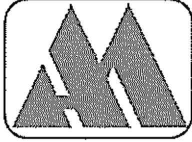

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION
7TH Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City, Metro Manila, Philippines 1550
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15 February 2012

PHILIPPINE STOCK EXCHANGE
3F Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines 1226

Attention: **Ms. JANET A. ENCARNACION**
Head, Disclosures Department

Dear Madam:

We submit herewith the following:

1. Summary report/press release on the results of the 2011 operations of Atlas's wholly-owned subsidiary Carmen Copper Corporation (CCC)

2. Audited Financial Statements of CCC for the year ended 31 December 2011

Very truly yours,

ATLAS CONSOLIDATED MINING
AND DEVELOPMENT CORPORATION

By:

CARMEN-ROSE A. BASALLO-ESTAMPADOR
Compliance Officer and Assistant Corporate Secretary

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION
Summary report on the results of the operations of
Carmen Copper Corporation for the year ended 31 December 2011

Key Highlights:

- Comparative Figures

	2011	*2010*	*% Change*
Reported Net Income	P2.541 billion	P0.670 billion	279%
*Core Income**	P2.283 billion	P1.431 billion	59.5%
*EBITDA***	P4.178 billion	P2.587 billion	61.50%
Gross Revenue	P12.498 billion	P8.851 billion	41.2%
Copper Sold (pounds)	68.0 million	58.7 million	15.8%

* Core Income = Net Income adjusted for mark-to-market gains and losses, foreign exchange gains or losses, non-recurring income or expenses.
** EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization

Press Release:

MANILA, Philippines, 15 February 2012 – Atlas Consolidated Mining and Development Corporation (PSE: AT) is pleased to announce that its wholly-owned subsidiary Carmen Copper Corporation ("CCC") which operates the Toledo copper mine in the province of Cebu has a reported net income of PhP2.541 billion for 2011. This is nearly three (3) times CCC's 2010 reported net income of P670 million. The 2011 core income of CCC is pegged at PhP2.283 billion which represents an increase of 59.5% over that in 2010.

CCC's improved performance in 2011 relative to 2010 showcases (i) a 41.2% rise in actual gross revenues (from PhP8.851 billion to PhP12.498 billion), (ii) a 61.5% increase in EBITDA (from PhP2.587 million to PhP4.178 billion), and (iii) a 15.8% upturn in shipped volumes (from 58.7 million pounds of copper to 68.0 million pounds of copper).

CCC sold its copper production in 2011 at an average realized price of US$8,879 per tonne (US$4.03 per pound) of copper, which is higher than 2010's average price of US$7,034 per tonne (US$3.19 per pound).

CCC is on-track with the open-pit development of the higher-grade Carmen ore body, and is expediting the finalization of its plans for a phased expansion starting with the initial target of raising its current throughput capacity of 40,000 tonnes per day to 60,000 tonnes per day.

Carmen Copper Corporation

Financial Statements
December 31, 2011, 2010 and 2009

and

Independent Auditors' Report

SyCip Gorres Velayo & Co.

SGV & Co
Ernst & Young

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SEC Accreditation No. 0012-FR-2

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Carmen Copper Corporation

We have audited the accompanying financial statements of Carmen Copper Corporation, which comprise the statements of financial position as at December 31, 2011, 2010 and 2009, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

SGV & Co
ERNST & YOUNG

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Carmen Copper Corporation as at December 31, 2011, 2010 and 2009, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Maria Madeira R. Vestil

Maria Madeira R. Vestil
Partner
CPA Certificate No. 85783
SEC Accreditation No. 0680-AR-1
Tax Identification No. 102-094-770
BIR Accreditation No. 08-001998-75-2009,
June 1, 2009, Valid until May 31, 2012
PTR No. 3174836, January 2, 2012, Makati City

February 14, 2012

CARMEN COPPER CORPORATION
STATEMENTS OF FINANCIAL POSITION

	December 31		
	2011	2010	2009
ASSETS			
Current Assets			
Cash and cash equivalents (Note 4)	**₱249,396,128**	₱1,566,958,507	₱229,966,200
Short-term investments (Note 12)	**670,518,576**	678,248,686	–
Receivables (Note 5)	**380,166,223**	151,273,640	388,471,801
Derivative assets (Note 6)	**477,573,387**	29,861,994	32,719,989
Inventories (Note 7)	**919,427,216**	532,008,538	674,290,505
Other current assets (Note 8)	**464,103,422**	229,433,146	376,407,863
Total Current Assets	**3,161,184,952**	3,187,784,511	1,701,856,358
Noncurrent Assets			
Property, plant and equipment (Note 9)	**13,836,275,673**	11,403,001,199	10,496,842,411
Derivative assets (Note 6)	**221,395,253**	703,294,987	–
Deferred income tax assets (Note 15)	**80,073,626**	–	–
Other noncurrent assets (Note 10)	**1,286,123,790**	1,286,661,018	1,014,544,599
Total Noncurrent Assets	**15,423,868,342**	13,392,957,204	11,511,387,010
TOTAL ASSETS	**₱18,585,053,294**	₱16,580,741,715	₱13,213,243,368
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities (Note 11)	**₱3,301,988,378**	₱3,125,464,717	₱3,139,634,346
Current portion of long-term debt and other interest-bearing liabilities (Note 12)	**3,907,951,702**	1,662,394,698	1,395,180,000
Derivative liabilities (Note 6)	**18,928,870**	147,043,777	294,562,146
Income tax payable (Note 15)	**322,726**	384,865	42,209
Total Current Liabilities	**7,229,191,676**	4,935,288,057	4,829,418,701
Noncurrent Liabilities			
Long-term debt and other interest-bearing liabilities - net of current portion (Note 12)	**2,959,071,864**	5,824,465,713	3,234,000,000
Liability for mine rehabilitation cost (Note 13)	**94,782,472**	77,016,945	104,014,895
Retirement benefits liability (Note 20)	**102,302,400**	85,639,000	57,590,500
Total Noncurrent Liabilities	**3,156,156,736**	5,987,121,658	3,395,605,395
Total Liabilities	**10,385,348,412**	10,922,409,715	8,225,024,096
Equity (Note 14)			
Capital stock - ₱1 par value			
Authorized - 3.2 billion shares			
Issued and outstanding - 1.9 billion shares in 2011 and 2010 and 1.5 billion shares in 2009	**1,909,820,561**	1,909,820,561	1,516,838,422
Subscribed - 84.8 million shares in 2009	**–**	–	84,811,387
Additional paid-in capital	**3,748,511,439**	4,707,508,969	3,782,996,698
Deposit for future stock subscription	**–**	–	1,232,683,023
Retained earnings (deficit)	**2,541,372,882**	(958,997,530)	(1,629,110,258)
Total Equity	**8,199,704,882**	5,658,332,000	4,988,219,272
TOTAL LIABILITIES AND EQUITY	**₱18,585,053,294**	₱16,580,741,715	₱13,213,243,368

See accompanying Notes to Financial Statements.

CARMEN COPPER CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2011	2010	2009
REVENUE (Note 6)			
Copper	**₱11,659,679,179**	₱8,423,181,968	₱4,308,244,484
Gold	**530,598,447**	422,768,942	210,765,897
Silver	–	5,000,417	–
Magnetite	**33,685,648**	–	–
	12,223,963,274	8,850,951,327	4,519,010,381
Less smelting and related charges	**703,161,741**	604,028,219	408,289,721
	11,520,801,533	8,246,923,108	4,110,720,660
COSTS AND EXPENSES			
Mining and milling costs (Note 16)	**7,433,820,090**	5,706,143,670	3,559,798,532
General and administrative expenses (Note 17)	**895,954,290**	786,894,849	492,116,714
Mine products taxes and royalties (Note 16)	**473,997,697**	369,133,378	155,781,708
	8,803,772,077	6,862,171,897	4,207,696,954
OTHER INCOME (CHARGES)			
Finance charges (Note 12)	**(514,758,185)**	(572,430,537)	(218,994,750)
Realized gain (loss) on derivatives (Note 6)	**428,206,916**	288,137,882	(270,733,535)
Unrealized loss on derivatives (Note 6)	**(208,420,940)**	(135,836,125)	(1,143,661,918)
Foreign exchange gain - net (Note 21)	**17,696,560**	176,327,129	73,616,774
Interest income (Note 4)	**2,295,842**	897,466	789,776
Others - net (Note 12)	**19,867,161**	(469,703,840)	(6,281,981)
	(255,112,646)	(712,608,025)	(1,565,265,634)
INCOME (LOSS) BEFORE INCOME TAX	**2,461,916,810**	672,143,186	(1,662,241,928)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 15)			
Current	**617,554**	2,030,458	42,209
Deferred	**(80,073,626)**	–	–
	(79,456,072)	2,030,458	42,209
NET INCOME (LOSS)	**2,541,372,882**	670,112,728	(1,662,284,137)
OTHER COMPREHENSIVE INCOME	–	–	–
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱2,541,372,882**	₱670,112,728	(₱1,662,284,137)

See accompanying Notes to Financial Statements.

CARMEN COPPER CORPORATION
STATEMENT OF CHANGES IN EQUITY

	Capital Stock		Additional Paid-in Capital (Note 14)	Deposit for Future Stock Subscription	Retained Earnings (Deficit)	Total
	Issued	Subscribed				
Balances at December 31, 2008	₱1,516,838,422	₱–	₱3,528,562,537	₱–	₱33,173,879	₱5,078,574,838
Subscribed shares (Note 14)	–	84,811,387	254,434,161	–	–	339,245,548
Deposit for future stock subscription (Note 14)	–	–	–	1,232,683,023	–	1,232,683,023
Net loss/total comprehensive loss for the year	–	–	–	–	(1,662,284,137)	(1,662,284,137)
Balances at December 31, 2009	₱1,516,838,422	₱84,811,387	₱3,782,996,698	₱1,232,683,023	(₱1,629,110,258)	₱4,988,219,272
Balances at December 31, 2009	₱1,516,838,422	₱84,811,387	₱3,782,996,698	₱1,232,683,023	(₱1,629,110,258)	₱4,988,219,272
Issuance of capital stock (Note 14)	392,982,139	(84,811,387)	924,512,271	(1,232,683,023)	–	–
Net income/total comprehensive income for the year	–	–	–	–	670,112,728	670,112,728
Balances at December 31, 2010	₱1,909,820,561	₱–	₱4,707,508,969	₱–	(₱958,997,530)	₱5,658,332,000
Balances at December 31, 2010	₱1,909,820,561	₱–	₱4,707,508,969	₱–	(₱958,997,530)	₱5,658,332,000
Equity restructuring (Note 14)	–	–	(958,997,530)	–	958,997,530	–
Net income/total comprehensive income for the year	–	–	–	–	2,541,372,882	2,541,372,882
Balances at December 31, 2011	₱1,909,820,561	₱–	₱3,748,511,439	₱–	₱2,541,372,882	₱8,199,704,882

See accompanying Notes to Financial Statements.

CARMEN COPPER CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2011	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱2,461,916,810**	₱672,143,186	(₱1,662,241,928)
Adjustments for:			
Depreciation, depletion and amortization (Notes 9, 16 and 17)	**989,128,786**	1,153,947,922	741,595,137
Finance charges (Note 12)	**514,758,185**	572,430,537	218,994,750
Net unrealized loss on derivatives (Note 6)	**208,420,940**	135,836,125	1,143,661,918
Provision for asset write-downs and possible losses on input VAT (Notes 9 and 10)	**163,043,931**	108,579,122	59,526,178
Retirement benefits costs (Note 20)	**18,313,300**	29,532,100	23,173,400
Net realized gain on derivatives (Note 6)	**(428,206,916)**	(288,137,882)	–
Net unrealized foreign exchange loss (gain)	**20,752,883**	(176,327,129)	(161,190,461)
Interest income (Note 4)	**(2,295,842)**	(897,466)	(789,776)
Loss on asset disposal	**–**	–	1,007,455
Operating income (loss) before working capital changes	**3,945,832,077**	2,207,106,515	363,736,673
Decrease (increase) in:			
Short-term investments	**7,730,110**	(678,248,686)	–
Receivables	**(228,892,583)**	224,510,453	(219,740,787)
Inventories	**(385,380,612)**	142,281,967	306,986,385
Other current assets	**(234,670,276)**	(30,993,667)	193,146,661
Increase in accounts payable and accrued liabilities	**523,360,388**	41,347,349	578,376,165
Net cash generated from operations	**3,627,979,104**	1,906,003,931	1,222,505,097
Interest received	**2,295,842**	897,466	869,528
Interest paid	**(523,514,038)**	(569,461,261)	(207,629,770)
Income taxes paid	**(679,693)**	(1,687,802)	(24,786)
Benefits paid	**(1,649,900)**	(1,483,600)	(423,200)
Net cash flows from operating activities	**3,104,431,315**	1,334,268,734	1,015,296,869
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment	**(3,551,588,721)**	(1,912,293,361)	(2,530,613,858)
Decrease (increase) in other noncurrent assets	**57,171,084**	(285,237,888)	(373,693,460)
Net cash used in investing activities	**(3,494,417,637)**	(2,197,531,249)	(2,904,307,318)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Long-term debt and other interest-bearing liabilities (Note 12)	**473,280,602**	7,394,559,843	6,280,022
Issuance of capital stock (Note 14)	**–**	–	339,245,548
Payments of long-term debt and other interest-bearing liabilities (Note 12)	**(1,093,117,448)**	(5,103,481,052)	–
Increase (decrease) in interest-free payables to related parties (Notes 11 and 19)	**(332,759,548)**	(28,499,161)	951,887,377
Net cash flows from (used in) financing activities	**(952,596,394)**	2,262,579,630	1,297,412,947
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**25,020,337**	(62,324,808)	25,547,465
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,317,562,379)**	1,336,992,307	(566,050,037)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,566,958,507**	229,966,200	796,016,237
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱249,396,128**	₱1,566,958,507	₱229,966,200

See accompanying Notes to Financial Statements.

