

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17 – A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE
AND SECTION 141 OF THE
CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended 31 DECEMBER 2017
2. SEC Identification Number PW0000115A
3. BIR Tax Identification No. 000-154-572

4. **ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION**
Exact name of issuer as specified in its charter

5. PHILIPPINES
Province, country or other jurisdiction of Incorporation or organization

6. (SEC Use Only)
Industry Classification Code

7. 5F FIVEE-COM CENTER, PALM COAST AVENUE CORNER PACIFIC DRIVE 1300
MALL OF ASIA COMPLEX, PASAY CITY, METRO MANILA Postal Code
Address of principal office

8. (632) 8318000 local 25001
Issuer's telephone number, including area code

9. N. A.
Former name, former address, and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of RSA

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
COMMON STOCK, PHP1.00 PAR VALUE	3,559,532,774 (as of December 31, 2017)

11. Are any or all of these securities listed on a Stock Exchange?
Yes No

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange - Common Stock

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or section 11 of the RSA and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports):

Yes No

(b) has been subject to such filing requirements for the past 90 days.

Yes No

13. Aggregate market value of the voting stock held by non-affiliates
(as of December 31, 2017):

Php3,535,293,130.00



ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION

**ANNUAL REPORT
SEC FORM 17-A**

31 December 2017
Period ended Date

**ANNUAL REPORT
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PART I – BUSINESS AND GENERAL INFORMATION

Item 1. BUSINESS

(A) Description of Business.

(1) Business Development

Atlas Consolidated Mining & Development Corporation (“AT”, “Atlas” or the “Parent Company”) was incorporated in accordance with Philippine law on 9 March 1935, initially under the name *Masbate Consolidated Mining Company, Inc.* as a result of the merger of the assets and equities of three pre-war mining companies, namely: Masbate Consolidated Mining Company Inc., Antamok Goldfields Mining Company, and IXL Mining Company. Its Articles of Incorporation were subsequently amended to reflect its present corporate name and to extend its term of existence for another fifty (50) years from 1985.

Carmen Copper Corporation (“CCC”) is the only significant subsidiary¹ of AT with the Parent Company owning 100% of the outstanding capital stock of CCC. CCC was incorporated under Philippine law on 16 September 2004.

Both AT and CCC have never been involved in a bankruptcy, receivership, or any similar proceeding. During the past three (3) years, AT and CCC did not engage in (i) any transaction involving a material reclassification or reorganization, or (ii) any purchase or sale of a significant amount of assets not in the ordinary course of business.

(2) Business of AT and CCC

AT, through CCC as operating subsidiary, is engaged in metallic mining and mineral exploration and development. CCC, as the operator of AT’s copper mines in the City of Toledo, Province of Cebu (the “Carmen Copper Mine”), primarily produces and exports copper metal in concentrate and the principal by-products of copper mining and processing: gold and silver. It is also pursuing the development and commercial production of other marketable by-products such as pyrite, magnetite and molybdenum.

CCC exports one hundred percent (100%) of its copper production. Since the resumption of commercial mining operations at the Carmen Copper Mine in 2008, CCC has been shipping its copper concentrate output to smelters in China and South Korea pursuant to offtake agreements with MRI Trading AG (“MRI”). In 2013, it began delivering copper concentrate to the plant of the Philippine Associated Smelting and Refining Corporation (“PASAR”) in Isabel, Leyte, Ocean Partners UK Ltd. and to smelters in Japan by virtue of an offtake contract with Mitsui & Co. Ltd. While a substantial portion of CCC’s copper production in 2017 were covered by offtake contracts entered into with MRI on account of MRI’s ability to provide the most favorable terms and facilities, CCC is not dependent upon a single counterparty.

¹Under Part I, 1(B) of Rule 68 of the Amended Rules and Regulations implementing the Securities Regulation Code, “Significant Subsidiary” means a subsidiary, including its subsidiaries, which meet any of the following conditions:

- (a) The corporation’s and its other subsidiaries’ investments in and advances to the subsidiary exceed 10% of the total assets of the corporation and its subsidiaries as of the end of the most recently completed fiscal year; or
- (b) The corporation’s and its other subsidiaries’ proportionate share of the total assets (after inter-company eliminations) of the subsidiary exceeds ten per cent (10%) of the total assets of the corporation and its subsidiaries as of the end of the most recently completed fiscal year; or
- (c) The corporation’s and its other subsidiaries’ equity in the income from continuing operations before income taxes exceeds ten per cent (10%) of such income of the corporation and its subsidiaries consolidated for the most recently completed fiscal year.

CCC has an existing long-term electrical power purchase agreement with Toledo Power Company (“TPC”) which is the principal supplier of the electrical power required for CCC’s mining operations. The fuel requirements of CCC are principally provided by Pilipinas Shell Petroleum Corporation under the terms of a supply agreement.

The related-party transactions of AT and CCC are limited to advances to and from affiliates mainly for the funding of working capital requirements.

CCC is not dependent upon the registration of, or any agreement respecting intellectual property rights for the conduct of its operations. Except to the extent that CCC is required to obtain an ore transport permit (“OTP”) from the Mines and Geosciences Bureau (“MGB”) for the shipment of its copper concentrate, CCC’s products are not subject to any government examination prior to sale. The extent of competition in the mining industry is largely defined by economic forces prevailing in the world market. These factors determine the cost and pricing structures of mining companies and give rise to price risks.

To manage risks such as commodity price, foreign exchange and interest rate risks, CCC applies a mix of pricing agreements, natural hedges and both freestanding and embedded derivatives. For commodity price, CCC enters into pricing arrangements with offtakers that are covered by the terms of the offtake agreements respecting CCC’s sale of copper, and gold and silver by-products. Under such arrangements, the selling price is to be computed based on the average of the agreed market price quotes over the stipulated quotational period, unless CCC exercises its option to fix the price in advance of such quotational period. CCC likewise hedges price risk through put option and swap facilities covering its copper production.

CCC’s operating rights with respect to the Carmen Copper Mine are derived from and are governed by its 5 May 2006 *Operating Agreement* with AT. The underlying mining rights pertaining to the areas spanned by the Carmen Copper Mine, on the other hand, are covered by valid and existing Mineral Production and Sharing Agreements (“MPSAs”) between AT and the Philippine Government, or by pending MPSA applications (“APSAs”) or Exploration Permit Applications (“Expas”) in the name of AT and/or individual claim owners having effective and enforceable operating agreements with AT.

Republic Act (“RA”) No. 10963 or the *Tax Reform Acceleration and Inclusion Act* (“TRAIN”) was signed into law on 19 December 2017 and took effect on 1 January 2018. The TRAIN provided among others for the increase in the excise tax rate on all metallic minerals based on the market value of the gross output at the time of the removal from two percent (2%) to four percent (4%). The increase in the rate of taxes due on CCC’s mining operations will naturally raise the cost of production. To address the risk of higher operating costs, CCC is aggressively pursuing plans to improve production efficiency.

➤ *Employees & Officers*

CCC has 2,455 employees as of 31 December 2017, of whom 44 are senior executive officers, 422 are junior/mid-level managers, and 1,988 are rank and file. Around 1,408 or seventy one percent (71%) of these rank-and-file employees are members of the *Carmen Copper Workers Labor Organization* (“CCWLO”) with an existing Collective Bargaining Agreement (the “CBA”) covering the period 2015-2020. With the healthy and harmonious relationship between CCWLO and Management, industrial peace has been maintained since 2015.

Management’s prerogatives are exercised with due consideration to the workers’ rights to just and humane conditions of work. There has not been any labor dispute in the last three (3) years that was not resolved through mediation and conciliation proceedings before the Department of Labor and Employment (“DOLE”).

In November 2017 during the *11th National Labor-Management Cooperation Convention* spearheaded by the DOLE and National Conciliation and Mediation Board (“NCWB”), CCC was awarded the Philippines’ *2017 Outstanding*

Grievance Machinery for Industrial Peace. This distinction was conferred upon CCC's Labor-Management Relations Committee ("LMRC"), besting seven other finalists across the country.

➤ *Environmental Protection and Enhancement*

CCC continues to ensure compliance with the applicable environmental laws, regulations and orders. It is committed to protect and enhance the environment, reduce ecological footprint of its activities and maintain an excellent track record in responsible mining. True to the company's commitment, CCC secured ISO 14001 Certification valid from November 2015 through September 2018.

In support to the MGB's Mining Forest program, 9.5 hectares of mine affected areas were reforested with 15,817 seedlings planted. CCC also donated 35,515 seedlings to various government agencies and private entities in support of their respective reforestation activities.

In 2017, CCC spent more than Php468 million for its Environmental Protection and Enhancement Program ("EPEP"), approximately 73% of which went to the various environmental maintenance activities while 27% was spent for climate change mitigation programs, capital expense projects and research development programs.

To promote biodiversity, CCC continues to enrich sparsely vegetated areas and maintain 1,247 hectares of plantation including the arboretum that accommodates 2,264 trees of 20 native species such as narra, molave, lauan, kamagong, akle, ipil, tindalo, gisok, kaningag, mancono, Cebu cinnamon, etc., a combination of premium, dipterocarps and ecologically important trees. Because of such initiatives, the company was conferred by the DENR, EMB and MGB Region 7 with the *2017 Gawad Tugas for Forest Protection and Management*. To further reduce carbon footprint, CCC heightened its reforestation activities and implemented various climate change mitigation activities with the aim to reduce carbon emissions.

In preparation for mine closure at the end of its operational lifespan, CCC is maintaining a trust fund solely intended for the purpose of rehabilitating the mine area after the life of mine. More than Php70 million is allocated for the Company's *Final Mine Rehabilitation and Decommissioning Fund* ("FMRDF") to support the *Final Mine Rehabilitation and Decommissioning Plan* ("FMRDP").

➤ *Sustainable Communities*

CCC has four (4) host communities and thirteen (13) neighboring barangays within its operation area. CCC and the host communities share the same goals to uplift lives in the communities, to educate and train the people to become self-reliant citizens, and to build infrastructures that will boost economic growth in our areas of operation.

With the aim to leave lasting legacies to all stakeholders, CCC conducted community-based planning workshops wherein partner communities were able to participate in identification and decision making processes to determine priority and significant projects. These projects constitute the four (4) major components of the Social Development and Management Program ("SDMP") namely; livelihood, education, health and public infrastructure. The Company allots 1.5% of its operating cost for the implementation of the SDMP in the 4 host and 13 neighboring barangays.

In 2017, CCC implemented 30 various livelihood projects. These projects include animal husbandry, provision of farm implements and tools, establishment of model integrated farm employing Sloping Agricultural and Livestock Technology (SALT). Others cover support to household-based food processing, soap making, macramé handicrafts and small local businesses through preferential procurement of goods and services from local sources, as well as cooperative development, market linkages and networking, among others.

CCC also implemented 24 various infrastructure projects in 2017. To stimulate and facilitate other forms of economic activity, CCC funded various infrastructure developments that include the construction, improvement, and/or maintenance of farm-to-market roads, water systems, post-harvest facilities and training center, among others.

CCC was also able to build eight (8) classrooms conducive for learning and assisted in the improvement of three (3) other school facilities. In the area of education, CCC continues to provide educational opportunities to 103 underprivileged children in the community in the form of scholarships with 76 scholars in the secondary level, 27 students in tertiary education and 147 under Technical Vocational (TechVoc).

Access to health services, facilities and professionals, is one of the pillars of the CCC SDMP with the aim to provide high quality medical care to the indigents from the host and neighboring barangays. CCC implemented health related projects such as the “Doktor to the Barangay”, by sending health professionals to barrios or to remote barangays that have little or no access at all to health services. CCC deploys volunteer nurses and a physician to do health check-ups, distribute medicines and implement other wellness activities.

- *Occupational Health and Safety*

The demands of the mining industry require CCC to manage risks round the clock. With a diversified and robust workforce of more than 2,400 employees, we inculcate in our people that safety is our way of life, it is our culture. Making safety as a core value and essential part of day-to-day life in the mine site lays the foundation to a culture of safety that has significantly prevented and mitigated occupational injuries and illnesses within the organization.

Adherence to the Mine Safety and Health Standards of DENR Administrative Order (“DAO”) No. 2000-98 and the Code of Practices consistent with the standards of the Occupational Health and Safety Assessment Series (OHSAS 18001:2007) ensures regulatory compliance. However, CCC is committed to push forward beyond mere compliance to instill a safer and healthier way of life for everyone.

In December 2017, CCC passed the 2nd SGS Surveillance Audit with no major non-conformance found and thus, CCC maintained the certification of its Integrated Management System (“IMS”) covering OHSAS 18001:2007 for *Occupational Health and Safety Management*. With heightened safety awareness and education drive organization-wide, strict compliance to the IMS has been successfully promoted. Through intensified safety audit and inspections, we were able to predict and discover potential hazards to workers, equipment and process materials.

Risk management has also greatly contributed to this end. Each task undergoes risk assessment and job hazard analysis through the *Hazard Aspect Identification Risk Assessment Determine Controls* (“HAIRADC”) tool. CCC also implemented the *Permit To Work System* (“PTW”) in all critical activities in the mine and its facilities designed to control and document high-risk jobs.

The CCC Hospital (CCCH) continues to promote, maintain and enhance the health, wellness and safety of the employees and their dependents. Baseline health of all employees entering the workforce is recorded. Pre-requisite medical examination prior to regularization of employees is being implemented to ensure employees are fit to stay in their jobs. Annual physical examinations are scheduled on employees’ birthdays for easy recall.

Last year, CCCH attended to a total of 17,483 patients: 11,001 employees, 5,550 dependents, and 932 private patients. Other services rendered include 22,657 laboratory exams, 4,259 X-ray diagnostic exams and four (4) medical missions in collaboration with private groups, local government units and non-government organizations. Two (2) blood-letting activities for the year 2017 were held which collected a total of 188 units of blood. These were in coordination with the National Blood Services Network and the Philippine National Red Cross. CCCH TB DOTS clinic continues to provide free treatment with 46 newly enrolled patients and have served a total of 263 patients.

In 2017, the Presidential Mineral Industry and Environmental Award (“PMIEA”) Selection Committee conferred upon CCC the *PMIEA Titanium Achievement Award for Surface Mining Operation Category* in recognition of its satisfactory environmental safety and health management and community development in the conduct of its mining operation.

Item 2. *PROPERTIES*

The AT Group owns and/or holds operating rights to several mining claims. These mining rights are covered by Mineral Production Sharing Agreements (“MPSA”), Applications for MPSA (“APSA”), or Exploration Permit Applications (“EPA”).

A. *Land, Machineries and Equipment.*

AT has a total landholding of 3,468.4438 hectares in Toledo City. Of this, 563.8738 hectares are registered in the name of AT, while the remaining 2,904.5700 hectares are covered by lease agreements with several individuals and corporate landowners.

The tables below show the details of AT-owned and managed parcels of land:

1. AT-owned parcels of land

	<u>No. of Lots</u>	<u>Area (Has.)</u>
1.1 Titled Land/s	21	98.0485
1.2 Land/s with Tax Declarations	63	465.8253
Total	84	563.8738

2. AT-managed parcels of land

2.1 Titled Land/s	1	7.5982
2.2 Land/s with Tax Declarations	288	2,896.9718
Total	289	2,904.5700

Grand Total 373 3,468.4438

B. *Mineral Properties*

AT is the registered owner of several mineral properties. It also operates several mining claims by virtue of existing operating agreements with claim owners. These mineral properties are covered by existing MPSAs, EPAs and APSAs. The tables below present the relevant details pertaining to the mining rights of the AT Group.

• CEBU

i) *APPROVED MPSAs*

MPSA NUMBER	Location	Mortgage, Lien or Encumbrance	AREA COVERED (in hectares)			DATE OF APPROVAL	WORK PERFORMED
			Owned by AT	Under Operating Agreement	Total Area		
1. MPSA-210-2005-VII	Toledo City, Cebu	None	119.1663	115.1212	234.2875	April 28, 2005	Covers Carmen ore body where open pit mining operations are ongoing.
2. MPSA-264-2008-VII	Toledo City, Cebu	None	546.2330	101.7829	648.0159	July 9, 2008	Covers Lutopan ore body where mining operations are ongoing.
3. MPSA-307-2009-VII	Toledo City, Cebu and City of Naga, Cebu	None	1,274.1270	0	1,274.1270	December 23, 2009	Exploration activities in the area covered by this MPSA are in progress
Sub-total =			1,939.5263	216.9041	2,156.4304		

ii) PENDING MPSA APPLICATIONS

MPSA APPLICATION NUMBER	Location	Mortgage, Lien or Encumbrance	AREA (in hectares)			STATUS OF APPLICATION	WORK PERFORMED
			Owned by AT	Under Operating Agreement	Total Area		
1. APSA-000013VII	Toledo City, Cebu	none	287.6172	-	287.6172	Application under evaluation by MGB Central Office	None. For exploration upon approval of APSA
2. APSA-000042VII	Pinamungajan, Cebu	none	252.3926	-	252.3926	Application under evaluation by MGB Central Office	-do-
3. APSA-000044VII	Toledo City, Cebu	none	275.2029	256.7019	531.9048	Application under evaluation by MGB Central	-do-
4. APSA-000045VII	Toledo City and Balamban, Cebu	none	-	2,552.0993	2,552.0993	Application under evaluation by MGB Central Office	-do-
5. APSA-000046VII	Toledo City and Cebu City, Cebu	none	1,286.8032	406.0730	1,692.8762	Application under evaluation by MGB Central Office	-do-
6. APSA-000196VII	Toledo City, Cebu	none	570.4192	194.3474	764.7666	Application under evaluation by MGB Central Office	-do-
Sub-total =			2,672.4351	3,409.2216	6,081.6567		

iii) EXPLORATION PERMIT APPLICATION

EXPLORATION PERMIT APPLICATION NUMBER	Location	Mortgage, Lien or Encumbrance	AREA (in hectares)			STATUS OF APPLICATION	WORK PERFORMED
			Owned by AT	Under Operating Agreement	Total Area		
1. EXPA-000083-VII	Toledo City, Cebu	None	323.5254	-	323.5254	Application under evaluation by MGB Central Office	For exploration upon approval of EPA
Sub-total =			323.5254	-	323.5254		
Total CEBU =			4,935.4868	3,626.1257	8,561.6125		

• SURIGAO DEL SUR

EXPLORATION PERMIT APPLICATION NUMBER	Location	Mortgage, Lien or Encumbrance	AREA (in hectares)			STATUS OF APPLICATION	WORK PERFORMED
			Owned by AT	Under Operating Agreement	Total Area		
1. EPA-000073-XIII (02-02-05)	Surigao del Sur	None	3,658.1616	210.6984	3,868.8600	Application under evaluation by MGB Regional Office	None. For exploration upon approval of EPA
Total SURIGAO DEL SUR =			3,658.1616	210.6984	3,868.8600		

- PALAWAN

i) APPROVED MPSA

MPSA NUMBER	Location	Mortgage, Lien or Encumbrance	AREA (in hectares)			DATE OF APPROVAL	WORK PERFORMED
			Owned by AT	Under Operating Agreement	Total Area		
1. MPSA-235-2007-IVB	Palawan	None	-	288.0000	288.0000	June 8, 2007	Commercial mining activities are on-going
Sub-total =			-	288.0000	288.0000		

ii) MPSA APPLICATION

MPSA APPLICATION NUMBER	Location	Mortgage, Lien or Encumbrance	AREA (in hectares)			STATUS	WORK PERFORMED
			Owned by AT	Under Operating Agreement	Total Area		
1. AMA-IVB-038(Amd) (APSA00369 IV)	Palawan	none	-	1,062.0000	1,062.0000	Application under evaluation by MGB Regional Office	None. For exploration upon approval of AMA
3. AMA-IVB-147(Amd)	Palawan	none	-	2,493.0000	2,493.0000	Application under evaluation by MGB Regional Office	-do-
Sub-total =			-	3,555.0000	3,555.0000		

iii) EXPLORATION PERMIT APPLICATION

EXPLORATION PERMIT APPLICATION NUMBER	Location	Mortgage, Lien or Encumbrance	AREA (in hectares)			STATUS	WORK PERFORMED
			Owned by AT	Under Operating Agreement	Total Area		
1. EPA-IVB-011	Palawan	None	-	16,130.4400	16,130.4400	Application under evaluation by MGB Regional Office	None. For exploration upon approval of EPA
Sub-total =				16,130.4400	16,130.4400		
Total PALAWAN =				19,973.4400	19,973.4400		

TOTAL PHILIPPINES =	8,593.6484	23,810.2641	32,403.9125
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C. Operating Statistics

The following table details CCC's operating statistics related to copper production, shipment and summary of costs for the year ended 31 December 2017 and 2016:

CCC Summary of Operations:

Year-on-Year	2017	2016	Change
Production			
Milling Tonnage ('000 dmt)	14,236	16,718	-15%
Daily Milling Average (dmt per day)	39,004	45,678	-15%
Ore Grade	0.289%	0.321%	-10%
Copper Concentrate ('000 dmt)	135	176	-23%

Copper Metal Gross (in million lbs)	78.2	102.9	-24%
Gold (ounces)	21,979	33,958	-35%
Shipment			
Number of Shipments	26.5	36.0	-26%
Copper Concentrate ('000 dmt)	130	176	-26%
Copper Metal Gross (in million lbs)	75.1	102.4	-27%
Gold (payable ounces)	19,112	32,211	-41%

CCC Summary of Costs:

Year-on-Year (US\$/lb Cu)	2017	2016	Change
C1	1.75	1.39	25%
C2	2.48	1.90	30%
C3	3.00	2.28	32%
C1 = Production cost, G&A, smelting and related charges less by-product credits, C2 = C1 + depreciation and depletion costs, C3 = C2 + mine product tax and royalties, financing charges net of interest income, hedging cost and other charges			

Metal Prices (Average Invoiced Price):

Year-on-Year	2017	2016	Change
Copper (US\$/lb)	2.78	2.21	26%
Gold (US\$/ounce)	1,259	1,241	1.38%

D. Proven and Probable Reserves

Copper Ore Reserves at December 31, 2017 using 0.20% Cu Cut-off									
Deposits	Proven Reserves			Probable Reserves			Proven and Probable Reserves		
	Tonnage 000	Grade (Cu %)	Pounds (millions)	Tonnage 000	Grade (Cu %)	Pounds (millions)	Tonnage 000	Grade (Cu %)	Pounds (millions)
Lutopan Pit	93,900	0.32%	661	86,200	0.31%	588	180,100	0.32%	1,249
Carmen Pit	117,900	0.38%	986	69,400	0.30%	458	187,300	0.35%	1,443
Total Copper	211,800	0.35%	1,647	155,600	0.31%	1,046	367,400	0.34%	2,692

<i>Copper Mineral Resource at December 31, 2017 using 0.20% Cu Cut-off</i>								
<i>Deposits</i>	<i>Measured Resource</i>		<i>Indicated Resource</i>		<i>Inferred Resource</i>		<i>Total Mineral Resource</i>	
	Tonnage 000	Grade (Cu %)	Tonnage 000	Grade (Cu %)	Tonnage 000	Grade (Cu %)	Tonnage 000	Grade (Cu %)
Lutopan Pit	541,100	0.34%	13,900	0.29%	16,500	0.23%	571,500	0.34%
Carmen Pit	247,500	0.36%	63,700	0.36%	37,000	0.36%	348,200	0.36%
<i>Total Copper</i>	<i>788,600</i>	<i>0.35%</i>	<i>77,600</i>	<i>0.35%</i>	<i>53,500</i>	<i>0.32%</i>	<i>919,700</i>	<i>0.35%</i>

Item 3. LEGAL PROCEEDINGS

“Commissioner of Internal Revenue (“CIR”) v. AT”, SC G.R. No. 222801 [CTA EB No. 1101]

The BIR issued a Ruling confirming that the period to collect deficiency excise taxes upon AT’s mining operations from July 1991 to August 1994 had prescribed. The CIR subsequently revoked the Ruling and in a letter dated 11 August 2010, payment for alleged deficiency excise taxes was demanded, which letter also served as a Formal Notice of Warrant of Distraint and/or Levy and Garnishment (“WDL”) with Notices of Tax Lien on all the properties of AT in the event of non-payment. Hence, AT instituted a Petition for Review before the CTA seeking the reversal of the revocation of the Ruling and suspension of any collection action on the assessments and the implementation of the WDL.

After trial on the merits, the *Court in Division* rendered its *Decision* dated 1 October 2013 granting AT’s Petition and cancelled and withdrew the assessment notices issued by the CIR against AT. The foregoing ruling was affirmed by the *Court in Division* and subsequently by the *CTA En Banc* in its *Decision* dated 14 August 2015 and *Resolution* dated 29 January 2016.

Not satisfied with the adverse decisions, the CIR filed a Petition for Review on Certiorari with the Supreme Court (SC). On 7 December 2016, the SC issued a *Resolution* denying the CIR’s Petition for Review and affirmed *in toto* the *Decision and Resolution* of the *CTA En Banc*. On 5 April 2017, the SC denied with finality the CIR’s motion for reconsideration (MR) and an *Entry of Judgment* was received by the Corporation from the SC on 30 August 2017 certifying that the SC *Resolution* has become final and executory and that the same is recorded in the *Book of Entries of Judgment*.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders, through the solicitation of proxies or otherwise.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

Item 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

(A) Market Price of and Dividends on AT's common equity and Related Stockholder Matters

(1) Market Information

AT's common shares of stock are traded on the Philippine Stock Exchange ("PSE"). Closing price of AT shares of stock as of 28 February 2018, is Php5.00 per share. The trading price range of AT shares of stock for each quarter within the last two (2) fiscal years:

	2016		2017	
	High	Low	High	Low
1Q	4.22	4.19	5.30	5.28
2Q	4.45	4.36	5.21	5.19
3Q	4.27	4.27	4.75	4.55
4Q	5.08	4.96	5.01	4.87

(2) Holders

As of 28 February 2018, there were a total of 20,768 individuals holding AT shares of stock and 2.65% of the total issued and outstanding AT shares of stock were held by foreigners

Top 20 Shareholders of AT as of 28 February 2018:

No.	Name	No. of Shares Held	% of Ownership
1	PCD Nominee Corporation (Filipino) ²	1,712,079,522	48.10
2	Anglo Philippine Holdings Corporation	966,000,292	27.14
3	SM Investments Corporation	607,239,708	17.06
4	Alakor Corporation	139,450,000	3.92
5	PCD Nominee Corporation (Foreign)	69,695,525	1.96
6	National Book Store	9,203,407	0.26
7	The Bank of Nova Scotia	4,425,254	0.12
8	Bank of Nova Scotia	2,950,169	0.08
9	Tytana Corporation	2,562,439	0.07
10	Merril Lynch, Pierce Fenner & Smith	2,138,244	0.06
11	Globalfund Holdings, Inc.	1,787,000	0.05
12	Metropolitan Bank and Trust Company	1,701,281	0.05
13	Mitsubishi Metal Corporation	1,680,000	0.05
14	William T. Enrile &/or William R. Enrile II &/or Nelly R. Enrile	1,500,000	0.04

² The Corporation has no information as to the beneficial owners of the shares of stocks held by the PCD Nominee Corp. (Filipino) other than: (i) SMIC with 604,788,435 shares (16.99%); (ii) Anglo with 53,570,500 shares (1.50%) and (ii) Alakor with 343,963,461 shares (9.66%)

15	National Financial Services	1,474,233	0.04
16	Lucio W. Yan &/or Clara Yan	1,100,000	0.03
17	Eric C. Lim or Christine Yao Lim	1,000,000	0.03
18	Toledo City Government	1,000,000	0.03
19	Asian Oceanic Holdings Phils., Inc	972,501	0.03
20	Donald R. Osborn as Trustee U/W/O	945,677	0.03

(3) *Dividends*

There has been no cash dividends declared by AT for the two (2) most recent fiscal years. No restriction exists that limits the ability to pay dividends on common equity or that are likely to do so in the future.

(4) *Recent Sales of Unregistered Securities, including recent issuance of securities constituting an exempt transaction*

The subscription and issuance of 1,472,500,000 common shares of stock to the existing substantial Shareholders below (the “Subscribers”) of AT in March and August 2017 (the “Share Issue”), in pursuance of the increase in the AT’s authorized capital stock (ACS), constitutes an exempt transaction under *Section 10-1(i) of the Securities Regulation Code (SRC) and Rule 10-1 of the SRC IRR.*

The Share Issue is equivalent to 25% of the total increase in the Corporation’s ACS of 5.89billion. The Subscription Aggregate Value (the “Issue Price”) is Php6,455,734,500 based on the Subscription Price of Php4.3842/share, the 90-day Volume Weighted Average Price (“VWAP”) preceding the Pricing Date. The required total paid up amount of Php1,613,933,625 was paid in cash by the Subscribers to the Corporation upon execution of the Subscription Agreements with the balance upon call:

<i>Subscriber</i>	<i>Number of Shares to be subscribed</i>	<i>Percentage</i>	<i>Subscription Price at Php4.3842/share</i>	<i>Paid-Up</i>
SM Investments Corporation (SMIC)	598,049,708	41	Php2,621,969,530	Php655,492,383
Anglo Philippines Holdings Corp. (Anglo)	845,000,292	57	3,704,650,280	926,162,570
Alakor Corporation (Alakor)	29,450,000	2	129,114,690	32,278,673
<i>Total</i>	<i>1,472,500,000</i>	<i>100</i>	<i>Php6,455,734,500</i>	<i>Php1,613,933,625</i>

Among the conditions to the Share Issue is the approval by the SEC of the Corporation’s increase in the ACS and the amendment of Article VII of the Articles of Incorporation. On 17 November 2017, the SEC issued AT’s *Certificate of Approval of Increase of Capital Stock and the Certificate of Filing of Amended Articles of Incorporation*. AT filed a *Notice of Exempt Transaction on SEC Form 10-1 under SRC 10(i)* with the SEC on 4 December 2017 for “*Subscriptions for shares of the capital stock in pursuance of an increase in the Corporation’s authorized capital stock.*”

Item 6. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

(1) *As of 31 December 2017*

The table below shows the results of operations of the AT Group over the last three fiscal years (‘000):

	2017	Δ%	2016	Δ%	2015	Δ%
Consolidated net income/(loss)	(1,967,948)	124%	(879,496)	8%	(814,439)	-305%
Consolidated gross revenues	11,964,162	-1%	12,079,853	7%	11,342,317	-30%
Costs and operating expenses	10,096,189	-3%	10,385,324	-3%	10,741,405	-14%

AT posted a *consolidated net loss* of Php1.968 billion in 2017. Its revenues and operating costs dropped by 1% and 3%, respectively. Below are the summary points year-on-year:

- Higher metal prices: average copper price increased by 26% from USD2.21/lb. to USD2.78/lb. which pushed for the increase in copper revenues of 5% of Php540 million. Average gold price improved by 1% from USD1,241/oz. to USD1,259/oz.;
- Higher revenue-others: 16% or Php2.577 million increase in revenues from the sale of magnetite and silver;
- Lower copper ore grade decreased by 10% from 0.321% to 0.289%;
- Lower milling tonnage dropped by 15% from 16.718 million tonnes of ore to 14.236 million tonnes of ore. Unusually high levels of rainfall experienced during the first quarter hampered mine operations which resulted to low tonnage of ore. Meanwhile, production levels during the second half increased by 14% or 41.578 million pounds of copper than 36.616 million pounds of copper in the first half;
- 3% decrease in cost and operating expenses was primarily attributable to lower shipments during the year;
- Equity in net earnings of associates dropped to Php7.471 million loss as compared to net income of Php61.713 million recognized in 2016;
- Debt issue cost amortization on certain long term loans amounted to Php524 million arising from the difference of nominal interest rate over the effective interest rate and;
- Provision for mark to market losses for copper price hedges of Php699 million was recorded as a result of accounting valuation made at year-end.

Gross revenue for the year reached Php12 billion, 1% lower year-on-year due to lower gold revenues mitigated by higher copper revenues. Copper revenues improved by 5% from Php10.164 billion to Php10.703 in 2017.

