



SAN MIGUEL CORPORATION

December 18, 2012

The Philippine Stock Exchange, Inc.
Disclosure Department
3rd Floor, Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: **Ms. Janet A. Encarnacion**
Head - Disclosure Department

Gentlemen:

We reply to your request for clarification of the news article entitled "San Miguel proposes to reopen Nonoc nickel mine in Surigao City," posted in the Inquirer.net on December 17, 2012. The article reported in part that:

SURIGAO CITY, Philippines – Diversified conglomerate San Miguel Corporation will reopen the Nonoc nickel mine with a new US\$2.5 billion refinery, in a deal that is only awaiting the approval of President Aquino.

A major aspect of the "friendly takeover" bid would be San Miguel's construction of a modern nickel refinery and its offer to shoulder a portion of the mine operator's standing obligations— some \$300 million to the national government and P200 million in real property taxes to the city government, said Mayor Ernesto Matugas, who took part in the talks between San Miguel and Philnico's controlling partners early this year.

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In the MOU, San Miguel offered US\$85 million for Philnico's outstanding debt of US\$263.8 million to the Department of Finance, and at least P50 million for the company's P200 million unpaid real property taxes to the city government, the mayor said.

We advise that the Company is evaluating the alternatives that can be pursued to ensure the commercial viability of investing in the Nonoc Nickel Mining Project (the "Project"). As disclosed to the Exchange, the Board of Directors of the Company, on December 13, 2012, authorized such contemplated investment. Any participation by the Company in the Project shall likewise take into account the interests of all the parties who may have a stake in the Project. An appropriate disclosure shall be made in the event the relevant definitive agreement is concluded for the pursuit of the Project.

Very truly yours,

Virgilio S. Jacinto
Corporate Secretary