CARMEN COPPER CORPORATION
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Carmen Copper Corporation (hereafter referred to as "the Company") is a stock corporation organized under the laws of the Philippines on September 16, 2004, primarily for the exploration, development and production of copper/gold in concentrate. The registered office address of the Company is 7th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City. The minesite is located in Lutopan, Toledo, Cebu.

In 2006, the Company entered into an Operating Agreement with Atlas Consolidated Mining and Development Corporation (ACMDC) for the conveyance to the Company of rights over the Toledo minesite, certain fixed assets and surface rights for a royalty fee mutually agreed by the parties. The agreement may be terminated by the Company upon 30 days prior written notice.

In July 2011, the Company became a wholly owned subsidiary of ACMDC, when ACMDC purchased the combined 45.54% ownership interest of CASOP Atlas Corporation and CASOP Atlas B.V. (collectively, CASOP) in the Company (see Note 14). Previously, in 2010 and 2009, ACMDC owned 54.46% and 64.94%, respectively, of the Company. ACMDC is listed in the Philippine Stock Exchange and is a holding company for various mining companies in the Philippines.

The Company is registered with the Board of Investments (BOI) on a non-pioneer status as a new producer of copper concentrate and is entitled to an income tax holiday (ITH) incentive, among other incentives, for a period of four years from November 2007 to November 2011. The ITH incentive was extended to October 31, 2012 by the BOI in June 2011 with the Company's use of the indigenous materials criterion. An option for another ITH extension is available to the Company upon its application and qualification.

On February 14, 2012, the Board of Directors (BOD) approved and authorized the release of the financial statements of the Company as of and for the years ended December 31, 2011, 2010 and 2009.

2. Basis of Preparation

The accompanying financial statements have been prepared using historical cost basis except for derivative financial instruments and put option contracts that have been measured at fair value. The financial statements are presented in Philippine Peso (Peso), the Company's functional currency. All values are rounded to the nearest Peso, except when otherwise indicated.

Statement of Compliance

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRSs and Philippine Interpretations which were adopted as of January 1, 2011.

Standards or interpretations that have been adopted and that are deemed to have an impact on the financial statements or performance of the Company are described below:

- Philippine Accounting Standards (PAS) 24, *Related Party Transactions (Amendment)*

  PAS 24 clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any significant impact on the financial position or performance of the Company.

- PAS 32, *Financial Instruments: Presentation (Amendment)*

  The amendment alters the definition of a financial liability in PAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Company because the Company does not have these type of instruments.

- Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement (Amendment)*

  The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognized as a pension asset. The Company is not subject to minimum funding requirements in the Philippines, therefore the amendment of the interpretation has no effect on the financial position nor performance of the Company.

- Improvements to PFRSs (issued 2010)

  Improvements to PFRSs, an omnibus of amendments to standards, deal primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any significant impact on the financial position or performance of the Company.

  - PFRS 3, *Business Combinations*: The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All

other components are to be measured at their acquisition date fair value. The amendments to PFRS 3 are effective for annual periods beginning on or after July 1, 2011.

- PFRS 7, *Financial Instruments - Disclosures*: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

- PAS 1, *Presentation of Financial Statements*: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements.

Other amendments resulting from the 2010 Improvements to PFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:

- PFRS 3, *Business Combinations* (Contingent consideration arising from business combination prior to adoption of PFRS 3 (as revised in 2008))
- PFRS 3, *Business Combinations* (Unreplaced and voluntarily replaced share-based payment awards)
- PAS 27, *Consolidated and Separate Financial Statements*
- PAS 34, *Interim Financial Statements*

The following interpretations and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Company:

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes* (determining the fair value of award credits)
- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

Future Changes in Accounting Policies

This listing of standards and interpretations issued are those that the Company reasonably expects may have an impact on disclosures, financial position or performance upon adoption. The Company will adopt the following new and amended standards enumerated below when these become effective.

- PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income*

  The amendments to PAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has therefore no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

- PAS 12, *Income Taxes - Recovery of Underlying Assets*

  The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16 always be measured on a sale basis of the asset. The amendment has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after January 1, 2012.

- PAS 19, *Employee Benefits (Amendment)*

  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Company will assess the impact of the amendment to PAS 19. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*

  These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Company, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Company will assess the impact of the amendments to PAS 32.

- PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements*

  The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after July 1, 2011. The amendment affects disclosures only and has no impact on the Company's financial position or performance.

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*

  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information.

This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

a. The gross amounts of those recognized financial assets and recognized financial liabilities;

b. The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;

c. The net amounts presented in the statement of financial position;

d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
   - Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
   - Amounts related to financial collateral (including cash collateral); and

e. The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. The amendment affects disclosures only and has no impact on the Company's financial position or performance.

- PFRS 9, *Financial Instruments: Classification and Measurement*

  PFRS 9 as issued reflects the first phase on the replacement of PAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

- PFRS 13, *Fair Value Measurement*

  PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact that this standard will have on its financial position and performance.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*

  This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset. This interpretation becomes effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of this interpretation.

Summary of Significant Accounting Policies

Cash and Cash Equivalents. Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the dates of acquisition and that are subject to an insignificant risk of change in value.

Financial Instruments

- *Date of Recognition.* The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. 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 and Classification of Financial Instruments.* Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those financial assets and liabilities at fair value through profit or loss (FVPL), includes transaction cost.

  On initial recognition, the Company classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets, as appropriate. Financial liabilities, on the other hand, are classified as financial liability at FVPL and other financial liabilities, as appropriate. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at each reporting date.

  Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

  The Company has no AFS financial assets and HTM investments as of December 31, 2011, 2010 and 2009.

- *Determination of Fair Value.* The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments and all other financial instruments where there is no active market, fair value is determined using generally acceptable valuation techniques. Such techniques include using arm's length market transactions; reference to the current market value of another instrument, which are substantially the same; discounted cash flow analysis and other valuation models.

- *"Day 1" Difference.* Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss unless it qualifies for the recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the amount of "Day 1" difference.

- *Financial Assets and Financial Liabilities at FVPL.* Financial assets and financial liabilities are classified in this category if acquired principally for the purpose of selling or repurchasing in the near term or upon initial recognition, it is designated by management as at FVPL. Financial assets and financial liabilities at FVPL are designated by management on initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis; or (ii) the assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performances are evaluated on a fair value basis in accordance with a documented risk management or investment strategy; or (iii) the financial instrument contains an embedded derivative that would need to be separately recorded. Derivatives, including separated embedded derivatives, are also categorized as held at FVPL, except those derivatives designated and considered as effective hedging instruments. Assets and liabilities classified under this category are carried at fair value in the statement of financial position. Changes in the fair value of such assets are accounted for in profit or loss.

  The Company's FVPL consist of derivative assets, derivative liabilities and put option contracts as of December 31, 2011, 2010 and 2009.

- *Loans and Receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets. As of December 31, 2011, 2010 and 2009, the Company's loans and receivables consist of "cash and cash equivalents", "short-term investments" and "receivables".

- *Financial Liabilities at FVPL.* Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by PAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the profit or loss.

The Company's financial liabilities at FVPL pertain to the derivative liabilities in the statements of financial position.

- *Other Financial Liabilities.* Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the Company's profit or loss when the liabilities are derecognized as well as through the amortization process.

  As of December 31, 2011, 2010 and 2009, other financial liabilities consist of "accounts payable and accrued liabilities" and "long-term debt and other interest-bearing liabilities".

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

Impairment of Financial Assets. The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the contracted parties or a group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows such as changes in arrears or economic conditions that correlate with defaults.

- *Loans and Receivables.* The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on loans and receivables 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 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 shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

  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 group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not 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. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Derecognition of Financial Assets and Financial Liabilities

- *Financial Assets.* A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

  - the rights to receive cash flows from the asset have expired; or

  - the Company 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" arrangement; or

  - the Company 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.

  Where the Company has transferred its rights to receive cash flows from an 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 Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

  Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

- *Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

  When 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 difference in the respective carrying amount is recognized in profit or loss.

Derivatives and Hedging. Derivative financial instruments (e.g., currency and commodity derivatives such as forwards, swaps and option contracts to economically hedge exposure to fluctuations in copper prices) are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivatives are accounted for at FVPL, where any gains or losses arising from changes in fair value on derivatives are taken directly to net profit or loss for the year, unless the transaction is designated as effective hedging instrument.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability; or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecast transaction; or
- hedges of a net investment in a foreign operation.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

- *Fair Value Hedges.* Fair value hedges are hedges of the Company's exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are recognized in profit or loss.

  For fair value hedges relating to items carried at amortized cost, the adjustment to carrying value is amortized through profit or loss over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest rate method is used is amortized to profit or loss. Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit or loss. The changes in the fair value of the hedging instrument are also recognized in profit or loss. The Company discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Company revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortized to profit or loss.

Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

- *Cash Flow Hedges.* Cash flow hedges are hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income, while the ineffective portion is recognized in profit or loss.

  Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

  If the forecast transaction is no longer expected to occur, amounts previously recognized in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

Embedded Derivatives. An embedded derivative is separated from the host financial or nonfinancial contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;

- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

- the hybrid or combined instrument is not recognized at FVPL.

The Company assesses whether embedded derivatives are required to be separated from host contracts when the Company first becomes a party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL. Changes in fair values are included in profit or loss.

The Company recognized bifurcated derivative assets arising from the provisionally-priced commodity sales contracts as of December 31, 2011, 2010 and 2009 and derivative liabilities on copper sales transactions, and prepayment option on long term debt as of December 31, 2011 and 2010.

Inventories. Mine products inventory, which consists of copper concentrates containing copper, gold and silver, and materials and supplies used in the rehabilitation of the assets, are valued 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 costs of selling final product. In the case of materials and supplies, NRV is the value of the inventories when sold at their condition at the reporting date. Cost is determined using the weighted average method.

Property, Plant and Equipment. Items of property, plant and equipment are carried at cost less accumulated depreciation and depletion and any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes, and any directly attributable costs of bringing the property, plant and equipment to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been placed into operation, such as repairs and maintenance costs, are normally recognized in profit or loss in the period they are incurred.

When assets are sold or retired, the cost and related accumulated depletion and depreciation are removed from the accounts and any resulting gain or loss is recognized in the profit or loss.

Depreciation of property, plant and equipment, except mine development costs, is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Number of Years
Machinery and equipment	3–10
Buildings and improvements	5–25
Roadways and bridges	5–40

Depreciation, depletion or amortization of an item of property, plant and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or depletion ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5 and the date the asset is derecognized.

The estimated recoverable mine reserves, useful lives, and depreciation and depletion methods are reviewed periodically to ensure that the estimated recoverable reserves, periods and methods of depreciation and depletion are consistent with the expected pattern of economic benefits from the items of property, plant and equipment. Property, plant and equipment also include the estimated costs of rehabilitating the mine site, for which the Company is constructively liable. These costs, included under mine development costs, are amortized using the units-of-production method based on the estimated recoverable mine reserves until the Company actually incurs these costs in the future.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 asset) is included in profit or loss in the year the asset is derecognized.

The asset's useful lives and methods of depreciation are reviewed and adjusted, if appropriate, at each reporting date.

Expenditures on major maintenance refits or repairs comprise the cost of replacement assets or parts of assets and overhaul cost. Where an asset or part of an asset that was separately depreciated and is now written-off is replaced, and it is probable that future economic benefits associated with the item will flow to the Company through an extended life, expenditure is capitalized. All other day to day maintenance costs are expensed as incurred.