- Average copper prices increased by 26% to USD2.78/lb. while average gold prices remained stable at USD1,259/oz.
- CCC's average daily milling rate dropped by 15%, from 45,678 to 39,004 dmt. Realized copper grade declined by 10% from 0.321% to 0.289%. Copper concentrates produced dropped by 23% to 134,551 dmt to 175,700 dmt in 2016. Gold yield decreased by 35% to 21,979 ounces from 33,958 ounces production volume from last year. Additional revenue from magnetite and silver amounted to Php18.4 million.
- CCC shipped 129,718 dmt and 176,130 dmt of copper concentrates in 2017 & 2016, respectively. Copper metal content for the year is 75 million lbs. while gold is 19,112 oz., representing a decrease of 27% & 41% respectively vis-à-vis last year.

Cost and operating expenses (84% of gross revenues) were lower by 3% due to lower costs incurred for waste stripping, materials and supplies, fuel, power, labor and smelting charges.

Finance charges (18% of gross revenue) increased by 14% due to additional loans availed for working capital requirements and amortization of the debt issue cost on long term loans arising from the recognition of the difference between nominal interest rates and effective interest rates.

Other income (charges) increased by 46% primarily due to Php699 million provision for mark to market losses for copper price hedges as a result of accounting valuation at year-end.

USD:Php Exchange rate closed at USD1.00:Php49.93 as at 31 December 2017 against USD1.00:Php49.72 as at 31 December 2016. This triggered the recognition of net foreign exchange loss of Php26 million primarily from the restatement of Philippine Peso denominated loans and other payables as CCC has adopted the US dollar as its functional currency.

Benefit from (provision for) income tax decreased by 74% due to the settlement of bonds which has bond issue cost and decrease in unrealized foreign exchange loss.

Changes in Financial Position

The table below shows the highlights in the financial position of the Atlas Group over the last three fiscal years ('000):

	2017	2016	2015
Assets	74,402,874	73,899,134	70,846,552
Liabilities	38,011,671	37,229,042	34,366,324
Retained Earnings	15,992,908	17,960,856	18,840,352

The discussion below pertains to the audited consolidated financial condition of the Group as of 31 December 2017 vis-à-vis that as of 31 December 2016:

Cash and cash equivalents decreased by 43% mainly due to settlement of obligations with creditors and placements in time deposits. Short-term investments increased by 23% arising from additional time deposits whose maturity is more than 3 months from date of purchase.

Receivables decreased by 29% due to on time collection of trade receivables and lower interests from time deposits.

Inventories registered an increase of 28% mainly due to higher copper concentrates on hand at year-end and consumable items and spare parts.

Other Current Assets increased by 38% due to creditable withholding taxes, advances to suppliers, prepaid taxes, and various prepayments for 2018 operations

Property, plant and equipment (50% of total assets) increased by 3% due to acquisition of fixed assets used in operation and mine development costs. Movement in Mining Rights (11% of total assets) was due to production-driven depletion during the year.

Goodwill (26% of total assets) pertain to the allocated provisional fair values of identifiable assets and liabilities of Carmen Copper.

Investment in Associate pertains to AT's ownership over BNC, TMMI, URHI, UNC and NRHI (the "Nickel Corporations"), respectively, decreased by 4% representing its share in the net loss in its operations of Php7.471 million. Deferred tax assets (3% of total assets) increased by 9% due to the effects of the increase in NOLCO, provision for impairment losses, excess of MCIT over RCIT and debt issue cost. Other Noncurrent Assets (2% of total assets) decreased by 14% consists significantly of input VAT credits and Mine Rehabilitation Fund.

Accounts payable and accrued liabilities (8% of total liabilities) increased by 13% mostly on payables to suppliers. Current and non-current portions of long-term debts (10% and 59% of total liabilities) decreased by 78% and increased by 113%, respectively, due to settlement of loans that matured in 2017 and avilment of new long-term loans in the year for working capital requirements. Bank Loans which are short-term in nature decreased by 4% due to partial settlement of principal. Other current liabilities of Php1.870 billion represent the recognition of a non-cash financing activity pertaining to the financial guarantee by a shareholder on CCC's term loan.

Derivative liabilities increased by Php710 million arise from the recognition of embedded derivative liabilities of outstanding copper price hedges as copper increased over hedge prices at year-end.

Income tax payable pertains to the income tax liability for the year.

Retirement benefits liability increased by 11% due to actuarial valuation for 2017.

Liability for mine rehabilitation cost increased by 5% due to accretion of asset retirement obligation.

Pursuant to the increase in AT's Authorized Capital Stock to 8.890 billion common shares, *Capital Stock and Additional Paid-In Capital* increased by 71% and 34% respectively, arising from the issuance of new shares of stock. Likewise, *Subscription Receivable* of Php4.84 billion was recognized. Movement in *Retained Earnings* pertain to the net loss for the year amounting to Php1.968 billion.

Key Performance Indicators

The following table shows the key performance indicators of Atlas Group:

Particulars	Consolidated		
	2017	2016	2015
Current ratio	0.44:1	0.25:1	0.42:1
Debt to equity	1.09:1	1.06:1	0.91:1
Return on equity	-5.62%	-2.47%	-2.00%
Return on assets	-2.65%	-1.22%	-1.20%
Net profit margin	-17.78%	-8.05%	-7.18%

Current Ratio	=	Current Assets / Current Liabilities
Debt-to-Equity	=	Total Liabilities / Total Shareholders' Equity Attributable to Equity Holders of Parent Company
Return on Equity	=	Net Income Attributable to Equity Holders of Parent Company / Average Total Shareholders' Equity Attributable to Equity Holders of Parent Company
Return on Assets	=	Net Income Attributable to Equity Holders of Parent Company / Average Total Assets
Return on Sales	=	Net Income Attributable to Equity Holders of Parent Total Company / Total Consolidated Net Revenues

Liquidity and Capital Resources

Below is a summary of the Group's audited consolidated cash flow as of 31 December 2017:

Particulars (in Php million)	Amount
Net cash flow from operating activities	1,176
Net cash flows used in investing activities	(3,669)
Net cash flows provided by financing activities	1,453
Net increase in cash and cash equivalents	(1,044)

Cash from operating activities was due to increase in its working capital and interest received. Net cash used in investing activities was a result of the increased acquisition of property, plant and equipment. Net cash from financing activities increased due to proceeds from the issuance of new shares.

Material Plans, Trends, Events or Uncertainties

- *Shareholders' approval and confirmation* : In 2017, AT's Shareholders approved and confirmed the: (i) Increase in the authorized capital stock (ACS) and consequent amendment to article VII of AT's Articles of Incorporation (AOI), (ii) Share issue of up to 25% of the proposed increase in ACS equivalent to 1.4725 billion shares, (iii) Waiver of the conduct of public or rights offering of the shares subscribed, and (iv) Issuance of Warrants and the underlying common shares as a result of the exercise of the Warrants to major Shareholders. The aggregate increase in AT's capital stock is Php3billion to Php8.89 billion divided into 8.89 billion common shares, with a par value of Php1.00 per share.
- *Refinancing of the USD300 million bond of Carmen Copper Corporation*: Carmen Copper has successfully refinanced and settled its USD300 million bond that matured in March 2017 with a seven-year term loan from BDO Unibank Inc. amounting to USD320 million.

(2) As of 31 December 2016

The table below shows the results of operations of the AT Group over the last three fiscal years ('000):

	2016	Δ%	2015	Δ%	2014	Δ%
Consolidated net income/(loss)	(879,496)	8%	(814,439)	(305%)	397,080	(79%)
Consolidated gross revenues	12,079,853	7%	11,342,317	(30%)	16,181,061	12%
Costs and operating expenses	10,385,324	(3%)	10,741,405	(14%)	12,548,952	24%

AT registered a *consolidated net loss* of Php879 million, an 8% increase from last year, a 7% increase in revenues and a 3% decline in operating costs. The following are key factors:

- Higher copper metal content of shipments: Copper metal content increased by 3% from 95 million lbs. to 99 million lbs. as production was affected by higher copper grade which increased by 7% from 0.300% to 0.321%.
- Lower copper prices: Average copper prices dropped by 10% to USD2.21 per pound *vis-a-vis* last year's USD2.47/lb.
- Higher revenue from gold and magnetite: Gold revenue increased by 34% as volume shipped increased by 4.9Kozs and gold average price increased from USD1,154/oz. in 2015 to USD1,241/oz. this year. Revenue from magnetite has been realized with a shipment of 25kdmmt in 2016 while none in 2015.
- Lower Operating expenses: Operating expenses decreased by 3% from last year brought about by lower waste charged to operation, lower energy and materials and supplies costs as input prices remained low and operational efficiencies were attained. The decrease in operating expenses was further attributed to lower labor cost as a result of right sizing program implemented and lower smelting charges as market rates decreased during the current year.
- Decrease in Equity in net earnings of associates: Revenue from nickel corporations declined by 75% from Php244m to Php62m as a result of operational suspension during the latter part of 2016.

- Loss on disputed input tax of Php456 million representing credits disallowed under the revised rules of the Bureau of Internal Revenue and is the subject of a motion for reconsideration (MR) still pending with the Supreme Court.

Gross revenue for the year reached Php12 billion which is 7% higher year-on-year due to increase in volume shipped and higher gold revenues that offset the impact of lower copper prices. Copper revenues improved by 2% year-on-year and registered revenue of Php10.2 billion in 2016.

- Average copper prices during the period slid by 10% to USD2.21/lb. while average gold prices increased by 8% to USD1,241/oz.
- CCC's average daily milling rate declined by 7% in 2016, from 49,205 dmt to 45,678 dmt but the realized copper grade has improved by 7% from 0.300% to 0.321% in 2016. Relatively, the copper concentrates produced in 2016 improved by 1% to 175,700 dmt from prior year. Gold yield improved by 14% to 33,958 ounces as compared to prior year's production volume. Additional revenue was gained from the production of magnetite this year is 17,959 dmt against NIL in 2015.
- CCC shipped 176,130 dmt and 169,304 dmt of copper concentrates in 2016 and 2015, respectively. Copper metal content is 102 million lbs. while gold is 32,211 oz., representing an increase of 3% and 18% respectively, vis-à-vis last year.

Cost and operating expenses (86% of gross revenues) were lower by 3% due to lower costs incurred for waste stripping, materials and supplies, fuel, power, labor and smelting charges.

Finance charges (16% of gross revenue) increased by 18% due to additional loans availed for working capital requirements.

Other income (charges) increased by 129% due to significant impact on the loss on disputed input tax recognized in 2016 amounting to Php495 million and decline in the share in net earnings of associates by Php182 million.

USD:Php Exchange rate closed at USD1.00:Php49.72 as at 31 December 2016 against USD1.00:Php47.06 as at 31 December 2015. This triggered the recognition of net unrealized foreign exchange gain of Php158 million primarily from the restatement of Philippine Peso denominated loans and other payables as CCC has adopted the US dollar as its functional currency.

The Net Gain (loss) on fair value changes on derivatives are attributable to two derivative transactions: (a) recognition of derivative assets and liabilities from provisional pricing contracts still outstanding at the end of the year for copper concentrate shipments and (b) Commodity Swap Transaction as at 31 December 2016. CCC entered into a Copper Asian Swap with Standard Chartered Bank (SCB) on 15 November 2016. Net unrealized loss on provisional pricing of Php23 million was mitigated by the unrealized gain on commodity swap of Php7m.

Benefit from (provision for) income tax decreased in 2016 as compared to 2015 mainly due to the decrease in expenses which are not deductible in the current year but deductible in future years.

Changes in Financial Position

Highlights in the financial position of the AT Group over the last three fiscal years ('000):

	2016	2015	2014
Assets	73,899,134	70,846,552	65,915,281
Liabilities	37,229,042	34,366,324	29,516,491
Retained Earnings	17,960,856	18,840,352	19,654,791

The discussion below pertains to the audited consolidated financial condition of the Group as of 31 December 2016 vis-à-vis that as of 31 December 2015:

Cash and cash equivalents significantly increased by Php1.9 billion due to additional advances from shareholders during 2016 and collection of receivables towards year-end. *Receivables* decreased by 0.20% due to collection of trade receivables and reclassification of related party accounts. *Inventories* decreased by 24% due to sale of product inventory and consumption of material and supplies. *Other Current Assets* declined due to the increase in prepaid fees and taxes mitigated by the decrease in advance payment to suppliers.

Property, plant and equipment (49% of total assets) increased by 4% due to acquisition of fixed assets used in operation and mine development costs. Movement in *Mining Rights* (11% of total assets) was mainly due to production-driven depletion during the year. *Goodwill* (26% of total assets) pertain to allocated provisional fair values of identifiable assets and liabilities of CCC.

Investment in Associate pertains to AT's ownership over BNC, TMMI, URHI, UNC and NRHI, respectively. The Group assessed that it has significant influence over these entities and are accounted for as investments in associates. *Deferred tax assets* (3% of total assets) increased by 69% due to the effects of the increase in NOLCO, unrealized foreign exchange losses, provision for impairment losses and the excess of MCIT over RCIT. *Other Noncurrent Assets* (3% of total assets) decreased by 11% due to provision for input VAT written off during the year.

Accounts payable and accrued liabilities (7% of total liabilities) decreased by 53% due to payment of trade creditors and lower accruals on contracted services. *Current and noncurrent portions of long-term debts* (48% and 28% of total liabilities) increased by 476% and decreased by 48% respectively due to the reclassification of bond payable to current which will be due on March 2017. This was a net effect of the payment of maturing debts and the availment of long-term loans for working capital requirements.

Derivative liabilities increased by Php29 million during the year due to the recognition of embedded derivative liability on provisional pricing. *Income tax payable* pertains to the income tax liability for the year.

Retirement benefits liability decreased by 15% due to the payment of pension cost and actuarial valuation adjustments.

Liability for mine rehabilitation cost increased by 11% due to accretion of asset retirement obligation. *Deferred tax liabilities* increased by 1% mainly due to increase in unrealized foreign exchange gains and remeasurement gain on retirement liabilities.

Key Performance Indicators

Key performance indicators of the AT Group:

Particulars	Consolidated		
	2016	2015	2014
Current ratio	0.25:1	0.42:1	0.60:1
Debt to equity	1.06:1	0.91:1	0.82:1
Return on equity	-2.47%	-2.00%	0.34%
Return on assets	-1.22%	-1.20%	0.19%
Net profit margin	-8.05%	-7.18%	0.76%

Current Ratio	=	Current Assets / Current Liabilities
Debt-to-Equity	=	Total Liabilities / Total Shareholders' Equity Attributable to Equity Holders of Parent Company
Return on Equity	=	Net Income Attributable to Equity Holders of Parent Company / Average Total Shareholders' Equity Attributable to Equity Holders of Parent Company
Return on Assets	=	Net Income Attributable to Equity Holders of Parent Company / Average Total Assets
Return on Sales	=	Net Income Attributable to Equity Holders of Parent Total Company / Total Consolidated Net Revenues

Liquidity and Capital Resources

Below is a summary of the Group's audited consolidated cash flow as of 31 December 2016:

<u>Particulars (in Php million)</u>	<u>Amount</u>
Net cash flow used in operating activities	(1,041)
Net cash flows used in investing activities	(1,963)
Net cash flows provided by financing activities	5,303
Net increase in cash and cash equivalents	1,907

Cash from operating activities was mainly driven by decrease in accounts payables and accrued liabilities including interest payments on loans.

Material Plans, Trends, Events or Uncertainties

- *Increase in Authorized Capital Stock (ACS):* On 21 February 2017 Special Shareholders' Meeting (SSM) of AT, the Shareholders approved the: (i) Increase of the ACS and consequent amendment to the article VII of AT's Articles of Incorporation (AOI), (ii) Issuance of primary shares out of the increase in ACS, and (iii) Issuance of Warrants and the underlying common shares as a result of the exercise of the Warrants to major Shareholders. The ACS increased from Php6billion to Php8.5billion divided into 8.5billion common shares with a par value of Php1.00 per share of stock.
- *Promissory Notes from SMIC:* In 2016, the Parent Company availed from SMIC senior unsecured loan facilities covering the aggregate amount of Php5,949,128,000.00, to raise additional working capital. The loans are payable within 5 years from availment, accrued interest at 5% per annum subject to repricing at prevailing market rate and with prepayment option of all or part of the loan prior to maturity.
- *Infusion of Additional Equity Capital by AT to CCC:* In February 2016, AT and CCC executed Subscription Agreements for the equity capital infusion of AT into CCC in the amounts of Php705,375,000 and Php1,146,268,000 respectively at the subscription price of Php10.00 per share for a total of 70,537,500 and 114,626,800 common shares. In June and December 2016 AT subscribed to 19,103,950 and 14,000,000 common shares of CCC at the subscription price of Php100.00 per share for a total subscription price of Php1,910,395,000 and Php1,400,000,000 respectively.
- *Change in Par Value of Common Shares & Increase in ACS:* The change in Par Value of the common shares from Php8.00 per share to Php1.00 per share was approved by AT's Shareholders during the 2016 AGM and approved by the SEC on 29 June 2016. The reduction in par value is to effect a reduction in the unit price of the shares of stock, to widen the corporate base and to improve the marketability of primary share issuance. The decrease in capital stock and par value reduction resulted in *Additional Paid-In Capital (APIC)* of Php14,609,229,418. The AT BOD and Shareholders in 2016 approved the increase in capital

stock by Php3b, from Php3b to Php6b divided into 6b common shares at Php1.00 par value. As of December 2016, AT has not issued any share out of the increase in ACS.

- *Reduction in mill throughput at the Carmen Copper Mine:* On 6 April 2016, the implementation of a comprehensive plan to reduce the mill throughput at the Carmen Copper Mine was approved. Impact of the plan is estimated to reduce 2016 and 2017 copper production by 33% after implementation. The comprehensive restructuring involved: (i) Production levels scaled back from its name plate capacity of 60,000 tonnes per day (tpd) to 40k tpd; (ii) Mine site pre-stripping reduced for 2016 and 2017; (iii) Capex levels reduced; and (iv) Reduction in all operating costs which also affect 551 workers, equivalent to 15% of the workforce. The revised milling plan is in response to the recent decline in copper prices.

AT reduced its capital expenditures to \$27 million from the original planned spending of \$104m as it lowers the throughput of its Carmen Copper Mine. The planned capital spending is 74% lower than last year's capex. AT would continue to trim its capex to \$12 million next year.

(3) As of 31 December 2015

The table below shows the results of operations of the Atlas Group over the last three fiscal years ('000):

	2015	Δ%	2014	Δ%	2013	Δ%
Consolidated net income/(loss)	(814,439)	(305%)	397,080	(79%)	1,895,956	(45%)
Consolidated gross revenues	11,342,317	(30%)	16,181,061	12%	14,450,749	(7%)
Costs and operating expenses	10,741,405	(14%)	12,548,952	24%	10,113,355	(6%)

AT Group registered a *consolidated net loss* of Php814 million representing -7% of gross revenues and a 305% decline from prior year's operational results. The following are the key factors:

- Low copper prices - Average copper prices dropped by 21% to USD2.47 per pound vis-à-vis last year's USD3.12 because of the commodity slump in the global market.
- Lower Copper metal content of shipments - Copper metal content decreased by 5% from 100 million lbs to 95 million lbs as production was affected by lower copper grade which decreased by 4% from 0.314% to 0.300%.
- Lower Operating expenses – the combined effect of cost containment initiatives, improvement in operational efficiencies and lower prices of key input costs contributed to the reduction of operating expenses by 13%.
- Increase in Equity in net earnings of associates – strong performance of the Nickel Corporation resulted to the increase from P30 million in 2014 to P244 million in 2015.

Gross revenues for the year reached Php11.34 billion, 30% lower year-on-year due mainly to lower average metal price and lower head grade. Copper revenues slid by 28% and registered at Php9.92 billion.

- Average copper prices during the period slid by 21% to USD2.47 per pound, while average gold prices also dropped by 10% to USD1,152 per ounce.
- CCC maintained the same level of average daily milling rate at 49,205 dmt per day vis-à-vis prior year's 49,225 dmt/day. However, the realized copper grade was lower by 4% from 0.314% to 0.300%. Consequently, it produced a total of 173,297 dmt of copper concentrate for the year, thus realizing a 3% decrease in production output from prior year. Gold yield rose by 14% to 29,886 ounces.
- CCC shipped 169,304 dmt and 175,966 dmt of copper concentrates in 2015 and 2014, respectively. Copper metal content is 95 million lbs. and gold is 27,333 Ozs., representing a decrease of 5% and an increase of 14%, respectively, vis-a vis last year.

Costs and operating expenses (95% of gross revenues) were lower by 14% due to cost containment initiatives, the improvement in operating efficiencies and the decline in prices of key input costs which resulted in lower costs of fuel, power, explosives, equipment rental, reagents and materials and spares.

AT recognized the fair value of the investments retained in the Nickel Corporations and recognized a *Gain associated with loss of control of subsidiaries* amounting to Php44.62 million in 2014. AT also recognized *Equity in the net earnings of an associate* of Php30.08 million representing the second semester results of the nickel corporations for 2014. This year, AT recognized full year share in net earnings of Php244 million which corresponds to a 710% increase from 2014.

USD:Php Exchange rate closed at USD1.00:Php47.06 as at 31 December 2015 versus USD1.00:Php44.720 as at 31 December 2014. With the change in the functional currency of CCC from Philippine peso to US\$, the devaluation of the Peso has no longer materially impacted the results of operation resulting instead to a *Net foreign exchange gain* of Php138 million. A net foreign exchange loss of Php165 million was recognized during the same period in the previous year arising mainly from the restatement of US dollar-denominated loans and payables.

Greater portion of Short-term placements was utilized for operational expenditures during the year. Hence, *Interest income* slid by 34% to Php37 million compared with Php57 million of last year. *Finance charges* (14% of gross revenues) increased by 14% due to additional loans availed for working capital requirements. The 110% slump in *Other Income (charges)* – net was largely due to one-time service income recognized last year.

The *Unrealized gains or losses on derivatives and Realized gains or losses on derivatives* are attributable to the recognition of derivative assets and liabilities from provisional pricing contracts still outstanding at the end of the year for copper concentrate shipments. Atlas registered a 99% decrease in Unrealized losses on derivatives from Php290 million in 2014 due mainly to lower number of shipments with outstanding provisional pricing as of end of 2015. Realized gains on derivatives increased by 1554% to Php295 million as losses in 2014 reversed in 2015.

Benefit from (provision for) income tax increased because of additional deferred income tax arising from the Net Operating Loss Carry Over (NOLCO) and the Minimum Corporate Income Tax (MCIT).

Changes in Financial Position

The table below shows the highlights in the financial position of the Atlas Group over the last three fiscal years ('000):

	2015	2014	2013
Assets	69,575,967	65,915,281	63,205,327
Liabilities	33,095,739	29,516,491	26,353,582
Retained Earnings	18,840,352	19,654,791	19,842,996

The discussion below pertains to the consolidated financial condition of the Group as of 31 December 2015 vis-à-vis that as of 31 December 2014:

Short-term investments decreased by 19% due to pre-termination of short-term deposit placements. *Receivables* decreased by 25% due to decrease in revenues and collection of trade credits at year end. *Inventories* increased by 57% due to stockpiling and decrease in issuance of materials and supplies during the year. *Other current assets* decreased by 23% due to lower balances of deposits to suppliers, prepaid insurance and deferred cost of consumables.

Property, plant and equipment (50% of total assets) increased by 12% at cost due to continued capital acquisitions and development costs in Carmen Copper. Revaluation of Atlas' land properties resulted to increase of 36% from

prior year. Movement in *Mining Rights* (12% of total assets) was mainly due to production-driven amortization during the year. *Goodwill* (27% of total assets) mainly pertains to the allocated provisional fair values of identifiable assets and liabilities of CCC. *Investment in associate* pertains to AT's ownership over the Nickel Corporations. The 32% decrease was due to the net effect of equity in net earnings and dividend income for the year. *Other non-current assets* increased by 11% due to input value-added tax credits from trade purchases and impairment adjustments made during the year.

Accounts payable and accrued liabilities (8% of total assets) increased by 12% due to additional trade credits and accruals. *Current and noncurrent portions of long-term debt* (8% and 29% of total assets) increased by 88% and 9%, respectively. This was a net effect of availment of loans for working capital requirements: senior unsecured convertible loan from its principal shareholders, Alakor, Anglo, and the SMIC. Proceeds from the loans were utilized for working capital and to infuse funds in CCC. *Derivative liabilities* slid by 99% because of exercise and delivery of commodity forwards on copper concentrate within this year.

Retirement benefits liability decreased by 46% due to payment of pension costs and actual valuation adjustments. *Liability for mine rehabilitation* increased by 7% mainly because of additional provision for accretion of interest and share in cumulative translation adjustment of CCC. *Deferred tax liabilities* decreased by 29% which was mainly due to net operating loss carryover (NOLCO) recognized by CCC.

There were no additional issuances in *Capital stock* (24% of total assets) during the year, *APIC* increased by Php49 million or 169% as a result of the equity conversion option from the Php1.8 billion Convertible Loan availed from the SMIC, Alakor and Anglo.

Revaluation increment on land increased by Php80.3m or 37% due to appraisal of land properties during the year. *Re-measurement gain on retirement plan* was realized because of the recognition of actuarial valuation results an increase by 171% from last year's loss of Php183m. *Net unrealized gains on AFS investment* decreased by 20% due to impairment adjustments at year end. *Cumulative translation adjustments* of Php456 million was recognized this year due to change in CCC functional currency from Philippine Peso to United States Dollar.

On 29 April 2014, AT declared cash dividends of Php0.15 per share of its outstanding capital stock. The dividends were paid last 9 June 2014 to all stockholders of record as of 14 May 2014.

AT has issued a total of 1,183,603 of its shares of stock (the "Option Shares") as a result of the exercise of stock subscription rights granted under the existing stock option plan covering directors, officers, and employees of Atlas Mining and CCC (the "Stock Option Plan"). The Option Shares were issued at the price of Php10.00 per share. In 2013 1,754,190 option shares were issued at the same exercise price. On 28 November 2014, BDO Unibank Inc. exercised its subscription rights under stock warrants respecting a total of 18,728,000 of the authorized and unissued shares of stock. The exercise covered 9,728,000 of issuer's shares which represented the balance of the shares underlying the warrants after the initial subscription to 9,000,000 shares in 2010.

Performance Indicators

The following table shows the key performance indicators of AT Group:

Particulars	Consolidated		
	2015	2014	2013
Current ratio	0.42:1	0.60:1	0.77:1
Debt to equity	0.91:1	0.82:1	0.73:1
Return on equity	-2.24%	0.34%	5.34%
Return on assets	-1.20%	0.19%	3.15%

Net profit margin	-7.18%	0.76%	13.25%
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The abovementioned ratios were computed as follows:

Current Ratio	=	Current Assets / Current Liabilities
Debt-to-Equity	=	Total Liabilities / Total Stockholders' Equity Attributable to Equity Holders of Parent Company
Return on Equity	=	Net Income Attributable to Equity Holders of Parent Company / Average Total Stockholders' Equity Attributable to Equity Holders of Parent Company
Return on Assets	=	Net Income Attributable to Equity Holders of Parent Company / Average Fixed Assets Net
Return on Sales	=	Net Income Attributable to Equity Holders of Parent Company / Total Consolidated Gross Revenues

Liquidity and Capital Resources

Below is a summary of the consolidated cash flow of the Atlas Group ('000):

Net cash flow from operating activities	-	Php	520,424
Net cash flows used in investing activities	-	Php	(4,753,168)
Net cash flows from financing activities	-	Php	4,222,980
Net decrease in cash and cash equivalents	-	Php	(439,321)

Cash from operating activities declined because of lower copper price. Net cash used in investing activities was a result of the increased acquisition of property, plant and equipment. Net cash from financing activities increased chiefly from availment of additional loans for working capital and lower amounts of loan maturities and payments in 2015. Net increase in cash and cash equivalents was largely due to availment of loans.

Material Plans, Trends, Events or Uncertainties

- *Promissory Notes from SMIC.* In January and February 2016, availment from SMIC senior unsecured loan facilities covering the aggregate amount of Php705,375,000 and Php1,346,268,000 respectively to raise additional working capital, payable within 5 years from the dates of availment, accrue interest at the rate of 5% per annum subject to repricing at prevailing market rate and with prepayment option of all or part of the loan prior to maturity.
- *Infusion of Additional Equity Capital by AT to CCC.* In February 2016, AT and CCC executed Subscription Agreements for equity capital infusion of AT into CCC of Php705,375,000 and Php1,146,268,000 respectively at Php10.00 per share.
- *Change in the Par Value of the Common Shares.* On February 22, 2016, the BOD approved the change in the Par Value of the common shares from Php8 per share to Php1.00 per share, with capital stock of Php3b and subsequently increasing the ACS to Php6b divided into 6b common shares. The proposed reduction in par value is to effect a reduction in the unit price of the shares, and improve the marketability of primary share issuance.
- *Others.* As at 31 December 2015, (i) there was no known trend or contingent event that may have a material effect on the liquidity of AT or CCC, or on the marketability of CCC's products, other than commodity price volatility in the world market, (ii) there were no material off-balance sheet transactions, arrangements, or obligations involving CCC, (iii) there were no material firm commitments for new capital expenditures, and (iv) there was no significant element of income or loss from continuing operations, other than commodity price volatility in the world market.

CCC was unable to maintain certain financial ratios under its long-term loan agreements which compliance was duly waived by all the lenders. CCC settled the principal amounts and interests of the aforementioned long-term loans on a timely basis.

The Management of AT is constantly assessing options to optimize operations and investors and lenders will be tapped for additional support when necessary. There is (i) no product research and development for the term of the plan of operation, (ii) no expected purchase or sale of plant and significant equipment, and lastly (iii) no expected significant changes in the number of employees.

Item 7. FINANCIAL STATEMENTS

The Audited Financial Statements of AT for 2017 are incorporated herein by reference.

Item 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Sycip Gorres Velayo & Company (“SGV”), with business address at 6760 Ayala Avenue, Makati City, is the external auditor for the current year and has been the Corporation’s independent accountant since 1958. AT engaged Ms. Eleanore A. Layug of SGV for the examination of the Corporation’s financial statements from 2013 to 2017. AT has always faithfully complied with the five (5)-year rotation requirement with respect to its external auditor’s certifying partner.

No independent accountant engaged by the Corporation has resigned, or has declined to stand for re-election, or was dismissed, and the Corporation has engaged no new independent accountant.

AT has not had any disagreement on accounting and financial disclosures with its current independent accountant/external auditor for the same periods or any subsequent interim period.

The Corporation did not engage any other firm for tax accounting, compliance, advice, planning and any form of tax services covering the years 2017 and 2016.

The table below shows the aggregate fees of SGV for the years ended 31 December 2017, 2016 and 2015 for the following: (i) audit of the AT Group’s annual financial statements, and (ii) other related services involving the examination of AT’s or CCC’s books of account. There were no other professional services rendered by SGV during the period.

<i>Particulars</i>		<i>2017</i>		<i>2016</i>		<i>2015</i>
Audit	Php	3,600,000	Php	3,600,000	Php	3,600,000
Interim Review		-		775,000		879,878
Performance of agreed-upon procedures		-		-		-
TOTAL	Php	3,600,000	Php	4,375,000	Php	4,479,878

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

A) Information on:

- (i) *Directors and Executive Officers:* The Corporation's Board of Directors ("BOD") is composed of eleven (11) members, elected by the Shareholders at the AGM to hold office for a period of one (1) year or until removed or replaced by a duly-elected and qualified candidate. The principal officers of the Corporation are elected annually by the BOD during its organizational meeting following the AGM, each to hold office until removed or replaced by a duly elected and qualified candidate.

