

****Title:**** Narra Nickel Mining and Development Corp., Tesoro Mining and Development, Inc., and McArthur Mining, Inc. vs. Redmont Consolidated Mines Corp.

****Facts:****

This case involves mining corporations Narra Nickel and Mining Development Corp. (Narra), Tesoro Mining and Development, Inc. (Tesoro), and McArthur Mining Inc. (McArthur) collectively known as the petitioners, and Redmont Consolidated Mines Corp. (Redmont).

The petitioners, purportedly Philippine corporations whose majority shares were held by Filipino-owned companies, had filed for Mineral Production Sharing Agreements (MPSAs) before the Department of Environment and Natural Resources. Redmont filed petitions challenging the nationality of the petitioners, alleging that they were not qualified to hold MPSAs as they were effectively owned by Canadians through MBMI Resources Inc. (MBMI), which allegedly owned 60% of the petitioner's common stocks.

The case first reached the Panel of Arbitrators, which ruled in favor of Redmont. The petitioners appealed to the Mines Adjudication Board (MAB), but the Office of the President subsequently revoked the permit. Petitioners then converted their MPSA applications into an application for a Financial or Technical Assistance Agreement (FTAA). During these proceedings, MBMI allegedly divested its interests in the petitioners to a Filipino corporation, making the case supposedly moot.

****Procedural Posture:****

The case involved several venues:

1. Panel of Arbitrators denied petitioners' applications;
2. Mines Adjudication Board, which ordered in favor of petitioners;
3. Court of Appeals affirmed the Panel's decision, ruling petitioners were foreign-owned;
4. Supreme Court (first Decision) upheld the Court of Appeals;
5. Supreme Court (on petitioners' Motion for Reconsideration) denied reconsideration.

****Issues:****

1. Whether the case was rendered moot due to the divestment of shares by MBMI and the conversion of applications from MPSAs to FTAA's.
2. Whether the Grandfather Rule should be applied to determine the petitioners' nationality.

****Court's Decision:****

The Supreme Court held:

1. The case was not moot because of the principle allowing judicial review regardless of mootness in cases with substantial constitutional issues requiring the establishment of controlling principles.
2. The Grandfather Rule was necessary due to the intricate corporate layering designed to circumvent the Constitutional limitation on foreign mining rights in the Philippines. The Court found that the petitioners did not meet the required Filipino equity ratio and therefore were not entitled to MPSAs.

****Doctrine:****

The Grandfather Rule can be used when there is doubt, based on facts and circumstances, about the nationality of a corporation relative to the required Filipino equity ownership. It serves as a supplement to the Control Test, not as a replacement.

****Class Notes:****

- Supreme Court jurisdiction over moot cases can be invoked in exceptional circumstances.
- The Control Test is typically applied in determining corporate nationality but can be supplemented by the Grandfather Rule when there is reasonable doubt.
- The distinction between questions of fact for administrative bodies and judicial questions for the court's determination.
- A corporation's compliance with the Filipino-ownership requirement must reflect both "beneficial ownership" and effective "control".

****Historical Background:****

This case is situated within the broader historical context of the Philippine policy on the nationalization of its natural resources, which aims to preserve the control, use, and development of these resources for Filipinos as mandated by the Philippine Constitution. The intricate corporate layering to appear in compliance with the nationality requirements for natural resource exploitation reflects ongoing challenges and legal strategies in enforcing constitutional directives against foreign economic interests.