Mine Development Costs. Mine development costs are stated at cost, which includes cost of construction, property plant and equipment, borrowing costs and other direct costs. Construction in progress are transferred to the related property, plant and equipment account when the construction or installation and related activities necessary to prepare the property, plant and equipment for their intended use are complete and the property, plant and equipment are ready for service. Mine development costs, except for cost attributable to current operations, and construction in progress are not depreciated or depleted until such time as the relevant assets are completed and become available for use. Mine development costs attributed to operations are depleted using the units-of-production method based on estimated recoverable reserves in tonnes.

Borrowing Costs. Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Capitalization of borrowing costs commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its estimated recoverable amount, an impairment loss is recorded.

When funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. When surplus funds are temporarily invested, the income generated from such temporary investment is deducted from the total capitalized borrowing cost. When the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Impairment of Nonfinancial Assets. The Company assesses at each reporting date whether there is an indication that a nonfinancial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company 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 costs 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 groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the Company's 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, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

Liability for Mine Rehabilitation. Rehabilitation of the mined-out areas is performed progressively and charged to costs as part of normal operating activity. In addition, an assessment is made at each operation of the discounted cost at reporting date of any future rehabilitation work that will be incurred as a result of currently existing circumstances and regulations, and a provision is accumulated for this operation. This provision is charged on a proportionate basis to production over the shorter of the life of the operation or the term of the mining rights. The estimated cost of rehabilitation is assessed on a regular basis. Rehabilitation costs include reforestation of areas affected by operations, clean-up of polluted materials, dismantling of temporary facilities and monitoring of sites for a period of five (5) years after completion of operations. Any changes in estimates are dealt with on a prospective basis.

Deferred Stripping Costs. Stripping costs incurred in the development of a mine before production commences are capitalized as part of the cost of constructing the mine and subsequently amortized over the estimated life of the mine on a units of production basis. Where a mine operates several open pit that are regarded as separate operations for the purpose of mine planning, stripping costs are accounted for separately by reference to the ore from each separate pit. If, however, the pits are highly integrated for the purpose of the mine planning, the second and subsequent pits are regarded as extensions of the first pit in accounting for stripping costs. In such cases, the initial stripping, (i.e., overburden and other waste removal) of the second and subsequent pits is considered to be production phase stripping relating to the combined operation.

Stripping costs incurred subsequently during the production stage of its operation are deferred for those operations where this is the most appropriate basis for matching the cost against the related economic benefits and the effect is material. This is generally the case where there are fluctuations in stripping costs over the estimated life of the mine. The amount of stripping costs deferred is based on the strip ratio obtained by dividing the tonnage of waste mined either by the quantity of ore mined or by the quantity of minerals contained in the ore. Stripping costs incurred in the period are deferred to the extent that the current period ratio exceeds the estimated life of the mine strip ratio. Such deferred costs are then charged to profit or loss to the extent that, in subsequent periods, the current period ratio falls short of the life of mine (or pit) ratio. The estimated life of mine (or pit) ratio is based on economically recoverable reserves of the mine (or pit). Changes are accounted for prospectively, from the date of the change. Deferred stripping costs are included as part of "Mine and mining properties". These form part of the total investment in the relevant cash generating units, which are reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

Input Value-Added Tax (VAT). Input VAT represents VAT imposed on the Company by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations.

The input VAT is recognized as an asset and will be used to offset against the Company's current output VAT liabilities and any excess will be claimed as tax credits. Input VAT is stated at its estimated NRV.

Income Taxes

- *Current Income Tax.* Current income tax assets and current income tax liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as of the reporting date.

- *Deferred Income Tax.* Deferred income tax is provided, using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amount for financial reporting purpose at the reporting date. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused tax losses from net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and the carryforward benefits of excess MCIT and NOLCO can be utilized. Deferred income tax liabilities are recognized for all taxable temporary differences.

  The carrying amount of deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized before their reversal or expiration. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax assets to be recovered.

  Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply in the period 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 income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Retirement Benefits Costs. Retirement benefits costs are actuarially determined using the projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Upon introduction of a new plan or improvement of an existing plan, past service cost are recognized on a straight-line basis over the average period until the amended benefits become vested. To the extent that the benefits are already vested immediately, past service costs are immediately expensed. Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses for each individual plan exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of the plan assets at that date. These gains or losses are recognized over the expected average

remaining working lives of the employees participating in the plan. Gains or losses on the curtailment or settlement of retirement benefits are recognized in profit or loss when the curtailment or settlement occurs.

The defined retirement benefits liability is the aggregate of the present value of the defined benefits obligation and actuarial gains and losses not recognized reduced by the past service cost not yet recognized and the fair value of the plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Capital Stock and Additional Paid-in Capital. The Company has issued capital stock that is classified as equity. Incremental costs directly attributable to the issue of new capital stock are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company purchases the Company's capital stock (treasury shares), the consideration paid, including any directly attributable incremental costs (net of applicable taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the Company's equity holders. Amount of contribution in excess of par value is accounted for as an additional paid-in capital.

Retained Earnings (Deficit). The amount included in retained earnings (deficit) includes income (loss) attributable to the Company's equity holders and dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the Company's stockholders and the BOD. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Retained earnings (deficit) may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Retained earnings may be appropriated for any plant expansion, investments and funding of certain reserve accounts to be established pursuant to the requirements of the lenders in accordance with the agreement. When the appropriation is no longer needed, it is reversed.

Revenue Recognition. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable taking into account contractually defined terms of payment and excluding discounts, rebates and other sales taxes or duties. The Company assesses whether it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognized.

- *Copper, Gold and Silver Concentrate Sales.* Contract terms for the Company's sale of copper, gold and silver in concentrate allow for a sales value adjustment based on price adjustment and final assay results of the metal concentrate by the customer to determine the content. Recognition of sales revenue for the commodities is based on determined metal in concentrate and the London Metal Exchange (LME) quoted prices, net of smelting and related charges.

The terms of metal in concentrate sales contracts with third parties contain provisional pricing arrangements whereby the selling price for metal in concentrate is based on prevailing LME spot prices on a specified future date after shipment to the customer (the "quotation period"). Adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement. The period between provisional invoicing and final settlement can be between one to six months. The provisionally priced sales of metal in concentrate contain an embedded derivative, which is required to be separated from the host contract for accounting purposes. The host contract is the sale of metals in concentrate while the embedded derivative is the forward contract for which the provisional sale is subsequently adjusted. The embedded derivative, which does not qualify for hedge accounting, is recognized at fair value, with subsequent changes in the fair value recognized in profit or loss until final settlement, and presented as "gain (loss) on derivative assets (liabilities)". Changes in fair value over the quotation period and up until final settlement are estimated by reference to forward market prices for copper, gold and silver.

- *Magnetite Sales.* Revenue from magnetite sales is recognized when the significant risks and rewards of ownership have transferred to the buyer, and selling prices are known or can be reasonably estimated, usually upon delivery.

- *Interest Income.* Interest income is recognized as the interest accrues using the effective interest method.

Costs and Expenses. Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are generally recognized when the services are used or the expenses are incurred.

Foreign-currency-denominated Transactions. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the rate of exchange at the reporting date. Foreign currency gains or losses are recognized in the profit or loss.

Leases

- *Determination of Whether an Arrangement Contains a Lease.* The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

  A reassessment is made after inception of the lease only if one of the following applies:

  - there is a change in contractual terms, other than a renewal or extension of the arrangement;

  - a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;

  - there is a change in the determination of whether fulfillment is dependent on a specified asset; or

  - there is a substantial change to the asset.

  Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

- *Operating Leases.* Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in the Company's profit or loss on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized.

Provisions. Provisions, if any, are recognized when the Company 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. 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 assessments 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 an interest expense.

Where the Company expects a provision to be reimbursed, reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement.

Contingencies. Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

Events After the Reporting Date. Events after the reporting date that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Accounting assumptions, estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements.

Determination of Functional Currency. The Company has determined its functional currency to be the Philippine Peso. It is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the Company's cost of operation.

Bill and Hold Sales. The Company recognized sale on deliveries classified as bill and hold when there is transfer of risk and reward from the Company to the buyer due to the following:

- it is probable that delivery will be made;
- the item is on hand, identified and ready for delivery to the buyer at the time the sale is recognized;
- the buyer specifically acknowledges the deferred delivery instructions; and
- the usual payment terms apply.

There are no bill and hold sales in 2011 and 2009. Bill and hold sales in 2010 amounted to ₱505.7 million.

Classification of Financial Instruments. The Company exercises judgment in classifying financial instruments in accordance with PAS 39. The Company classifies financial instruments, or its components, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Company's statement of financial position.

Financial assets are classified into the following categories:
- Financial assets at FVPL
- Loans and receivables

Financial liabilities, on the other hand, are classified into the following categories:
- Financial liabilities at FVPL
- Other financial liabilities

The Company determines the classification at initial recognition and re-evaluates this classification, where allowed and appropriate, at each reporting date.

Units-of-production Depreciation/Depletion. Estimated recoverable reserves are used in determining the depreciation/depletion of mine specific assets. This results in a depreciation/ depletion charge proportional to the depletion of the anticipated remaining mine life. Each item's life, which is assessed annually, has regard to both physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. The calculations require the use of estimates of future capital expenditure. The Company uses the tonnes of ore produced as the basis for depletion/depreciation. Any change in estimates is accounted for prospectively. Average depletion rate used in 2011, 2010 and 2009 are 2.91%, 2.54% and 3.55%, respectively.

Production Start Date. The Company assesses the stage of each mine development project to determine when a mine moves into the production stage. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Company considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase. Some of the criteria include, but are not limited to the following:

- the level of capital expenditure compared to construction cost estimates;
- completion of a reasonable period of testing of the mine plant and equipment;
- ability to produce metal in saleable form; and
- ability to sustain ongoing production of metal.

When a mine development project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for capitalizable costs related to mining asset additions or improvements, mine development or mineable reserve development. It is also at this point that depreciation and depletion commences.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainties at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year follow:

Estimating Fair Value of Financial Assets and Financial Liabilities. PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of accounting judgment and estimates. While significant components of fair value measurement are determined using verifiable objective evidence (e.g., foreign exchange rates, interest rates, and volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and financial liabilities would directly affect net income. Fair values of financial assets and financial liabilities amounted to ₱1,999.0 million and ₱8,993.0 million, respectively, as of December 31, 2011, ₱3,129.6 million and ₱8,373.3 million, respectively, as of December 31, 2010 and ₱651.2 million and ₱7,422.6 million, respectively, as of December 31, 2009 (see Note 22).

Estimating Allowance for Impairment Losses of Loans and Receivables. The Company assesses on a regular basis if there is objective evidence of impairment of loans and receivables. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The determination of impairment requires the Company to estimate the future cash flows based on certain assumptions as well as to use judgment in selecting an appropriate rate in discounting. In addition, the Company considers factors such as the Company's length of relationship with the customers and the customers' current credit status to determine the amount of allowance that will be recorded in the receivables account. The Company uses specific impairment on its loans and receivables. The Company did not assess its loans and receivables for collective impairment due to few counterparties which can be specifically identified. The amount of loss is recognized in the profit or loss with a corresponding reduction in the carrying value of the loans and receivables through an allowance account. These reserves are re-evaluated and adjusted as additional information becomes available.

The Company did not recognize provision for impairment loss on loans and receivable in 2011, 2010 and 2009. The carrying value of loans and receivables amounted to ₱1,300.1 million, ₱2,396.5 million and ₱618.4 million as of December 31, 2011, 2010 and 2009, respectively.

Estimating Decline in Value of Mine Products Inventory. The NRV of mine products inventory is the estimated fair value less cost of selling final product in the ordinary course of business. The selling price estimation of mine products inventory is based on the LME, which also represents an active market for the product. The Company concurrently uses the prices as agreed with MRI Trading AG (MRI) and the weight and assay for metal content in estimating the fair value less cost to sell of mine products inventory. Any changes in the assay for metal content of the mine products inventory is accounted for and adjusted accordingly. As of December 31, 2011, 2010 and 2009, the cost of mine products inventory is lower than its NRV. No allowance for decline in value of mine products inventory was recognized as of December 31, 2011, 2010 and 2009. Mine products inventory amounted to ₱368.2 million, ₱240.3 million and ₱491.8 million as of December 31, 2011, 2010 and 2009, respectively (see Note 7).

Estimating Allowance for Obsolescence of Materials and Supplies Inventory. The Company provides allowance for materials and supplies inventory whenever utility of inventories becomes lower than cost due to damage, inventory losses, physical deterioration, obsolescence, changes in price levels or other causes. Materials and supplies inventory, at lower of cost and NRV, amounted to ₱551.2 million, ₱291.7 million and ₱182.5 million as of December 31, 2011, 2010 and 2009, respectively (see Note 7). No provision for inventory obsolescence was provided in 2011, 2010 and 2009.