The incumbent Directors and Officers of the Corporation elected on 27 July 2017:

<i>Name</i>	<i>Board of Directors & Officers</i>	<i>Citizenship</i>	<i>Age</i>
Alfredo C. Ramos	Chairman of the Board of Directors	Filipino	74
Frederic C. DyBuncio	Vice Chairman of the Board of Directors	Filipino	58
Adrian Paulino S. Ramos	Director/ President	Filipino	39
Martin C. Buckingham	Director/Executive Vice President	British	65
Isidro A. Consunji	Director	Filipino	69
Gerard Anton S. Ramos	Director	Filipino	43
Jose T. Sio	Director	Filipino	78
Fulgencio S. Factoran Jr.	Independent Director	Filipino	74
Emilio S. de Quiros, Jr.	Independent Director	Filipino	69
Laurito E. Serrano	Independent Director/ Lead Director	Filipino	57
Jay Y. Yuvallos	Independent Director	Filipino	51
Roderico V. Puno	Corporate Secretary	Filipino	54
Fernando A. Rimando	Vice President-Finance/Chief Financial Officer	Filipino	51
Maria Eleonor A. Santiago	Compliance Officer/Assistant Corporate Secretary/ Head, Legal Affairs and Corporate Governance	Filipino	51

- (ii) *Significant Employees:* The Corporation has no significant employees.
- (iii) *Family Relationships:* Other than those between Mr. Alfredo C. Ramos and his sons, Messrs. Adrian Paulino S. Ramos and Gerard Anton S. Ramos, there are no immediate family relationships among the directors and officers.
- (iv) *Involvement in Certain Legal Proceedings:* The Corporation is not aware of any legal proceeding of the nature required to be disclosed under Part IV, Paragraph (A), (4) of Annex C, SRC Rule 12, with respect to directors and executive officers of the Corporation during the past five (5) years up to the date of this Report that are material to an evaluation of the ability or integrity of any director or executive officer, except for the pendency of a preliminary investigation (PI) with the *Preliminary Investigation and Administrative Bureau, Office of the Ombudsman* for alleged violation of the provisions of Republic Act (RA) No. 3019 for incumbent director and nominee Fulgencio Factoran, Jr.

A brief write-up on the business experience of the incumbent Directors and Executive Officers of the Corporation:

Board of Directors

Alfredo C. Ramos has been a member of the Board of Directors (“BOD”) of AT since 1989, and has served as its Chairman and President since 2 April 2013 until his resignation from the latter’s post on 1 April 2015. He is concurrently the incumbent (i) Governor of the National Book Development Board; (ii) Chairman of the BOD of Carmen Copper Corporation (“CCC”), Anglo Philippine Holdings Corporation (“Anglo”), Anvil Publishing, Inc., NBS Express, Inc., and Aquatlas, Inc.; (iii) Chairman of the BODs and President of Alakor Corporation (“Alakor”), National Book Store, Inc. (“NBSI”), NBS Subic, Inc., The Philodrill Corporation, Vulcan Industrial & Mining Corporation, and United Paragon Mining Corporation; (iv) Vice-Chairman of the BODs of MRT Development Corporation and Shang Properties, Inc.; (v) President of Abacus Book & Card Corporation, MRT Holdings Corporation, Power Books, Inc., TMM Management, Inc., and Zenith Holdings Corporation; (vi) Treasurer and Trustee of Studium Theologiae Foundation, Inc. He has held these positions over the last five (5) years. Mr. Ramos obtained his bachelor’s degree from the Ateneo de Manila University.

Frederic C. DyBuncio has been a member of the BOD since 12 August 2011, and has served as its Vice-Chairman since 22 August 2012. He is concurrently the (i) President/Chief Executive Officer (“CEO”) of SM Investments Corporation (“SMIC”); (ii) Adviser to the BOD of Belle Corporation and its subsidiary Premium Leisure Corp.; and (ii) Vice Chairman of the BOD of CCC; Prior to holding the post, he was a career banker who spent over 20 years with JPMorgan Chase and its predecessor institutions. He graduated from Ateneo de Manila University with a Bachelor of Science Degree in Business Management and finished a Master’s Degree in Business Administration program from the Asian Institute of Management (“AIM”).

Adrian Paulino S. Ramos has been a member of the BOD since 18 July 2007, and has served as its President since 1 April 2015. He is concurrently the (i) President/Chief Operating Officer and Director of Anglo; (ii) Vice-President and Director of Alakor; (iii) Vice President/CFO of National Bookstore, Inc.; (iv) Corporate Secretary/Director of Alakor Securities Corporation and Trafalgar Investments Corp.; (v) Treasurer/ Director of Peakpres Corporation, United Paragon Mining Corporation and Vulcan Industrial & Mining Corporation, (vi) Director of CCC, The Philodrill Corporation, and Zenith Holdings Corporation. He graduated from Ateneo de Manila University with a Bachelor of Science Degree in Management (Honors Program), Cum Laude and a Master’s Degree in Business Administration (with Distinction) from the Kellogg School of Management, Northwestern University, Majors in Decision Sciences, Analytical Consulting and Accounting Information and Management.

Martin C. Buckingham has been a member of the BOD since 4 December 1996 and has served as its Executive Vice-President since 22 July 2002. He is concurrently a Director and Executive Vice-President of CCC and has held this position over the last five (5) years. He obtained his law degree from Cambridge University (United Kingdom).

Isidro A. Consunji has been a member of the BOD of AT and CCC since 22 April 2012. He is concurrently the Chief Executive Officer (CEO) of Semirara Mining Corporation and President/CEO of DMCI Holdings, Inc. He has held these positions over the last five (5) years. He obtained his undergraduate degree in Civil Engineering from the University of the Philippines and his Master’s Degree in Business Administration from the AIM.

Gerard Anton S. Ramos has been a member of the BOD since 18 July 2007. He is concurrently holding the positions of (i) Director/Vice-President of Alakor and United Paragon; (ii) Director/Vice-President/Corporate Secretary of National Bookstore, Inc.; (iii) Executive Vice President/ Investments of Anglo; (iv) General Manager of Tipo Valley Realty Inc.; (v) Director/Vice President/Treasurer of Alakor Securities Corporation; (vi) Treasurer of Pargold Mining Corporation and Trafalgar Investments Corporation; and (vii) Director of CCC, Zenith Holdings Corporation and Philodrill Corporation. He obtained his Bachelors of Science Degree in Management from the Ateneo de Manila University.

Jose T. Sio has been a member of the BOD since 12 August 2011. He is a Certified Public Accountant and holds a Bachelor of Science Degree in Commerce (major in Accounting) from the University of San Agustin. He obtained his Master’s in Business Administration from New York University, USA. He is the Chairman of the Board of Directors of

SMIC. Likewise, he is a member of the BOD of the following companies listed in the PSE (i) China Banking Corporation; (ii) Belle Corporation and Adviser to the BOD of BDO Unibank, Inc., and Premium Leisure Corp. Mr. Sio also serves as Director of the following private companies: (i) OCLP (Ortigas) Holdings, Inc., (ii) CCC, (iii) Manila North Tollways Corporation, (iv) CityMall Commercial Centers Inc., and (v) First Asia Realty Development Corporation. He was a senior partner of SGV from 1977 to 1990 and was voted as CFO of the year in 2009 by the Financial Executives of the Philippines (FINEX). He was also awarded as Best CFO (Philippines) in various years by Hong Kong-based publications such as Alpha Southeast Asia, Corporate Governance Asia, Finance Asia and The Asset.

Fulgencio S. Factoran, Jr. has been an Independent Director since 28 February 2012 and member of the Corporate Governance Committee of the BOD. His business affiliations are the following: (i) Chairman of the BOD/member of the BOD of the Agility Group of Companies (Agility Logistics Holding, Inc., Agility Holding Company, Inc., Agility Logistics Distribution, Inc., Agility International Logistics, Inc., Agility Solutions, Inc. and Agility Subic, Inc.). He is the Principal Partner of Factoran and Associates Law Offices since 1996 until the present. He is a Trustee of Philippine Educational Theater Association (“PETA”) and a Co-founder and past President of Movement of Attorneys for Brotherhood, Integrity, and Nationalism Inc. (“MABINI”).

He held several government positions under the Corazon Aquino Administration such as Deputy Executive Secretary at the Office of the President of the Phil., Secretary of the Department of Environment and Natural Resources (“DENR”), Chairman of the Board of Trustees of the National Electrification Administration (“NEA”); Chairman of the BOD of the Philippines Charity Sweepstakes Office (PCSO); Member, Board of Trustees of the Development Academy of the Philippines (“DAP”). He also served as a member of the Board of Trustees of Government Service Insurance System (“GSIS”) from 1998 to 2004. He received his Bachelor of Arts in Humanities and Bachelor of Laws degrees, the latter as Valedictorian, from the University of the Philippines and his Master of Laws degree from the Harvard Law School (Harvard University, Cambridge, Massachusetts). The law office of Factoran and Associates does not act as legal counsel of AT.

Laurito E. Serrano has served as an Independent Director since 22 August 2012 and he was elected as the Lead Director on 27 July 2017. He concurrently sits as a member of the Board of Directors of CCC, Pacific Online Systems, Inc., 2GO Group, Inc., Negros Navigation Co., Inc., MJC Investments Corporation, Axelum Resources Corp., APC Group, Inc., United Paragon Mining Corporation, and MRT Development Corporation. Mr. Serrano’s professional experience which span over 28 years cover, among others, financial advisory, project development engagements, transaction structuring, public debt/equity offerings, asset securitization and monetization, business acquisitions, investment promotion, audit services and other similar financial advisory services. He started his career at SGV as member of the Audit and Business Advisory Group and later rose to the rank of Partner under the Corporate Finance Consulting Group of the same company. Mr. Serrano is a Certified Public Accountant, has a Master’s Degree in Business Administration from the Harvard Graduate School of Business (Boston, Massachusetts, U.S.A.); and a Bachelor of Science in Commerce degree (Cum Laude) from the Polytechnic University of the Philippines.

Jay Y. Yuvallos has served as an Independent Director of AT and CCC since 9 August 2016. He is currently the President of Interior Basics Export Corporation and YZ Global Resources, Inc., a Director of Sun Energy Developers Asia Inc. and Treasurer of Medgruppe Polyclinics & Diagnostic Center. He is the Philippine Representative to the ASEAN Business Advisory Council (“ABAC”) and East Asia Business Council. He served as the Acting Chairman of the ABAC Small & Medium Enterprise (SME) Working Group and Chairman to the E-commerce Working Group. He is also a member of the BOD of the Philippine Export-Import (“PhilExim”) Credit Agency. He obtained his undergraduate degree of Bachelor of Science in Commerce-Accounting from the University of San Jose-Recoletos.

Emilio S. de Quiros, Jr. has served as an Independent Director of AT since 27 July 2017. He is also currently a director of Belle Corp. He has served as President and CEO of the Social Security System (“SSS”) and Chairman of Belle Corp. He was also a Vice Chairman/Director of the PSE Market Integrity Board, Director of Union Bank of the

Phil., Philex Mining Corp., Philhealth Insurance Corporation, ALFM Peso Mutual Fund, ALFM Euro Mutual Fund, ALFM Growth Fund, Phil. Stock Index Fund. Prior to his appointment as President and CEO of SSS, he served as Executive Vice President of Bank of the Philippine Islands (“BPI”) and President of Ayala Life Insurance Inc., Ayala Plans and BPI Bancassurance Inc. Mr. De Quiros graduated from Ateneo de Naga with a Bachelor of Arts in Economics degree (Cum Laude), and holds a Master of Arts in Economics degree from the University of the Philippines.

Officers

Roderico V. Puno has served as the Corporate Secretary of AT since 15 September 2006. He is the Managing Partner of Puno and Puno Law Offices. He is concurrently the Corporate Secretary of CCC and First Philippine Industrial Park. Likewise, he sits as one of the members of the BOD of GT Capital Holdings. His expertise extends not only in the practice of energy, corporate, banking and finance arbitration laws but also in real estate, utilities regulation, securities, infrastructure and other similar commercial transactions. His esteemed stint in the practice of Phil. energy laws propelled him to be one of the drafters and implementers of the Electric Power Industry Reform Act. He obtained his Bachelor of Arts in Political Law and Bachelor of Laws degrees from the Ateneo de Manila University and his Masters of Law (with Honors) from Northwestern University in Chicago. He is recognized by the Chambers Global and International Financial Law Review as one of the leading Philippine Lawyers in Business Law

Fernando A. Rimando has served as the Chief Finance Officer (CFO) and Vice President of AT since September 2012. Mr. Rimando is also the CFO and Vice President of CCC. He has more than 28 years of experience in the fields of audit and finance and has held executive positions in the mining, energy and telecommunication industries. He is a Certified Public Accountant with a Bachelor of Commerce in Accountancy Degree obtained from Saint Louis University.

Leila Marie P. Cabañes has served as the Treasurer of AT since 24 April 2015. She has more than a decade of experience in the local banking industry where she specialized in trust banking and fund management. Prior to joining AT, she spent 14 years of her career in several financial institutions such as Metrobank, Land Bank of the Philippines and the United Coconut Planters Bank. She obtained her Bachelor of Commerce in Applied Economics and her Master in Business Administration-Finance (with honors/distinction) degrees from the De La Salle University.

Maria Eleonor A. Santiago has served as Assistant Corporate Secretary/Compliance Officer/Head, Legal Affairs and Corporate Governance of AT and CCC since 1 September 2015. Prior to joining AT, she was in the mining, real estate and information technology industries, both in private and publicly listed companies. She obtained her Bachelor of Arts in Political Science from the University of the Philippines, Diliman and Bachelor of Laws Degree from the San Beda College of Law. She also finished the Strategic and Business Economics Program at the University of Asia and the Pacific.

➤ *Representations regarding the nominees*

- (1) The current Directors are nominated to the BOD seats for 2018. The nominees were selected through the nomination process determined and implemented by the Corporation’s Corporate Governance Committee (“CGCom”) pursuant to the Corporation’s By-Laws, Nomination Committee Charter, CGCom Charter, the Code of Corporate Governance and applicable laws and regulations.

The CGCom is composed of the following members, all of whom are Independent Directors:

1. Jay Y. Yuvallos : Chairman (Independent Director)
2. Fulgencio Factoran, Jr. : Member (Independent Director)
3. Emilio S. de Quiros, Jr. : Member (Independent Director)

Nominees for election to the seats reserved for Independent Directors and the Shareholders who nominated them:

Nominees for Independent Directors	Nominated by:	Relationship
Fulgencio S. Factoran, Jr	Anglo Philippine Holdings Corporation	None
Laurito E. Serrano	SM Investments Corporation	None
Emilio S. de Quiros, Jr.	Anglo Philippine Holdings Corporation	None

- (2) To the best of the Corporation's knowledge, the nominees for Independent Directors who are also the incumbent Independent Directors, Messrs. Factoran, Serrano and de Quiros, possess the qualifications and none of the disqualifications for the position of Independent Director pursuant to *SRC Rule 38*. Messrs. Factoran, de Quiros, and Serrano, have no existing relationship or affiliation with the Corporation other than that created by virtue of their election as AT's and CCC's Independent Director. They also have no existing relationship or affiliation with Alakor, Anglo or SMIC.

Copies of the Certificate of Qualification of Independent Directors of Messrs. Factoran, Serrano and de Quiros are enclosed herewith.

- (3) No Independent Director has exceeded the term limit as stated in *SEC MC No. 4 Series of 2017 re: Term Limit of Independent Director*.
- (4) No Director has resigned or declined to stand for re-election to the Board of Directors since the date of the last AGM because of disagreement with the Corporation on any matter relating to the Corporations operations, policies or practices.
- (5) Based on the information provided to the Corporation and to the best of the Corporation's knowledge, none of its incumbent Directors and Officers or nominees for directors' and officers' positions is working for or with the government, except for Mr. Jay Y. Yuvallos, one of the current Independent Directors, who is concurrently a director of Trade Investment Development Corporation of the Philippines ("TIDCORP") also known Philippine Import-Export Credit Agency ("PhilExim"). A copy of the Secretary's Certificate certifying that Mr. Yuvallos' request for consent/permission to be an Independent Director of private corporations is granted by TIDCORP's Chairperson (Alternate) with the concurrence of the BOD is incorporated herein by reference.

Item 10. EXECUTIVE COMPENSATION

- (1) *General*. Please see below
- (2) *Summary Compensation Table*

Aggregate cash compensation paid during the last three (3) fiscal years ended 31 December 2017, 2016 and 2015 to the five (5) most highly compensated officers and to all other officers as a group:

Summary Compensation Table

Aggregate annual cash compensation (Php)

Name and Principal Position	Aggregate annual cash compensation (Php)			
	Year	Salaries	Other compensation	Bonuses

CEO & four (4) Most Highly Compensated Officers*

- (1) *Adrian Paulino S. Ramos, President**
 (2) *Martin C. Buckingham, Executive Vice-President**
 (3) *Fernando A. Rimando, Chief Financial Officer (CFO), VP-Finance**
 (4) *Feliciano B. Alvarez, Chief Audit Executive (CAE), AVP- Internal Audit**
 (5) *Leila C. Cabañes, Treasurer, Manager-Treasury & Commercial Development**

2018 (estimate)	22,237,854	-0-	-0-
2017	22,237,854	-0-	-0-
2016	22,055,669	-0-	-0-
2015	21,106,167	-0-	1,763,567

All other officers as a group

2018 (estimate)	-0-	-0-	-0-
2017	-0-	-0-	-0-
2016	-0-	-0-	-0-
2015	15,152,400	-0-	1,262,700

(3) *Compensation of Directors:* AT Group compensates its Directors with a *per diem* of Php10,000.00 and allowance or remuneration. As of 31 December 2017, the amount received by the Directors as a group is Php4.7m. There are no other arrangements pursuant to which any Director of AT was compensated, or is to be compensated, directly or indirectly, during the Corporation's last completed fiscal year and the ensuing year, for any service provided as a director.

(4) *Employment Contracts, Termination of Employment and Change-in-Control Arrangements:* No other changes in employment and control arrangements as of 28 February 2018.

There is no compensatory plan or arrangement, including payments to be received from the Corporation, with respect to a named executive officer, if such plan or arrangement results or will result from the resignation, retirement or any other termination of such executive officer's employment with the Corporation and its subsidiaries or from a change-in-control of the Corporation or a change in the named executive officer's responsibilities following a change-in-control.

(5) *Stock Options:* On 18 July 2007, the Corporation's Shareholders approved a Comprehensive Stock Option Plan ("CSOP") covering directors, officers, managers and key consultants of AT and its significant subsidiaries.

Salient terms and features of the CSOP:

- i. *Number of underlying shares:* 50,000,000 common shares to be taken out of the unissued portion of the Corporation's authorized capital stock; 25,000,000 shares earmarked for the first-tranche optionees.
- ii. *Option Period:* Three (3) years from the date the stock option is awarded to the optionees, 14 July 2011
- iii. *Vesting Period:* Subscription rights covering 1/3 of shares of stock will vest during each year of the 3-year option period
- iv. *Exercise Price:* Php10.00 per share

The following table shows the extent of the stock option award under the CSOP to the three (3) most highly compensated officers of the Corporation and to all other directors and officers of the Company collectively:

<u>Name</u>	<u>Position</u>	<u>No. of Shares</u>
Alfredo C. Ramos	Chairman & previous President	4,385,970
Martin C. Buckingham	EVP and Director	3,508,770
Adrian Paulino S. Ramos	President	2,631,570
Other officers and directors as a group		3,491,236
TOTAL		14,017,546

Qualified employees who were previously granted stock option awards exercised their subscription rights with respect to shares of stock of the Corporation. Details are as follows:

	2014	2013	2012
Number of shares	1,183,604	1,754,190	2,215,788
Total subscription price	Php11,836,040	Php17,541,900.00	Php22,157,880

For the last completed fiscal year, there is no movement or adjustment on the exercise price of stock options previously awarded to any of the officers/directors covered, whether through amendment, cancellation or replacement, or any means.

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Record and Beneficial Owners of more than 5% of AT common shares of stock as of 28 Feb. 2018:

Title of Class	Name & Address of Record Owner	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	Amount and Nature of Ownership ³	Percent of Class (%)
Common	SM Investments Corporation ("SMIC") ⁴ 10 th Floor, One E-Com Center Mall of Asia Complex, Pasay City (Shareholder)	SMIC	Filipino	1,212,028,143	34.05
Common	Alakor Corporation ("Alakor") ⁵ Quad Alpha Centrum 125 Pioneer St., Mandaluyong City (Shareholder)	Alakor	Filipino	483,413,461	13.58
Common	Anglo Philippine Holdings Corporation ("Anglo") ⁶ Quad Alpha Centrum 125 Pioneer St., Mandaluyong City (Shareholder)	Anglo	Filipino	1,019,570,792	28.64
Common	PCD Nominee Corp. ⁷ (Filipino)	Clients, PCD Nominee Corp. ⁸	Filipino	1,712,079,522	48.10%

³ The listed beneficial or record owner has no right to acquire within 30 days, from options, warrants, rights, privileges or similar obligations or otherwise coming from AT.

⁴ The President and/or Executive Director of SMIC have the power to vote the common shares of SMIC in AT.

⁵ The Chairman of the Board of Directors/President of Alakor has the power to vote the common shares of Alakor in AT.

⁶ The Chairman of the Board of Directors of Anglo has the power to vote the common shares of Anglo in AT.

⁷ The Corporation has no information as to the beneficial owners of the shares of stocks held by the PCD Nominee Corp. (Filipino) other than: (i) SMIC with 604,788,435 shares (16.99%); (ii) Anglo with 53,570,500 shares (1.50%) and (iii) Alakor with 343,963,461 shares (9.66%)

⁸ The clients of the PCD Nominee Corporation have the power to decide how their shares are to be voted. There are no other individual shareholders who own more than 5% of the Corporation

Security ownership of Directors and Executive Officers of AT as of 28 February 2018:

Title of Class	Name of Directors / Officers and Position	No. of Shares Held ⁹	Percent (%)	Nature of Ownership
Common	Alfredo C. Ramos Director/Chairman of the Board	1,513,217,687	42.51	Record & Beneficial Owner
Common	Frederic C. DyBuncio Director/Vice-Chairman	1,001	0.00	Beneficial Owner
Common	Martin C. Buckingham Director/Executive Vice-President	19,498,901	0.55	Beneficial Owner
Common	Isidro A. Consunji Director	95,991,305	2.70	Beneficial Owner
Common	Adrian Paulino S. Ramos Director/President	5,618,010	0.16	Beneficial Owner
Common	Gerard Anton S. Ramos Director	5,051,000	0.14	Beneficial Owner
Common	Jose T. Sio Director	1,001	0.00	Beneficial Owner
Common	Fulgencio S. Factoran, Jr. Independent Director	110,000	0.00	Beneficial Owner
Common	Jay Y. Yuvallos Independent Director	5,000	0.00	Beneficial Owner
Common	Emilio S. de Quiros, Jr. Independent Director	100	0.00	Beneficial Owner
Common	Laurito E. Serrano Independent Director	2,000	0.00	Beneficial Owner
Common	Roderico V. Puno Corporate Secretary	0	0.00	N/A
Common	Fernando A. Rimando Chief Financial Officer & VP-Finance	0	0.00	N/A
Common	Maria Eleonor A. Santiago Asst. Corporate Secretary/Compliance Officer/Head, Corporate Legal Affairs & Corporate Governance	0	0.00	N/A
Common	Leila Marie P. Cabañes Treasurer	0	0.00	N/A
Common	Feliciano B. Alvarez Chief Audit Executive	0	0.00	N/A
	All Directors and Officers as a Group	1,639,496,005	46.06%	

AT has no information as to person/s holding five percent (5%) or more of its securities which are held under a voting trust or similar agreement.

There has been no change in the control of the Corporation since the beginning of its last fiscal year. The Corporation is not aware of any arrangement which may result in a change in control of the Corporation.

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The members of the Related Party Transactions Committee (RPTCom) are all Independent Directors:

⁹ The listed beneficial or record owner has no right to acquire within thirty (30) days, from options, warrants, rights, privileges or similar obligations or otherwise coming from the Corporation.

1. Jay Y. Yuvallos : Chairman (Independent Director)
2. Laurito E. Serrano : Member (Independent Director)
3. Fulgencio S. Factoran, Jr. : Member (Independent Director)

There are no known related party transactions during the last two (2) years other than the following: (i) proposed issuance of warrants and the underlying common shares as a result of the exercise of the warrants as disclosed below; (ii) Note 21 (Related Party Transactions) of the Notes to the AT and Subsidiaries (the "AT Group") Audited Consolidated Financial Statements (AFS) for the year ended 31 December 2017; and (iii) primary issuance of shares in 2017 discussed in Item V Clause (A)(4) of Part II Operational and Financial Information hereof which is incorporated herein by reference.

The AT Group's related party transactions are under terms that are no less favorable than those arranged with third parties.

Issuance of Warrants:

In 2017, to refinance the US\$300 Million of existing bonds at its wholly-owned subsidiary, Carmen Copper Corporation (CCC), as well as its existing bank debts and Shareholders' advances into a subordinated loan with warrants, AT approved the issuance of approximately 5.6 Billion Warrants and the corresponding 5.6 Billion Underlying Common Shares as a result of the exercise of the Warrants. The Warrants shall be issued to the following substantial Shareholders or their assigns: SM Investments Corp. (SMIC), Anglo Philippines Holdings Corporation (Anglo) and Alakor Corporation (Alakor), at the Exercise Price of Php4.3842.

The number of Warrants to be issued is around 5,541,191,780 but shall be subject to change or revision: SMIC with 5,349,908,307 Warrants, Anglo with 153,026,778 Warrants, and Alakor with 38,256,695 Warrants, all with the same number of underlying Shares of Stock.

On 21 February 2017 Special Shareholders' Meeting (SSM) of the Corporation, AT's Shareholders approved the issuance of the Warrants and the Underlying Common Shares as a result of the exercise of the Warrants. During the said SSM, AT also obtained a waiver of the conduct of a rights or public offer for the issuance of the Underlying Shares as a result of the exercise of the Warrants by a majority vote representing the outstanding shares held by the minority Shareholders present or represented at the meeting. As of 31 December 2017 no warrants was issued by the Corporation.

The following are the other salient features, terms and conditions and other relevant information regarding the Warrant Issue:

- Entitlement ratio is 1:1, thus corresponding number of underlying securities is approximately 5.6 Billion Common Shares. Each Warrant entitles to subscribe to one (1) common share of stock of the Corporation.
- Exercise period of the Warrants shall be from and including the date of issue of the Warrants up to 5:00 p.m. on the day immediately preceding the date of the seventh (7th) anniversary of the date of issue of the Warrants. Expiry date is the seventh (7th) anniversary of the date of the issue of the Warrants.
- Basis of determining the Exercise price of Php4.3842 is the 90-day Volume Weighted Average Price (VWAP) preceding the pricing date, 16 November 2016.
- The Warrants constitute direct, unsecured and unsubordinated obligations of AT and will at all times rank *pari passu* without preference among themselves and with all other outstanding unsecured and unsubordinated obligations of the Corporation, past and future.
- Exercise of the Warrants is subject to all applicable laws, regulations and practices in force on the relevant exercise date.
- Warrants are exercisable on any business day during the Exercise Period.
- The Corporation may, but is not obligated, at any time to purchase the Warrants at any price.

- Exercise of the Warrants is subject to all applicable laws, regulations and practices in force on the relevant Exercise Date.
- AT may modify the terms and conditions without the consent of the Warrant Holders which the Corporation may deem necessary or desirable provided the modification is not materially prejudicial to the interests of the Warrant Holders.
- If any Event occurs which would reasonably be expected to have an effect on the Exercise Price, upon written opinion of an Independent Investment Bank, adjustments shall be made as appropriate on account of such Event.
- Timetable for the issuance of Warrants will be upon obtaining: (i) Shareholders' approval to the increase in the authorized capital stock (ACS) and amendment to Article VII of AT's Articles of Incorporation (AOI); and (ii) SEC approval of the increase in ACS and amendment to AOI, other regulatory approvals and compliance with all legal requirements.

PART IV – EXHIBITS AND SCHEDULES

Item 13. Exhibits and Reports on SEC Form 17-C

(A) Exhibits:

Consolidated Financial Statements:

Statement of Management's Responsibility for Consolidated Financial Statements

Independent Auditor's Report

Audited Financial Statements and Notes for the year ended 31 December 2017

Supplementary Schedules:

Independent Auditor's Report on Supplementary Schedules

Index to Consolidated Financial Statements and Supplementary Schedules

Schedule I: Financial Ratios Pursuant to SRC Rule 68, As Amended

Schedule II: Map of the Relationships of the Companies within the Group

Schedule III: Schedule of Effective Standards and Interpretations under the PFRS

Schedule IV: Reconciliation of Retained Earnings Available for Dividend Declaration

Schedules for Annex 68-E of SRC Rule 68, As Amended

Schedule A. Financial Assets in Equity Securities

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other Than Related Parties)

Schedule C. Amounts Receivable From Related Parties which are Eliminated During the Consolidation of Financial Statements

Schedule D. Intangible Assets- Other Assets

Schedule E. Long-Term Debt

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Schedule G. Guarantees of Securities of Other Issuers

Schedule H. Capital Stock


(B) Reports on SEC Form 17-C:

<u><i>Date Reported</i></u>	<u><i>Item/s Reported</i></u>
27 November 2017	SEC Certificate of Approval of Increase of Capital Stock and Certificate of Filing of AOI dated 17 November 2017 reflecting the increase in capital stock.
14 November 2017	Press Release on the unaudited financial and operations results of AT for 2017 Q3.
25 August 2017	Fine re uploading the 2017 Q2 Quarterly Report.
14 August 2017	Press Release on the unaudited financial and operations results of AT for 2017 1 st Half.
27 July 2017	Results of 2017 AGM including approval of the Minutes of AGM 2016, Annual Report and AFS for 2016, Election of Directors, Share Issue, Waiver by the Minority Shareholders of the requirement for the conduct if rights or public offering and others.
18 May 2017	Board approval and authorization of the amendment of Article VII of the AOI increasing the authorized capital stock and the Corporation's Code of Corporate Governance.
15 May 2017	Press Release on the unaudited financial institution results of AT for 2017 Q1.
3 May 2017	Clarification of News article posted in manila Bulletin (Internet Edition) on 27 April 2017
25 April 2017	Postponement of the 11 May 2017 AGM for regulatory compliance.
21 March 2017	Press release on the financial and operations results of AT for the full year 2016.
7 March 2017	Setting of 2017 AGM.
21 February 2017	Results of 2017 Special Shareholders' Meeting (SSM) including among others the approval of amendment of Article VII of the Articles of Incorporation increasing the Authorized Capital Stock, Share Issuance, Warrant issuance and Underlying common shares of stock, Waiver of the conduct of rights or public offer.
15 February 2017	Clarification of News articles posted in Manila Bulletin on 14, February 2017
2 February 2017	Clarification of news article posted on abs-cbnnews.com, 2 Feb. 2017


SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Pasay on ____ April 2018.

