Decree No. 474 and Section 12 (a) of Executive Order No. 125-A Republic Act to engage in Domestic Shipping Business. The Certification is valid until 07 December 2017.

### **Mining Operations**

The Group has ongoing exploration work through CPC in its properties in the Province of Dinagat Island. Geologic reports covering the Casiguran Nickel Project and a Resource Evaluation Report covering Rapid City Parcel II Prospect under MPSA-283-2009-XIII-SMR were prepared by Dr. Carlo A. Arcilla, an accredited competent person in accordance with the definition of the Philippine Mineral Reporting Code. Indicated and measured resources for the two properties were discussed above.

Two new wholly-owned subsidiaries of CPMHC were registered with the SEC on September 17, 2015, namely Century Peak Minerals Development Corp. and Century Peak Cement Manufacturing Corp. The two new companies will handle future operations involving quarrying and cement manufacturing and distribution. As of reporting date, these subsidiaries are not yet operational.

## PART III -MARKET PRICE AND DIVIDENDS

### *Item 1. Market Information*

The Issuer's common shares of stock are listed and traded in the Philippine Stock Exchange (PSE). The shares were listed with the PSE on October 6, 2009.

The table below shows the range of high and low bid information for the shares of the Company for each quarter from January 1, 2013 and any subsequent interim period for which financial statements are required by SRC Rule 68:

Summary of Shares Selling Prices (in ₱)	1st Quarter	2 <sup>nd</sup> Quarter	3rd Quarter	4th Quarter
2015				
Highest	1.09		0.70	
Lowest	1.05		0.70	

Summary of Shares Selling Prices (in ₱)	1st Quarter	2 <sup>nd</sup> Quarter	3rd Quarter	4th Quarter
2014				
Highest	0.59	1.02	1.01	0.92
Lowest	0.59	0.94	0.98	0.91

Summary of Shares Selling Prices (in ₱)	1st Quarter	2 <sup>nd</sup> Quarter	3rd Quarter	4th Quarter
2013				
Highest	0.92		0.63	0.54
Lowest	0.92		0.60	0.50

The Company's stocks were traded at ₱1.00 per share as of September 30, 2015.

### *Item 2. Recent Sales of Unregistered Securities or Exempt Securities*

There were no sales of unregistered securities or exempt securities including recent issuance of securities constituting an exempt transaction. All the shares of the Issuer are listed with the PSE.

### Item 3. Holders

The Company has 219 shareholders as of September 30, 2015 with 2,820,330,450 common shares issued and outstanding.

	Name of Shareholder	Outstanding Shares	Percentage
1	PCD NOMINEE CORPORATION ( <i>FILIPINO</i> )	2,174,570,099	77.10%
2	PCD NOMINEE CORPORATION ( <i>NON-FILIPINO</i> )	342,491,060	12.14%
3	BENITO A. ONG	45,000,000	1.60%
4	GUO CONG YUAN/ ANSON TAN	20,000,000	0.71%
5	SB EQUITIES, INC.	15,815,677	0.56%
6	ANSON TAN &/OR CAI WEI WEI	15,000,000	0.53%
7	ARNOLD V.CABILTES	12,000,000	0.43%
8	WANG GUANG HUA	4,550,000	0.16%
9	WANG QIU YAN	4,400,000	0.16%
10	ELIZABETH G. TAN	4,000,000	0.14%
11	ZHANG JIN DE	3,370,000	0.12%
12	SU YU SHUANG	3,360,000	0.12%
13	CHEN CONG QUN	3,320,000	0.12%
14	WU CHANG LIE	3,320,000	0.12%
15	XU XIAN SHUN	3,310,000	0.12%
16	CAI RONG YAO	3,280,000	0.12%
17	XU LIAN CHENG	3,220,000	0.11%
18	HONG HAI TING	2,190,000	0.08%
19	WU XUAN QIANG	2,160,000	0.08%
20	WANG QING ZAN	2,140,000	0.08%

PCD Nominee Corporation, a wholly-owned subsidiary of the Philippine Central Depository, Inc. ("PCD"), is the registered owner of the shares in the books of the Company's transfer agent in the Philippines. The beneficial owners of such shares are PCD's participants who hold the shares on their behalf or in behalf of their clients.

### Quarterly Performance

The high and low share prices for each quarter within the last two years are:

	1st Quarter	2 <sup>nd</sup> Quarter	3rd Quarter	4th Quarter
<b>2013</b>				
Highest	0.92		0.63	0.54
Lowest	0.92		0.63	0.50
<b>2014</b>				
Highest	0.59	1.02	1.01	0.92
Lowest	0.59	0.94	0.98	0.91

### *Dividends*

There were no dividends declared by the Issuer in 2014.

## **PART IV CORPORATE GOVERNANCE**

To ensure good governance, the Board of Directors of the Issuer approves the plan and strategic investment objectives presented by the management, as well as the mechanism for evaluating the management's performance and the adequacy of internal control mechanisms for good governance through the following committees:

- Audit Committee; and
- Nomination and Remuneration Committee.

In addition, the Issuer adopted the policies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties and board responsibilities. These policies were set up in the adopted Manual on Corporate Governance.

The Issuer is continually taking steps to enhance adherence to principles and practices of good corporate governance and the Issuer always ensures that no deviation or any form of non-compliance from the manual occurs.

**UNDERTAKING**

A COPY OF THE ANNUAL REPORT OF THE ISSUER ON SEC FORM 17-A WILL BE PROVIDED, WITHOUT ANY CHARGE, TO ANY STOCKHOLDER OF THE CORPORATION UPON WRITTEN REQUEST ADDRESSED TO:

ATTY. GLADYS CAGADOC - VELASCO  
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