Estimating Useful Lives of Property, Plant and Equipment. The useful lives of property, plant and equipment are estimated based on the period over which these assets are expected to be used. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. Any reduction in the estimated useful lives of property, plant and equipment would increase the Company's recorded costs and expenses and decrease noncurrent assets. There is no change in the estimated useful lives of items of property, plant and equipment in 2011, 2010 and 2009. Net book values of property, plant and equipment as of December 31, 2011, 2010 and 2009 amounted to ₱13,836.3 million, ₱11,403.0 million and ₱10,496.8 million, respectively. Depreciation

expense recognized in 2011, 2010 and 2009 amounted to ₱1,036.8 million, ₱962.9 million and ₱883.8 million, respectively (see Note 9).

Estimating Impairment of Property, Plant and Equipment. PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the value of property, plant and equipment, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, further requires the Company to make estimates and assumptions that can materially affect the Company's financial statements. Future events could cause the Company to conclude that the property, plant and equipment are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial condition and results of operations.

The Company recognizes provision for fixed asset write-down on specific machinery and equipment amounting to ₱93.8 million and ₱108.6 million in 2011 and 2010, respectively (see Note 9). No provision for fixed asset write-down was made in 2009.

Estimating Impairment of Nonfinancial Assets. The Company determines whether its nonfinancial assets are impaired at least on an annual basis. This requires an estimation of recoverable amount, which is the higher of an asset's or cash-generating unit's fair value less cost to sell and value-in-use. Estimating the value-in-use requires the Company to make an estimate of the expected future cash flows from the cash-generating unit and to choose an appropriate discount rate in order to calculate the present value of those cash flows. Estimating the fair value less cost to sell is based on the information available to reflect the amount that the Company could obtain as of the reporting date. In determining this amount, the Company considers the outcome of recent transactions for similar assets within the same industry.

Estimating Realizability of Deferred Income Tax Assets. The Company reviews the carrying amounts of deferred income tax assets at each reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. As of December 31, 2011, 2010 and 2009, the Company has deductible temporary differences, NOLCO and excess MCIT amounting to ₱1,045.2 million, ₱939.5 million and ₱1,277.3 million, respectively. No deferred income tax asset is recognized for NOLCO and excess MCIT as management believes that the Company will not be able to realize in the future the carryforward benefits of NOLCO and excess MCIT prior to their expiration (see Note 15). As of December 31, 2011, deferred income tax asset amounting to ₱80.1 million is recognized for a part of the deductible temporary differences as management believes that sufficient future taxable profits will be available against which benefits of deferred income tax assets can be utilized.

Estimating Fair Values of Structured Debt Instruments and Derivatives. The fair values of structured debt instruments and derivatives that are not quoted in active markets are determined using valuation techniques such as discounted cash flow analysis and standard option pricing models. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are reviewed before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values of financial instruments (see Note 6).

Valuation of Financial Assets and Financial Liabilities. The Company carries certain financial assets and financial liabilities (i.e., derivatives and AFS financial assets) at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, quoted security prices), the amount of changes in fair value would differ if the Company utilized a different valuation methodology. Any change in fair value of these financial assets and financial liabilities would affect the statement of comprehensive income. The carrying values and corresponding fair values of financial assets and financial liabilities as well as the manner in which fair values were determined are discussed in more detail in Note 22.

Estimating Mine Rehabilitation Costs. The Company assesses its liability for mine rehabilitation cost annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates to the extent of the costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates and changes in discount rates. These 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. Changes to estimated future costs are recognized in the statement of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognized as part of an asset measured in accordance with PAS 16, *Property, Plant and Equipment.* Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss. If the change in estimate results in an increase in the rehabilitation liability and therefore an addition to the carrying value of the asset, the entity is required to consider whether this is an indication of impairment of the asset as a whole and test for impairment in accordance with PAS 36. Also, rehabilitation obligations that arise as a result of the production phase of a mine are expensed as incurred.

The Company revised the assumptions used in 2010, taking into consideration the discount rate and estimated future cash outflow. The change resulted in the increase in mine rehabilitation cost amounting to ₱12.4 million as of December 31, 2011. Liability for mine rehabilitation recognized as of December 31, 2011, 2010 and 2009 amounted to ₱94.8 million, ₱77.0 million and ₱104.0 million, respectively (see Note 13).

Measurement of Mine Products Sales. Mine products sales are provisionally priced such that these are not settled until predetermined future dates based on market prices at that time. Revenue on these sales are initially recognized based on shipment values calculated using the provisional metals prices, shipment weights and assays for metal content less smelting and related charges. The final shipment values are subsequently determined based on final weights and assays for metal content and prices during the applicable quotation period. Total mine product sales, net of smelting and related charges, amounted to ₱11,520.8 million in 2011, ₱8,246.9 million in 2010, and ₱4,110.7 million in 2009.

Estimating Retirement Benefits Costs. The determination of the Company's obligation and cost of pension is dependent on management's selection of certain assumptions in calculating such amounts. Those assumptions are described in Note 20 and include, among others, discount rates and future salary increase rates. Actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the Company's recognized expenses and recorded obligation in such future periods. While management believes that its assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the Company's retirement benefits liability. Retirement benefits liability amounted to ₱102.3 million, ₱85.6 million and ₱57.6 million as of December 31, 2011, 2010 and 2009, respectively (see Note 20).

Estimating Mineral Reserves and Resources. Mineral reserves and resources estimates for development projects are, to a large extent, based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of costs based 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 reserves estimates are attributed to future development projects only when there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. All proven reserve estimates are subject to revision, either upward or downward, based on new information, such as from block grading and production activities or from changes in economic factors, including product prices, contract terms or development plans.

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

Provisions and Contingencies. The estimate of the probable costs for the resolution of possible claims has been developed in consultation with legal counsels handling the Company's defense in these matters and is based upon an analysis of potential results (see Note 24).

4. Cash and Cash Equivalents

This account consists of:

	2011	2010	2009
Cash on hand and in banks	**₱249,396,128**	₱309,970,379	₱229,966,200
Short-term placements	–	1,256,988,128	–
	₱249,396,128	₱1,566,958,507	₱229,966,200

Cash in banks and short-term placements earn interest at respective bank deposit rates and placement rates. Interest income from cash in bank and short-term placements, including those from short-term investments (see Note 12), amounted to ₱2.3 million, ₱0.9 million and ₱0.8 million in 2011, 2010 and 2009, respectively.

5. Receivables

This account consists of:

	2011	2010	2009
Trade (see Note 6)	**₱306,626,477**	₱96,367,350	₱220,745,127
Nontrade	**62,601,569**	45,584,359	21,183,755
Advances to officers and employees	**10,938,177**	9,321,931	8,039,565
Subscription receivable (see Note 14)	**–**	–	138,503,354
	₱380,166,223	₱151,273,640	₱388,471,801

Nontrade receivables are noninterest-bearing advances to subcontractors and third parties and are due and demandable.

Advances to officers and employees pertain to the unliquidated advances and are collectible upon demand.

6. Pricing Agreements, Hedging and Derivative Financial Instruments

Hedging Objectives
The Company applies a mix of pricing agreements, natural hedges, and both freestanding and embedded derivatives in managing such risks as commodity price, foreign exchange and interest rate risks. Freestanding derivatives include commodity forward and option agreements, while embedded derivatives include provisional pricing in pricing agreements and prepayment options in debt.

Pricing Agreements
In the normal course of selling its copper concentrates, the Company enters into several Contracts of Purchase with MRI Trading AG ("MRI Contract"), whereby it agrees to sell specified volume of copper concentrates with prices based on the LME as published in the Metal Bulletin and as averaged over the quotational period (QP), together with the weight and assay for metal content to be determined by an appointed independent surveyor. The Company and MRI have the option to price-fix in advance of the QP month, adjusted to the actual QP month with MRI, the payable copper contents pertaining only to concentrate to be shipped under the MRI Contract. If the parties exercise the right to price-fix prior to the QP month, the prices will have to be mutually agreed with MRI and confirmed in writing advising the volume and price. Thereafter, an addendum will be issued to the contract confirming the volume of payable copper priced.

Freestanding Derivatives

Commodity Forwards. The Company price-fixed in advance of the QP the payable copper content of 15,000 dry metric ton (dmt) of concentrates at a range of US$8,110 to US$9,170 per dmt in 2010 and 13,000 dmt of concentrates at a range of US$4,107 to US$7,550 per dmt in 2009. These price-fixed agreements qualify as commodity forward contracts that are accounted for as at fair value through profit or loss. As of December 31, 2010 and 2009, the Company recognized derivative liabilities amounting to ₱147.0 million and ₱294.6 million, respectively, for outstanding commodity forwards to be delivered subsequent to reporting date. The Company does not have outstanding copper forward contracts as of December 31, 2011.

Commodity Put Options. In 2011, the Company purchased put option agreements from the LME through Jefferies Prudential for the delivery of 41,050 tons of copper concentrates with a total premium amounting to $10.8 million. This amount was advanced by MRI (see Note 12). As of December 31, 2011, the outstanding notional quantity of the put options is 10,800 tons with a strike price of $8,000 per ton and maturities from February to April 2012. The positive fair value of the outstanding put options amounted to ₱243.1 million and was recognized as derivative asset as of December 31, 2011. Unrealized gain on derivatives recognized in the statement of comprehensive income amounted to ₱94.1 million in 2011.

Embedded Derivatives

Provisional Pricing. Based on the Company's pricing agreements with MRI, wherein copper sales will be provisionally priced at shipment subject to price and quantity adjustment after the QP, the MRI contracts which are price-fixed have been assessed as having embedded derivatives that are not clearly and closely related once the commodities have been delivered, and which are required to be bifurcated on said date. The Company recognized a derivative liability of ₱18.9 million as of December 31, 2011 and derivative asset of ₱29.9 million and ₱32.7 million as of December 31, 2010 and 2009, respectively. Unrealized loss on derivatives of ₱18.9 million was recognized in 2011 and unrealized gain on derivatives of ₱29.9 million and ₱32.7 million, were recognized in profit or loss in 2010 and 2009, respectively.

Prepayment Option. In 2010, the Company bifurcated a prepayment option embedded in its Banco de Oro Unibank, Inc (BDO) loan facility. The prepayment option is accounted for at fair value through profit or loss and the initial prepayment option amount of ₱721.9 million is treated as an effective interest adjustment on the loan (see Note 12). The Company recognized derivative asset of ₱455.9 million and ₱703.3 million as of December 31, 2011 and 2010, respectively, and accounted for unrealized loss on derivatives of ₱247.4 million and ₱18.6 million in profit or loss in 2011 and 2010, respectively.

7. Inventories

This account consists of:

	2011	2010	2009
At cost:			
Mine products	**₱368,238,033**	₱240,346,774	₱491,789,042
Materials and supplies	**551,189,183**	291,661,764	182,501,463
	₱919,427,216	₱532,008,538	₱674,290,505

The cost of inventories recognized as part of mining and milling costs in the statements of comprehensive income amounted to ₱2,790.9 million, ₱1,759.0 million and ₱1,156.3 million in 2011, 2010 and 2009, respectively (see Note 16).

8. Other Current Assets

This account consists of:

	2011	2010	2009
Deposits to suppliers	**₱444,433,852**	₱149,786,274	₱311,598,076
Prepaid fees and advances	**19,669,570**	79,646,872	64,809,787
	₱464,103,422	₱229,433,146	₱376,407,863

Deposits to suppliers are advance payments, as required by the suppliers to serve as insurance in case of default by the Company.

Prepaid fees and advances include prepaid insurance and business taxes.