By:


Adrian Paulino S. Ramos
President/ Chief Executive Officer
(Principal Operating Officer)


Fernando A. Rimando
Vice-President/ Chief Financial Officer
(Principal Financial Officer)


Michelle E. Paray
Financial Accounting Manager
(Principal Accounting Officer)


Maria Eleonor A. Santiago
Compliance Officer/Asst. Corporate Secretary/
Head, Legal Affairs & Corporate Governance

APR 05 2018 MANDALUYONG CITY

SUBSCRIBED AND SWORN to before me this ____ day of April 2018 affiant/s exhibiting to me their TIN/Passport, as follows:

Name	TIN/Passport
Adrian Paulino S. Ramos	188-355-989
Fernando A. Rimando	101-647-461
Michelle E. Paray	250-443-256
Maria Eleonor A. Santiago	162-058-052

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Series of 2018


GAUDENCIO A. PALAFOX
(Roll of Attorneys No. 23255)
NOTARY PUBLIC FOR MANDALUYONG CITY
UNTIL DECEMBER 31, 2018
IBP # 017508/11-22-17 Manila 2
PTR # 3391734/01-05-2018/Mandaluyong City
MCLE Compliance No. V-0017891/03-03-16/Pasig City

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P	W	0	0	0	0	1	1	5	A
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COMPANY NAME

A	T	A	S		C	O	N	S	O	L	I	D	A	T	E	D		M	I	N	I	N	G		A	N	D	
D	E	V	E	L	O	P	M	E	N	T		C	O	R	P	O	R	A	T	I	O	N		A	N	D	S	U
B	S	I	D	I	A	R	I	E	S																			

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

F	i	v	e	E	-	c	o	m		C	e	n	t	e	r	,		P	a	l	m		C	o	a	s	t		D
r	i	v	e	,		M	a	l	l		o	f		A	s	i	a		C	o	m	p	l	e	x	,		P	a
s	a	y		C	i	t	y	,		M	e	t	r	o		M	a	n	i	l	a								

Form Type
A A C F S

Department requiring the report
S E C

Secondary License Type, If Applicable
N / A

COMPANY INFORMATION

Company's Email Address ir@atlasmining.com.ph	Company's Telephone Number (632) 831-8000 loc. 25001	Mobile Number N/A
No. of Stockholders 20,799	Annual Meeting (Month / Day) 04/26	Fiscal Year (Month / Day) 12/31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person Mr. Fernando A. Rimando	Email Address farimando@atlasmining.com.ph	Telephone Number/s (632) 831-8000 loc 25005	Mobile Number N/A
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CONTACT PERSON'S ADDRESS

**FiveE-com Center, Palm Coast Drive
Mall of Asia Complex, Pasay City, Metro Manila**

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS**

The management of Atlas Consolidated Mining and Development Corporation and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



Alfredo C. Ramos
Chairman of the Board



Adrian Paulino S. Ramos
President



Fernando A. Rimando
Vice President / Chief Finance Officer

Signed this 5th day of March 2018

SUBSCRIBED AND SWORN to before me, this MAR 20 2018 day of March 2018 at PASAY CITY, affiant with Taxpayer Identification Numbers as follows:

<u>Name</u>	<u>Tax Identification Number</u>
Alfredo C. Ramos	132-017-513
Adrian Paulino S. Ramos	188-355-989
Fernando A. Rimando	101-647-461

Atty. Ma. Cleofe L. Jaime
ATTY. MA. CLEOFE L. JAIME
NOTARY PUBLIC
ATTORNEY'S ROLL NO. 27002
IBP NO. AR 000399 Q.C 1/1/3/2018
PTR NO. 5825315 PASAY CITY 1/3/2018
MCLE COMPL. NO. V 0011781-NOV. 26, 2015
OFFICE ADDRESS STALL NO. 1 UNIT 54 A
ARNAIZ AVE., PASAY CITY
NOTARIAL COMM. NO. 18-09

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Book No. 3
Series of 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Atlas Consolidated Mining and Development Corporation
FiveE-com Center, Palm Coast Drive
Mall of Asia Complex, Pasay City, Metro Manila

Opinion

We have audited the consolidated financial statements of Atlas Consolidated Mining and Development Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



Impairment Testing of Goodwill, Property, Plant and Equipment, and Mining Rights

Under PFRS, the Group is required to annually test the amount of goodwill for impairment. In addition, in the event that an impairment indicator is identified, the Group tests the recoverability of property, plant and equipment, and mining rights. As of December 31, 2017, the Group has goodwill attributable to Carmen Copper Corporation amounting to ₱19.0 billion, and property, plant and equipment, and mining rights amounting to ₱45.6 billion, which are considered significant to the consolidated financial statements. The assessment of the recoverability of goodwill, property, plant and equipment, and mining rights requires significant judgment and involves estimation and assumptions about the expected life of the project, future production levels and costs, contributions to the government based on current regulations as well as external inputs such as copper prices and discount rate. Hence, such assessment is a key audit matter in our audit.

The disclosures in relation to goodwill, property, plant and equipment, and mining rights are included in Notes 9 and 10 to the consolidated financial statements.

Audit Response

We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include the expected life of the project, future production levels and costs, contributions to the government based on current regulations as well as external inputs such as copper prices and discount rate. We compared the key assumptions used against the mine life based on the ore reserve report, production reports from the operations departments, current tax laws, and forecasted copper prices. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect on the determination of the recoverable amount of goodwill, property, plant and equipment and mining rights.

Estimation of Ore Reserves

Ore reserves are key inputs to depletion, decommissioning provisions and impairment estimates. The Group's mining properties amounting to ₱33.0 billion as of December 31, 2017 are depleted using the units of production method. Under the units of production method, cost is depleted based on the ratio of the volume of actual ore extracted during the year over the estimated volume of mineable ore reserves for the remaining life of the mine. This matter is significant to our audit because the estimation of the mineable ore reserves for the Toledo Copper Project for the entire life of the mine requires significant estimation from the management.

Audit Response

We evaluated the competence, capabilities and objectivity of the external specialist engaged by the Group to perform an independent assessment of its ore reserves by considering his qualifications, experience and reporting responsibilities. We reviewed the external specialist's report and obtained an understanding of the nature, scope and objectives of his work, basis of the estimates including any changes in the ore reserves during the year. In addition, we tested the ore reserves estimate applied to the relevant areas of the consolidated financial statements including depletion, decommissioning provisions and impairment estimates.



Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Eleanore A. Layug.

SYCIP GORRES VELAYO & CO.



Eleanore A. Layug

Partner

CPA Certificate No. 0100794

SEC Accreditation No. 1250-AR-1 (Group A),

January 7, 2016, valid until January 6, 2019

Tax Identification No. 163-069-453

BIR Accreditation No. 08-001998-97-2018,

February 2, 2018, valid until February 1, 2021

PTR No. 6621271, January 9, 2018, Makati City

March 5, 2018



**ATLAS CONSOLIDATED MINING AND DEVELOPMENT
CORPORATION AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands, Except Number of Shares)

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱1,374,801	₱2,418,869
Short-term investments (Note 4)	793,841	646,360
Receivables (Note 5)	484,118	678,989
Inventories (Note 7)	2,163,008	1,690,524
Other current assets (Note 8)	627,689	453,807
Total Current Assets	5,443,457	5,888,549
Noncurrent Assets		
Property, plant and equipment (Note 9):		
At cost	36,969,982	35,757,800
At revalued amount	430,286	430,286
Mining rights (Note 10)	8,181,643	8,347,114
Goodwill (Note 10)	19,026,119	19,026,119
Investments in associates (Note 12)	190,665	198,136
Deferred tax assets (Note 23)	2,343,727	2,150,288
Other noncurrent assets (Note 13)	1,816,995	2,100,842
Total Noncurrent Assets	68,959,417	68,010,585
TOTAL ASSETS	₱74,402,874	₱73,899,134
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Note 15)	₱2,953,360	₱3,064,741
Accounts payable and accrued liabilities (Note 14)	2,903,635	2,571,634
Current portion of long-term debts and other interest bearing liabilities (Note 15)	3,895,027	17,753,209
Derivative liabilities (Note 6)	742,043	31,889
Income tax payable	29	21,222
Other current liabilities (Note 15)	1,870,312	-
Total Current Liabilities	12,364,406	23,442,695
Noncurrent Liabilities		
Long-term debts and other interest-bearing liabilities - net of current portion (Note 15)	22,437,903	10,540,433
Retirement benefits liability (Note 22)	316,490	284,109
Liability for mine rehabilitation (Note 16)	55,849	53,266
Deferred tax liabilities (Note 23)	2,837,023	2,908,539
Total Noncurrent Liabilities	25,647,265	13,786,347
Total Liabilities	₱38,011,671	₱37,229,042

(Forward)



	December 31	
	2017	2016
Equity		
Capital stock (Note 17)	₱3,559,533	₱2,087,033
Additional paid-in capital (Note 17)	19,650,936	14,686,962
Subscription receivable (Note 17)	(4,841,801)	-
Revaluation increment on land (Note 9)	298,869	298,869
Remeasurement gain on retirement plan (Note 22)	166,717	178,868
Unrealized gain on available for sale (AFS) financial asset (Note 11)	4,861	4,861
Cumulative translation adjustments	1,582,447	1,475,910
Retained earnings (Note 29)	15,992,908	17,960,856
Cost of 1,980,000 treasury shares held by a subsidiary	(23,267)	(23,267)
Equity	36,391,203	36,670,092
TOTAL LIABILITIES AND EQUITY	₱74,402,874	₱73,899,134

See accompanying Notes to Consolidated Financial Statements.



**ATLAS CONSOLIDATED MINING AND DEVELOPMENT
CORPORATION AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands, Except Loss Per Share)

	Years Ended December 31		
	2017	2016	2015
REVENUES			
Copper (Note 6)	₱10,703,420	₱10,163,804	₱9,920,440
Gold (Note 6)	1,242,285	1,900,169	1,419,019
Others	18,457	15,880	2,858
	11,964,162	12,079,853	11,342,317
Less smelting and related charges (Note 6)	893,591	1,155,363	1,407,234
	11,070,571	10,924,490	9,935,083
COSTS AND EXPENSES			
Mining and milling costs (Note 19)	8,310,273	8,706,018	8,929,228
General and administrative expenses (Note 20)	1,404,939	1,274,505	1,389,052
Mine products taxes (Note 19)	215,506	216,429	211,579
Depletion of mining rights (Note 10)	165,471	188,372	211,546
	10,096,189	10,385,324	10,741,405
OTHER INCOME (CHARGES)			
Finance charges (Note 24)	(2,204,606)	(1,930,435)	(1,637,254)
Gain (loss) on fair value changes on derivatives - net (Note 6)	(977,146)	(16,186)	292,499
Interest income (Notes 4 and 24)	30,195	42,158	37,182
Foreign exchange gains (losses) - net	(26,200)	158,086	138,051
Equity in net earnings (loss) of associates (Note 12)	(7,471)	61,713	243,761
Loss on disputed value-added tax (VAT; Note 13)	-	(495,159)	-
Gain on extinguishment of debt (Note 15)	28,434	-	-
Others - net	29,065	43,011	(9,189)
	(3,127,729)	(2,136,812)	(934,950)
LOSS BEFORE INCOME TAX	(2,153,347)	(1,597,646)	(1,741,272)
BENEFIT FROM INCOME TAX (Note 23)			
	185,399	718,150	926,833
NET LOSS	(₱1,967,948)	(₱879,496)	(₱814,439)

(Forward)



	Years Ended December 31		
	2017	2016	2015
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gain (loss) on retirement plan - net (Note 22)	(₱12,151)	₱50,186	₱311,204
Revaluation increment on land (Note 9)	-	-	80,310
<i>Items that may be reclassified subsequently to profit or loss in subsequent periods:</i>			
Cumulative translation adjustments (Note 2)	106,537	1,019,174	456,736
Unrealized loss on AFS financial assets	-	-	(1,220)
	94,386	1,069,360	847,030
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱1,873,562)	₱189,864	₱32,591
LOSS PER SHARE (Note 26)			
Basic loss per share	(₱0.5532)	(₱0.4218)	(₱0.3906)
Diluted loss per share	(₱0.5419)	(₱0.3788)	(₱0.3472)

See accompanying Notes to Consolidated Financial Statements.



ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

(Amounts in Thousands, Except Par Value Per Share)

	Capital stock (Note 17)	Additional paid-in capital (Note 17)	Subscriptions receivable (Note 17)	Revaluation increment on land (Note 9)	Unrealized gain on AFS financial asset (Note 11)	Remeasurement gain (loss) on retirement plan (Note 22)	Cumulative translation adjustments	Retained earnings	Total	Treasury shares held by a Subsidiary	Total
BALANCES AT JANUARY 1, 2015	₱16,696,262	₱28,886	₱-	₱218,559	₱6,081	(₱182,522)	₱-	₱19,654,791	₱36,422,057	(₱23,267)	₱36,398,790
Net loss	-	-	-	-	-	-	-	(814,439)	(814,439)	-	(814,439)
Other comprehensive income (loss)	-	-	-	80,310	(1,220)	311,204	456,736	-	847,030	-	847,030
Total comprehensive income (loss)	-	-	-	80,310	(1,220)	311,204	456,736	(814,439)	32,591	-	32,591
Equity portion of equity conversion option of loans (Note 17)	-	48,847	-	-	-	-	-	-	48,847	-	48,847
BALANCES AT DECEMBER 31, 2015	16,696,262	77,733	-	298,869	4,861	128,682	456,736	18,840,352	36,503,495	(23,267)	36,480,228
Net loss	-	-	-	-	-	-	-	(879,496)	(879,496)	-	(879,496)
Other comprehensive income	-	-	-	-	-	50,186	1,019,174	-	1,069,360	-	1,069,360
Total comprehensive income (loss)	-	-	-	-	-	50,186	1,019,174	(879,496)	189,864	-	189,864
Change in par value per share from ₱8 to ₱1 (Note 17)	(14,609,229)	14,609,229	-	-	-	-	-	-	-	-	-
BALANCES AT DECEMBER 31, 2016	2,087,033	14,686,962	-	298,869	4,861	178,868	1,475,910	17,960,856	36,693,359	(23,267)	36,670,092
Net loss	-	-	-	-	-	-	-	(1,967,948)	(1,967,948)	-	(1,967,948)
Other comprehensive income (loss)	-	-	-	-	-	(12,151)	106,537	-	94,386	-	94,386
Total comprehensive income (loss)	-	-	-	-	-	(12,151)	106,537	(1,967,948)	(1,873,562)	-	(1,873,562)
Subscriptions to capital stock (Note 17)	1,472,500	4,963,974	(4,841,801)	-	-	-	-	-	1,594,673	-	1,594,673
BALANCES AT DECEMBER 31, 2017	₱3,559,533	₱19,650,936	(₱4,841,801)	₱298,869	₱4,861	₱166,717	₱1,582,447	₱15,992,908	₱36,414,470	(₱23,267)	₱36,391,203

See accompanying Notes to Consolidated Financial Statements.



ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	(₱2,153,347)	(₱1,597,646)	(₱1,741,272)
Adjustments for:			
Depreciation and depletion (Notes 9 and 10)	2,929,342	2,575,135	2,723,581
Finance charges (Note 24)	2,204,606	1,930,435	1,637,254
Loss (gain) on fair value changes on derivatives - net (Note 6)	977,146	16,186	(292,499)
Los on disputed VAT (Note 13)	-	495,159	-
Interest income (Notes 4 and 24)	(30,195)	(42,158)	(37,182)
Gain on extinguishment of loan (Note 15)	(28,434)	-	-
Net unrealized foreign exchange losses (gains) - net	(356,985)	(501,205)	266,235
Equity in net loss (earnings) of associate (Note 12)	7,471	(61,713)	(243,761)
Movement in retirement benefits liability (Note 22)	6,486	(10,739)	105,629
Loss (gain) on disposal and retirement of property, plant and equipment (Note 9)	4,379	(564)	33,160
Change in accounting estimate for liability on mine rehabilitation	-	-	(1,313)
Operating income before working capital changes	3,560,469	2,802,890	2,449,832
Decrease (increase) in:			
Receivables	56,091	(33,218)	212,507
Inventories	(472,484)	522,144	(805,737)
Other current assets	(173,882)	29,569	145,649
Increase (decrease) in accounts payable and accrued liabilities	410,982	(2,863,593)	585,551
Net cash generated from operations	3,381,176	457,792	2,587,802
Interest paid	(2,283,587)	(1,889,308)	(1,619,720)
Income taxes paid	(90,909)	(30,756)	(964,251)
Interest received	168,975	7,571	28,349
Net cash flows from (used in) operating activities	1,175,655	(1,454,701)	32,180
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Short-term investments	7,828,461	462,800	1,058,907,389
Disposal of property, plant and equipment (Note 9)	375	2,910	80,881
Dividends received (Note 12)	-	61,740	337,680
Additions to:			
Short-term investments	(7,975,942)	(312,313)	(1,058,721,499)
Property, plant and equipment (Note 9)	(3,801,509)	(1,932,815)	(4,787,069)
Decrease (increase) in other noncurrent assets	279,292	(245,753)	(232,870)
Net cash flows used in investing activities	(₱3,669,323)	(₱1,963,431)	(₱4,415,488)

(Forward)



	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of:			
Long-term debts and other interest-bearing liabilities (Note 15)	₱16,880,189	₱5,949,128	₱5,787,264
Bank loans	-	116,650	56,472
Payments of:			
Long-term debts and other interest-bearing liabilities (Note 15)	(16,910,064)	(756,601)	(1,929,107)
Bank loans	(111,381)	(5,900)	(1,892)
Proceeds from issuance of shares, net of transactions costs (Note 17)	1,594,673	-	-
Net cash flows from financing activities	1,453,417	5,303,277	3,912,737
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	(3,817)	21,687	31,250
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	(1,044,068)	1,906,832	(439,321)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,418,869	512,037	951,358
CASH AND CASH EQUIVALENTS AT END OF YEAR	₱1,374,801	₱2,418,869	₱512,037

See accompanying Notes to Consolidated Financial Statements.



ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Number of Shares, Loss Per Share Data and as Otherwise Indicated)

1. Corporate Information, Business Operations, and Authorization for the Issuance of the Consolidated Financial Statements

Corporate Information

Atlas Consolidated Mining and Development Corporation (the Parent Company) was incorporated and was registered with the Philippine Securities and Exchange Commission (SEC) as “Masbate Consolidated Mining Company, Inc.” on March 9, 1935 as a result of the merger of assets and equities of three pre-war mining companies, namely, Masbate Consolidated Mining Company, Antamok Goldfields Mining Company and IXL Mining Company. Thereafter, it amended its articles of incorporation to reflect the present corporate name and to extend its corporate life up to March 2035. The registered business address of the Parent Company is FiveE-com Center, Palm Coast Drive, Mall of Asia Complex, Pasay City, Metro Manila.

The Parent Company, through its subsidiaries, is engaged in metallic mineral mining and exploration, and currently produces copper concentrate (with gold and silver) and magnetite iron ore concentrate.

The Parent Company’s shares of stock are listed with the Philippine Stock Exchange (PSE) on November 17, 1970.

A major restructuring of the Parent Company was undertaken in 2004 and 2005 with the creation of three special-purpose subsidiaries to develop the Toledo Copper Project, the Berong Nickel Project, and the Toledo-Cebu Bulk Water and Reservoir Project. As a result, Carmen Copper Corporation (CCC), Berong Nickel Corporation (BNC) and AquAtlas, Inc. (AI) were incorporated and, subsequently, were positioned to attract project financing, as well as specialist management and operating expertise. In addition, the Parent Company incorporated wholly owned subsidiaries: Atlas Exploration Inc. (AEI), to host, explore and develop copper, gold, nickel and other mineral exploration properties; and Amosite Holdings, Inc. (AHI) to hold assets for investment purposes. AEI will also explore for other metalliferous and industrial minerals to increase and diversify the mineral holdings and portfolio of the Parent Company.

Business Operations

The Parent Company has control of CCC, AI, AEI and AHI as at December 31, 2017 and 2016. The Parent Company has no geographical segments as these entities were incorporated and are operating within the Philippines.

The table below contains the details of the Parent Company’s equity interest in its subsidiaries and a description of the nature of the business of each subsidiary as at December 31, 2017 and 2016:

Nature of Business		Percentage of Ownership	
		2017	2016
<u>Subsidiaries as at December 31, 2017 and 2016</u>			
AEI	Incorporated in the Philippines on August 26, 2005 to engage in the business of searching, prospecting, exploring and locating of ores and mineral resources, and other exploration work	100.00	100.00



Nature of Business		Percentage of Ownership	
		2017	2016
AI	Incorporated in the Philippines on May 26, 2005 to provide and supply wholesale or bulk water to local water districts and other customers	100.00	100.00
AHI	Incorporated in the Philippines on October 17, 2006 to hold assets for investment purposes	100.00	100.00
CCC (see Note 10)	Incorporated in the Philippines on September 16, 2004 primarily to engage in exploration work for the purpose of determining the existence of mineral resources, extent, quality and quantity, and the feasibility of mining them for profit	100.00	100.00

a. *AEI*

In 2017, AEI continued its exploration activities for the geotechnical survey of the Sigpit gold prospect and for the drilling at the southern extension of the Lutopan orebody. AEI incurred a net loss of ₱66 in 2017 and has cumulative capital deficiency of ₱103,401 as at December 31, 2017.

b. *AI*

In 2017, AI continued to explore and assess the feasibility of projects involving the bulk supply of potable water from the Parent Company's Malubog Dam. AI incurred a net loss of ₱66 in 2017 and has cumulative capital deficiency of ₱31,913 as at December 31, 2017.

c. *CCC*

In July 2011, the Parent Company acquired all of the equity interest of CASOP Atlas BV and CASOP Atlas Corporation (collectively called "CASOP") in CCC. As a result, the Parent Company became the owner of 100% of CCC's outstanding capital stock. Prior to such acquisition, the Parent Company owned 54.45% of the outstanding capital stock of CCC.

On May 5, 2006, the Parent Company entered into an Operating Agreement with CCC ("the Operating Agreement") respecting the terms of the assignment by the Parent Company to CCC of operating rights over the Toledo mining complex, and the right to acquire certain fixed assets. The agreement may be terminated by the Parent Company upon thirty (30) days prior written notice. Pursuant to the Operating Agreement, the board of directors (BOD) approved the waiver of its entitlement to receive from CCC, royalties due from operations in 2017, 2016 and 2015.

The Executive Committees of the Parent Company and CCC, during a joint meeting held on February 3, 2015, approved the set off of (i) amounts withdrawn from the collection account of CCC with BDO Unibank, Inc. (BDO), which was established under the December 2010 Omnibus Loan and Security Agreement between CCC and BDO, to fund the debt service reserve account of the Parent Company in respect of the United States Dollar (US\$)-denominated loan facility debt availed by the Parent Company on July 25, 2011 amounting to of US\$75.0 million ("BDO Facility") against (ii) fees receivable by the Parent Company from CCC pursuant to the Operating Agreement (the "Netting Arrangement"). Under the terms of the approval, the Netting Arrangement shall be applied retroactively to cover the relevant balances as at December 31, 2014.



d. *AHI*

AHI is the owner of certain real properties that are used in the mining operations of CCC. AHI incurred a net loss of ₱64 in 2017 and has cumulative deficit of ₱2,954 as at December 31, 2017.

Authorization for the Issuance of the Consolidated Financial Statements

The consolidated financial statements of the Parent Company and its subsidiaries as at December 31, 2017 and 2016, and for each of the three years in the period ended December 31, 2017 were authorized for issuance by the BOD on March 5, 2018.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for land, which is carried at revalued amounts, and derivative financial instruments and AFS financial asset, which are measured at fair value. The consolidated financial statements are presented in Philippine Peso, which is the presentation currency under Philippine Financial Reporting Standards (PFRSs). Based on the economic substance of the underlying circumstances relevant to Atlas Consolidated Mining and Development Corporation and Subsidiaries (collectively, the Group), the functional currencies of the Parent Company and its associates and subsidiaries is the Philippine Peso, except for CCC whose functional currency is the US\$. All values are rounded to the nearest thousands (₱000), except when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with PFRSs.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at December 31, 2017 and 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure or rights to variable returns from its involvement with the investee and
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.



Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Parent Company. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets, liabilities and other components of equity while any gain or loss is recognized in the consolidated statement of comprehensive income. Any investment retained is recognized at fair value.

The financial statements of the subsidiaries are prepared for the same accounting period as the Parent Company using uniform accounting policies.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2017. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance, unless otherwise stated.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities - Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

Adoption of these amendments did not have any impact on the Group's consolidated financial statements.

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative*

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

The Group has provided the required information in Note 32 to the consolidated financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2016.

- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances



in which taxable profit may include the recovery of some assets for more than their carrying amount.

The Group applied the amendments retrospectively. However, their application has no effect on the Group's consolidated financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Standard Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the applicable standards, interpretations, amendments and improvements when these become effective.

Effective beginning on or after January 1, 2018

- Amendment to PFRS 2, *Share-based Payment - Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The Group has assessed that the adoption of these amendments will not have any impact on the 2018 consolidated financial statements.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group is currently assessing the potential impact of adopting PFRS 9 in 2018.

- Amendments to PFRS 4, *Insurance Contracts - Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting



the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

The Group is currently assessing the potential impact of adopting PFRS 15 in 2018.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively, with earlier application permitted.

The Group has assessed that the adoption of these amendments will not have any impact on the 2018 consolidated financial statements.

- Amendments to PAS 40, *Investment Property - Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.



Since the Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements upon adoption of these amendments.

- Philippine Interpretation based on International Financial Reporting Interpretations Committee (IFRIC)-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis.

Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the consolidated financial statements of the reporting period in which the entity first applies the interpretation.

The Group is currently assessing the impact of adopting IFRIC 22.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The Group is currently assessing the impact of adopting amendments to PFRS 9.

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.



PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The Group has assessed that the adoption of these amendments will not have any impact on the 2019 consolidated financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group is currently assessing the impact of adopting this interpretation.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.



On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Summary of Significant Accounting Policies

Presentation of Consolidated Financial Statements

The Group has elected to present all items of recognized income and expense in a single consolidated statement of comprehensive income.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purposes of trading
- Expected to be realized within 12 months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Cash and Cash Equivalents

Cash consists of cash on hand and in banks. Cash in banks earns interest at the respective bank deposit rates. Time deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the prevailing time deposit rates. 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 date of acquisition and are subject to an insignificant risk of changes in value.

Short-term investments

Short-term investments are cash placements with original maturities of more than three months but less than one year. Short-term investments with maturities of more than 12 months after the reporting period are presented under noncurrent assets and earn interest at the prevailing short-term investment rates.



Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of the entity and a financial liability or equity instrument of another entity.

Initial Recognition and Measurement

Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

Financial instruments are recognized initially at fair value. Except for financial assets at fair value through profit or loss, the initial measurement of financial assets includes transaction costs. In case of loans and borrowings, and payables, net of directly attributable transaction costs.

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets or derivatives designated as hedging instruments in an effective hedge, as appropriate.

Purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Financial liabilities are classified, at initial recognition as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group's financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, and payables, net of directly attributable transactions costs.

The Group determines the classification at initial recognition and, where allowed and appropriate, re-evaluates such designation at the end of each reporting period.

The Group's financial instruments are in the nature of financial assets and liabilities at fair value through profit or loss, loans and receivables, AFS financial assets, loans and borrowings, and payables. As at December 31, 2017 and 2016, the Group has no financial instruments classified as held-to-maturity investments and derivatives designated as hedging instruments in an effective hedge.

Subsequent Measurement

The subsequent measurement of financial instruments depends on their classification as follows:

Financial Assets and Financial Liabilities at Fair Value Through Profit or Loss

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 fair value through profit or loss. Financial assets and financial liabilities at fair value through profit or loss are designated by management on initial recognition as at fair value through profit or loss 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 fair value through profit or loss, except those derivatives designated and considered as



effective hedging instruments. Assets and liabilities classified under this category are carried at fair value in the consolidated statement of financial position. Changes in the fair value of such assets are accounted for in the consolidated statement of comprehensive income.

As at December 31, 2017 and 2016, the Group's financial assets and liabilities at fair value through profit or loss consist of derivative assets and derivative liabilities.

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 Group 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 (EIR) method, less impairment. Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. As at December 31, 2017 and 2016, the Group's loans and receivables consist of 'short-term investments', 'receivables' and 'others under 'other noncurrent assets'.

AFS Financial Assets

AFS financial assets include investments in equity and debt securities. Equity investments classified as AFS financial assets are those which are neither classified as held for trading nor designated as fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in the consolidated statement of comprehensive income in the 'unrealized gain (loss) on AFS financial assets' until the investment is derecognized, at which time the cumulative gain or loss is recognized in the consolidated statement of comprehensive income, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statement of comprehensive income and removed from other comprehensive income.

The Group evaluates its AFS financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances.

Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the AFS financial assets category, any previous gain or loss on that asset that has been recognized in equity is amortized to the consolidated statement of comprehensive income over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of comprehensive income.

As at December 31, 2017 and 2016, the Group's AFS financial asset pertains to its investment in equity securities.



Loans and Borrowings

Issued financial instruments or their components, which are not designated as at fair value through profit or loss are classified as loans and borrowings, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Loans and borrowings are initially recorded at fair value less directly attributable transaction costs. After initial measurement, other financial liabilities are measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral part of the EIR. Effects of restatement of foreign currency-denominated liabilities, if any, are recognized in the foreign currency exchange gains (losses) under other expenses - net in the consolidated statement of income.

This accounting policy relates to the Group's long-term debts and other interest-bearing liabilities.

Payables

This category pertains to financial liabilities that are not held for trading or not designated as at fair value through or loss upon the inception of the liability. These include liabilities arising from operations (e.g., accounts payable and accrued liabilities). Payables are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

This accounting policy applies to the Group's trade payables, accrued expenses, interest payable and other accrued expenses under accounts payable and accrued liabilities.

Derecognition of Financial Instruments

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 Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; and the Group 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 Group 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 Group'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 Group could be required to repay. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.



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 Group's continuing involvement is the amount of the transferred asset that the Group 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 Group'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 the consolidated statement of comprehensive income.

Impairment of Financial Assets

The Group assesses, at the end of the reporting period, 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 Group 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 EIR (i.e., the EIR 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 the consolidated statement of comprehensive income.

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 the consolidated statement of comprehensive income, 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 Group 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 these are assessed as uncollectible.

AFS Financial Assets

For AFS financial assets, the Group assesses at each end of the reporting period whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more and 'prolonged' as greater than 12 months for quoted equity securities. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized on that investment is removed from other comprehensive income and recognized in the consolidated statement of comprehensive income. Impairment losses on equity investments are not reversed through the consolidated statement of comprehensive income. Increases in the fair value after impairment are recognized directly in other comprehensive income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position 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. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Fair Value Measurement

The Group measures financial instruments, such as AFS financial asset, and derivative assets and liabilities, and nonfinancial asset such as land, at fair value at the end of the reporting period.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- | | |
|---|---------------|
| • Significant estimates and assumptions | Note 3 |
| • Derivative assets and liabilities | Notes 6 and 8 |
| • AFS financial asset | Note 11 |
| • Land | Note 9 |
| • Financial instruments | Note 28 |

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.



A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefit by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at each end of the reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Derivatives

Derivative financial instruments (e.g., provisional pricing and commodity swap 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 as at fair value through profit or loss, where any gains or losses arising from changes in fair value on derivatives are taken directly to the consolidated statement of comprehensive income for the year, unless the transaction is designated as effective hedging instrument.

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

- a. Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability; or
- b. 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
- c. Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group 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 reporting periods for which they were designated.

As at December 31, 2017 and 2016, the Group has freestanding derivative instruments such as commodity swap transaction used to hedge risks associated with copper prices.

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 as at fair value through profit or loss.

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group 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 fair value through profit or loss. Changes in fair values are included in the consolidated statement of comprehensive income. As at December 31, 2017 and 2016, the Group recognized bifurcated derivative assets and derivative liabilities arising from the provisionally priced commodity sales contracts.

Convertible Loans Payable and Long-term Debts

Convertible loans payable and long-term debt denominated in the functional currency of the Group are regarded as compound instruments, consisting of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt and is recorded within borrowings.

The difference between the proceeds of issue of the convertible bond and the fair value assigned to the liability component representing the embedded option to convert the liability into equity of the Group is included in the consolidated statement of changes of equity.

When the embedded option in convertible loans payable and long-term debt is denominated in a currency other than the functional currency of the Group, the option is classified as a derivative liability. The option is valued at mark-to-market with subsequent gains and losses being recognized in the consolidated statement of comprehensive income.

Issue costs are apportioned between the liability and equity components of the convertible loans and long-term debt where appropriate based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity. The interest expense on the liability component is calculated by applying the EIR for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loans payable and long-term debt.

Borrowing Costs

Borrowing costs are interest and other costs that the Group 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 Group during the period. All other borrowing costs are recognized in the consolidated statement of comprehensive income in the period in which these are incurred.

Inventories

Mine products inventory, which consists of copper concentrates containing copper, gold and silver, and materials and supplies 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 the final product. In the case of materials and supplies, NRV is the value of the inventories when sold at their condition at each end of the reporting period.

Cost is determined using the following methods:

Copper Concentrates

The cost of copper concentrate containing copper, gold and silver is determined using the moving average method and is comprise of materials and supplies, depreciation, depletion, personnel costs and other cost that are directly attributable in bringing the copper concentrates in its saleable condition. NRV for copper concentrates is the fair value less cost to sell in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The cost of copper concentrate containing copper, gold and silver is determined using the moving average method and is comprised of materials and supplies, depreciation, depletion, personnel costs and other cost that are directly attributable in bringing the copper concentrates in its saleable condition. NRV for copper concentrates is the fair value less cost to sell in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Materials and Supplies

Materials and supplies primarily pertain to consumable bearing and grinding balls, coolant and lubricants for the concentrators, concentrator supplies such as floatation reagent for the processing of the extracted ores, spare parts for concentrator machinery, crushers and conveyors, supplies such as diesel and gasoline fuels used by dump trucks and drilling machinery in extracting and transporting the ores, and explosives and blasting accessories for open pit mining. NRV is the value of the inventories when sold at their condition at the end of the reporting period. Cost is determined using the weighted average method.