9. Property, Plant and Equipment

This account consists of:

	December 31, 2011						
	Land	Mine Development Costs	Machinery and Equipment	Buildings and Improvements	Roadways and Bridges	Construction in Progress	Total
Cost							
January 1	₱–	₱5,357,103,518	₱6,067,290,230	₱929,454,193	₱248,946,379	₱1,251,024,306	₱13,853,818,626
Additions	13,088,797	105,842	1,289,679,938	419,281	–	2,248,294,863	3,551,588,721
Reclassifications	–	1,515,254,062	159,961,508	262,987,917	13,821,865	(1,952,025,352)	–
Change in estimate (see Note 13)	–	12,444,201	–	–	–	–	12,444,201
Disposals	–	–	(725,127)	–	–	–	(725,127)
December 31	13,088,797	6,884,907,623	7,516,206,549	1,192,861,391	262,768,244	1,547,293,817	17,417,126,421
Accumulated Depreciation, Depletion and Asset Write-downs							
January 1	–	233,115,600	1,855,481,067	290,990,427	71,230,333	–	2,450,817,427
Depreciation/Depletion	–	138,738,209	740,687,082	126,845,043	30,540,761	–	1,036,811,095
Provision for asset write-downs	–	–	93,818,377	–	–	–	93,818,377
Disposals	–	–	(596,151)	–	–	–	(596,151)
December 31	–	371,853,809	2,689,390,375	417,835,470	101,771,094	–	3,580,850,748
Net Book Values	₱13,088,797	₱6,513,053,814	₱4,826,816,174	₱775,025,921	₱160,997,150	₱1,547,293,817	₱13,836,275,673

	December 31, 2010					
	Mine Development Costs	Machinery and Equipment	Buildings and Improvements	Roadways and Bridges	Construction in Progress	Total
Cost						
January 1	₱3,234,745,095	₱5,385,615,734	₱933,483,280	₱172,635,691	₱2,162,821,848	₱11,889,301,648
Additions	317,427,108	118,203,386	–	50,849,807	1,508,026,832	1,994,507,133
Reclassifications	1,834,921,470	563,471,110	(4,029,087)	25,460,881	(2,419,824,374)	–
Change in estimate (see Note 13)	(29,990,155)	–	–	–	–	(29,990,155)
December 31	5,357,103,518	6,067,290,230	929,454,193	248,946,379	1,251,024,306	13,853,818,626
Accumulated Depreciation, Depletion and Asset Write-downs						
January 1	132,714,795	1,029,493,977	189,023,235	41,227,230	–	1,392,459,237
Depreciation/Depletion	103,393,010	717,407,968	112,053,988	30,003,103	–	962,858,069
Provision for asset write-downs	–	108,579,122	–	–	–	108,579,122
Reclassifications	–	–	(10,086,796)	–	–	(10,086,796)
Change in estimate (see Note 13)	(2,992,205)	–	–	–	–	(2,992,205)
December 31	233,115,600	1,855,481,067	290,990,427	71,230,333	–	2,450,817,427
Net Book Values	₱5,123,987,918	₱4,211,809,163	₱638,463,766	₱177,716,046	₱1,251,024,306	₱11,403,001,199

	December 31, 2009					
	Mine Development Costs	Machinery and Equipment	Buildings and Improvements	Roadways and Bridges	Construction in Progress	Total
Cost						
January 1	₱3,186,324,685	₱2,429,473,464	₱809,290,908	₱162,264,120	₱3,144,152,501	₱9,731,505,678
Additions	22,592,754	–	–	–	2,143,258,491	2,165,851,245
Reclassifications	25,827,656	2,964,197,545	124,192,372	10,371,571	(3,124,589,144)	–
Disposals	–	(8,055,275)	–	–	–	(8,055,275)
December 31	3,234,745,095	5,385,615,734	933,483,280	172,635,691	2,162,821,848	11,889,301,648
Accumulated Depreciation and Depletion						
January 1	69,077,544	353,315,892	69,638,046	20,283,018	–	512,314,500
Depreciation/Depletion	63,637,251	679,858,112	119,385,189	20,944,212	–	883,824,764
Disposals	–	(3,680,027)	–	–	–	(3,680,027)
December 31	132,714,795	1,029,493,977	189,023,235	41,227,230	–	1,392,459,237
Net Book Values	₱3,102,030,300	₱4,356,121,757	₱744,460,045	₱131,408,461	₱2,162,821,848	₱10,496,842,411

Mine development costs consist of the following:

	2011			
	Mine and Mining Properties	**Development Costs**	**Mine Rehabilitation Costs**	**Total**
Cost				
January 1	**₱1,196,664,467**	**₱4,114,504,142**	**₱45,934,909**	**₱5,357,103,518**
Additions and reclassifications	–	**1,515,359,904**	–	**1,515,359,904**
Change in estimate (see Note 13)	–	–	**12,444,201**	**12,444,201**
December 31	**1,196,664,467**	**5,629,864,046**	**58,379,110**	**6,884,907,623**
Accumulated Depletion				
January 1	**48,407,492**	**184,708,108**	–	**233,115,600**
Depletion	**33,351,586**	**104,051,960**	**1,334,663**	**138,738,209**
December 31	**81,759,078**	**288,760,068**	**1,334,663**	**371,853,809**
Net Book Values	**₱1,114,905,389**	**₱5,341,103,978**	**₱57,044,447**	**₱6,513,053,814**

	2010			
	Mine and Mining Properties	Development Costs	Mine Rehabilitation Costs	Total
Cost				
January 1	₱1,196,664,467	₱1,962,155,564	₱75,925,064	₱3,234,745,095
Additions and reclassifications	–	2,152,348,578	–	2,152,348,578
Change in estimate (see Note 13)	–	–	(29,990,155)	(29,990,155)
December 31	1,196,664,467	4,114,504,142	45,934,909	5,357,103,518
Accumulated Depletion				
January 1	–	129,722,590	2,992,205	132,714,795
Depletion	48,407,492	54,985,518	–	103,393,010
Change in estimate (see Note 13)	–	–	(2,992,205)	(2,992,205)
December 31	48,407,492	184,708,108	–	233,115,600
Net Book Values	₱1,148,256,975	₱3,929,796,034	₱45,934,909	₱5,123,987,918

	2009			
	Mine and Mining Properties	Development Costs	Mine Rehabilitation Costs	Total
Cost				
January 1	₱1,196,664,467	₱1,936,327,908	₱53,332,310	₱3,186,324,685
Additions and reclassifications	–	25,827,656	22,592,754	48,420,410
December 31	1,196,664,467	1,962,155,564	75,925,064	3,234,745,095
Accumulated Depletion				
January 1	–	68,776,999	300,545	69,077,544
Depletion	–	80,240,123	2,691,660	82,931,783
Reclassification	–	(19,294,532)	–	(19,294,532)
December 31	–	129,722,590	2,992,205	132,714,795
Net Book Values	₱1,196,664,467	₱1,832,432,974	₱72,932,859	₱3,102,030,300

Borrowing costs, capitalized in "Construction in Progress" amounted to ₱79.1 million in 2011, ₱19.8 million in 2010, and ₱238.9 million in 2009 at an interest of 8.0% in 2011 and 7.5% in 2010 and 2009.

The provision for asset write-downs represents the net book value of heavy equipments that are assessed to be operationally uneconomical.

The carrying value of the property, plant and equipment pledged as collaterals for various borrowings by the Company and ACMDC (see Notes 11, 12 and 19) amounted to ₱13,836.3 million of December 31, 2011, ₱11,403.0 million as of December 31, 2010 and ₱10,496.8 million as of December 31, 2009.

Capital Expenditure Commitments
As of December 31, 2011, the Company has capital expenditure commitments amounting to ₱709.3 million.

10. Other Noncurrent Assets

This account consists of:

	2011	2010	2009
Input VAT (net of accumulated allowance for possible losses of ₱124.9 million in 2011 and ₱59.5 million in 2010 and 2009)	**₱1,276,936,808**	₱1,172,986,079	₱994,558,559
Others	**9,186,982**	113,674,939	19,986,040
	₱1,286,123,790	₱1,286,661,018	₱1,014,544,599

11. Accounts Payable and Accrued Liabilities

This account consists of:

	2011	2010	2009
Trade	**₱841,887,954**	₱569,317,300	₱641,012,134
Related parties (see Note 19)	**880,881,404**	1,213,640,952	1,242,140,113
Accrued expenses	**607,791,622**	478,586,383	615,678,808
Royalties (see Note 1)	**505,225,676**	272,119,522	423,924,209
MRI	**376,020,490**	410,826,779	87,599,730
Nontrade	**90,181,232**	180,973,781	129,279,352
	₱3,301,988,378	₱3,125,464,717	₱3,139,634,346

Trade payables are noninterest-bearing and are normally settled on a 30 to 60-day term. Accrued expenses substantially consist of various expense accruals for utilities and professional fees.

MRI payables pertain to the Company's US dollar denominated borrowings against the provisional shipments of copper concentrates which bear interest at one month LIBOR rate plus 3.5% per annum. Total outstanding borrowings from MRI, including the loan availed to finance the put options in 2011 (see Note 12) amounted to ₱554.8 million, ₱410.8 million and ₱87.6 million as of December 31, 2011, 2010 and 2009, respectively.

12. Long-term Debt and Other Interest-bearing Liabilities

This account consists of:

	2011	2010	2009
BDO	**₱5,795,883,540**	₱7,403,640,200	₱–
BDO Leasing	**248,951,382**	–	–
MBTC and ORIX	**14,293,823**	17,460,211	–
FLSmidth Krebs Pacific	**142,892,922**	–	–
Deutsche Bank AG	–	–	4,158,000,000
TIDCORP	–	–	471,180,000
	6,202,021,667	7,421,100,411	4,629,180,000
Less noncurrent portion	**2,959,071,864**	5,824,465,713	3,234,000,000
	3,242,949,803	1,596,634,698	1,395,180,000
Other interest-bearing liabilities			
Maxima	**486,182,743**	–	–
MRI	**178,819,156**	–	–
CASOP	–	65,760,000	–
	₱3,907,951,702	₱1,662,394,698	₱1,395,180,000

The maturities of long-term debt and other interest-bearing liabilities at nominal values follow:

	2011	2010	2009
Due in:			
2010	**₱–**	₱–	₱1,395,180,000
2011	–	1,662,394,698	3,234,000,000
2012	**3,907,951,702**	2,999,952,450	–
2013	**2,956,803,718**	2,819,685,451	–
2014 and thereafter	**2,268,146**	4,827,812	–
	₱6,867,023,566	₱7,486,860,411	₱4,629,180,000

Banco de Oro Unibank, Inc (BDO)

\$140 Million Loan Facility. In December 2010, the Company availed from BDO a US dollar-denominated loan amounting to \$140.0 million (the "BDO Loan"). The BDO Loan (i) is payable in 27 equal monthly installments starting October 2011, (ii) accrues interest at the rate of 8% per annum, and (iii) is secured by mortgages on real properties and chattels of the Company (see Note 9), cash securities, pledge over ACMDC's shares of stock in the Company, and a guarantee provided by ACMDC for which the Company paid ACMDC a guarantee fee amounting to ₱12.0 million in 2010. Cash securities consist of short-term investments amounting to ₱670.5 million and ₱678.2 million as of December 31, 2011 and 2010, respectively.

As of December 31, 2011 and 2010, the carrying value of the BDO Loan amounted to ₱5,795.9 million and ₱7,403.6 million, respectively.

The agreement embodying the terms of the BDO Loan (the "BDO Loan Agreement") imposes, certain restrictions and requirements with respect to, among others, the following:

- Maintenance of the following ratios for the term of the BDO Loan: (1) debt service coverage ratio of not less than 1.5:1; (2) debt to equity ratio not exceeding 1.5:1.

- Declaration and payment of dividends or any distribution to shareholders; change in ownership and voting control structure; selling, leasing, transferring, or otherwise disposing of all or substantially all of its properties and assets; or any significant portion thereof other than in the ordinary course of business; consolidation or merger with any corporation; and investment in the shares of stock of any corporation other than its affiliates.

As of December 31, 2011, the Company has ascertained its compliance with the covenants pertaining to the BDO Loan based on the mechanics provided under the BDO Loan Agreement for determining the same.

The BDO Loan has a prepayment feature which was bifurcated and accounted for as at fair value through profit or loss (see Note 6) with the initial prepayment value of ₱721.9 million being amortized over its term using the effective interest method.

$17 Million Loan Facility. In July 2010, the Company obtained from BDO a US dollar-denominated loan amounting to $17.0 million which is payable in eight equal monthly installments, and accrues interest at the rate of 10% per annum. The proceeds of this loan were used to finance working capital requirements. As of December 31, 2010, the outstanding balance of this loan amounted to ₱559.0 million. The loan was fully paid in 2011.

<u>BDO Leasing & Finance, Inc. (BDO Leasing)</u>
From August to November 2011, the Company availed of peso-denominated loans amounting to ₱304.3 million payable within 24 months with interest of 10% per annum. The loan is secured by a chattel mortgage covering the mining equipment purchased using its proceeds (see Note 9). As of December 31, 2011, the outstanding balance of this loan amounted to ₱249.0 million.

<u>Metropolitan Bank and Trust Company (MBTC) and</u>
<u>Orix Metro Leasing and Finance Corporation (ORIX)</u>
On various dates in 2010, the Company availed of peso-denominated loans from MBTC and ORIX payable within a period of 3 to 4 years. The loan is secured by a chattel mortgage covering the transportation equipment purchased using its proceeds (see Note 9). As of December 31, 2011 and 2010, the outstanding balance of this loan amounted to ₱14.3 million and ₱17.5 million, respectively.

<u>Deutsche Bank AG</u>
In December 2010, the Company prepaid in full the outstanding amount of ₱3,536.4 million from the loan availed from BDO. Penalty for the prepayment of the loan amounted to ₱500.6 million and is included as part of "Others - net" in the 2010 statement of comprehensive income.

<u>Trade and Investment Development Corporation of the Philippines (TIDCORP)</u>
In December 2010, the Company paid this loan in full from the proceeds of the loan availed from BDO.

Total interest expense arising from the financing activities amounted to ₱514.8 million in 2011, ₱572.4 million in 2010 and ₱219.0 million in 2009.

Maxima Machineries, Inc. (Maxima)
In June 2, 2011, the Company obtained a supplier credit facility with Maxima for the amount of $13.7 million which was used for the purchase of certain mining equipment. The credit facility is payable in 12 months from bill of lading date of the equipment with interest of 8%. As of December 31, 2011, the outstanding balance of this loan amounted to ₱486.2 million.

MRI Trading AG (MRI)
On various dates in 2011, the Company availed of US-dollar denominated loans amounting to $10.8 million payable over 30 installments to correspond to the shipments to be made under the MRI Contract (see Note 6) with interest of LIBOR plus 3.25%. The loan is secured by a grant of a second ranking encumbrance over the Company's moveable equipment (see Note 9). The loan was used to finance its put option contracts (see Note 6). As of December 31, 2011, the outstanding balance of this loan amounted to ₱178.8 million.

FLSmidth Krebs Pacific
In March 29, 2011, the Company availed of a US dollar-denominated loan amounting to $4.7 million payable in 24 months with interest of 11% per annum. The loan is secured by a chattel mortgage covering the crushers and auxiliary equipment purchased using its proceeds (see Note 9). As of December 31, 2011, the outstanding balance of this loan amounted to ₱142.9 million.

CASOP Atlas B.V (CASOP)
In March 27, 2010, the Company availed of a US dollar-denominated loan with CASOP amounting to $2.0 million payable for a period of three months or such with interest of 10% per annum. As of December 31, 2010, the outstanding balance amounted to ₱65.8 million. The loan was fully paid in 2011.

13. Liability for Mine Rehabilitation Cost

This account consists of:

	2011	2010	2009
Balances at beginning of year	**₱77,016,945**	₱104,014,895	₱70,533,402
Unwinding of discount	**5,321,326**	–	10,888,739
Adjustment due to changes in estimates (see Note 3)	**12,444,201**	(26,997,950)	–
Additions	–	–	22,592,754
Balances at end of year	**₱94,782,472**	₱77,016,945	₱104,014,895

The carrying values of capitalized asset retirement obligation (included as part of the "Mine development costs") amounted to ₱57.0 million, ₱45.9 million and ₱72.9 million as of December 31, 2011, 2010 and 2009, respectively.

Discount rates used by the Company to compute for the present value of liability for mine rehabilitation cost are 5.8%, 7.1% and 4.9% for 2011, 2010 and 2009, respectively.

14. Capital Stock

The Company's authorized, issued and subscribed capital stock are as follows:

	December 31, 2011		December 31, 2010		December 31, 2009	
	No. of Shares	**Amount**	No. of Shares	Amount	No. of Shares	Amount
Authorized - ₱1 par value:						
Common	**2,773,050,677**	**₱2,773,050,677**	2,773,050,677	₱2,773,050,677	2,773,050,677	₱2,773,050,677
Preferred	**426,949,323**	**426,949,323**	426,949,323	426,949,323	426,949,323	426,949,323
Total	**3,200,000,000**	**₱3,200,000,000**	3,200,000,000	₱3,200,000,000	3,200,000,000	₱3,200,000,000
Issued:						
Common	**1,482,871,238**	**₱1,482,871,238**	1,482,871,238	₱1,482,871,238	1,089,889,099	₱1,089,889,099
Preferred	**426,949,323**	**426,949,323**	426,949,323	426,949,323	426,949,323	426,949,323
Total	**1,909,820,561**	**₱1,909,820,561**	1,909,820,561	₱1,909,820,561	1,516,838,422	₱1,516,838,422
Subscribed:						
Common	**–**	**₱–**	–	₱–	84,811,387	₱84,811,387
Preferred	**–**	**–**	–	–	–	–
Total	**–**	**₱–**	–	₱–	84,811,387	₱84,811,387

The movements of shares outstanding as of December 31 are as follows:

	2011	2010	2009
Balances at beginning of year	**1,909,820,561**	1,601,649,809	1,516,838,422
Issuances of common shares	**–**	308,170,752	–
Subscribed common shares	**–**	–	84,811,387
Balances at end of year	**1,909,820,561**	1,909,820,561	1,601,649,809

In November 2011, the BOD of the Company approved an equity restructuring to wipe out the Company's deficit as of December 31, 2010 amounting to ₱959.0 million against the additional paid-in capital amounting to ₱4,708.0 million. This was approved by the SEC on December 28, 2011.

In 2010, the Company issued shares of its capital stock with a total par value of ₱308.2 million as a result of the conversion into equity of the cash advances extended by CASOP in 2008 (the "CASOP Shares"). The issuance of the CASOP Shares at the price of ₱4.00 per share resulted in (i) the creation of APIC amounting to ₱924.5 million,.and (ii) the acquisition by CASOP of 45.54% of the outstanding capital stock of the Company. The CASOP Shares were purchased by ACMDC in July 2011 (see Note 1).

Preferential Rights of Preferred Shareholders

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of preferred shares shall be entitled to receive out of the total assets of the Company, before any distribution of assets is made to the other holders of shares, distributions in the amount of the issue value per outstanding share, plus declared and unpaid dividends until the date of distribution.

15. Income Taxes

Current provision for income tax represents MCIT in 2011, 2010 and 2009.

The Company has the following deductible temporary differences, NOLCO and excess MCIT. No deferred income tax asset is recognized for NOLCO and excess MCIT as management believes that the Company will not be able to realize in the future the carryforward benefits of NOLCO and excess MCIT prior to their expiration. Deferred income tax asset of ₱80.1 million is recognized as of December 31, 2011 for allowance for impairment losses and retirement benefits liability.

	2011	2010	2009
NOLCO	**₱612,961,586**	₱683,637,262	₱1,205,264,961
Allowance for impairment losses	**327,253,632**	168,105,300	59,526,178
Retirement benefits liability	**102,302,400**	85,639,000	12,447,162
Excess MCIT	**2,690,221**	2,097,453	66,995
	₱1,045,207,839	₱939,479,015	₱1,277,305,296

As of December 31, 2011, the Company's NOLCO and excess MCIT that can be claimed as deduction against future taxable income and income tax payable, respectively, follow:

Year Incurred	Available Until	NOLCO	Excess MCIT
2011	2014	₱–	₱617,554
2010	2013	–	2,030,458
2009	2012	612,961,586	42,209
		₱612,961,586	₱2,690,221

The following are the movements in:

NOLCO:

	2011	2010	2009
January 1	**₱683,637,262**	₱1,205,264,961	₱703,969,116
Additions	**–**	–	643,839,279
Application	**(30,877,693)**	(101,522,889)	–
Expirations	**(39,797,983)**	(420,104,810)	(142,543,434)
December 31	**₱612,961,586**	₱683,637,262	₱1,205,264,961

Excess MCIT:

	2011	2010	2009
January 1	**₱2,097,453**	₱66,995	₱24,786
Additions	**617,554**	2,030,458	42,209
Expirations	**(24,786)**	–	–
December 31	**₱2,690,221**	₱2,097,453	₱66,995

The reconciliation of provision for (benefit from) income tax computed at the statutory income tax rates with the provision for income tax is as follows:

	2011	2010	2009
Provision for (benefit from) income tax at statutory income tax rates	**₱738,575,043**	₱201,642,956	(₱498,672,578)
Adjustments to (reductions in) income tax resulting from:			
Income subject to ITH	**(729,311,735)**	(203,759,826)	283,993,714
Movement of unrecognized DTA	**(88,214,294)**	(29,160,135)	193,734,809
Nondeductible expenses	**183,667**	33,576,703	21,223,197
Interest income already subjected to final tax	**(688,753)**	(269,240)	(236,933)
Provision for (benefit from) income tax	**(₱79,456,072)**	₱2,030,458	₱42,209

16. Mining and Milling Costs and Mine Products Taxes and Royalties

This account consists of:

	2011	2010	2009
Mining and milling:			
Materials and supplies	**₱2,790,913,800**	₱1,758,979,079	₱1,156,312,366
Power and other utilities	**1,990,055,552**	1,755,866,539	1,192,021,646
Contracted services (see Note 24)	**1,065,407,098**	555,249,169	64,936,382
Depletion and depreciation (see Note 9)	**817,271,116**	845,138,772	656,067,403
Personnel costs (see Note 18)	**409,674,985**	402,641,325	471,062,018
Provision for asset write-downs (see Note 9)	**93,818,377**	108,579,122	–
Other costs	**266,679,162**	279,689,664	19,398,717
	₱7,433,820,090	₱5,706,143,670	₱3,559,798,532
Mine products taxes and royalties:			
Royalties (see Note 1)	**₱244,479,102**	₱184,519,793	₱77,890,854
Excise taxes	**229,518,595**	184,613,585	77,890,854
	₱473,997,697	₱369,133,378	₱155,781,708

17. General and Administrative Expenses

This account consists of:

	2011	2010	2009
Personnel costs (see Note 18)	**₱325,107,762**	₱271,986,159	₱175,757,965
Depletion and depreciation (see Note 9)	**171,857,670**	108,200,152	85,527,734
Taxes and licenses	**74,341,417**	172,026,124	4,899,105
Provision for possible losses on input VAT (see Note 10)	**69,225,554**	–	59,526,178
Rental	**43,459,076**	3,989,943	2,553,642
Professional fees	**38,123,052**	82,210,388	49,435,023
Insurance	**33,365,871**	31,775,305	26,932,807
Power and other utilities	**32,578,515**	20,139,980	15,317,227
Entertainment, amusement and representation	**21,610,627**	17,966,166	13,586,134
General consumption items	**14,331,960**	26,078,161	29,288,782
Repairs and maintenance	**5,509,735**	5,105,023	4,309,741
Office supplies	**5,425,993**	3,861,980	3,119,673
Others	**61,017,058**	43,555,468	21,862,703
	₱895,954,290	₱786,894,849	₱492,116,714

18. Personnel Costs

	2011	2010	2009
Salaries and wages	**₱590,956,414**	₱523,685,953	₱551,701,611
Retirement benefits costs (see Note 20)	**18,313,300**	29,532,100	23,173,400
Other employee benefits	**125,513,033**	121,409,431	71,944,972
	₱734,782,747	₱674,627,484	₱646,819,983

19. Related Party Transactions

In addition to the Operating Agreement with ACMDC as discussed in Note 1, the Company also entered into transactions with ACMDC and other related parties, enumerated as follows:

- Availment of interest-free payables from ACMDC and CASOP for administrative and working capital requirements which are due and demandable from the Company:

	2011	2010	2009
ACMDC	**₱880,881,404**	₱602,815,637	₱631,314,798
CASOP	–	610,825,315	610,825,315
	₱880,881,404	₱1,213,640,952	₱1,242,140,113

In 2011, ACMDC paid the Company's outstanding payable to CASOP amounting to ₱610.8 million when the Company became a wholly owned subsidiary of ACMDC. This payment by ACMDC now forms part of the Company's payable to ACMDC as of December 31, 2011.

- In July 2011, the Company agreed to provide security for the loan obligations of ACMDC to BDO under the US$75millon ACMDC-BDO Secured Notes Facility Agreement (the "Dollar Loan") and the ₱5.3 billion ACMDC-BDO Secured Notes Facility Agreement (the "Peso Loan"). The Company (i) executed an irrevocable suretyship in favor of BDO whereby it became solidarily liable with ACMDC for the discharge of all obligations under the Dollar Loan, and (ii) created in favor of BDO mortgage liens over its real properties and chattels to secure the performance of ACMDC's obligations under the Peso Loan (see Note 9).

Compensation of Key Management Personnel
The Company considers all senior officers as key management personnel. The compensation of key management personnel for 2011, 2010 and 2009 are as follows:

	2011	2010	2009
Short-term benefits	**₱22,170,090**	₱27,133,769	₱18,631,740
Retirement benefits costs	**4,663,758**	4,364,897	8,912,855
	₱26,833,848	₱31,498,666	₱27,544,595

20. Retirement Benefits Costs

The Company has an unfunded defined benefits retirement plan covering substantially all of its employees.