The Group determines the NRV of inventories at the end of the reporting period. If the cost of the inventories exceeds its NRV, the asset is written down to its NRV and impairment loss is recognized in the consolidated statement of comprehensive income in the period the impairment is incurred. In case the NRV of the inventories increased subsequently, the NRV will increase carrying amount of inventories but only to the extent of the impairment loss previously recognized.



Other Current and Noncurrent Assets

Other current assets are composed of deposits and advances to suppliers, prepaid taxes, and other prepayments, and derivative asset. Other noncurrent assets are composed of input VAT, deferred mine exploration costs, mine rehabilitation fund (MRF) and others.

Input VAT

Input VAT represents the VAT imposed on the Group by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations. Deferred input VAT represents input VAT on the purchase of capital goods exceeding one million pesos. The related input VAT is recognized over five years or the useful life of the capital goods, whichever is shorter. The input VAT is recognized as an asset and will be used to offset against the Group's current output VAT liabilities and any excess will be claimed as tax credits. Input VAT is stated at cost less allowance for impairment.

Property, Plant and Equipment

Items of property, plant and equipment, except land, are carried at cost less accumulated depreciation and depletion, and any impairment in value. Land is carried at revalued amount less 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 the consolidated statement of comprehensive income in the period they are incurred. When property, plant and equipment 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 consolidated statement of comprehensive income.

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
Roadways and bridges	5 - 40
Buildings and improvements	5 - 25
Machinery and equipment	3 - 20
Transportation equipment	5 - 7
Furniture and fixtures	5

In 2016, the Group performed a technical evaluation and reassessed the useful lives of certain machinery and equipment. Useful lives of certain mill and plant equipment items with original estimated useful lives of three to 12 years were changed to 20 years. The reassessment was considered as a change in accounting estimate and was appropriately made on the basis of new information that arose from technical evaluation performed in 2016.

In 2017, there were no changes made on the estimated useful lives of machinery and equipment.

Depreciation or depletion 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, *Non-current Assets Held for Sale and Discontinued*, and the date the asset is derecognized.



The estimated recoverable 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. The assets' useful lives and methods of depreciation are reviewed and adjusted, if appropriate, at the end of the reporting period.

Property, plant and equipment also include the estimated costs of rehabilitating the mine site, for which the Group 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 Group 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 the consolidated statement of comprehensive income in the year the asset is derecognized.

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 Group through an extended life, expenditure is capitalized. All other day to day maintenance costs are expensed as incurred.

A portion of land is measured at fair value at the date of revaluation. Valuations are performed with sufficient frequency to ensure that carrying amount of revalued asset does not differ materially from its fair value. The net appraisal increment resulting from the revaluation of land is credited to the 'Revaluation increment on land' account shown under the equity section of the consolidated statement of financial position. Any appraisal decrease is first offset against revaluation increment on earlier revaluation. The revaluation increment pertaining to disposed land is transferred to the 'Retained earnings' account.

Mine Development Costs

Mine development costs are stated at cost, which includes cost of construction, borrowing costs and other direct costs. Mine development costs pertain to costs attributable to current commercial operations and are depleted using the units-of-production method based on estimated recoverable ore reserves.

Mine development costs also include the estimated costs of rehabilitating the mine site, for which the Group is constructively liable. These costs are amortized using the units-of-production method based on the estimated recoverable ore reserves until the Group actually incurs these costs in the future.

Construction In-progress

Construction in-progress includes mine development costs which are not attributable to current commercial operations and are not depleted until such time as the relevant assets are completed and become available for use. 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.

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 (under construction in-progress) 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.

For stripping costs incurred subsequently during the production stage of the operation, the stripping activity cost is accounted as part of the cost of inventory if the benefit from the stripping activity will be realized in the current period. When the benefit is the improved access to ore, the Group shall recognize these costs as stripping activity assets. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the deferred stripping cost is carried at its cost less depreciation or depletion and less impairment losses.

Deferred Mine Exploration Costs

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analyzing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

License costs paid in connection with a right to explore in an existing exploration area are capitalized and amortized over the term of the permit.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to the consolidated statement of comprehensive income as incurred, unless the Group concludes that a future economic benefit is more likely than not to be realized. These costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalized, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Expenditure on exploration and evaluation is accounted for in accordance with the area of interest method. Exploration and evaluation expenditure is capitalized provided the rights to tenure of the area of interest is current and either: the exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, then, any fulfillment exploration and evaluation expenditure is reclassified as mine properties and mine development costs included as part of property, plant and equipment. Prior to reclassification, exploration and evaluation expenditure is assessed for impairment.



When a project is abandoned, the related deferred mine exploration costs are written off. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

Mining Rights

Mining rights are identifiable intangible assets acquired by the entity to explore, extract, and retain, at least, a portion of the benefits from mineral deposits. A mining right shall be recognized if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

The cost of a separately acquired mining right comprises: (a) its purchase price and non-refundable purchase taxes; and (b) any directly attributable cost of preparing the asset for its intended use. Mining rights acquired through business combination is initially valued at its fair value at the acquisition date. The fair value of a mining right will reflect expectations about the probability that the expected future economic benefits embodied in the asset will flow to the entity.

Mining rights shall be subsequently depleted using the units-of-production method based on estimated recoverable ore reserves in tonnes or legal right to extract the minerals, whichever is shorter.

Depletion shall begin when the asset is available for use and shall cease at the earlier of the date that the asset is classified as held for sale in accordance with PFRS 5 and the date that the asset is derecognized. The depletion expense for each period shall be recognized in the consolidated statement of comprehensive income.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date, and any gain or loss is recognized in the consolidated statement of comprehensive income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39, either in the consolidated statement of comprehensive income or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted per within equity.



Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for any previous interest held, and any previous interest held, over the fair value of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognized in the consolidated statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Investments in Associates

Associates are entities over which the Group is able to exert significant influence. Significant influence is the power to participate in the financial and reporting policy decisions of the investee, but has no control or joint control over those policies. The consideration made in determining significant influence is similar to those necessary to determine control activities. The Group's investments in associates are accounted for using the equity method, less any impairment in value, in the consolidated statement of financial position. Under the equity method, the investment in associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date.

The consolidated statement of income reflects the Group's share of the results of operations of the associates. When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associate. The aggregate of the Group's share in profit or loss of an associate is shown in the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interest in the subsidiaries of the associate.

The financial statements of the associates are prepared for the same reporting period and using uniform accounting policies as the Group. When necessary, adjustments are made to bring the accounting policies of the associates in line with those of the Group.

Impairment of Nonfinancial Assets

Property, Plant and Equipment, and Mining Rights

Property, plant and equipment and mining rights, except land, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's or cash-generating unit fair value less cost to sell and 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, in which case the asset is tested as part of a large cash-generating unit. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of



disposal while value-in-use is the present value, using a pre-tax discount rate, of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. The pre-tax discount rate used reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statement of comprehensive income.

Recovery of impairment losses recognized in prior periods is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statement of comprehensive income. However, the increased carrying amount of an asset due to recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depletion and depreciation) had no impairment loss been recognized for that asset in prior periods.

Deferred Mine Exploration Costs

Exploration assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the following conditions is met:

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale, or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future

Goodwill

Goodwill is reviewed for impairment annually. Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount to which goodwill has been allocated, an impairment loss is recognized. Where goodwill forms part of cash-generating unit (or groups of cash-generating units) and part of the operations within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative fair values of the operation disposed of and the portion of the cash-generating unit retained. Impairment losses relating to goodwill cannot be reversed in the future periods.

Investments in Associates

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss as 'impairment loss' in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of comprehensive income.

Other Nonfinancial Assets

The Group provides allowance for impairment losses on other nonfinancial assets when these can no



longer be realized. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease other nonfinancial assets.

Foreign Currencies

The Group's consolidated financial statements are presented in Philippine Peso, which is also the functional currencies of the Parent Company, associates and subsidiaries, except CCC. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and Balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in the consolidated statement of comprehensive income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to consolidated statement of comprehensive income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Group Companies

On consolidation, the assets and liabilities of foreign operations are translated into Philippine Peso at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the weighted average exchange rates of the year. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the consolidated statement of comprehensive income.

Leases

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.

Operating Lease - Group as a Lessor

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased assets and are recognized over the lease term on the same basis as rental income.

Operating Lease - Group as a Lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.



Income Taxes

Current Income Tax

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

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

Deferred Tax

Deferred tax is provided using the liability method on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred 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 carry-over (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 tax liabilities are recognized for all taxable temporary differences.

The carrying amount of deferred tax assets are reviewed at each end of the reporting period 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 tax assets to be utilized before their reversal or expiration. Unrecognized deferred tax assets are reassessed at each end of the reporting period and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the income 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 end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Share-based Payments

The cost of equity-settled transactions with employees is measured by reference to their fair value at the date they are granted, determined using the acceptable valuation techniques.

The cost of equity-settled transactions, together with a corresponding increase in equity, is recognized over the period in which the performance and/or service conditions are fulfilled ending on the date on which the employees become fully entitled to the award ('Vesting date'). The cumulative expense recognized for equity-settled transactions at the end of the reporting period up to and until the vesting date reflects the extent to which the vesting period has expired, as well as the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for the period represents the movement in cumulative expense recognized at the beginning and end of that period. No expense is recognized for awards that do not ultimately vest, except for awards where



vesting is conditional upon a market condition, which awards are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. An additional expense is likewise recognized for any modification which increases the total fair value of the share-based payment arrangement or which is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. If a new award, however, is substituted for the cancelled awards and designated as a replacement award, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Capital Stock and Additional Paid-in Capital (APIC)

The Group has issued capital stock that is classified as equity. Incremental costs directly attributable to the issue of new capital stock are shown in the consolidated statement of changes in equity as a deduction, net of tax, from the proceeds.

Subscription Receivable

Subscription receivable represents outstanding receivables from stock subscription agreements. The Group may present the subscription receivable as part of current assets when they have established the right to receive the outstanding receivables within the next 12 months from the end of the reporting period. Otherwise, this is presented as a deduction from equity.

Treasury Shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in share premium. Share options exercised during the reporting period are satisfied with treasury shares.

Retained Earnings

The amount included in retained earnings includes profit (loss) attributable to the Parent Company's equity holders and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the Parent Company's stockholders. Interim dividends, if any, are deducted from equity when these are paid. Dividends for the year that are approved after the end of the reporting period are dealt with as an event after the end of the reporting period.

Retained earnings 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 appropriation is no longer needed, it is reversed.

When retained earnings account has a debit balance, it is called 'Deficit'. A deficit is not an asset but a deduction from equity.

Other comprehensive income

Other comprehensive income comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the profit or loss for the year in accordance with PFRSs.



Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty, as applicable.

The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements.

Copper, Gold and Silver Concentrate Sales

Contract terms for the Group'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 Group's sale of copper, gold and silver in concentrate is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which coincides with the completion of loading of the concentrates onto the buyer's vessel and date of the bill of lading issued by the buyer's shipping agent. Under the terms of supply agreements with customers, the Group issues a provisional invoice for the entire volume of concentrate loaded to customer's vessel. Final invoice is made thereafter upon customer's outturn of concentrates delivered and submission of their final assay report. Adjustment is accordingly made against the final invoice with respect to provisional collections received by the Group to determine amounts still owing from/to customers.

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'; QP). 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. For MRI Trading AG (MRI), 90% for copper, gold and silver based on provisional prices is collected upon shipment, while the remaining 10% for copper is collected upon the determination of the final shipment value on final weight and assays for metal content and prices during the QP less deduction for smelting charges. For Philippine Associated Smelting and Refining Corporation (PASAR), 80% for copper, gold and silver based on provisional prices is collected upon shipment, while the remaining 20% for copper is collected upon the determination of the final shipment value on final weight and assays for metal content and prices during the QP less deduction for smelting charges.

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 the consolidated statement of comprehensive income until final settlement, and presented as 'Gain (loss) on derivatives' under 'Other income or charges'. Changes in fair value over the QP 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 based on agreed prices between customers and the Group, which are known or can be reasonably estimated, usually upon delivery.



Interest Income

Interest income is recognized as the interest accrues using the EIR method.

Others

Revenue is recognized in the consolidated statement of comprehensive income as these are earned.

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 which include mining and milling costs, and general administrative expenses, are generally recognized in the consolidated statement of comprehensive income when the services are used or the expenses are incurred.

Operating Segments

For management purposes, the Group is organized into two major operating segments (mining and non-mining businesses) according to the nature of products and the services provided with each segment representing a strategic business unit that offers different products and serves different markets. The entities are the basis upon which the Group reports its primary segment information. Financial information on business segments is presented in Note 25.

Basic Earnings Per Share

Basic earnings per share amounts are calculated by dividing net income (loss) attributable to the equity holders of the Parent Company by the weighted average number of common shares outstanding during the year.

Diluted Earnings Per Share

Diluted earnings per share amounts are calculated by dividing the net income (loss) attributable to common equity holders of the Parent Company (after adjusting for interest on convertible preferred shares, warrants and stock options) by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all dilutive potential common shares into common shares.

Provisions

General

Provisions, if any, are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. 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 Group 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 consolidated statement of comprehensive income, net of any reimbursement.

Liability for Mine Rehabilitation

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of waste sites, and restoration, reclamation and



re-vegetation of affected areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of comprehensive income under 'Finance charges'. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and liability for mine rehabilitation cost, respectively, when these occur.

The liability is reviewed on an annual basis for changes to obligations or legislation or discount rates that affect change in cost estimates or life of operations. The cost of the related asset is adjusted for changes in the liability resulting from changes in the estimated cash flows or discount rate, and the adjusted cost of the asset is depleted prospectively.

When rehabilitation is conducted progressively over the life of the operation, rather than at the time of closure, liability is made for the estimated outstanding continuous rehabilitation work at each end of the reporting period and the cost is charged to the consolidated statement of comprehensive income.

The ultimate cost of mine rehabilitation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience. The expected timing of expenditure can also change, for example in response to changes in ore reserves or production rates. As a result, there could be significant adjustments to the liability for mine rehabilitation cost, which would affect future financial results.

Employee Benefits

The net defined retirement benefits liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any).

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined retirement benefits liability or asset
- Remeasurements of net defined retirement benefits liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined retirement benefits liability or asset is the change during the period in the net defined retirement benefits liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined retirement benefits liability or asset. Net interest on the net defined retirement benefits liability or asset is recognized as expense or income in the consolidated statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined retirement benefits liability) are recognized immediately in other comprehensive income in the period in which these arise.



Remeasurements are not reclassified to the consolidated statement of comprehensive income in subsequent periods. Remeasurements recognized in other comprehensive income after the initial adoption of Revised PAS 19, *Employee Benefits* are not closed to any other equity account.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined retirement benefits liability is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination Benefit

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee Leave Entitlement

Employee entitlements to annual leave are recognized as a liability when these are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before 12 months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Contingencies

Contingent liabilities are not recognized in the consolidated 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 consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated 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 consolidated financial statements.

Events After the End of the Reporting Period

Events after the end of the reporting period that provide additional information about the Group's financial position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Events after the end of the reporting period that are not adjusting events are disclosed when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRSs requires the Group to exercise judgment, make accounting estimates and use 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 accounting estimates to change. The effects of any change in accounting estimates are reflected in the consolidated 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. However, actual outcome can differ from these estimates.

Other disclosures relating to the Group's exposure to risks and uncertainties include capital management, financial risk management and policies and sensitivity analyses disclosures (see Notes 27 and 29).

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effects on amounts recognized in the consolidated financial statements:

Going Concern

Management has made an assessment on the Group's ability to continue as a going concern and is satisfied that it has the resources to continue business for the foreseeable future.

Determination of Functional Currency

The Parent Company and most of its subsidiaries, based on the relevant economic substance of the underlying circumstances, have determined their functional currency to be the Philippine Peso. CCC's functional currency is US\$. In making this judgment, each entity in the Group considered the following:

- The currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales price for its financial instruments and services are denominated and settled)
- The currency in which funds from financing activities are generated and
- The currency in which receipts from operating activities are usually retained

Assessing Existence of Significant Influence

In assessing whether significant influence still exists, the Group considered not only its percentage ownership but other factors such as Board seat representations it has in an associate's governing body and its interchange of managerial personnel with an associate, among others. As at December 31, 2017 and 2016, the Group assessed that it has significant influence over the associates and has accounted for the investments as investments in associates. The Group has the ability to participate in the financial and reporting decisions of the investee, but has no control or joint control over those policies (see Note 12).

Bill and Hold Sales

The Group recognized sale on deliveries classified as bill and hold when there is transfer of risk and reward from the Group 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

Bill and hold sales in 2017, 2016 and 2015 amounted to ₱396,042, ₱324,952, and nil respectively.



Operating Lease Commitments - Group as a Lessee

The Group has entered into leases of office, commercial spaces and land. The Group has determined that all significant risks and rewards of ownership of these spaces remain with the lessors due to the following:

- a. The ownership of the assets do not transfer to the Group at the end of the lease term
- b. The Group has no option to purchase the assets at prices which are expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the leases, it is reasonably certain that the option will be exercised
- c. The lease terms are not for the major part of the economic lives of the assets even if the titles are not transferred and
- d. At the inception of the lease, the present value of the minimum lease payments does not amount to at least substantially all of the fair values of the leased assets.

Operating Lease Commitments - Group as a Lessor

The Group has entered into property and equipment leases. The Group has determined that it retained all the significant risks and rewards of ownership of these properties which are being leased as operating leases.

Assessing Production Start Date

The Group 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 Group 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 ore in saleable form and
- Ability to sustain ongoing production of ore

The Group determines when a mine moves into a production phase when the mine, is in the location and condition necessary for it to be capable of operating in the manner intended by the Group.

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 end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are as follows:

Estimating Impairment of Goodwill, Property, Plant and Equipment, and Mining Rights

PFRS requires that an impairment review be performed when certain impairment indicators are present for property, plant and equipment and mining rights while goodwill is required to be tested for impairment at least annually. Impairment is determined for goodwill, property, plant and equipment, and mining rights by assessing the recoverable amount of the cash-generating unit to which those assets relate. Where recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods while any impairment loss for property, plant and equipment and mining rights may be reversed and such reversal must not exceed the carrying amount that would have been determined (net of depreciation and depletion) had no impairment loss been recognized in prior years.



Future events could cause the Group to conclude that the goodwill, property, plant and equipment and mining rights are impaired. Any resulting impairment loss could have a material adverse impact on the Group's financial condition and results of operations.

Management performed impairment test as at December 31, 2017 and 2016. The recoverable amount of the cash-generating unit has been determined based on a value calculation using cash flow projections from financial budgets approved by management covering the mine life of the cash-generating unit.

The calculation of value-in-use for the cash-generating unit incorporates the following key assumptions: a) expected life of the project; b) future production levels and costs which are based on the Group's historical experience; c) contributions to the government based on current regulations; d) commodity prices which are estimated with reference to external market forecasts; and e) pre-tax discount rates of 10.18% and 12.39% as at December 31, 2017 and 2016, respectively.

Based on the management's assessment, no impairment loss on goodwill, property, plant and equipment and mining rights should be recognized in 2017 and 2016 and 2015 (see Notes 9 and 10).

Estimating Ore Reserves

Ore reserves 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 ore reserve 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 ore reserve estimates for partially developed areas are subject to greater uncertainty over their future life than estimate 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.

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

Estimating Fair Value of Financial Assets and Financial Liabilities

PFRSs 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 or loss (see Note 28).

Estimating Allowance for Impairment Losses of Receivables

The Group evaluates specific accounts where the Group has information that certain customers are unable to meet their financial obligations. Factors, such as the Group's length of relationship with the customers and the customer's current credit status, are considered to ascertain the amount of reserves that will be recorded in the receivables account. In addition to specific allowances against individually significant accounts, the Group also makes a collective impairment assessment against



exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as any past collection experiences, the current economic conditions, and average age of the group of receivables. Allowance is re-evaluated and adjusted as additional information is received.

Allowance for impairment losses on receivables amounted to ₱32,935 and ₱31,122 as at December 31, 2017 and 2016, respectively (see Note 5). Receivables, net of allowance for impairment losses, amounted to ₱484,118 and 678,989 as at December 31, 2017 and 2016, respectively (see Note 5).

Estimating NRV of Mine Products Inventory

The selling price estimation of mine products inventory is based on the LME, which also represents an active market for the product. CCC concurrently uses the prices as agreed with MRI, PASAR, Yanggu Xiangguang Copper Co., Ltd. (Yanggu Xiangguang) and Cliveden Trading, AG, 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 at December 31, 2017 and 2016, the cost of mine products inventory is lower than its NRV. No provision for impairment loss on of mine products inventory was recognized in 2017 and 2016. Mine products inventory amounted to ₱507,925 and ₱185,226 as at December 31, 2017 and 2016, respectively (see Note 7).

Estimating Allowance for Impairment on Materials and Supplies Inventory

The Group provides allowance for materials and supplies whenever NRV 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 amounting to ₱475,902 and ₱381,049 as at December 31, 2017 and 2016, respectively, had been fully provided with an allowance for impairment losses (see Note 7).

Materials and supplies inventories amounted to ₱1,655,083 and ₱1,505,298 as at December 31, 2017 and 2016, respectively (see Note 7).

Estimating Volume of Mine Products Inventories

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained concentrates in dry metric tonnes is based on assay data, and the estimated recovery percentage is based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

Estimating Useful Lives of Property, Plant and Equipment, Except Land

The estimated useful lives of mill and plant equipment were reviewed by the Group's experienced, qualified and certified engineers in 2016 resulting to adjustment in estimated useful lives. The changes in the estimated useful lives of the assets were applied prospectively and resulted to a decrease in depreciation expense in 2016 until 2028 amounting ₱383,567 annually.

Determining Appraised Value of Land

The appraised value of land is based on a valuation by an independent appraiser firm, which management believes holds a recognized and relevant professional qualification and has recent experience in the location and category of the land being valued. The appraiser firm used the market data approach in determining the appraised value of land. As at December 31, 2017 and 2016, the fair value of the land amounted to ₱430,616 based on the latest valuation obtained in 2015 (see Note 9).



Units-of-production Depreciation/Depletion

Estimated recoverable ore 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 Group uses the tonnes of ore produced as the basis for depletion or depreciation. Any change in estimates is accounted for prospectively. Average depletion rate used by CCC in 2017, 2016, and 2015 are 1.98%, 2.21%, and 2.39%, respectively.

Estimating Recoverability of Deferred Mine Exploration Costs

The application of the Group's accounting policy for deferred mine exploration costs requires judgment and estimates in determining whether it is likely that the future economic benefits are certain, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after deferred mine explorations costs are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written-off in the consolidated statement of comprehensive income in the period when the new information becomes available.

The Group reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. An impairment loss is recognized when the carrying values of these assets are not recoverable and exceed their fair value. In 2017, 2016 and 2015, no provision for impairment loss on the Group's deferred mine exploration costs was recognized (see Note 13).

Estimating Realizability of Deferred Tax Assets

The Group reviews the carrying amounts of deferred tax assets at each end of the reporting period 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 tax assets to be utilized. As at December 31, 2017 and 2016, the Group has deductible temporary differences, NOLCO and excess MCIT amounting to ₱1,439,642 and ₱1,499,649, respectively (see Note 23c), for which no deferred tax assets were recognized. As at December 31, 2017 and 2016, deferred tax assets amounting to ₱2,343,727 and ₱2,150,288 were recognized as management believes that sufficient future taxable profits will be available against which benefits of the deferred tax assets can be utilized (see Note 23d).

Estimating Impairment of Investment in Associate

The Group determines whether its investments in associates and other 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 Group 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 Group could obtain as at the end of the reporting period. In determining this amount, the Group considers the outcome of recent transactions for similar assets within the same industry.

Estimating Impairment of Investment in Input VAT

The Group assesses on a regular basis if there is objective evidence of impairment of input VAT. The amount of impairment loss is measured as the difference between the carrying amount and the estimated recoverable amount. The recognition of impairment requires the Group to assess the status of its application for refund and tax credit certificates with government agencies.



The Group recognized allowance for possible losses on input VAT amounting to ₱211,388 and ₱206,833 as at December 31, 2017 and 2016, respectively (see Note 13).

Estimating Retirement Benefits Costs

The cost of defined retirement benefits as well as the present value of the retirement benefits liability are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future retirement increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit retirement liability are highly sensitive to changes in these assumptions. All assumptions are reviewed at the end of the reporting period.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined retirement benefits liability.

Further details about the assumptions used are provided in Note 22.

Retirement benefits liability amounted to ₱316,490 and ₱284,109 as at December 31, 2017 and 2016, respectively. Retirement benefits costs amounted to ₱48,207, ₱73,375 and ₱161,274 in 2017, 2016 and 2015, respectively (see Note 22).

Estimating Liability for Mine Rehabilitation

The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the liability for mine rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and 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 the end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated 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. 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 the consolidated statement of comprehensive income. 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 arose as a result of the production phase of a mine should be expensed as incurred. Liability for mine rehabilitation cost recognized as at December 31, 2017 and 2016 amounted to ₱55,849 and ₱53,266, respectively (see Note 16).

Provisions and Contingencies

The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Group's management and legal counsel believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements. Accordingly, no provision for probable losses arising from contingencies was recognized by the Group in 2017, 2016 and 2015.



Measurement of Mine Products Sales

Mine products sales are provisionally priced as 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 metal prices, shipment weights and assays for metal content less deduction for insurance and smelting charges as marketing. The final shipment values are subsequently determined based on final weights and assays for metal content and prices during the applicable QP. Total mine product sales, net of smelting and related charges, amounted to ₱11,070,571, ₱10,924,490 and ₱9,935,083 in 2017, 2016 and 2015, respectively (see Note 6).

4. **Cash and Cash Equivalents**

	2017	2016
Cash on hand	₱3,123	₱1,517
Cash in banks	1,203,983	1,644,849
Time deposits	167,695	772,503
	₱1,374,801	₱2,418,869

Interest income earned from cash in banks amounted to ₱4,871, ₱4,034 and ₱3,217 in 2017, 2016 and 2015, respectively.

Short-term Investments

A portion of the proceeds from operations was placed in time deposit accounts with various maturity periods reckoned from the date of placement. Such deposits amounting to ₱793,841 and ₱646,360 as at December 31, 2017 and 2016, respectively are classified as short-term investments in the consolidated statement of financial position. Interest income earned from short-term investments amounted to ₱25,324, ₱38,124 and ₱33,965 in 2017, 2016 and 2015, respectively. Interest receivable from the said short-term investments amounted to ₱2,244 and ₱141,024 as at December 31, 2017 and 2016, respectively (see Note 5).

The Group has US\$-denominated cash in banks amounting to US\$18,854 and US\$35,816 as at December 31, 2017 and 2016, respectively. The Group has Japanese Yen (JP¥)-denominated cash in banks amounting to JP¥2,885 and JP¥1,372 as at December 31, 2017 and 2016, respectively.

The Group has Great Britain Pound (GB£)-denominated cash in banks amounting to GB£139 as at December 31, 2017 and 2016 (see Note 27).

5. **Receivables**

	2017	2016
Trade	₱289,883	₱276,367
Nontrade	75,344	73,726
Interest (Note 4)	2,244	141,024
Advances to:		
Related parties (Note 21a)	133,376	202,447
Officers and employees	16,206	16,547
	517,053	710,111
Less allowance for impairment losses	(32,935)	(31,122)
	₱484,118	₱678,989



The Group's trade receivables arise from its shipments of copper, gold, silver and magnetite to customers under several agreements.

Nontrade receivables comprise mainly of receivables from contractors and suppliers, while advances from officers and employees pertain to funds extended by the Group to its officers and employees, and unliquidated advances used in the operations of the Group.

Trade receivables are non-interest bearing and are normally settled on terms ranging from 15 to 30 days. Nontrade and other receivables are non-interest bearing and are generally collectible on demand. Advances from officers and employees are non-interest bearing and are subject to liquidation.

Most of the receivables of the Group consist of individually significant accounts and were, therefore, subject to the specific impairment approach. The Group recognized allowance for impairment losses amounting to ₱32,935 and ₱31,122 as at December 31, 2017 and 2016, respectively, covering those receivables specifically identified as impaired. Based on the assessment performed, the Group did not recognize any provision for impairment loss on receivables, which were assessed collectively. Provision for impairment losses on receivables amounting to ₱1,822, ₱1,763 and ₱264 were recognized by the Group in 2017, 2016 and 2015, respectively.

Movements of allowance for impairment losses are as follows:

	2017	2016
Balances at beginning of year	₱31,122	₱29,359
Provision for impairment loss (Note 20)	1,822	1,763
Cumulative translation adjustment	(9)	-
Balances at end of year	₱32,935	₱31,122

The Group has US\$-denominated receivables amounting to US\$8,602 and US\$8,432 as at December 31, 2017 and 2016, respectively (see Note 27).

6. Pricing Agreements, Hedging and Derivative Financial Instruments

Hedging Objectives

The Group applies a mix of pricing agreements, natural hedges, and both freestanding and embedded derivatives in managing risks such as commodity price, foreign exchange and interest rate risks. In 2017 and 2016, the Group, through CCC, has freestanding commodity swap transactions, while embedded derivatives include provisional pricing in shipment contracts. The Group has not designated any of these derivatives as accounting hedges. The Group has accounted for its derivatives at fair value and any changes in the fair value are recognized in the consolidated statement of comprehensive income.

Pricing Agreements

MRI, Cliveden, Yanggu Xiangguang and PASAR

In the normal course of selling its copper concentrate, the Group entered into: (i) several contracts of purchase with MRI (MRI Contracts) in 2015 and prior years, (ii) several contracts of purchase with Cliveden (Cliveden Contracts) in 2015, (iii) one contract of purchase with Yanggu Xiangguang Copper (XGC Contracts), in 2016 (collectively, the "Copper Contracts"), and (iv) several contracts of purchase with PASAR (PASAR Contracts) effective in 2016, whereby it agreed to sell a fixed volume of copper concentrate based on LME prices (as published in the Metal Bulletin) and as averaged over the QP as defined in the MRI Contracts, Cliveden Contracts, XGC Contracts and PASAR Contracts.



The quality and quantity of the copper concentrate sold is determined through a sampling weight and assay analysis by an appointed independent surveyor. Under the Copper Contracts, CCC and MRI or Cliveden or Yanggu Xiangguang Copper have the option to price-fix in advance of the QP the payable copper contents of the concentrate to be delivered, subject to adjustments during the QP. If the option to price-fix prior to the QP is exercised, (i) the fixed price and the volume to which the fixed price applies will be confirmed in writing by the parties, and (ii) with respect to sales of copper concentrate to MRI, an addendum to the MRI Contract will be executed to confirm the actual volume of the copper shipped based on the fixed price.

On April 14, 2014, CCC executed an addendum to its January 2014 Offtake Agreement with MRI (the 2014 Offtake Contract) to confirm, among others, (i) the increase in the quantity of MRI's copper concentrate offtake allotment by 80,000 dry metric tons (DMT; the Additional Offtake), and (ii) the deposit of US\$30.0 million with respect to the Additional Offtake.

On December 1, 2014, CCC executed another addendum to the 2014 Offtake Contract to provide for the terms of the additional deposit of US\$30.0 million in respect to the Additional Offtake (see Note 14).

On January 7, 2015, CCC executed an addendum to its January 2014 Offtake Contract with MRI to confirm, among others, (i) the increase in the quantity of MRI's copper concentrate offtake allotment by another 50,000 dry metric tons (DMT; the Additional Offtake-2), and (ii) the deposit of US\$30.0 million with respect to the Additional Offtake-2. Outstanding balance as of December 31, 2017 and 2016 is nil and ₱124,825, respectively (see Note 14).

The Group recognized revenue from sale of copper amounting to ₱10,703,420, ₱10,163,804 and ₱9,920,440 in 2017, 2016 and 2015, respectively. The Group recognized revenue from sale of gold amounting to ₱1,242,285, ₱1,900,169 and ₱1,419,019 in 2017, 2016 and 2015, respectively.

The Group incurred smelting and related charges on sale of mineral products amounting to ₱893,591, ₱1,155,363 and ₱1,407,234 in 2017, 2016 and 2015, respectively.