The following tables summarize the components of retirement benefits costs and liability recognized in the Company's statement of comprehensive income and statements of financial position, respectively.

The details of retirement benefits costs follow:

	2011	2010	2009
Current service cost	**₱32,531,200**	₱25,901,400	₱17,821,300
Curtailment gain	**(20,944,100)**	–	(3,040,357)
Interest cost on retirement obligations	**6,697,100**	4,450,900	2,868,482
Amortizations for:			
Past service cost (non-vested benefits)	**29,100**	29,100	29,100
Actuarial gain	–	(849,300)	(854,625)
Past service cost (vested benefits)	–	–	6,349,500
	₱18,313,300	₱29,532,100	₱23,173,400

Curtailment gain resulted from reduction in the number of employees covered by the retirement plan from 3,644 employees as of December 31, 2010 to 2,868 employees as of December 31, 2011.

The details of retirement benefits liability as of December 31 follow:

	2011	2010	2009
Balances at beginning of year	**₱85,639,000**	₱57,590,500	₱34,840,300
Retirement benefits expense for the year	**18,313,300**	29,532,100	23,173,400
Benefits paid	**(1,649,900)**	(1,483,600)	(423,200)
Balances at end of year	**₱102,302,400**	₱85,639,000	₱57,590,500

Changes in the present value of the defined benefits obligation as of December 31 follow:

	2011	2010	2009
Balances at beginning of year	**₱83,193,700**	₱43,381,400	₱18,984,000
Current service cost	**32,531,200**	25,901,400	17,821,300
Actuarial loss (gain)	**67,887,400**	10,943,600	(808,682)
Interest cost on retirement obligation	**6,697,100**	4,450,900	2,868,482
Benefits paid	**(1,649,900)**	(1,483,600)	(423,200)
Effect of curtailment	**(32,060,100)**	–	(1,759,300)
Past service cost	**–**	–	6,698,800
Balances at end of year	**₱156,599,400**	₱83,193,700	₱43,381,400

The details of accrued retirement benefits costs as of December 31 are as follows:

	2011	2010	2009
Defined benefits obligation	**₱156,599,400**	₱83,193,700	₱43,381,400
Net unrecognized actuarial gains (losses)	**(54,297,000)**	2,445,300	14,209,100
	₱102,302,400	₱85,639,000	₱57,590,500

The principal assumptions used for the Company's defined benefits retirement plan as of January 1 follow:

	2011	2010	2009
Discount rate	**5.94%**	8.05%	15.11%
Future salary increase	**10%**	7%	8.00%
Average future working years of service	**9**	10	15

Amounts for the current and previous periods are as follows:

	2011	2010	2009	2008
Defined benefits obligation	**₱156,599,400**	₱83,193,700	₱43,381,400	₱18,984,000
Effect of experience adjustment and changes in assumptions on benefit obligation	**67,887,400**	10,943,600	(808,682)	(20,460,900)

21. Financial Risk Management Objectives and Policies

The Company's main financial instruments are cash and cash equivalents, long-term debt and other interest-bearing liabilities, and derivatives. The main purpose of these financial instruments is to manage variability of cash flows and raise finance for the Company's capital expenditure program. The Company has various other financial assets and liabilities such as receivables and accounts payable and accrued liabilities which arise from the Company's operations.

The Company is exposed to commodity price risk, foreign currency risk, interest rate risk, liquidity risk and credit risk. The BOD reviews and adopts relevant policies for managing each of these risks which are summarized below:

Commodity Price Risk
The Company's copper concentrate revenue are based on international commodity quotations (i.e., primarily on the LME) over which it has no significant influence or control. This exposes the Company's results of operations to commodity price volatilities that may significantly impact its cash inflows. The Company enters into derivative transactions as a means to mitigate the risk of fluctuations in the market prices of its mine products.

Shown below is the effect on income before income tax should the change in copper prices occur based on the inventory (net of derivatives) of the Company:

December 31, 2011

Change in Copper Prices	Effect on Income Before Income Tax
Increase by 10%	(₱234,158,070)
Decrease by 10%	366,437,982

December 31, 2010

Change in Copper Prices	Effect on Income Before Income Tax
Increase by 10%	(₱35,592,073)
Decrease by 10%	35,592,073

December 31, 2009

Change in Copper Prices	Effect on Loss Before Income Tax
Increase by 10%	(₱245,769,379)
Decrease by 10%	281,331,198

The sensitivity analyses are performed for risk management purposes and do not represent a prediction or forecasting of the Company's future income.

Foreign Currency Risk
Foreign currency risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Company has transactional currency exposures from purchases of equipment denominated in US$. Transactions with companies outside the Philippines are carried out with currencies that management believes to be stable such as the US$. All of the Company's revenues and debt are denominated in US$.

The Company monitors its transactional and translational foreign exchange currency risk and manages the impact of foreign exchange volatility primarily through natural hedging where foreign currency revenues are matched against target levels of foreign-currency financing.

As of December 31, foreign-currency-denominated assets and liabilities follow:

	2011		2010		2009	
	Foreign Currency (USD)	Peso Equivalent	Foreign Currency (USD)	Peso Equivalent	Foreign Currency (USD)	Peso Equivalent
Financial Assets						
Cash and cash equivalents	$3,930,636	₱172,319,102	$29,583,761	₱1,296,952,095	$2,001,700	₱92,478,561
Short-term investments	15,294,675	670,518,576	15,471,001	678,248,686	–	–
Trade receivables	6,994,217	306,626,477	2,198,160	96,367,350	4,778,033	220,745,127
Derivative assets	15,943,628	698,968,640	16,723,471	733,156,981	708,225	32,719,989
	42,163,156	1,848,432,795	63,976,393	2,804,725,112	7,487,958	345,943,677
Financial Liabilities						
Accrued interest	272,934	11,965,435	470,344	20,619,910	202,798	9,369,250
Accrued insurance	912,409	40,000,000	276,213	12,109,182	820,102	37,888,690
Long-term debt and other interest-bearing liabilities	142,881,973	6,263,945,701	124,444,444	5,455,644,444	90,000,000	4,158,000,000
Derivative liabilities	431,772	18,928,870	3,354,101	147,043,777	6,375,804	294,562,146
	144,499,088	6,334,840,006	128,545,102	5,635,417,313	97,398,704	4,499,820,086
Net Exposure	($102,335,932)	(₱4,486,407,211)	($64,568,709)	(₱2,830,692,201)	($89,910,746)	(₱4,153,876,409)

Accrued interest and accrued insurance are included as part of accrued expenses included within the "Accounts payable and accrued liabilities" account in the statements of financial position.

The exchange rates were ₱43.84 per US$1.00 as of December 31, 2011 and 2010 and ₱46.20 per US$1.00 as of December 31, 2009.

The tables below demonstrate the sensitivity to a reasonable change in the US$ exchange rate, with all other variables held constant, of the Company's income (loss) before income tax (due to the changes in the fair value of the foreign-currency-denominated assets and liabilities). This analysis covers only translational risk, and based on the negative net exposure reflected in the foreign exchange risk gap, any devaluation in the Peso and/or strengthening of the US$ will result in a drop in net income.

December 31, 2011

Change in Peso-Foreign Exchange rate	Effect on Income Before Income Tax
Increase by 2.60%	(₱188,709,680)
Decrease by 6.50%	290,634,044

December 31, 2010

Change in Peso-Foreign Exchange rate	Effect on Income Before Income Tax
Increase by 4.20%	(₱114,827,169)
Decrease by 4.20%	114,827,169

December 31, 2009

Change in Peso-Foreign Exchange rate	Effect on Loss Before Income Tax
Increase by 2.31%	₱100,993,782
Decrease by 2.31%	(100,993,782)

The sensitivity analyses are performed for risk management purposes and do not represent a prediction or forecasting of the Company's future income.

There is no other impact on the Company's equity other than those affecting profit or loss. The sensitivity analysis pertains to the foreign exchange translational risk only and does not fully show the transactional and economic impact of the foreign exchange risk. As of December 31, the percentage (%) of foreign currency debt over foreign currency revenue are at 54% in 2011, 66% in 2010, and 94% in 2009. From an economic view, this means that if the Peso appreciates (depreciates), the overall income decreases (increases).

Interest Rate Risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The Company's mix of fixed and floating interest rate debt is 92:8, 95:5, and 98:2 in 2011, 2010 and 2009, respectively.

The following provides the weighted effective interest rate for each significant class of financial instruments of the Company:

Loans

The Company also monitors its exposure to fluctuations in interest rates by measuring the impact of interest rate movements on the Company's net worth. This is done by modeling the impact of various changes in interest rates to the Company's net interest positions.

Given the repricing position of the assets and liabilities of the Company, if interest rates move up by 10 basis points the Company would expect annualized net interest income to decrease by ₱54.5 million and if interest rates move down by 10 bps, it will increase by ₱55.8 million in 2011. There was no significant impact to net interest income for change in interest rates in 2010. This sensitivity analysis is performed for risk management purposes, assumes no other changes in the repricing structure, and does not represent a prediction or forecasting of the Company's future income.

Liquidity Risk
Liquidity risk is defined as the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price. Management is responsible for liquidity, funding as well as settlement management and in ensuring a balance between liquidity and solvency management.

The Company manages its liquidity risk primarily through the use of cash flows from operations including advances against shipment and refinancing through the availment of loan and/or stockholder's investment.

The following tables show the maturity profiles of the Company's financial liabilities as well as the undiscounted cash flows from financial assets used for liquidity purposes as of:

	December 31, 2011				
	On Demand	Less than 1 Year	1 Year to < 3 Years	3 Years to < 5 Years	Total
Loans and Receivables					
Cash and cash equivalents	₱249,396,128	₱–	₱–	₱–	₱249,396,128
Short-term investments	670,518,576	–	–	–	670,518,576
Receivables:					
Trade	–	306,626,477	–	–	306,626,477
Nontrade	62,601,569	–	–	–	62,601,569
Advances to officers and employees	10,938,177	–	–	–	10,938,177
Financial Asset at FVPL					
Derivative Assets	–	477,573,387	221,395,253	–	698,968,640
	₱993,454,450	₱784,199,864	₱221,395,253	₱–	₱1,999,049,567
Other Financial Liabilities					
Accounts payable and accrued liabilities:					
Trade	₱–	₱841,887,956	₱–	₱–	₱841,887,956
Related parties	–	880,881,404	–	–	880,881,404
Accrued expenses	–	607,791,622	–	–	607,791,622
Royalties payable	–	505,225,676	–	–	505,225,676
MRI	–	376,020,490	–	–	376,020,490
Nontrade	–	22,584,089	–	–	22,584,089
Long-term debt and other interest-bearing liabilities	–	3,907,951,702	2,959,071,863	–	6,867,023,565
Financial Liabilities at FVPL					
Derivative liabilities	–	18,928,870	–	–	18,928,870
	₱–	₱7,161,271,809	₱2,959,071,863	₱–	₱10,120,343,672

	December 31, 2010				
	On Demand	Less than 1 Year	1 Year to < 3 Years	3 Years to < 5 Years	Total
Loans and Receivables					
Cash and cash equivalents	₱1,566,958,507	₱–	₱–	₱–	₱1,566,958,507
Short-term investments	678,248,686	–	–	–	678,248,686
Receivables:					
Trade	–	96,367,350	–	–	96,367,350
Nontrade	45,584,359	–	–	–	45,584,359
Advances to officers and employees	9,321,931	–	–	–	9,321,931
Financial Asset at FVPL					
Derivative Assets	–	29,861,994	703,294,987	–	733,156,981
	₱2,300,113,483	₱126,229,344	₱703,294,987	₱–	₱3,129,637,814
Other Financial Liabilities					
Accounts payable and accrued liabilities:					
Trade	₱–	₱569,317,300	₱–	₱–	₱569,317,300
Related parties	–	1,213,640,952	–	–	1,213,640,952
Accrued expenses	–	478,586,383	–	–	478,586,383
Royalties payable	–	272,119,522	–	–	272,119,522
MRI	–	410,826,779	–	–	410,826,779
Nontrade	–	49,877,975	–	–	49,877,975
Long-term debt and other interest-bearing liabilities	–	1,662,394,698	5,824,465,713	–	7,486,860,411
Financial Liabilities at FVPL					
Derivative liabilities	–	147,043,777	–	–	147,043,777
	₱–	₱4,803,807,386	₱5,824,465,173	–	₱10,628,273,099

	December 31, 2009				
	On Demand	Less than 1 Year	1 Year to < 3 Years	3 Years to < 5 Years	Total
Loans and Receivables					
Cash and cash equivalents	₱229,966,200	₱–	₱–	₱–	₱229,966,200
Receivables:					
Trade	–	220,745,127	–	–	220,745,127
Nontrade	21,183,755	–	–	–	21,183,755
Advances to officers and employees	8,039,565	–	–	–	8,039,565
Subscription receivable	–	138,503,354	–	–	138,503,354
Financial Asset at FVPL					
Derivative assets	–	32,719,989	–	–	32,719,989
	₱259,189,520	₱391,968,470	₱–	₱–	₱651,157,990
Other Financial Liabilities					
Accounts payable and accrued liabilities:					
Trade	₱–	₱641,012,134	₱–	₱–	₱641,012,134
Related parties	–	1,242,140,113	–	–	1,242,140,113
Accrued expenses	–	615,678,808	–	–	615,678,808
Royalties payable	–	423,924,209	–	–	423,924,209
MRI	–	87,599,730	–	–	87,599,730
Nontrade	–	76,284,434	–	–	76,284,434
Long-term debt and other interest-bearing liabilities	–	1,395,180,000	3,234,000,000	–	4,629,180,000
Financial Liabilities at FVPL					
Derivative liabilities	–	294,562,146	–	–	294,562,146
	₱–	₱4,776,381,574	₱3,234,000,000	₱–	₱8,010,381,574

Credit and Counterparty Risk

Credit risk is the risk that the Company will incur a loss if its customers and counterparties fail to discharge their contractual obligations. The Company manages and controls credit risk by doing business only with recognized, creditworthy third parties. Receivable balances are monitored in an ongoing basis resulting to an insignificant exposure to bad debts.