Freestanding Derivatives

Commodity Swap Transaction

In November 2016 and in various dates in 2017, CCC entered into a Copper Asian Swap transaction with Standard Chartered Bank fixing the copper prices at certain levels per metric tonne for a total notional quantity of 17,800 metric tonnes with settlement dates in 2017 and a total notional quantity of 14,400 metric tonnes with settlement dates in 2018. The settlement date will be five business days following the end of each calendar month based on the official settlement price (seller) for copper-LME cash (as determined by the LME) following the close of the 2nd ring in the first session.

The Group, through CCC, recognized unrealized loss and related derivative liabilities amounting to ₱742,043 in 2017, and nil in 2016 and 2015. The Group recognized unrealized gain and related derivative assets amounting to nil, ₱7,308 and nil in 2017, 2016 and 2015, respectively (see Note 8).

The Group recognized fair value changes on derivatives for both provisional pricing and commodity swap transactions amounting to ₱977,146 loss, ₱16,186 loss and ₱292,499 gain in 2017, 2016 and 2015, respectively.



Embedded Derivatives

Provisional Pricing

Based on CCC's pricing agreements with MRI, Cliveden, Yanggu Xiangguang Copper and PASAR, the copper sales will be provisionally priced at shipment subject to price and quantity adjustment after the QP. Under the Copper Contracts, CCC with the consent of MRI, Cliveden, Yanggu Xiangguang Copper and PASAR can price fix the copper shipments before the QP. Copper sales that were not subject to price fixing are assessed as having embedded derivatives that are not clearly and closely related, and once the commodities have been delivered, it must be bifurcated on the delivery date or once the shipment is considered sold (in case of bill and hold sales).

The Group, through CCC, recognized unrealized loss and related derivative liabilities amounting to nil, ₱31,889 and ₱2,459 on its deliveries in 2017, 2016 and 2015, respectively. The Group recognized unrealized gain and related derivative assets amounting to ₱56,482, ₱5,101, ₱56 on its deliveries in 2017, 2016 and 2015, respectively (see Note 8).

Prepayment Option

Bonds Payable

On March 16, 2012, CCC completed the issuance of US Dollar-denominated fixed-rate notes representing US\$300 million of CCC's senior unsecured debt with a tenor of five years and five days (the "Bonds Payable"). The Bonds Payable, which were issued at the price of 98.95% of face value, will pay interest semi-annually every 21st of March and September at the rate of 6.5% and will carry a yield to maturity of 6.75%. The Bonds Payable contains an equity clawback option that allows CCC to redeem up to 35% of the Bonds Payable at any time prior to March 21, 2015, at a redemption price of 106.5% of the principal amount plus accrued and unpaid interest with the net proceeds of an equity offering. The Bonds Payable also have an identified call option as they may be redeemed fully prior to maturity at a redemption price equal to 100% of the principal amount plus applicable premium and accrued and unpaid interest (see Note 15).

On March 21, 2015, CCC did not exercise its option to redeem 35% of the Bonds Payable at 106.5%. No derivative asset was recognized on account of CCC's right to redeem 100% of the notes since the redemption value is equal to the amortized cost.

In March 2017, CCC fully settled the Bonds Payable using the proceeds of a seven-year term loan from BDO Unibank Inc. amounting to US\$320.0 million (see Note 15).

7. **Inventories**

This account consists of:

	2017	2016
At cost:		
Mine products	₱507,925	₱185,226
Materials and supplies	1,655,083	1,505,298
	₱2,163,008	₱1,690,524

Mine Products

Mine products include copper concentrate containing gold and silver. The cost of mine products includes depreciation and depletion of property, plant and equipment amounting to ₱90,518 and ₱2,343 for December 31, 2017 and 2016, respectively.



Materials and Supplies

Materials and supplies consist of consumable items and spare parts. Materials and supplies with costs amounting to ₱475,902 and ₱381,049 as at December 31, 2017 and 2016, respectively, are fully provided with allowance for impairment losses.

Movement of the allowance for impairment losses on inventories are as follows:

	2017	2016
Balances at beginning of year	₱381,049	₱336,224
Provision for impairment loss	94,853	44,825
Balances at end of year	₱475,902	₱381,049

The cost of inventories recognized as expense amounted to ₱2,641,122, ₱3,222,626 and ₱3,470,881 in 2017, 2016 and 2015, respectively (see Note 19).

8. **Other Current Assets**

This account consists of:

	2017	2016
Deposits and advances to suppliers	₱322,907	₱278,532
Prepaid taxes and other prepayments	248,300	162,866
Derivative asset (Note 6)	56,482	12,409
	₱627,689	₱453,807

Deposits and Advances to Suppliers

Deposits and advances to suppliers are non-financial assets arising mainly from advanced payments made by the Group to its suppliers and contractors before goods or services have been received or rendered. These are classified as current since these are expected to be offset against future short-term billings and are recognized in the books at amounts initially paid. Purchase from suppliers generally require advance payments equivalent to 10% to 60% of the contract price. Amounts deposited will be applied as part of the full payment of the contract price upon completion of the contract.

Prepaid taxes and other prepayments include prepaid fees and taxes that were paid by CCC for the benefit of the next period's operations, and creditable withholding taxes that will be used for CCC's future income tax payable.



9. Property, Plant and Equipment

The composition of and movement of this account follow:

December 31, 2017:

	At Cost									Land at Revalued Amount
	Land	Mine Development Costs	Roadways and Bridges	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Construction In-progress	Total	
Revalued amount/cost:										
Balances at beginning of year	₱74,716	₱ 27,158,019	₱ 241,115	₱2,515,118	₱16,329,388	₱170,911	₱11,773	₱788,058	₱47,289,098	₱430,616
Additions	-	-	-	629	-	-	-	3,800,880	3,801,509	-
Reclassifications	-	1,663,772	-	7,124	2,371,592	13,219	-	(4,055,707)	-	-
Disposals	-	-	-	-	-	(933)	-	-	(933)	-
Retirements	-	-	-	-	(22,758)	(21,501)	(281)	-	(44,540)	-
Cumulative translation adjustment	62	118,611	1,362	12,122	77,403	1,020	11	3,333	213,924	-
Balances at end of year	74,778	28,940,402	242,477	2,534,993	18,755,625	162,716	11,503	536,564	51,259,058	430,616
Accumulated depreciation and depletion:										
Balances at beginning of year	-	3,014,804	180,574	916,174	7,160,043	138,266	7,067	-	11,416,928	-
Depreciation and depletion (Notes 7, 19 and 20)	-	1,103,825	16,780	215,673	1,402,265	24,704	624	-	2,763,871	-
Disposals	-	-	-	-	-	(840)	-	-	(840)	-
Retirements	-	-	-	-	(18,105)	(21,494)	(281)	-	(39,880)	-
Cumulative translation adjustment	-	3,675	948	3,353	25,969	671	11	-	34,627	-
Balances at end of year	-	4,122,304	198,302	1,135,200	8,570,172	141,307	7,421	-	14,174,706	-
Allowance for asset write-downs:										
Balances at beginning and end of year	-	-	-	-	114,370	-	-	-	114,370	330
Net book values	₱74,778	₱24,818,098	₱44,175	₱1,399,793	₱10,071,083	₱21,409	₱4,082	₱536,564	₱36,969,982	₱430,286



December 31, 2016:

	At Cost									Land at Revalued Amount
	Land	Mine Development Costs	Roadways and Bridges	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Construction In-progress	Total	
Revalued amount/cost:										
Balances at beginning of year	₱73,929	₱16,972,396	₱223,867	₱2,363,065	₱14,709,917	₱173,334	₱13,021	₱8,625,189	₱43,154,718	₱430,616
Additions	-	-	-	2,134	-	-	105	1,930,576	1,932,815	-
Reclassifications	-	9,174,018	-	-	1,075,882	5,390	-	(10,255,290)	-	-
Disposals	-	-	-	-	-	(12,743)	-	-	(12,743)	-
Retirements	-	-	-	(3,625)	(400,736)	(8,617)	(1,492)	-	(414,470)	-
Cumulative translation adjustment	787	1,011,605	17,248	153,544	944,325	13,547	139	487,583	2,628,778	-
Balances at end of year	74,716	27,158,019	241,115	2,515,118	16,329,388	170,911	11,773	788,058	47,289,098	430,616
Accumulated depreciation and depletion:										
Balances at beginning of year	-	1,892,968	150,899	649,753	5,866,459	120,010	7,323	-	8,687,412	-
Depreciation and depletion (Notes 7, 19 and 20)	-	952,678	15,814	203,332	1,187,990	25,875	1,074	-	2,386,763	-
Disposals	-	-	-	-	-	(10,920)	-	-	(10,920)	-
Retirements	-	-	-	(3,125)	(400,736)	(8,617)	(1,469)	-	(413,947)	-
Cumulative translation adjustment	-	169,158	13,861	66,214	506,330	11,918	139	-	767,620	-
Balances at end of year	-	3,014,804	180,574	916,174	7,160,043	138,266	7,067	-	11,416,928	-
Allowance for asset write-downs:										
Balances at beginning and end of year	-	-	-	-	114,370	-	-	-	114,370	330
Net book values	₱74,716	₱24,143,215	₱60,541	₱1,598,944	₱9,054,975	₱32,645	₱4,706	₱788,058	₱35,757,800	₱430,286

Construction in-progress to improve existing capacity includes cost of various projects at different percentages of completion as at December 31, 2017 and 2016.



Mine development costs consist of the following:

December 31, 2017:

	Mine and Mining Properties	Mine Development Costs	Total
Cost:			
Balances at beginning of year	₱1,262,820	₱25,895,199	₱27,158,019
Reclassifications	–	1,663,772	1,663,772
Cumulative translation adjustment	5,619	112,992	118,611
Balances at end of year	1,268,439	27,671,963	28,940,402
Accumulated depletion:			
Balances at beginning of year	207,594	2,807,210	3,014,804
Depletion	21,202	1,082,623	1,103,825
Cumulative translation adjustment	964	2,711	3,675
Balances at end of year	229,760	3,892,544	4,122,304
Net book values	₱1,038,679	₱23,779,419	₱24,818,098

December 31, 2016:

	Mine and Mining Properties	Mine Development Costs	Total
Cost:			
Balances at beginning of year	₱1,191,641	₱15,780,755	₱16,972,396
Reclassifications	–	9,174,018	9,174,018
Cumulative translation adjustment	71,179	940,426	1,011,605
Balances at end of year	1,262,820	25,895,199	27,158,019
Accumulated depletion:			
Balances at beginning of year	170,296	1,722,672	1,892,968
Depletion	22,774	929,904	952,678
Cumulative translation adjustment	14,524	154,634	169,158
Balances at end of year	207,594	2,807,210	3,014,804
Net book values	₱1,055,226	₱23,087,989	₱24,143,215

Revaluation Increment on Land

The fair value of the land amounted to ₱430,616 as at December 31, 2017 and 2016 based on the latest valuation obtained in 2015 by the Group. The resulting increase in the valuation of land amounting to ₱298,869 is presented as ‘Revaluation increment on land’, net of the related deferred tax liability amounting to ₱128,087 (see Note 23). The carrying amount of the land had it been carried using the cost model is ₱96,999 as at December 31, 2017 and 2016.

Fully Depreciated Property, Plant and Equipment

Fully depreciated property, plant and equipment still used by the Group amounted to ₱2,452,463 and ₱2,338,025 as at December 31, 2017 and 2016, respectively. These are retained in the Group’s records until these are disposed. No further depreciation are charged to current operations for these items.

Disposals

In 2017 and 2016, the Group sold items of property, plant and equipment with cost amounting to ₱933 and ₱12,743, respectively, and corresponding accumulated depreciation of ₱840 and ₱10,920, respectively. Proceeds from the sales amounted to ₱375, ₱2,910 and ₱80,881 in 2017, 2016 and 2015, respectively. The Group recognized gains on disposals of items of property, plant and equipment amounting to ₱282, ₱1,087 and ₱33,160, in 2017, 2016 and 2015, respectively.



Retirements

Total cost of property, plant and equipment retired in 2017 and 2016 amounted to ₱44,541 and ₱414,470, respectively, with related accumulated depreciation amounting to ₱39,880 and ₱413,947, respectively. The said retirements resulted in losses of ₱4,661 and ₱523 in 2017 and 2016, respectively.

Collaterals

The carrying value of the property, plant and equipment mortgaged as collaterals for various borrowings of the Group amounted to ₱1,849,137 and ₱1,451,071 as at December 31, 2017 and 2016, respectively (see Note 15).

Commitments

The Group has capital expenditure commitments amounting to ₱560,611 and ₱228,275 as at December 31, 2017 and 2016, respectively.

10. Goodwill

The carrying amount of Goodwill includes:

	2017	2016
CCC	₱19,011,108	₱19,011,108
AHI	15,011	15,011
	₱19,026,119	₱19,026,119

CCC

As at December 31, 2011, the Group recognized provisional fair values of identifiable assets and liabilities, including a goodwill amounting to ₱25,972,054. In July 2012, the Group finalized the fair values and recognized goodwill amounting to ₱19,011,108.

The adjustments to the provisional amounts resulted into the recognition of mining rights and related deferred tax liability. As a result of the recognition of mining rights and the related deferred tax liability, the Group restated its 2011 consolidated statements of financial position and consolidated statements of comprehensive income to reflect the depletion expense on the mining rights and the related reversal of the deferred tax liability amounting to ₱122,785 and ₱36,835, respectively. The restatement resulted to the recognition of “Mining rights” and “Deferred tax liability” amounting to ₱9,821,424 and ₱2,946,427, respectively, and a decrease in “Retained earnings” amounting to ₱85,950 in the consolidated statements of financial position as at December 31, 2011.

The Group recognized depletion of mining rights amounting to ₱165,471, ₱188,372 and ₱211,546 in 2017, 2016 and 2015, respectively. The carrying amount of mining rights amounted to ₱8,181,643 and ₱8,347,114 as at December 31, 2017 and 2016, respectively. The Group recognized the related reversal of deferred tax liability amounting to ₱49,641, ₱56,512 and ₱63,464 in 2017, 2016 and 2015, respectively.

AHI

On May 11, 2007, the Parent Company’s BOD approved the execution and implementation of the Deed of Sale of the Shares of Stock entered into between the Parent Company and Ancor Property Holdings, Inc. (APHI) on the sale to the Parent Company of APHI’s 75,005 common shares in AHI or equivalent to 99.99% of AHI’s total issued and outstanding shares for ₱77,511. AHI is the holder of rights to certain properties needed in the operations of the Toledo Copper Mines. The execution of the purchase of shares of stock of AHI was undertaken pursuant to the



Memorandum of Agreement entered into by the Parent Company with APHI on May 4, 2006 embodying the mechanics for the Parent Company's acquisition of rights over the AHI properties. At the time of the acquisition, the estimated fair value of the net identifiable assets of AHI, consisting substantially of parcels of land, amounted to ₱62,500. The acquisition resulted in the recognition of goodwill of ₱15,011 in the consolidated statement of financial position.

No impairment loss on goodwill was recognized in 2017, 2016 and 2015.

Key Assumptions Used in Value in Use Calculations and Sensitivity to Changes in Assumptions

The Group performed its annual impairment test as at December 31, 2017. The cash-generating unit are concluded to be entire entities invested in.

The recoverable amount of the cash-generating unit has been determined based on a discounted cash flows (DCF) calculation using cash flow projections from financial budgets approved by senior management.

The projected cash flows have been developed to reflect the expected mine production over the life of the mine adjusted by the effects of other factors such as inflation rate. The pre-tax discount rate applied to cash flow projections as at December 31, 2017 is 10.18%. As a result of this analysis, management concluded that the goodwill is not impaired.

The calculation of DCF and cash-generating unit is most sensitive to the following assumptions:

- a. Expected life of the project
- b. Future production levels and costs
- c. Contributions to the government
- d. Copper prices
- e. Pre-tax discount rate

a. Expected Life of the Project

The Group projected a 33 expected life of the project, which is based on the remaining mineable ore reserves of the project and their capacity to mine those remaining mineable ore reserves. The remaining mineable ore reserves are based on Philippine Mineral Reporting Code.

b. Future Production Levels and Costs

Future production levels and costs include direct and indirect costs used to concentrate the mined ore reserves for the remaining life of the mine.

c. Contributions to the Government

The Group assumes the prevailing tax rates imposed on an entity that is engaged in mining operations. The Group is affected by the newly enacted tax reform law (see Note 31a).

d. Copper Prices

The Group considers the effect of commodity price changes for copper concentrate. The Group considered the possible effect of the changes in the price of copper concentrate as it relates to the revenues that may be generated by the Group and the attainment of the cash flow projections. The Group used the data from the Wood Mackenzie Limited, a global mining and metals research and consultancy firm. The price is the function of a number of factors, which includes, among others, copper grade, moisture content and factor rate.



Generally, a higher grade and lower moisture content would yield higher recoverable amount; otherwise, this may indicate impairment. The Group expects that the overall price of copper concentrate ore will improve throughout the life of mine.

e. Pre-tax Discount Rate

Discount rate represents the current market assessment of the risks specific to cash-generating unit, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments, and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Specific risk is incorporated by applying individual beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-discount rate. The pre-tax discount rates used by the Group are 10.18% and 12.39% as at December 31, 2017 and 2016, respectively.

11. AFS Financial Asset

The Group's AFS financial asset consists of investment in shares of Philippine Long Distance Telephone Company amounting to ₱4,326 as at December 31, 2017 and 2016. The Group recognized an allowance for impairment loss on AFS financial asset amounting to ₱4,326 as at December 31, 2017 and 2016.

As at December 31, 2017 and 2016, the cumulative change in value of AFS financial asset amounted to ₱4,861. The change in fair values have been recognized and is shown as 'Unrealized gain on AFS financial asset' account in the equity section of the consolidated statements of financial position.

12. Investments in Associates

As of June 2014, the Group has the following investments in subsidiaries (collectively called the "Nickel Corporations").

a.) TMM Management, Inc. (TMMI)	60.00%	direct interest
b.) Ulugan Resources Holdings, Inc. (URHI)	70.00%	direct interest
c.) Ulugan Nickel Corporation (UNC)	42.00%*	effective interest
d.) Nickeline Resources Holdings, Inc. (NHRI)	42.00%*	effective interest
e.) Berong Nickel Corporation (BNC)	25.20%*	effective interest

*URHI owns 60% of UNC and NRHI. NRHI owns 60% of BNC.

The remaining ownership of the above subsidiaries is owned by the combined interests of Toledo Mining Corporation (TMC) and DMCI Mining Corporation (DMCI), a third party.

In June 2014, the voting rights held by the Group were assigned to the representative of the DMCI and the management team from the DMCI assumed key offices of the above entities. Further, on July 11, 2014, a Memorandum of Agreement (MOA) was entered between TMC and the Group, which sets out the material terms under which the parties have agreed to hold their respective investments in respect of the exploration, development and utilization of Berong Mineral Properties [mining tenements or Mineral Production Sharing Agreement (MPSA) applications underlying the



Berong Nickel Project necessary for operations] defined in the joint venture agreement dated January 9, 2005. The said MOA sets out the rights of each of the Group and TMC including the assignment of board seats, majority of which were assigned to TMC, and delegation to TMC of the operations and critical decision making in running the mining operations. Due to these factors the above entities were accounted for as associates, instead of subsidiaries. Consequently, the Group deconsolidated the above entities in 2014.

As at December 31, 2017 and 2016, the percentages of ownership of investment in associates are as follows:

Company	Percentage of Ownership		
	2017	2016	Principal Activities
TMMI	60.00	60.00	Management Services
URHI	70.00	70.00	Holding Company
UNC	42.00	42.00	Mining
NRHI	42.00	42.00	Holding Company
BNC	25.20	25.20	Mining

As at December 31, 2017 and 2016, the balances of investments in associates consist of:

	2017	2016
Balances at beginning of year	₱198,136	₱198,163
Accumulated equity:		
Share in net income (loss)	(7,471)	61,713
Dividend income	-	(61,740)
Balances at end of year	₱190,665	₱198,136

The associates prepare financial statements for the same financial reporting period as the Parent Company.

Summarized financial information of the investments in associates as at December 31, 2017 and 2016, which are accounted for under the equity method, follow:

	2017	2016
Current assets	₱560,338	₱1,424,213
Noncurrent assets	515,686	466,492
Total assets	1,076,024	1,890,705
Current liabilities	733,752	1,173,885
Noncurrent liabilities	6,053	354,186
Total liabilities	₱739,805	₱1,528,071
Net assets	336,219	362,634
Net income (loss)	(₱29,303)	₱480,408



13. Other Noncurrent Assets

This account consists of:

	2017	2016
Input VAT (net of allowance for possible losses of ₱211,388 and ₱206,833 as at December 31, 2017 and 2016, respectively)	₱1,640,629	₱2,009,019
Deferred mine exploration costs	16,708	16,708
MRF	135,336	53,969
Others	24,322	21,146
	₱1,816,995	₱2,100,842

Input VAT written off in 2016 represents credits disallowed under the revised rules of the Bureau of Internal Revenue (BIR) and is the subject of a motion for reconsideration still pending with the Supreme Court. CCC received checks dated March 1, 2017 from Bureau of Customs amounting to ₱445,776 in 2017 and tax credit certificate amounting to ₱104,378 in 2016.

Movements of the allowance for possible losses on input VAT are as follows:

	2017	2016
Balances at beginning of year	₱206,833	₱136,677
Loss on disputed input VAT	-	495,159
Write off during the year	-	(435,197)
Cumulative translation adjustment	4,555	10,194
Balances at end of year	₱211,388	₱206,833

Deferred Mine Exploration Costs

These pertain to field supplies and other costs incurred during evaluation and exploration of projects of the Parent Company. In 2013, deferred mine exploration costs pertain to BNC's exploration expenditures on the Moorsom, Dangla and Longpoint Project (adjacent area covering the Berong Nickel Project). Management has established that economically recoverable reserves exist in the area, resulting in the decision to develop the area for commercial mining operation. BNC started to explore and develop the area adjacent to the Berong Nickel Project in 2008.

No provision for impairment loss on the deferred mine exploration costs was recognized in 2017 and 2016.

MRF

MRF pertain to rehabilitation trust funds that the Group is required by regulations to establish and maintain through cash deposits to cover their rehabilitation liability upon the closure of the mine and to ensure payment of compensable damages that may be caused by mine waste.

The rehabilitation trust funds are held in government depository banks.

Others

Others consists mainly of security deposits with various suppliers, and advances for the Longos and Nesbitan Gold Projects, which were used for field supplies and other costs during exploration and evaluation of the said projects.



14. Accounts Payable and Accrued Liabilities

This account consists of:

	2017	2016
Trade	₱1,589,734	₱1,156,077
Accrued expenses:		
Rental	174,106	387,145
Power and other utilities (Note 30)	151,664	122,035
Personnel	119,500	72,372
Professional fees	34,812	80,948
Explosives	20,376	12,629
Insurance	17,212	598
Consigned fees	11,561	13,904
Contracted services	6,746	-
Others	257,015	166,088
Interest (Note 15)	263,759	342,740
Government payables	137,264	150,285
Others	119,886	66,813
	₱2,903,635	₱2,571,634

Trade

Trade payables include import and local purchases of equipment, inventories and various parts and supplies used in the operations of the Group. These are non-interest bearing payables to various suppliers and are normally settled on terms ranging from 30 to 60 days. Trade payables include the customer deposits made by MRI on December 1, 2014 amounting to US\$30.0 million and on January 7, 2015 amounting to US\$30.0 million as part of the increase in offtake allotment of 130,000 DMT of copper concentrate to MRI. Each deposit will be applied in shipments of 12 lots of five thousand DMT starting in February 2015. Outstanding balance as at December 31, 2017 and 2016 is nil and ₱124,825, respectively (see Note 6).

Accrued Expenses - Others

The accrued expenses - others consist largely of accruals for the insurance of vehicles and shipments, and accruals for purchased materials and supplies for which invoices have yet to be issued by suppliers as at December 31, 2017 and 2016. These are normally settled within six months.

The related interest expense recognized related to trust receipts amounted to ₱1,964, ₱2,596 and ₱2,970 in 2017, 2016 and 2015, respectively (see Note 24).

Interest

Interest pertains on accrued interest on bank loans and long-term debt and other interest-bearing liabilities.

Government Payables

Government payables consist of mandatory contributions and payments to Social Security System (SSS), Philippine Health Insurance Corporation (PHIC), and Home Development Mutual Fund (HDMF), withholding tax payables, excise tax payables, and customs duties which are non-interest bearing and have an average term of 15 to 30 days.



Others

Others pertain to unclaimed termination benefits of former Parent Company employees before the temporary suspension of operations in prior years and utilities payables. These also include miscellaneous non-interest bearing payables.

15. Bank Loans, and Long-term Debt and Other Interest Bearing Liabilities

a. Bank loans

The Group entered into various short-term unsecured loans from different financial institutions as at December 31 below:

	2017	2016
United Coconut Planters Bank (UCPB)	₱791,391	₱819,883
Standard Chartered Bank (SCB)	748,950	745,800
Rizal Commercial Banking Corporation (RCBC)	499,300	497,200
Land Bank of the Philippines (Land Bank)	489,314	519,574
Banco De Oro Unibank Inc. (BDO)	274,615	273,460
Security Bank	149,790	208,824
	₱2,953,360	₱3,064,741

1. UCPB

On March 23, 2015, CCC obtained a short-term clean loan from UCPB in the amount of US\$17.7 million with original maturity date of September 18, 2015. The loan was rolled over several times with the last roll over done on September 6, 2017 to mature on March 5, 2018, with interest accruing at the rate of 2.8% - 3.5% per annum. In 2017 and 2016, CCC made partial payments of this loan amounting to US\$0.6 million and US\$0.4 million, respectively.

The interest expense recognized from the loan from UCPB amounted to ₱25,923, ₱25,903 and ₱17,846 in 2017, 2016 and 2015, respectively (see Note 24). The accrued interest payable amounted to ₱1,731 and ₱1,199 as at December 31, 2017 and 2016, respectively (see Note 14).

2. SCB

On December 5, 2014, CCC rolled over the US\$10.0 million and US\$5.0 million clean loans obtained from SCB for working capital requirements, and extended their terms to February 3, 2015, at which date the full amount was paid.

On February 6, 2015, CCC obtained an additional short-term clean loan from SCB in the amount of US\$15.0 million at the interest rate of 3.0% per annum, which initially matured on August 5, 2015. The loan was rolled-over several times with the last roll over done on October 23, 2017 to mature on April 20, 2018 at the interest rate of 3.0%-3.75% per annum.

The interest expense recognized on the loans from SCB amounted to ₱31,663, ₱29,845 and ₱23,417 in 2017, 2016 and 2015, respectively (see Note 24). The accrued interest payable amounted to ₱5,149 and ₱5,140 as at December 31, 2017 and 2016, respectively (see Note 14).

3. RCBC

On February 17, 2015, CCC obtained from RCBC a short-term loan amounting to US\$10.0 million which was used to finance working capital requirements from RCBC with a maturity date



on August 14, 2015. The loan was rolled over several times with the last roll over done on August 3, 2017 to mature on July 28, 2018 at the interest rate of 3.06%.

The interest expense recognized on the RCBC loan amounted to ₱13,594, ₱14,039 and ₱9,912 in 2017, 2016 and 2015, respectively (see Note 24). The accrued interest payable amounted to ₱1,146 and ₱3,096 as at December 31, 2017 and 2016, respectively (see Note 14).

4. Land Bank

On April 23, 2013, CCC obtained a short-term clean loan with a dollar to peso convertibility clause from Land Bank with a maturity date on October 18, 2013 in the amount of US\$12.0 million, which was used to finance working capital requirements. The loan was rolled over several times with the last roll over done on September 8, 2017 to mature on March 7, 2018 at the interest rate of 3.11%-4.26%. CCC made several principal payments in accordance with the dollar to peso convertibility clause amounting to US\$0.5 million in October 2013, US\$0.5 million in April 2014, US\$0.4 million in September 2015, US\$0.1 million in March 2016, and US\$0.05 million in September 2016. In 2017, CCC made partial payments to this loan amounting to US\$0.6 million.

The interest expense recognized on the loan Land Bank amounted to ₱19,204, ₱16,661 and ₱15,092 in 2017, 2016 and 2015, respectively (see Note 24). The accrued interest payable amounted to ₱1,109 and ₱682 as at December 31, 2017 and 2016, respectively (see Note 14).

5. BDO

On February 10, 2014, CCC obtained a short-term clean loan from BDO with a maturity date on August 8, 2014 in the amount of US\$2.5 million, which was used to finance working capital requirements. The loan was rolled over several times with the last roll over done on December 29, 2017 to mature on December 21, 2018 with interest rate of 2.159%-2.625%.

On May 12, 2015, CCC obtained another short-term clean loan from BDO amounting to US\$3.0 million with a maturity date on November 9, 2015. The loan was rolled over several times with the last roll over done on October 25, 2017 to mature on April 23, 2018 with interest rate of 2.50%-2.625%.

The interest expense recognized on the loan from BDO amounted to ₱7,760, ₱9,975 and ₱5,497 in 2017, 2016 and 2015, respectively (see Note 24). The accrued interest payable amounted to ₱60 and ₱490 as at December 31, 2017 and 2016, respectively (see Note 14).

6. Security Bank

On March 9, 2015, CCC obtained a short-term clean loan from Security Bank in the amount of US\$4.5 million with maturity date on September 4, 2015. The loan was rolled over several times with the last roll over done on December 26, 2017 to mature on June 22, 2018 with interest rate of 2.75%-2.875%. CCC made principal payments amounting to US\$0.3 million in 2016 and US\$1.2 million in 2017.

The interest expense recognized amounted to ₱6,822, ₱6,367 and ₱5,336 in 2017, 2016 and 2015 respectively (see Note 24). The accrued interest payable amounted to ₱60 and ₱1,855 as at December 31, 2017 and 2015, respectively (see Note 14).

7. Bank of China

On January 14, 2016, CCC obtained from Bank of China a short-term credit facility covering the amount of US\$4.6 million which was used to finance working capital requirements. The amount



drawn from the facility is payable within 120 days and accrues interest at the rate of 3.0% per annum. On January 29, 2016, CCC paid the outstanding loan amounting to US\$4.6 million. The interest expense recognized on the credit facility from Bank of China amounted to nil and ₱275 in 2017 and 2016, respectively (see Note 24). The accrued interest payable amounted to nil as at December 31, 2016 (see Note 14).

b. Long-term debts and other interest-bearing liabilities

The Group's long-term debts and other interest-bearing liabilities as at December 31, 2017 and 2016 as follows:

	2017	2016
BDO	₱14,427,427	₱-
SM Investments Corporation (SMIC)	6,472,570	6,930,563
BDO Leasing & Finance, Inc. (BDO Leasing)	1,179,371	315,059
United Overseas Bank Ltd. (UOB)	1,014,578	1,197,755
Security Bank	894,168	1,059,821
Maybank	811,662	958,204
RCBC	791,371	934,249
Anglo Philippine Holdings Corporation (APHC)	576,897	-
Alakor Corporation (Alakor)	142,209	-
SCB	22,677	183,185
Bonds Payable	-	14,896,158
Convertible loans	-	1,818,648
	26,332,930	28,293,642
Less noncurrent portion	22,437,903	10,540,433
	₱3,895,027	₱17,753,209

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

	2017	2016
Due in:		
2017	₱-	₱17,753,209
2018	3,895,027	4,591,305
2019 and thereafter	22,437,903	5,949,128
	₱26,332,930	₱28,293,642

Current portion of long-term debts

	2017	2016
UOB	₱1,014,578	₱187,444
Security Bank	894,168	165,838
MayBank	811,662	958,204
RCBC	791,371	146,206
BDO Leasing	360,571	234,739
SCB	22,677	183,185
Bonds Payable	-	14,896,158
SMIC	-	981,435
	₱3,895,027	₱17,753,209



1. BDO Unibank Inc.

On March 16, 2017, CCC availed a subordinated term secured loan from BDO amounting to US\$320.0 million to settle the US\$300.0 million bonds payable and for working capital requirements. The subordinated term loan has a term of seven years or will mature on March 15, 2024 with interest of 5% per annum inclusive of final withholding tax and fixed for the first two years with a step up of 1% every year thereafter. Interest is payable semi-annually in arrears from March 16, 2017.

Principal payment equivalent to 1% of the full drawn amount is payable at the end of the 5th year and 6th year while the remaining balance of 98% is payable at the end of the term. The loan is guaranteed by a shareholder through a certificate of time deposit. Consequently, the Group recognized other current liability amounting to ₱1,870,312 (see Note 32).

The interest expense recognized on the subordinated term loan, including the amortization of debt issue costs, amounted to ₱1,045,231 in 2017 (see Note 24). The total accrued interest payable to Banco De Oro Unibank, Inc. amounted to ₱212,902 as at December 31, 2017 (see Note 14).

The carrying value of the loan as at December 31, 2017 amounted to ₱14,427,427, net of debt issue costs with carrying value of ₱2,254,401 as at December 31, 2017.

2. Alakor, APHC, and SMIC

On March 21, 2017, CCC availed of loans from Alakor, APHC and SMIC totaling US\$167.4 million for working capital requirements. The loans shall be subordinated only to loans of CCC from financial institutions. The loans have a term of seven years or will mature on March 20, 2024, extendible at the option of the lender. Interest is 5% per annum for the first two years with a step up of 1% every year thereafter but subject to repricing at the option of the lenders. Interest is payable semi-annually in arrears from March 21, 2017. In August 2017, CCC made a partial payment to the lenders amounting to US\$25.4 million. The interest expense recognized on the said loans amounted to ₱434,480 in 2017 (see Note 24). The total accrued interest payable amounted to ₱10,549 as at December 31, 2017 (see Note 14).

3. BDO Leasing

Since 2011, CCC availed of various peso-denominated finance lease facilities from BDO Leasing for the purchase of various equipment. The amounts availed under the facilities are payable within 36 months to 60 months and accrue interest at the rate of 4.75% to 6.75% per annum. In 2017 and 2016, CCC availed of additional finance lease facilities from BDO Leasing covering the total amount of ₱1,179,207 and nil, respectively.

The carrying value of the property, plant and equipment mortgaged as collaterals for BDO Leasing amounted to ₱1,849,137 and ₱1,451,071 as at December 31, 2017 and 2016, respectively (see Note 9).

The interest expense on the said facilities amounted to ₱32,398, ₱25,311 and ₱40,728 in 2017, 2016 and 2015, respectively (see Note 24). The accrued interest payable amounted to nil as at December 31, 2017 and 2016.

4. Bilateral Loan Agreements

On October 10, 2014, CCC entered into bilateral term loan agreements with Security Bank, Maybank Philippines Inc., Maybank International Labuan branch, RCBC and UOB (“the Bilateral Loan Agreements”). The proceeds of the loans were used by CCC to fund its capital expenditures and refinance its outstanding short-term loan obligations.



The loans have a term of four years reckoned from the date of availment, and constitute unsubordinated obligations of CCC that rank at least *pari passu* in priority of payment with all its unsecured obligations.

Covenants

The Bilateral Loan Agreements impose, certain restrictions and requirements with respect to, among others, the following:

(i) *Target Financial Ratios* - During the term of the loans, CCC shall ensure that:

- Its Debt to Equity Ratio does not exceed 2.0 in each of the calendar years 2014, 2015, 2016, and 2017, based on the audited financial statements as of the last day of each of such calendar years; Debt to Equity Ratio is total debt divided by total equity;
- Its Debt-Service Coverage Ration (DSCR) shall not be less than (a) 1.5 in each of the calendar years 2014, 2015, and 2017, and (b) 1.1 in the calendar year 2016, based on the audited financial statements as of the last day of each of such calendar years; DSCR is the sum of Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) for the most recent audited year and the ending cash balance for the most recent audited year divided by the aggregate of principal, interest and lease payments for the current year; and
- Its Debt to EBITDA Ratio does not exceed 4.0 in each of the calendar years 2014, 2015, 2016 and 2017, based on the audited financial statements as of the last day of each of such calendar year Debt to EBITDA Ratio is total debt divided by EBITDA.

CCC's compliance with the financial covenants provided herein shall be determined annually by calculating the Financial Ratios for each of the relevant calendar years by no later than April 30 of the year following the calendar year with respect to which compliance is being tested.

In 2016, CCC was unable to achieve fully the Target Financial Ratios. However pursuant to the terms of the Bilateral Loan Agreements, CCC secured a waiver of its compliance with the covenants on the maintenance of the Target Financial Ratios before the close of the reporting period and the approval of the issuance of this report, except for the waiver of MayBank, which was issued after the close of the reporting period but before the approval of the issuance of this report. Accordingly, the loan from Maybank was classified as current. CCC settled the principal amounts and interests on a timely basis. The loans included in the Bilateral Loan Agreements amounted to ₱4,150,029 and ₱4,135,370 as at December 31, 2016 and 2015, respectively.

In 2017, CCC was unable to achieve fully the above covenants.

(ii) *Payment of Dividends* - CCC shall not pay any dividends or make any distribution on or with respect to its capital stock (other than dividends or distributions payable or paid solely in shares of stock of CCC, other than Disqualified Stock or preferred stock) (i) if a default has occurred and is continuing at the time of such payment or distribution, or would occur as a result of such payment or distribution, or (ii) if after giving effect thereto, such payment or distribution, together with the aggregate amount of all dividend payments and distributions made by CCC since the issuance of the Bonds Payable shall exceed 50% of the aggregate amount of the net income of CCC accrued on a cumulative basis during the period beginning on January 1, 2012 and ending on the last day of CCC's most recently ended fiscal quarter for which financial statements of CCC are available and have been provided to the lenders at the time of such payment or distribution.



The total interest expense recognized related to the Bilateral Loan Agreements amounted to ₱183,383, ₱196,048 and ₱182,710 in 2017, 2016 and 2015, respectively (see Note 24). The total accrued interest payable related to Bilateral Loan Agreements amounted to ₱31,000 and ₱32,874 as at December 31, 2017 and 2016, respectively (see Note 14).

The Bilateral Loan Agreements consist of the following loans as at December 31, 2017:

- UOB

The bilateral term loan agreement between CCC and UOB entered into on October 10, 2014 (the “UOB TLA”) covers a facility for the amount of US\$25.0 million and has a term of four years reckoned from the date of the loan availment. The loan accrues interest at the rate of 3.735% per annum. CCC fully availed of the facility covered by the UOB TLA. In 2017 and 2016, CCC made partial payments of the loan amounting to US\$3,770 and US\$910 respectively. The interest expense recognized in respect of the UOB TLA amounted to ₱53,104, ₱56,984 and ₱50,929 in 2017, 2016 and 2015, respectively (see Note 24). Accrued interest payable on the UOB TLA as at December 31, 2017 and 2016 amounted to ₱8,643 and ₱10,203 (see Note 14).

- Security Bank

On October 16, 2014, CCC paid the outstanding portion of the loan amounting to US\$6.5 million from the proceeds of the ₱1,100,000 facility covered by the bilateral term loan agreement between CCC and Security Bank dated October 10, 2014 (the “SB TLA”). Under the terms of the SB TLA, the principal amount of the loan availed shall be payable within four years from the date of availment and shall accrue interest at the rate of 5.0% per annum. CCC fully availed the facility covered by the SB TLA. In 2017 and 2016, CCC made partial payments of the SB TLA amounting to ₱165,880 and ₱40,040, respectively.

The interest expense on the SB TLA recognized amounted to ₱48,599, ₱55,782 and ₱56,782 in 2017, 2016, and 2015, respectively (see Note 24). The accrued interest payable on the SB TLA amounted to ₱8,689 and ₱9,417 as at December 31, 2017 and 2016, respectively (see Note 14).

- Maybank

On October 10, 2014, CCC entered into bilateral term loan agreements with Maybank Philippines and Maybank International, which cover facilities for the aggregate amount of US\$20.0 million (the “Maybank TLA”). Loan availments under the facilities are payable within four years from the drawdown date and accrues interest at the rate of 3.735% per annum. CCC fully availed the facilities covered by the MayBank TLA. In 2017 and 2016, CCC made partial payments of the Maybank TLA amounting to US\$3,016 and US\$728, respectively.

The interest expense recognized on the Maybank TLA amounted to ₱43,425, ₱44,321 and ₱39,812 in 2017, 2016 and 2015, respectively (see Note 24). The accrued interest payable on the Maybank TLA amounted to ₱7,428 and ₱8,162 as at December 31, 2017 and 2016, respectively (see Note 14).

- RCBC

On April 11, 2014, CCC obtained a short-term loan from RCBC with a maturity date on October 8, 2014 in the amount of ₱450,000, which was used to finance working capital requirements. The amount drawn from the facility is payable within 180 days from the date of availment and accrues interest at the rate of 2.5% per annum. CCC paid the loan balance



of ₱450,000 on October 16, 2014 using the proceeds from the availment under the bilateral term loan agreement between CCC and RCBC dated October 10, 2014 (the “RCBC TLA”). In 2017 and 2016, CCC made partial payments of the RCBC TLA amounting to US\$2,941 and US\$710 respectively.

The RCBC TLA covers a facility amount of US\$19.5 million. Under the terms of the RCBC TLA, any loan shall be payable within four years from the date of availment and shall accrue interest at the rate of 3.735% per annum. CCC fully availed of the facility covered by the RCBC TLA. Total interest expense on the RCBC TLA amounted to ₱38,255, ₱38,961 and ₱39,835 in 2017, 2016 and 2015, respectively (see Note 24). The accrued interest payable on the RCBC TLA amounted to ₱6,240 and ₱5,183 as at December 31, 2017 and 2016, respectively (see Note 14).

5. SCB

On May 21, 2014, CCC executed an Omnibus Loan and Security Agreement (OLSA) with the Singapore Branch of SCB respecting a secured term loan facility covering a total amount of US\$20.0 million that may be availed in tranches, the proceeds of which was intended to fund the purchase of mining equipment. Under the OLSA, any availment accrues interest at an annual rate equivalent to the sum of 2.85% and the three-month US\$ London Interbank Offered Rate that corresponds to the relevant interest period. Each interest period for the reckoning of accrued payable interest on every availment spans three months, with the first interest period commencing on the date of the first availment under the OLSA. Accrued interest is payable on the last day of each interest period.

The first availment under the OLSA amounting to US\$8.4 million was made on June 11, 2014, and will accrue interest at the rate of 3.08% per annum. The second availment under the OLSA amounting to US\$5.45 million was made on March 23, 2015 and will accrue interest at the rate of 3.11% per annum. Each availment under the OLSA will mature three years from the date of availment. Availments under the OLSA are secured by a chattel mortgage covering the movable equipment purchased using the proceeds thereof.

The interest expense recognized on the OLSA amounted to ₱4,750, ₱13,016 and ₱17,017 in 2017, 2016 and 2015, respectively (see Note 24). The total accrued interest payable on the OLSA amounted to ₱53 and ₱488 as at December 31, 2017 and 2016, respectively (see Note 14).

The carrying amount of the loans under the OLSA amounted to ₱22,677 and ₱183,185 as at December 31, 2017 and 2016, respectively. CCC settled the principal amounts and interests on a timely basis.

6. Bonds Payable

On March 16, 2012, CCC completed the issuance of US\$-denominated fixed-rate bonds representing US\$300.0 million of CCC’s senior unsecured debt with a tenor of five years and five days. The Bonds Payable, which were issued at 98.95% of face value, will pay interest semi-annually every 21st of March and September at the rate of 6.5% and will carry a yield to maturity of 6.75%. The accrued interest payable from the bonds payable amounted to nil and ₱266,624 as at December 31, 2017 and 2016, respectively (see Note 14). The interest expense recognized from the bonds payable amounted to ₱280,184, ₱1,175,070 and ₱1,124,744 in 2017, 2016 and 2015, respectively (see Note 24).

The Bonds Payable have an identified call option as they may be redeemed fully prior to maturity at a redemption price equal to 100% of the principal amount plus applicable premium, and accrued and unpaid interest. No derivative asset was recognized on such prepayment option since



it was assessed to be clearly and closely related to the host contract. The Bonds Payable also contains an equity clawback option that allows CCC to redeem up to 35% of the Bonds Payable at any time prior to March 21, 2015, at a redemption price of 106.5% of the principal amount plus accrued and unpaid interest, using the net proceeds of an equity offering (see Note 6).

Covenants

The agreement embodying the terms of the Bonds Payable (the “Indenture”) imposes, certain restrictions and requirements with respect to, among others, the following:

- (i) *Incurrence of Indebtedness Other than Permitted Indebtedness* - CCC may incur indebtedness other than those permitted under Clause 4.6(b) of the Indenture if at the time of incurrence and the receipt and application of the proceeds therefrom, (i) no default, as such is defined in the Indenture (‘Default’), has occurred or is continuing, and (ii) the Fixed Charge Coverage Ratio (‘FCCR’) of CCC is not less than 2.5 to 1.0 (the ‘Incurrence Conditions’). FCCR is the ratio of (1) the aggregate amount of earnings before interest, taxes, depreciation, and amortization (EBITDA) for the most recent four fiscal quarterly periods prior to the incurrence of the indebtedness (the ‘Four Quarter Period’); over (2) the aggregate fixed charges during the Four Quarter Period.
- (ii) *Payment of Dividends* - CCC may declare and/or pay dividends if at the time of the declaration and/or payment, (i) no default has occurred, is continuing, or will result from such declaration and/or payment, (ii) CCC can incur at least US\$1.00 of indebtedness without violating the Incurrence Conditions, and (iii) the sum of the amount of the dividend declared and/or paid and of the aggregate amount of all restricted payments (as such is defined under the Indenture) does not exceed the aggregate amount of the items enumerated under Clause 4.7 (a) (3) of the Indenture.

CCC has complied with the above covenants as at December 31, 2016.

In March 2017, CCC fully settled its US\$300.0 million bonds, which matured on March 21, 2017 using the proceeds from a seven-year term loan from BDO amounting to US\$320.0 million.

7. Convertible Loans - Alakor, APHC and SMIC

Senior unsecured convertible loan facilities covering the aggregate amount of ₦1.8 billion (the ‘convertible loans’) were obtained by the Parent Company from its principal shareholders, APHC, Alakor Corporation, and SMIC (the ‘lenders’) in June 2015, under independent bilateral loan agreements with common terms. Proceeds of the convertible loans were used substantially to subscribe to the capital stock of its subsidiary, CCC.

The convertible loans (i) have a 3-year tenure, (ii) accrue interest at the rate of 4% per annum payable semi-annually, (iii) with an indicative yield-to-maturity of 5.625% per annum, (iv) convertible into equity of the Parent Company at a conversion price equivalent to whichever is higher of 120% of the volume weighted average price (‘VWAP’) of the Parent Company shares over the period of 10 trading days immediately preceding the drawdown date, or par value of the Parent Company shares, (v) may be paid before maturity at which the agreed yield will be realized (a) at the option of the lenders on the first anniversary of the drawdown date and at the end of every six-month period thereafter, and (b) at the option of the Parent Company at any time after the lapse of 18 months from the drawdown date, provided, that the closing price of the Parent Company shares on each of 20 trading days within any period of 30 consecutive trading days exceeds 130% of the conversion price on each of such trading days.



The notes together with its features are evaluated to determine if the embedded components qualify as derivatives to be separately accounted for under PAS 32, *Financial Instruments: Presentation*. As a result of this evaluation, the Group identified the conversion rights as derivative financial instruments to be taken up as equity. Using the residual approach, the proceeds are allocated between the debt instrument and the conversion rights. At inception date, the fair value of the debt instrument and conversion right presented as Additional Paid-In Capital amounted to ₱1,751,153 and ₱48,847, respectively.

On February 28, 2017, the Parent Company made partial payment of the convertible loans from the lenders amounting to ₱343,750. On March 21, 2017, the loans were fully settled using the proceeds from an intercompany loan from CCC amounting to ₱1,456,250, which is equal to the remaining principal amount of the loan. In 2017, the Parent Company recognized gain on extinguishment of debt amounting to ₱28,434 while the embedded conversion option amounting to ₱48,847, which was recognized during the grant of the loans is lodged in the additional paid-in capital account in the consolidated statement of financial position.

The interest expense recognized with respect to the convertible loans amounted to ₱24,984, ₱126,620 and ₱55,075 in 2017, 2016 and 2015, respectively (see Note 24). Accrued interest payable amounted to nil and ₱4,312 as at December 31, 2017 and 2016, respectively (see Note 14).

8. SMIC

On September 16, 2015, the Parent Company availed from SMIC a loan facility in the amount of ₱981,435 which was used to finance working capital requirements and its equity infusion to its in CCC. The essential terms of the loan include: interest rate at 5% per annum, subject to repricing at prevailing market rates; payable in 90 days extendible up to 5 years; and with prepayment option of all or part of the loan prior to maturity.

In January, February, March and September 2016, the Parent Company availed from SMIC additional senior unsecured loan facilities covering the aggregate amounts of ₱705, ₱1,346, ₱2,237 and ₱1,661, respectively, to raise additional working capital.

The loans are payable within five years from the dates of availment, accrued interest at the rate of 5% per annum subject to repricing at prevailing market rate and with prepayment option of all or part of the loan prior to maturity.

On March 21, 2017, the Parent Company extinguished all its loans payable to SMIC using the proceeds from an intercompany loan with CCC amounting to ₱6,930,563.

The interest expense recognized on the SMIC loan facility amounted to ₱77,006 and ₱258,073 in 2017 and 2016, respectively (see Note 24). Accrued interest payable on the SMIC loan facility amounted to nil and ₱25,889 as at December 31, 2017 and 2016, respectively (see Note 14).

9. US\$75.0 million BDO Loan

On July 25, 2011, the Parent Company availed from BDO a US\$-denominated loan facility debt amounting to US\$75 million (the BDO Facility) which was fully drawn upon availment. The proceeds from the BDO Facility were used to finance (i) the Parent Company's acquisition of the entire equity interest of CASOP in CCC, and (ii) CCC's working capital requirements. The BDO Facility was fully settled and paid in July 2016.



The BDO Facility (i) has a term of five years, (ii) is payable in 49 equal monthly installments starting July 2012, (iii) accrues interest at the rate of 7% per annum, and (iv) is primarily secured by an irrevocable suretyship executed by CCC in favor of BDO.

Upon the occurrence of an event of default, BDO has the option to convert all amounts outstanding under the BDO Facility into equity of the Parent Company. The conversion shall be effectuated through the assignment by BDO to the Parent Company of the amount of the loan obligation as payment for BDO's subscription to the shares of stock of the Parent Company at the price of ₱19.56 per share and based on the Philippine Peso-US Dollar exchange rate of US\$1.00:₱43.50.

Securities

The BDO Facility is also secured by a pledge of the shares of CCC which were purchased by the Parent Company. Such purchase was funded partly by the proceeds from the BDO Facility.

Covenants

The agreement embodying the terms of the BDO Facility imposes certain restrictions and requirements with respect to, among others, the following:

- Maintenance of a debt service coverage during the term of the BDO Facility DSCR must not be less than 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
- Cash securities (which are classified as short-term investments)

In July 2016, the Parent Company was able to pay the outstanding loan in full amounting to ₱504,214. The related interest expense recognized amounted to nil, ₱12,699 and ₱71,532 in 2017, 2016 and 2015, respectively (see Note 24). The accrued interest payable amounted to nil as at December 31, 2016.

Short-term Investments

Restricted cash securities which were attached to the BDO Facility were classified as short-term investments and amounted to nil and ₱185,239 as at December 31, 2016 and 2015, respectively.

10. LBP Leasing

From July 2013 to September 2013, CCC obtained from LBP Leasing a short-term credit facility convertible to finance lease in the amount of ₱156.4 million. In December 2013, CCC obtained an additional short-term loan in the amount ₱300.0 million, which will mature on December 18, 2016 and accrues interest at the rate of 6.5% per annum. Part of the proceeds obtained from the loan was used to pay the outstanding credit facility amounting to ₱156.4 million, which matured on December 26, 2013. On December 18, 2016, CCC has fully paid the outstanding loans payable to LBP Leasing. The related interest expense recognized amounted to nil, ₱3,821 and ₱10,476 in 2017, 2016 and 2015, respectively (see Note 24). No accrued interest payable was recognized as at December 31, 2017 and 2016.

11. SBM Leasing

From March 2013 to December 2013, CCC availed of peso-denominated equipment financing facilities from SBM Leasing. The amounts due under the facilities, which amounted to ₱269.4 million are payable within 36 months and accrue interest at the rate of 6.5% to 7% per annum.



In 2016, CCC has fully paid the outstanding loans payable to SBM Leasing. The related interest expense recognized amounted to nil, ₱383 and ₱5,509 in 2017, 2016 and 2015, respectively (see Note 24). The accrued interest payable amounted to nil as at December 31, 2017 and 2016.

16. Liability for Mine Rehabilitation Cost

Movements in the liability for mine rehabilitation are as follows:

	2017	2016
Balances at beginning of year	₱53,266	₱48,172
Accretion of interest (Note 24)	2,380	2,265
Cumulative translation adjustment	203	2,829
Balances at end of year	₱55,849	₱53,266

Liability for mine rehabilitation cost represents the present value of future rehabilitation and other related costs. This provision was recognized based on the Group's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual costs will ultimately depend upon future market prices for the necessary works required which will reflect market conditions at the relevant time. Furthermore, the timing of the rehabilitation and expenditure of other costs is likely to depend on when the mine ceases to produce at economically viable rates, and the timing that the event for which the other provisions provided for will occur.

CCC

In 2017 and 2016, there were no changes in the estimated future cash flows as indicated in CCC's Final Mine Rehabilitation and Decommissioning Plan. Discount rates used by the Group in determining the present value of the future rehabilitation costs is 5.0% as at December 31, 2017 and 2016.

17. Equity

a. Capital Stock

The table below presents the details of the Parent Company's authorized and issued and outstanding capital stock as at December 31:

	2017		2016	
	No. of Shares	Amount	No. of Shares	Amount
Authorized - (₱1 par value)	8,890,000,000	₱8,890,000	3,000,000,000	₱3,000,000
Issued	2,087,032,774	2,087,033	2,087,032,774	2,087,033
Subscribed	1,472,500,000	1,472,500	-	-
Total shares issued and subscribed	3,559,532,774	₱3,559,533	2,087,032,774	₱2,087,033



Increase in Authorized Capital Stock and Stock Subscriptions

In 2017, the Parent Company's BOD and shareholders approved the increase in authorized capital stock (ACS) of the Parent Company from ₱3,000,000 to ₱8,890,000 divided into 8,890,000,000 common shares with a par value of ₱1 per share, thereby amending its articles of incorporation. In addition, the Parent Company secured from the minority shareholders a waiver of the requirement to the conduct of public or rights offering of the shares subscribed out of the increase in the authorized capital stock. A majority vote representing the outstanding shares held by minority shareholders present or represented by proxies granted the said waiver.

Pursuant to the increase in authorized capital stock, the Parent Company entered into Stock Subscription Agreements, with subscription price of ₱4.3842 per share, with the following entities:

Subscriber	No. of shares subscribed	Total subscription price	Capital stock	Additional paid-in capital	Subscription receivable
SMIC	598,049,708	₱2,621,970	₱598,050	₱2,016,098	₱1,966,477
APHC	845,000,292	3,704,650	845,000	2,848,597	2,778,488
Alakor	29,450,000	129,115	29,450	99,279	96,836
	1,472,500,000	₱6,455,735	₱1,472,500	₱4,963,974	₱4,841,801

The subscription price of ₱4.3842 per share is based on the 90-day VWAP preceding the pricing date, November 16, 2016. A portion of the subscriptions were paid in cash amounting to ₱1,613,934.

Transaction costs on the issuance of shares amounting to ₱19,261, were accounted for as a deduction from additional paid-in capital, and include registration and regulatory fees and stamp duties.

The dividend, voting and preemption rights of the subscribed shares are the same with the rights being enjoyed by the current shareholders. The subscribed shares will not have any effect upon the rights of the existing shareholders.

On November 17, 2017, the Philippine SEC approved the Parent Company's application to increase its ACS and amend its articles of incorporation.

The increase in the ACS will enable the Parent Company to have sufficient unissued shares of stock. Warrants and the Underlying Common Shares of Stock as a result of the exercise of the Warrants as briefly described below coupled, with the flexibility to raise fresh funds. With available and sufficient unissued capital stock, the Parent Company will have the capability for any future capital initiative.

As at December 31, 2017 and 2016, the Parent Company is compliant with the minimum public float as required by the PSE.

2016

Reduction in Par Value, Decrease and Increase in Authorized Capital Stock

In 2016, the Parent Company's BOD and shareholders approved the (i) change in the par value of common shares from ₱8 per share, with ACS of ₱24,000,000 divided into 3,000,000,000 common shares, to ₱1 per share, with ACS of ₱3,000,000 divided into 3,000,000,000 common shares

The lower par value of ₱1 per share would allow the Parent Company to raise fresh funds through



primary shares issuance, if needed. The decrease in ACS and par value reduction resulted in additional paid-in capital of ₱14,609,229. The SEC approved the reduction in par value and capital stock on June 29, 2016.

b. Warrant Issue

On February 21, 2017, the shareholders approved the issuance of approximately 5.6 billion warrants and the corresponding 5.6 billion Underlying Common Shares as a result of the exercise of the warrant to refinancing of the US\$300.0 million existing bonds of CCC as well as the Parent Company's existing Shareholders' advances to a subordinated loan with warrants.

The warrants shall be issued by the Parent Company to its major Shareholders or their assigns, among others. As of December 31, 2017, no warrant was issued by the Parent Company.

The following are the salient features, terms and conditions, and other relevant information of the warrant Issue:

- The number of Warrants to be issued to the Parent Company's major Shareholders is approximately 5.6 billion, subject to the exchange rate on the date all regulatory approvals are secured and full compliance with all legal laws, rules and regulations for the issuance of Warrants.
- Entitlement ratio is one common stock to one warrant; thus the corresponding number of underlying securities is approximately 5.6 billion Common Shares. Exercise period of the Warrants shall be from and including the date of issue of the Warrants up to 5:00 p.m. on the day immediately preceding the date of the seventh (7th) anniversary of the date of issue of the Warrants. Expiry date is the seventh (7th) anniversary of the date of the issue of the Warrants.
- The basis of determining the Exercise Price of ₱4.3842 is the 90-day VWAP preceding the pricing date, November 16, 2016.
- Timetable for the issuance of the Warrants will be upon obtaining the following: (i) Shareholders' approval to the increase in the ACS and amendment to Article VII of the Parent Company Articles of Incorporation (AOI); (ii) SEC approval of the increase in ACS and amendment to AOI, and (iii) other regulatory approvals and compliance with all legal requirements.
- The Warrants constitute direct, unsecured and unsubordinated obligations of the Parent Company, and will at all times rank *pari passu* without preference among themselves and with all other outstanding unsecured and unsubordinated obligations of the Parent Company, past and future.
- Exercise of the Warrants is subject to all applicable laws, regulations and practices in force on the relevant Exercise Date.
- Warrants are exercisable on any business day during the Exercise Period.
- The Parent Company may, but is not obligated, at any time to purchase the Warrants at any price.



- The Parent Company may modify the terms and conditions without the consent of the Warrant Holders which the Parent Company may deem necessary or desirable provided the modification is not materially prejudicial to the interests of the Warrant Holders.
- If any event occurs which would reasonably be expected to have an effect on the Exercise Price, upon written opinion of an Independent Investment Bank, adjustments shall be made as appropriate on account of such event.
- As at December 31, 2017, no warrant was issued by Parent Company.

Below is the Parent Company's track record of registration of securities under the Philippine SEC:

Date of Registration (SEC Approval)	Description	Authorized Shares	Number of shares issued	Par value per share	Total amount (in 000's)
December 31, 2009	Common shares	12,000,000,000	1,048,931,882	₱10.00	₱10,489,319
October 8, 2010	Increase in number of common shares	14,200,000,000	1,059,931,882	10.00	10,599,319
September 5, 2011	Increase in number of common shares	20,000,000,000	1,336,614,382	10.00	13,366,144
November 8, 2011	Increase in number of common shares	30,000,000,000	1,336,614,382	10.00	13,366,144
January 23, 2013	Decrease in number of common shares and reduction in par value	24,000,000,000	2,074,366,980	8.00	16,594,936
June 29, 2016	Reduction in par value consequently decreasing the number of common shares	3,000,000,000	2,087,032,774	1.00	2,087,033
November 17, 2017	Increase in number of common shares	8,890,000,000	3,359,532,774	1.00	3,359,533
As at December 31, 2017		8,890,000,000	3,359,532,774	₱1.00	₱3,359,533

c. Additional Paid-In Capital

Convertible Loans

Additional paid-in capital amounting to ₱48,847 was recognized as a result of the equity conversion option from the ₱1.8 billion convertible loan availed by the Parent Company from SMIC, Alakor and APHC (see Note 15).

Movements in additional paid-in capital are as follows:

	2017	2016
Balances at beginning of year	₱14,686,962	₱77,733
Subscriptions to capital stock	4,963,974	—
Change in par value per share from ₱8 to ₱1	—	14,609,229
Balances at end of year	₱19,650,936	₱14,686,962

d. Retained Earnings

Restricted Retained Earnings

As at December 31, 2017 and 2016, CCC has retained earnings in an amount exceeding its paid-up capital. The retention of the surplus profit is on account of: (i) the restriction under the indenture in respect of the Bilateral Loan Agreements on the declaration of dividends in an amount exceeding 50% of CCC's cumulative net income during the period beginning on January 1, 2012 and ending on the last day of any fiscal quarter during the term of the Indenture.

Dividend Declaration

There were no dividends declared and paid in 2017 and 2016.



e. Number of Shareholders

As at December 31, 2017 and 2016, the Parent Company has 20,799 and 20,816 shareholders, respectively.

18. Comprehensive Stock Option Plan

On July 18, 2007, the Parent Company's stockholders and BOD approved and ratified the Comprehensive Stock Option Plan for the Parent Company's "qualified employees". The salient terms and features of the stock option plan, among others, are as follows:

- i. Participants: directors, officers, managers and key consultants of the Parent Company and its significantly owned subsidiaries;
- ii. Number of underlying shares: 50,000,000 common shares to be taken out of the unissued portion of the Parent Company's authorized capital stock with 25,000,000 of the underlying shares already been earmarked for the first-tranche optionees as duly approved by the Parent Company's stockholders during the annual general meeting (AGM) held on July 18, 2007;
- iii. Option period: Three years from the date the stock option is awarded to the optionees;
- iv. Vesting period: 1/3 of the options granted will vest in each year; and
- v. Exercise price: ₱10.00 per share benchmarked on the average closing price of the Parent Company's shares of stock as traded on the PSE during the period between September 6, 2006 (date of the AGM during which the stock option plan was first approved) and June 18, 2007 (the date of the BOD meeting during which the terms of the stock option plan were approved); such average closing price was ₱11.05 (the exercise price represents the average closing price discounted at the rate of 9.50%).

The Parent Company used the Black-Scholes model to compute for the fair value of the stock options based on the following assumptions as at July 18, 2007:

Spot price per share	₱15.00
Time to maturity	3 years
Volatility*	52.55%
Dividend yield	0.00%

**Volatility is calculated using historical stock prices and their corresponding logarithmic returns.*

Qualified employees who were previously granted stock option awards exercised their subscription rights with respect to a total of nil shares in 2017 and 2016.

19. Mining and Milling Costs, and Mine Products Taxes

Mining and milling costs consists of:

	2017	2016	2015
Materials and supplies (Note 7)	₱2,641,122	₱3,222,626	₱3,470,881
Depreciation and depletion (Note 9)	2,610,296	2,314,646	2,438,685
Communication, light and water	2,043,759	2,163,398	1,732,096
Personnel costs	606,437	659,025	835,464
Contracted services (Note 30)	279,337	174,630	314,559
Other costs	129,322	171,693	137,543
	₱8,310,273	₱8,706,018	₱8,929,228

Other costs consist of freight expenses, customs duties and insurance costs of vehicles used in the mine operations.



Mine Products Taxes

Excise taxes amounting to ₱215,506, ₱216,429 and ₱211,579 in 2017, 2016 and 2015 pertain to the taxes paid or accrued by the Group for its legal obligation arising from the production of copper concentrates.