With respect to credit risk arising from the other financial assets of the Company (e.g. investments and derivatives), the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The table below summarizes the gross maximum credit risk exposure for the components of the Company's statements of financial position as of December 31:

	2011	2010	2009
Loans and Receivables			
Cash and cash equivalents	**₱246,952,407**	₱1,564,184,573	₱228,951,009
Short-term investments	**670,518,576**	678,248,686	–
Trade receivables	**306,626,477**	96,367,350	220,745,127
Nontrade receivables	**61,805,259**	44,830,657	158,782,535
Advances to officers and employees	**10,938,177**	9,321,931	8,039,565
Financial Asset at FVPL			
Derivative assets	**698,968,640**	733,156,981	32,719,989
	₱1,995,809,536	₱3,126,110,178	₱649,238,225

The Company ensures that sales of services are made to customers with appropriate credit history and has an internal mechanism to monitor the granting of credit and managements of credit exposures. All sales in 2011, 2010 and 2009 are made to MRI.

The aging analysis of loans and receivables and credit quality of the Company's financial assets based on their historical experience with the corresponding third parties as of:

	December 31, 2011				
	Neither Past Due nor Impaired	Past Due			Total
		Less than 30 Days	30 to 60 Days	More than 60 Days	
Loans and Receivables					
Cash and cash equivalents (excluding cash on hand)	₱246,952,407	₱–	₱–	₱–	₱246,952,407
Short-term investments	670,518,576	–	–	–	670,518,576
Trade receivables	306,626,477	–	–	–	306,626,477
Nontrade receivables	–	30,232,797	2,364,398	29,208,065	61,805,260
Advances to officers and employees	10,938,177	–	–	–	10,938,177
Financial Asset at FVPL					
Derivative assets	698,968,640	–	–	–	698,968,640
	₱1,934,004,277	₱30,232,797	₱2,364,398	₱29,208,065	₱1,995,809,537

	Neither Past Due nor Impaired				
	High Grade	Standard Grade	Substandard Grade	Past Due	Total
Loans and Receivables					
Cash and cash equivalents (excluding cash on hand)	₱246,952,407	₱–	₱–	₱–	₱246,952,407
Short-term investments	670,518,576	–	–	–	670,518,576
Trade receivables	306,626,477	–	–	–	306,626,477
Nontrade receivables	–	–	–	61,805,260	61,805,260
Advances to officers and employees	10,938,177	–	–	–	10,938,177
Financial Asset at FVPL					
Derivative assets	698,968,640	–	–	–	698,968,640
	₱1,934,004,277	₱–	₱–	₱61,805,260	₱1,995,809,537

	December 31, 2010				
	Neither Past Due nor Impaired	Past Due			Total
		Less than 30 Days	30 to 60 Days	More than 60 Days	
Loans and Receivables					
Cash and cash equivalents (excluding cash on hand)	₱1,564,184,573	₱–	₱–	₱–	₱1,564,184,573
Short-term investments	678,248,686	–	–	–	678,248,686
Trade receivables	96,367,350	–	–	–	96,367,350
Nontrade receivables	–	19,852,090	3,152,413	19,383,779	42,388,282
Advances to officers and employees	9,321,931	–	–	–	9,321,931
Financial Asset at FVPL					
Derivative assets	733,156,981	–	–	–	733,156,981
	₱3,081,279,521	₱19,852,090	₱3,152,413	₱19,383,779	₱3,123,667,803

	Neither Past Due nor Impaired				
	High Grade	Standard Grade	Substandard Grade	Past Due	Total
Loans and Receivables					
Cash and cash equivalents (excluding cash on hand)	₱1,564,184,573	₱–	₱–	₱–	₱1,564,184,573
Short-term investments	678,248,686	–	–	–	678,248,686
Trade receivables	96,367,350	–	–	–	96,367,350
Nontrade receivables	–	–	–	42,388,282	42,388,282
Advances to officers and employees	9,321,931	–	–	–	9,321,931
Financial Asset at FVPL					
Derivative assets	733,156,981	–	–	–	733,156,981
	₱3,081,279,521	₱–	₱–	₱42,388,282	₱3,123,667,803

	December 31, 2009				
	Neither Past Due nor Impaired	Past Due			
		Less than 30 Days	30 to 60 Days	More than 60 Days	Total
Loans and Receivables					
Cash and cash equivalents (excluding cash on hand)	₱228,951,009	₱–	₱–	₱–	₱228,951,009
Trade receivables	220,745,127	–	–	–	220,745,127
Nontrade receivables	2,567,809	153,520,100	–	2,694,626	158,782,535
Advances to officers and employees	8,039,565	–	–	–	8,039,565
Financial Asset at FVPL					
Derivative assets	32,719,989	–	–	–	32,719,989
	₱493,023,499	₱153,520,100	₱–	₱2,694,626	₱649,238,225

	Neither Past Due Nor Impaired				
	High Grade	Standard Grade	Substandard Grade	Past Due	Total
Loans and Receivables					
Cash and cash equivalents (excluding cash on hand)	₱228,951,009	₱–	₱–	₱–	₱228,951,009
Trade receivables	220,745,127	–	–	–	220,745,127
Nontrade receivables	–	2,567,809	–	156,214,726	158,782,535
Advances to officers and employees	8,039,565	–	–	–	8,039,565
Financial Asset at FVPL					
Derivative assets	32,719,989	–	–	–	32,719,989
	₱490,455,690	₱2,567,809	₱–	₱156,214,726	₱649,238,225

As of December 31, 2011 and 2010, the Company has no impaired financial asset. Cash in banks are classified as high grade since these are deposited in reputable banks and can be withdrawn anytime. Advances to officers and employees are classified as high grade since these can be collected upon demand as these officers and employees are still employed by the Company. High grade receivables pertain to those receivables from clients or customers that consistently pay before the maturity date. Standard grade receivables include those that are collected on their due dates even without any collection effort from the Company while receivables which are collected on their due dates after persistent reminders are included under substandard grade receivables. Past due receivables refer to those that are past due but still collectible and are not considered impaired.

22. Financial Instruments

Fair Values of Financial Instruments

The following table shows the carrying values and fair values of the Company's financial assets and liabilities as of December 31 of each year:

	Carrying Values			Fair Values		
	2011	2010	2009	**2011**	2010	2009
Loans and Receivables						
Cash and cash equivalents	**₱249,396,128**	₱1,566,958,507	₱229,966,200	**₱249,396,128**	₱1,566,958,507	₱229,966,200
Short-term investments	**670,518,576**	678,248,686	–	**670,518,576**	678,248,686	–
Receivables	**380,166,223**	151,273,640	388,471,801	**380,166,223**	151,273,640	388,471,801
Financial Asset at FVPL						
Derivative assets	**698,968,640**	733,156,981	32,719,989	**698,968,640**	733,156,981	32,719,989
	₱1,999,049,567	₱3,129,637,814	₱651,157,990	**₱1,999,049,567**	₱3,129,637,814	₱651,157,990
Other Financial Liabilities						
Accounts payable and accrued liabilities	**₱3,301,979,056**	₱2,516,738,965	₱2,498,831,055	**₱3,301,979,056**	₱2,516,738,965	₱2,498,831,055
Long-term debt and other interest-bearing liabilities	**6,867,023,565**	7,486,860,411	4,629,180,000	**5,672,073,899**	5,709,547,462	4,629,180,000
Financial Liability at FVPL						
Derivative liabilities	**18,928,870**	147,043,777	294,562,146	**18,928,870**	147,043,777	294,562,146
	₱10,187,931,491	₱10,150,643,153	₱7,422,573,201	**₱8,992,981,825**	₱8,373,330,204	₱7,422,573,201

Cash and Cash Equivalents, Short-term Investments, Receivables and Accounts Payable and Accrued Liabilities. The carrying amounts of cash and cash equivalents, short-term investments, receivables, and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these financial instruments accounts.

Long-term Debt and Other Interest-bearing Liabilities. Fair value of long-term debt and other interest-bearing liabilities is estimated using the discounted cash flow methodology using the benchmark risk free rates for similar types of long-term debt and other interest-bearing liabilities.

Derivative Instruments. Fair values of commodity forwards and embedded derivatives are obtained using the "forward versus forward" approach using copper forward prices and discounted at the appropriate LIBOR.

The Company uses the following hierarchy for determining and disclosing the fair value by valuation technique:

- Quoted prices in active markets for identical liability (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those inputs for the liability that are not based on observable market data (unobservable inputs) (Level 3).

The fair value hierarchy of the financial assets and liabilities as of December 31, 2011 is presented in the following table:

	Level 1	Level 2	Level 3	Total
Derivative assets	₱–	₱698,968,640	₱–	₱698,968,640
Derivative liabilities	–	18,928,870	–	18,928,870
Total	₱–	₱680,039,770	₱–	₱680,039,770

There were no transfers between levels of fair value measurement as of December 31, 2011 and 2010.

23. Capital Management

The Company maintains a capital base to cover risks inherent in the business. The primary objective of the Company's capital management is to decrease its deficit to a low level and eliminate it in full in the long run.

The table below summarizes the total capital considered by the Company:

	2011	2010	2009
Capital stock	**₱1,909,820,561**	₱1,909,820,561	₱1,601,649,809
Additional paid-in capital	**3,748,511,439**	4,707,508,969	3,782,996,698
Interest-free payables to related parties	**880,881,404**	1,213,640,952	1,242,140,113
Retained earnings (deficit)	**2,541,372,882**	(958,997,530)	(1,629,110,258)
Deposit for future stock subscription	**–**	–	1,232,683,023
	₱9,080,586,286	₱6,871,972,952	₱6,230,359,385

No changes were made in the objectives, policies and processes from the previous years.

Currently, the Company manages its capital structure and makes adjustments to it in the light of changes in the economic conditions in order to meet its capital management objective.

24. Commitments and Contingencies

Power Agreements

- In December 2009, the Company entered into a power agreement with Toledo Power Company for the supply of electricity at certain and established pricing formula for a period of 3 years and renewable upon advance notice by the Company of at least 6 months before the expiration date. The EPPA will expire in January 2014.

- In June 2008, the Company entered into a power supply agreement with Cebu III Electric Cooperative, Inc. for the supply of 2MW of firm electric power at agreed prices. The agreement may be terminated by either party upon 30 days prior notice.

Waste Mining Service Agreement
In April 2010, the Company entered into a waste mining service agreement, as amended, with Galeo Equipment and Mining Company, Inc. for waste loading and hauling works at the Company's Lutopan Open Pit at specified pricing formulas. The agreement can be terminated by either party upon 30 days prior written notice.

Fuel Supply Agreement
In August 2011, the Company entered into a fuel supply agreement, as amended, with Pilipinas Shell Petroleum Corporation for the purchase of petroleum products, lubricants and greases at established pricing formulas. The agreement will expire in October 2015.

Legal Contingencies
The Company is a party to minor labor cases arising from its operations. The Company's management and legal counsel believe that the eventual resolution of these cases will not have a material effect on the Company's financial statements. Accordingly, no provision for probable losses was recognized by the Company in 2011, 2010 and 2009.

Collective Bargaining Agreement
The Company has a collective bargaining agreement (CBA) with labor organizations for all regular employees and workers directly employed by the Company. The CBA provisions is effective for a period of five years beginning September 2007 to September 2012.