20. General and Administrative Expenses

	2017	2016	2015
Personnel costs	₱412,959	₱403,188	₱485,517
Rentals	336,004	259,933	194,902
Taxes and licenses	188,433	141,161	162,478
Provision for impairment losses:			
Inventories (Note 7)	94,853	44,825	778
Receivables (Note 5)	1,822	1,763	264
Community assistance	114,318	93,764	36,028
Depreciation and depletion (Note 9)	63,057	69,774	79,780
Professional fees	58,496	92,469	52,832
Communication, light and water	21,502	24,229	20,191
Insurance	19,878	20,906	191,351
Entertainment, amusement and recreation	13,731	14,481	23,319
General consumption items	5,299	6,994	26,685
Bond premium expense	1,764	353	2,159
Repairs and maintenance	1,157	3,073	5,290
Office supplies	842	1,869	3,161
Transportation and travel	269	401	1,123
Others	70,555	95,322	103,194
	₱1,404,939	₱1,274,505	₱1,389,052

Rentals pertain to land, office and equipment rentals not directly used in the mining operations.

Others consist primarily of insurance fees, diesel fuel costs, donations, severance pay, costs of general consumption items, medical expenses, drilling expenses, and cost of training and seminars, not directly related to operations of the Group.

Personnel costs recognized in mining and milling costs and general and administrative expenses consist of the following:

	2017	2016	2015
Salaries and wages	₱890,878	₱919,355	₱1,061,401
Retirement benefits cost (Note 22)	35,328	59,311	133,066
Other employee benefits	93,190	91,244	126,514
	₱1,019,396	₱1,069,910	₱1,320,981

	2017	2016	2015
General and administrative expense	₱412,959	₱403,188	₱485,517
Mining and milling (Note 19)	606,437	659,025	835,464
	₱1,019,396	₱1,062,213	₱1,320,981



21. Related Party Disclosures

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and their key management personnel, directors, or its stockholders. In the normal course of business, transactions with related parties consist mainly of payments made by the Parent Company for various expenses and non-interest bearing, short-term cash advances for working capital requirements.

All intercompany transactions are eliminated at the consolidated level. Items eliminated are separately disclosed in a schedule in accordance with Philippine SEC requirements under SRC Rule 68, as Amended (2011).

- a. The consolidated statements of financial position include the following amounts resulting from the various transactions with related parties, which are expected to be settled in cash as at December 31:

	2017			
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Associates				
Receivables (Note 5)				
BNC	P-	P114,642	On demand; non-interest bearing	Unsecured, no guarantee
URHI	-	3,006	On demand; non-interest bearing	Unsecured, no guarantee
UNC	-	15,728	On demand; non-interest bearing	Unsecured, no guarantee
	P-	P133,376		

Entities with significant influence over the Group

Payables

SMIC	P7,524,077	P6,472,570	Interest-bearing; 5% for the first two years; repriceable at the option of the lender at prevailing market rates	Unsecured, no guarantee
APHC	670,352	576,897	Interest-bearing; 5% for the first two years; repriceable at the option of the lender at prevailing market rates	Unsecured, no guarantee
Alakor	165,594	142,209	Interest-bearing; 5% for the first two years; repriceable at the option of the lender at prevailing market rates	Unsecured, no guarantee
	P8,360,023	P7,191,676		



2016				
	Amount/ Volume	Outstanding Balance	Terms	Conditions
<i>Associates</i>				
<i>Receivables (Note 5)</i>				
BNC	P-	P122,039	On demand; non-interest bearing	Unsecured, no guarantee
URHI	61,740	64,746	On demand; non-interest bearing	Unsecured, no guarantee
UNC	-	15,662	On demand; non-interest bearing	Unsecured, no guarantee
	P61,740	P202,447		
<i>Entities with significant influence over the Group</i>				
<i>Payables</i>				
SMIC	P5,949,128	P7,867,167	Interest-bearing; 5% per annum	Unsecured, no guarantee
APHC	-	707,252	Interest-bearing; 4% per annum	Unsecured, no guarantee
Alakor	-	174,792	Interest-bearing; 4% per annum	Unsecured, no guarantee
	P5,949,128	P8,749,211		

b. *Compensation of Key Management Personnel*

The Group considers all senior officers as key management personnel.

	2017	2016	2015
Short-term benefits	P100,925	P128,603	P135,529
Retirement benefits	8,334	10,789	19,551
	P109,259	P139,392	P155,080

22. **Retirement Benefits Liability**

The Group has an unfunded defined retirement benefits plan covering substantially all of its employees. The plan provides a retirement of amount equal to one month's salary for every year of service, with six months or more of service considered as one year.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.



Summary of retirement benefits liability and retirement benefit cost as at December 31, 2017, and 2016:

	2017		2016		2015	
	Retirement benefits liability	Retirement benefits costs	Retirement benefits liability	Retirement benefits costs	Retirement benefits liability	Retirement benefits costs
Parent Company	₱9,869	₱1,971	₱8,536	₱3,079	₱11,721	₱7,978
CCC	306,621	46,236	275,573	70,296	322,123	153,296
	₱316,490	₱48,207	₱284,109	₱73,375	₱333,844	₱161,274

The movements in remeasurement gain on retirement plan of the Parent Company and CCC are as follows:

	2017	2016
Balances at beginning of year	₱178,868	₱128,682
Actuarial gains (losses):		
Experience adjustments	(21,782)	17,323
Demographic assumptions	(137)	21,093
Financial assumptions	9,768	11,770
	₱166,717	₱178,868

Parent Company Retirement Liability

The details of retirement benefits costs follow:

	2017	2016	2015
Current service cost (Note 20)	₱1,501	₱2,594	₱7,072
Interest cost (Note 24)	470	485	906
	₱1,971	₱3,079	₱7,978

The movements in present value of the retirement benefits liability are as follows:

	2017	2016
Balances at beginning of year	₱8,536	₱11,721
Current service cost (Note 20)	1,501	2,594
Interest cost (Note 24)	470	485
Actuarial losses (gains):		
Experience adjustments	245	(3,245)
Demographic assumptions	(73)	(1,020)
Financial assumptions	(200)	(261)
Benefits paid	(610)	(1,738)
Balances at end of year	₱9,869	₱8,536

The Parent Company does not have any plan assets.

The cost of defined retirement benefits plan as well as the present value of the retirement benefits liability is determined using actuarial valuation. The actuarial valuation involves making various assumptions.



The principal assumptions used in determining retirement benefits costs and retirement benefits liability for the Parent Company's defined retirement benefits plan are shown below:

	2017	2016	2015
Discount rate	5.77%	5.51%	5.13%
Expected rate of salary increase	5.00%	5.00%	5.00%
	8% at age 18 decreasing to	8% at age 18 decreasing to	10% at age 20 decreasing to
Turnover rate	0% at age 60	0% at age 60	0% at age 45

The sensitivity analyses below have been determined based on reasonably possible changes of each significant assumption on the defined retirement benefits liability as at the end of the reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	2017	2016
Discount rates	+1%	(P9,168)	(P7,925)
	-1%	10,700	9,263
	Increase (decrease)	2017	2016
Salary increase rate	+1%	P10,749	P9,303

The Parent Company does not expect to contribute to the defined retirement benefits plan in 2018. The Parent Company does not have a trustee bank, and does not currently employ any asset-liability matching.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2017 and 2016:

	2017	2016
Less than one (1) year	P4,701	P4,350
More than one (1) year to five (5) years	—	—
More than five (5) years to ten (10) years	11,203	11,662
More than ten (10) years to fifteen (15) years	3,387	3,489
More than fifteen (15) years to twenty (20) years	662	685
More than twenty (20) years	44,114	44,604
	P64,067	P64,790

The average duration of the defined retirement benefits liability as at December 31, 2017 and 2016 is 17.90 years and 18.39 years, respectively.

CCC Retirement Liability

The details of retirement benefits costs follow:

	2017	2016	2015
Current service cost (Note 20)	P33,827	P49,020	P125,994
Interest cost (Note 24)	12,409	13,579	27,302
Settlement loss (Note 20)	—	7,697	—
	P46,236	P70,296	P153,296



The movements in present value of the retirement benefits liability are as follows:

	2017	2016
Balances at beginning of year	₱275,573	₱322,123
Current service cost (Note 20)	33,827	49,020
Interest cost (Note 24)	12,409	13,579
Settlement loss (Note 20)	-	7,697
Actuarial losses (gains):		
Experience adjustments	21,537	(20,114)
Demographic assumptions	210	(28,675)
Financial assumptions	(9,568)	(16,441)
Benefits paid	(28,232)	(68,312)
Cumulative translation adjustment	865	16,696
Balances at end of year	₱306,621	₱275,573

CCC does not have any plan assets.

The cost of defined retirement benefits plan, as well as the present value of the retirement benefits liability is determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining retirement benefits costs and retirement benefits liability for CCC's defined retirement benefits plan are shown below:

	2017	2016	2015
Discount rate	5.77%	5.50%	4.98%
Expected rate of salary increase	5.00%	5.00%	5.00%
	8% at age 18	8% at age 18	10% at age 20
	decreasing to	decreasing to	decreasing to
Turnover rate	0% at age 65	0% at age 65	0% at age 55

The sensitivity analyses below have been determined based on reasonably possible changes of each significant assumption on the defined retirement benefits liability as at the end of the reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	2017	2016
Discount rates	+1%	(₱31,144)	(₱199,668)
	-1%	37,742	260,188
Salary increase rate	+1%	₱39,742	₱261,696

CCC does not expect to contribute to the defined benefit pension plan in 2018. CCC does not have a trustee bank, and does not currently employ any asset-liability matching.



Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2017 and 2016:

	2017	2016
Less than one (1) year	₱8,996	₱6,985
More than one (1) year to five (5) years	47,433	50,799
More than five (5) years to ten (10) years	165,192	150,590
More than ten (10) years to fifteen (15) years	240,317	213,368
More than fifteen (15) years to twenty (20) years	378,479	313,319
More than twenty (20) years	1,481,146	1,382,061
	₱2,321,563	₱2,117,122

The average duration of the defined retirement benefits liability as at December 31, 2017 and 2016 is 22.30 years and 22.65 years, respectively.

23. Income Taxes

- a. The components of the provision for (benefit from) income tax are as follow:

	2017	2016	2015
Current	₱69,716	₱51,946	₱37,210
Deferred	(255,115)	(770,096)	(964,043)
	(₱185,399)	(₱718,150)	(₱926,833)

- b. The provision for current income tax pertains to the excess MCIT over RCIT in 2017, 2016 and 2015.
- c. The Group has the following carry-forward benefits of NOLCO and MCIT, and deductible temporary differences in 2017 and 2016, for which no deferred tax assets were recognized as it is not probable that sufficient future taxable profits will be available against which the benefits can be utilized.

	2017	2016
Carry-forward benefits of:		
NOLCO	₱806,230	₱866,364
MCIT	899	2,744
Allowance for impairment losses on:		
Inventories	316,232	316,232
Receivables	29,359	29,359
AFS financial asset	2,867	2,867
Unrealized foreign exchange loss	273,547	273,547
Retirement benefits liability	10,508	8,536
	₱1,439,642	₱1,499,649



- d. The components of deferred tax assets as of December 31, 2017 and 2016:

	2017	2016
<i>Recognized directly in profit or loss</i>		
Deferred tax assets:		
NOLCO	₱1,538,698	₱806,841
Unrealized foreign exchange losses	123,374	777,286
Provision for retirement liabilities	247,024	220,931
Provision for impairment losses:		
Input VAT	62,312	57,857
Allowance for inventory losses	47,901	18,810
Allowance for assets write-down	1,017	475
Excess of MCIT over RCIT	158,323	88,492
Liability for mine rehabilitation cost	16,755	14,405
Debt issue cost	4,865	-
Unamortized discount on loans	-	5,953
	₱2,200,269	₱1,991,050
<i>Recognized in Other Comprehensive Income</i>		
Cumulative translation adjustments	₱143,458	₱159,238
	143,458	159,238
Deferred tax assets	₱2,343,727	₱2,150,288

- e. The components of deferred tax liabilities as of December 31, 2017 and 2016:

	2017	2016
Deferred tax liability:		
Mining rights	₱2,454,493	₱2,504,134
Unrealized foreign exchange gains	76,953	97,729
Loan conversion feature	-	10,473
	2,531,446	2,612,336
<i>Recognized in Other Comprehensive Income</i>		
Revaluation increment on land (see Note 9)	128,087	128,087
Remeasurement gain on retirement liabilities	167,704	158,329
Cumulative translation adjustments	9,786	9,787
	305,577	296,203
Deferred tax liabilities	₱2,837,023	₱2,908,539

- f. As at December 31, 2017, the Group's NOLCO and MCIT that can be claimed as deduction against future taxable income are as follows:

Year Incurred	Available until	NOLCO	MCIT
2017	2020	₱2,580,768	₱69,716
2016	2019	1,354,497	51,946
2015	2018	1,999,959	37,210
		₱5,935,224	₱158,872



Movements in NOLCO and MCIT are as follows:

	2017	2016
NOLCO:		
Beginning of year	₱3,555,835	₱2,456,913
Additions	2,580,728	1,354,498
Expirations	(201,380)	(255,576)
End of year	₱5,935,183	₱3,555,835

	2017	2016
MCIT:		
Beginning of year	₱91,235	₱41,047
Additions	69,716	51,946
Expirations	(2,079)	(1,758)
End of year	₱158,872	₱91,235

- g. A reconciliation of the provision for (benefit from) income tax computed at the statutory income tax rate with the provision for (benefit from) income tax is presented as follows:

	2017	2016	2015
Provision for (benefit from) income tax at statutory income tax rates	(₱646,004)	(₱479,294)	(₱522,382)
Additions to (reductions in) income tax resulting from:			
Nondeductible expenses	732,850	1,006,486	61,865
Income exempt from income tax	(493,969)	(978,047)	(205,545)
Cumulative translation adjustments	317,101	(281,497)	(322,558)
Expired NOLCO	60,414	76,673	1,172
Movements on unrecognized:			
Deferred tax asset	(19,294)	56,823	77,989
Depletion of mining rights	(49,641)	(56,512)	(53,677)
Excess MCIT over RCIT	(67,403)	(50,252)	47,456
Reversal of deferred tax liability on equity conversion option	(10,473)	-	-
Interest income subjected to final tax and others	(8,980)	(12,530)	(11,153)
	(₱185,399)	(₱718,150)	(₱926,833)

Section 27 of the National Internal Revenue Code, as amended, provides that an MCIT of 2% based on the gross income as at the end of the taxable year shall be imposed on a corporation beginning the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the MCIT is greater than the RCIT computed for the taxable year.

Board of Investments (BOI) of CCC

CCC benefits from the automatic VAT zero-rating of its purchase of goods and services from domestic suppliers on account of the certification by the BOI that one hundred percent (100%) of its sales are export sales.



24. Interest Income and Finance Charges

Sources of interest income are as follows:

	2017	2016	2015
Cash equivalents (Note 4)	₱4,871	₱4,034	₱3,217
Short-term investments (Note 4)	25,324	38,124	33,965
	₱30,195	₱42,158	₱37,182

Finance changes consists of:

	2017	2016	2015
Interest expense on loans and long-term debt and other interest-bearing liabilities (Notes 14 and 15)	₱2,189,347	₱1,914,106	₱1,606,959
Interest cost on retirement benefits liability (Note 22)	12,879	14,064	28,208
Accretion of interest on liability for mine rehabilitation cost (Note 16)	2,380	2,265	2,087
	₱2,204,606	₱1,930,435	₱1,637,254

25. Segment Information

The primary segment reporting format is determined to be the business segments since the Group is organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit. The mining segment is engaged in exploration and mining operations. Meanwhile, the non-mining segment is engaged in bulk water supply or acts as holding company.

The Group's operating business segments remain to be neither organized nor managed by geographical segment.

2017:	Mining	Non-Mining	Total	Eliminations	Consolidated
Segment revenue					
From external customers	₱11,070,571	₱-	₱11,070,571	₱-	₱11,070,571
From intersegment sales/services	-	-	-	-	-
	₱11,070,571	₱-	₱11,070,571	₱-	₱11,070,571
Cost of sales	₱8,310,273	₱-	₱8,310,273	₱-	₱8,310,273
General and administrative expenses	1,333,556	71,382	1,404,938	-	1,404,938
Mine tax/royalties/business tax	215,506	-	215,506	-	215,506
Operating income (loss)	1,211,236	(71,382)	1,139,854	-	1,139,854
Depreciation and depletion	2,670,262	3,090	2,673,352	-	2,673,352
EBITDA	₱3,881,498	(₱68,292)	₱3,813,206	₱-	₱3,813,206
Segment results					
Loss before income tax	(₱1,850,641)	(₱129,764)	(₱1,980,405)	(₱172,942)	(₱2,153,347)
Benefit from income tax	126,095	9,663	135,758	49,641	185,399
Net loss	(₱1,724,546)	(₱120,101)	(₱1,844,677)	(₱123,301)	(₱1,967,948)
Assets					
Total assets	₱53,835,366	₱26,712,601	₱80,547,967	(₱6,145,093)	₱74,402,874
Investments	25,801,934	-	25,801,934	(25,801,934)	-
Goodwill	-	-	-	19,026,119	19,026,119
Mining rights	-	-	-	8,181,643	8,181,643
Liabilities					
Total liabilities	35,231,788	7,327,556	42,559,344	(4,547,673)	38,011,671
Other segment information					
Depreciation and depletion	2,595,310	3,090	2,598,400	165,471	2,763,871
Finance charges	2,102,145	102,461	2,204,606	-	2,204,606



2016

	Mining	Non-Mining	Total	Eliminations	Consolidated
Segment revenue					
From external customers	₱10,924,490	₱-	₱10,924,490	₱-	₱10,924,490
From intersegment sales/services	-	-	-	-	-
	₱10,924,490	₱-	₱10,924,490	₱-	₱10,924,490
Cost of Sales	₱8,706,018	₱-	₱8,706,018	₱-	₱8,706,018
General and administrative expenses	1,164,121	110,384	1,274,505	-	1,274,505
Mine tax/royalties/business tax	216,429	-	216,429	-	216,429
Operating income (loss)	837,922	(110,384)	727,538	-	727,538
Depreciation and depletion	2,380,323	4,097	2,384,420	-	2,384,420
EBITDA	₱3,218,245	(₱106,287)	₱3,111,958	₱-	₱3,111,958
Segment results					
Loss before income tax	(₱1,409,128)	(₱120)	(₱1,409,248)	(₱188,398)	(₱1,597,646)
Benefit from income tax	661,638	-	661,638	56,512	718,150
Net loss	(₱747,490)	(₱120)	(₱747,610)	(₱131,886)	(₱879,496)
Assets					
Total assets	₱72,683,750	₱62,261	₱72,746,011	₱1,153,123	₱73,899,134
Investments	25,801,934	-	25,801,934	(25,801,934)	-
Goodwill	-	-	-	19,026,119	19,026,119
Mining rights	-	-	-	8,347,114	8,347,114
Liabilities					
Total liabilities	34,572,768	31,997	34,604,765	2,624,277	37,229,042
Other segment information					
Depreciation and depletion	2,575,135	-	2,575,135	-	2,575,135
Finance charges	1,930,435	-	1,930,435	-	1,930,435

2015:

	Mining	Non-Mining	Total	Eliminations	Consolidated
Segment revenue					
From external customers	₱9,935,083	₱-	₱9,935,083	₱-	₱9,935,083
From intersegment sales/services	-	-	-	-	-
	₱9,935,083	₱-	₱9,935,083	₱-	₱9,935,083
Cost of Sales	₱8,929,228	₱-	₱8,929,228	₱-	₱8,929,228
General and administrative expenses	1,259,167	129,885	1,389,052	-	1,389,052
Mine tax/royalties/business tax	211,579	-	211,579	-	211,579
Operating income (loss)	(464,891)	(129,885)	(594,776)	-	(594,776)
Depreciation and depletion	2,513,532	4,933	2,518,465	-	2,518,465
EBITDA	₱2,048,641	(₱124,952)	₱1,923,689	₱-	₱1,923,689
Segment results					
Loss before income tax	(₱1,435,573)	(₱234)	(₱1,435,807)	(₱305,465)	(₱1,741,272)
Benefit from income tax	677,413	-	677,413	249,420	926,833
Net loss	(₱758,160)	(₱234)	(₱758,394)	(₱56,045)	(₱814,439)
Assets					
Total assets	₱63,227,715	₱62,365	₱63,290,080	₱6,285,887	₱69,575,967
Investments	20,639,896	-	20,639,896	(20,639,896)	-
Goodwill	-	-	-	19,026,119	19,026,119
Mining rights	-	-	-	8,535,486	8,535,486
Liabilities					
Total liabilities	30,697,838	31,981	30,729,819	2,365,920	33,095,739
Other segment information					
Depreciation and depletion	2,512,035	-	2,512,035	-	2,512,035

Adjustments and Eliminations:

No operating segments have been aggregated to form the above reportable segments.

The Group's management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenues, earnings before interest, income taxes, and depreciation and amortization (EBITDA) and profit or loss, and are measured consistently in the consolidated financial statements. EBITDA is the measure of segment profit or loss and comprises gross profit, general and administrative expenses, before depreciation and depletion.



The Group's management reporting and controlling systems use accounting policies that are the same as those described in Note 2 to the consolidated financial statements.

Segment assets principally comprise all assets while segment liabilities principally comprise all liabilities.

Adjustments and eliminations are part of the detailed reconciliations presented below.

Reconciliation of segment loss before tax:

	2017	2016	2015
Total segment net loss before tax	(P1,980,406)	(P1,409,248)	(P1,435,807)
Depletion of mining rights (Note 10)	(165,471)	(188,372)	(211,546)
Equity in net earning of associates (Note 11)	(7,471)	61,714	243,761
Dividend income	–	(61,740)	(337,680)
Combined segment net loss before tax	(P2,153,348)	(P1,597,646)	(P1,741,272)

Reconciliation of segment assets:

	2017	2016	2015
Total segment assets	P80,547,967	P72,746,011	P64,560,665
Receivables (Note 5)	(7,356,460)	(246,955)	(232,770)
Goodwill (Note 10)	19,026,119	19,026,119	19,026,119
Property, plant and equipment at cost	(551,596)	(551,596)	(551,596)
Mining rights (Note 10)	8,181,643	8,347,114	8,535,486
Deferred tax assets (Note 23)	236,370	248,356	166,437
AFS financial assets (Note 11)	(9,900)	(6,117)	(5,790)
Investments in shares of stocks	(25,801,934)	(25,801,934)	(20,753,471)
Investment in associates (Note 12)	190,665	198,136	161,472
Other noncurrent assets (Note 13)	(60,000)	(60,000)	(60,000)
Combined segment assets	P74,402,874	P73,899,134	P70,846,552

Reconciliation of segment liabilities:

	2017	2016	2015
Total segment liabilities	P42,559,344	P34,604,765	P32,000,404
Accounts payable and accrued liabilities (Note 14)	(1,051)	(1,051)	(1,051)
Payable to related parties (Note 21)	(7,247,272)	(136,950)	(369,899)
Deferred tax liabilities	2,700,650	2,762,278	2,736,870
Deposits for future stock subscriptions - Liability	–	–	–
Combined segment liabilities	P38,011,671	P37,229,042	P34,366,324

Revenues of the Group, through CCC, are from MRI, Cliveden, Yanggu Xiangguang and PASAR, and are covered by Pricing Agreements (see Note 6).

	2017	2016	2015
MRI	P7,968,617	P7,725,970	P9,645,246
PASAR	3,946,312	3,349,215	–
Cliveden Trading, AG	37,167	649,667	660,455
Yanggu Xiangguang	–	295,455	–
Combined segment revenues	P11,952,096	P12,020,307	P10,305,701



26. Basic/Diluted Loss Per Share

Basic loss per share is computed as follows:

	2017	2016	2015
Net loss	(₱1,967,948)	(₱879,496)	(₱814,439)
Divided by basic weighted average number of common shares outstanding (in thousands)	3,557,553	2,085,033	2,085,033
	(₱0.5532)	(₱0.4218)	(₱0.3906)

Diluted loss per share is computed as follows:

	2017	2016	2015
Net loss	(₱1,967,948)	(₱879,496)	(₱814,439)
Divided by diluted weighted average number of common shares outstanding (in thousands)*	3,631,651	2,322,088	2,345,915
	(₱0.5419)	(₱0.3788)	(₱0.3472)

*Refer to succeeding table for the computation of diluted weighted average number of common shares outstanding.

Reconciliation of the weighted average number of common shares outstanding (in thousands) used in computing basic and diluted earnings per share as follows:

	2017	2016	2015
Basic weighted average number of common shares outstanding	3,557,553	2,085,233	2,085,233
Adjustments:			
Convertible loans (Note 15)	54,252	217,009	240,836
Stock options (Note 18)	19,846	19,846	19,846
Diluted weighted average number of common shares outstanding	3,631,651	2,322,088	2,345,915

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of authorization of these consolidated financial statements.

27. Financial Risk Management Objectives and Policies

The Group's main financial instruments are cash and cash equivalents, short-term investments, AFS financial asset, payable to related parties, long-term debts and other interest-bearing liabilities, and derivative assets and liabilities. It has various other financial assets and liabilities such as receivables and accounts payable and accrued liabilities, which arise from the Group's operations.

The main risks arising from the Group's financial instruments are market risk, credit risk, and liquidity risk. The BOD reviews and adopts relevant policies for managing each of these risks and these are summarized onto the succeeding paragraphs.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk, and other price risk, such as equity price risk and commodity risk. The value of a financial instrument may change as a result of changes in foreign currency exchange rates, interest rates, equity prices and other market changes.



Foreign Currency Risk

Foreign currency risk is that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group has foreign currency risk arising from its cash in banks, short-term investments, receivables, derivative assets, bank loans, accounts payable and accrued liabilities except, long-term debt and derivative liabilities. To mitigate the risk of incurring foreign exchange losses, foreign currency holdings are matched against the potential need for foreign currency in financing equity investments and new projects. The Group also uses foreign currency forwards to hedge its risk exposures.

As at December 31, 2017 and 2016, foreign currency-denominated assets and liabilities follow:

	2017		2016	
	Original Currency	Peso Equivalent	Original Currency	Peso Equivalent
<u>Assets</u>				
Cash in banks	US\$18,854	₱941,371	US\$35,816	₱1,780,772
	JP¥2,885	1,276	JP¥1,372	583
	GB£139	9,329	GB£139	8,461
Short-term investments	US\$15,899	793,841	US\$13,000	646,360
Receivables	US\$8,602	429,487	US\$8,432	419,239
Derivative asset	US\$1,131	56,482	US\$250	12,409
	US\$44,486	₱2,221,181	US\$57,498	₱2,858,780
	GB£139	₱9,329	GB£139	₱8,461
	JP¥2,885	₱1,276	JP¥1,372	₱583
<u>Liabilities</u>				
Accounts payable and accrued expenses	US\$40,742	₱2,034,259	US\$18,842	₱936,824
	JP¥49,374	21,838	JP¥5,901	2,509
	AU\$143	5,578	AU\$127	4,544
	EU€10	590	EU€ 5	259
Long-term debt	US\$545,021	27,212,916	US\$427,477	21,254,156
Derivative liabilities	US\$14,862	742,043	US\$641	31,889
	US\$600,625	₱29,989,218	US\$446,960	₱22,222,869
	JP¥49,374	₱21,838	JP¥5,901	₱2,509
	AU\$143	₱5,578	AU\$127	₱4,544
	EU€10	₱590	EU€5	₱259
Net liabilities in US\$	US\$556,139	₱27,768,037	US\$389,462	₱19,364,089
Net assets in GB£	GB£139	₱9,329	GB£139	₱8,461
Net liabilities in AU\$	AU\$143	₱5,578	AU\$127	₱4,544
Net liabilities in JP¥	JP¥46,489	₱20,562	JP¥4,529	₱1,926
Net liabilities in EU€	EU€10	₱590	EU€5	₱259

As at December 31, 2017 and 2016, foreign exchange closing rates used in converting foreign currency-denominated assets and liabilities are as follows:

	2017	2016
US\$	₱49.930	₱49.720
AU\$	38.905	35.776
JP¥	0.4423	0.425
EU€	59.613	51.840
GB£	67.116	60.872



Based on the historical movement of the US\$, AU\$, JP¥, EU€, GB£ and the Philippine Peso, the management believes that the estimated reasonably possible change in the next twelve (12) months would be:

	2017		2016	
	Peso Strengthens	Peso Weakens	Peso Strengthens	Peso Weakens
US\$	₱1.11	₱0.55	₱0.63	₱0.49
AU\$	0.79	0.93	0.79	0.57
JP¥	0.01	0.01	0.01	0.01
EU€	0.40	1.35	0.58	0.72
GB£	0.35	1.04	1.48	2.24

Sensitivity of the Group's pre-tax income to foreign currency risks are as follows:

Year ended December 31, 2017:

- An increase of ₱619,956 in the pre-tax income if peso strengthens by ₱1.11 against the US\$.
A decrease of ₱304,486 in the pre-tax income if peso weakens by ₱0.55 against the US\$.
- An increase of ₱112 in the pre-tax income if peso strengthens by ₱0.79 against the AU\$.
A decrease of ₱134 in the pre-tax income if the value of peso weakens by ₱0.93 against the AU\$.
- An increase of ₱253 in the pre-tax income if the value of peso strengthens by ₱0.01 against the JP¥. A decrease of ₱311 in the pre-tax income if the value of peso weakens by ₱0.01 against the JP¥.
- An increase of ₱4 in the pre-tax income if peso strengthens by ₱0.40 against the EU€.
A decrease of ₱13 in the pre-tax income if the value of peso weakens by ₱1.35 against the EU€.
- An increase of ₱144 in the pre-tax income if peso weakens by ₱1.04 against the GB£.
A decrease of ₱49 in the pre-tax income if the value of peso strengthens by ₱0.35 against the GB£.

Year ended December 31, 2016:

- An increase of ₱243,896 in the pre-tax income if peso strengthens by ₱0.63 against the US\$.
- A decrease of ₱192,202 in the pre-tax income if peso weakens by ₱0.49 against the US\$.
- An increase of ₱101 in the pre-tax income if peso strengthens by ₱0.79 against the AU\$.
A decrease of ₱72 in the pre-tax income if the value of peso weakens by ₱0.57 against the AU\$.
- An increase of ₱57 in the pre-tax income if the value of peso strengthens by ₱0.01 against the JP¥. A decrease of ₱29 in the pre-tax income if the value of peso weakens by ₱0.01 against the JP¥.
- An increase of ₱3 in the pre-tax income if peso strengthens by ₱0.58 against the EU€.
A decrease of ₱4 in the pre-tax income if the value of peso weakens by ₱0.72 against the EU€.
- An increase of ₱206 in the pre-tax income if peso weakens by ₱1.48 against the GB£.
A decrease of ₱312 in the pre-tax income if the value of peso strengthens by ₱2.24 against the GB£.

There is no other impact on the Group's equity other than those already affecting the consolidated statement of comprehensive income.

Commodity Price Risk

The Group's copper concentrate revenues are based on international commodity quotations (i.e., primarily on the LME) over which the Group has no significant influence or control.



This exposes the Group's results of operations to commodity price volatilities that may significantly impact its cash inflows. The Group enters into derivative transactions as a means to mitigate the risk of fluctuations in the market prices of its mine products. An analysis is made based on the assumption that copper prices move using the implied volatility based on one year historical LME copper prices, with all other variables held constant.

Shown below is the Group's sensitivity to changes in the copper prices arising from its copper derivatives in 2017 and 2016 follows:

December 31, 2017:

Change in Copper Prices	Effect on Income Before Income Tax
Increase by 10%	₱1,038,835
Decrease by 10%	(1,038,835)

December 31, 2016:

Change in Copper Prices	Effect on Income Before Income Tax
Increase by 10%	₱1,095,221
Decrease by 10%	(1,095,221)

Equity Price Risk

Equity price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to equity price risk because of its investment in shares of stock of an entity listed in the local stock exchange which is classified as AFS financial asset. Management believes that the fluctuation in the fair value of AFS financial assets will not have a significant effect on the consolidated financial statements.

Credit Risk

Credit risk refers to the potential loss arising from failure by counterparties to fulfill their obligations, as and when these fall due. It is inherent to the business as potential losses may arise due to the failure of its customers and counterparties to fulfill their obligations on maturity dates or due to adverse market conditions.

The Group's financial assets which are exposed to credit risk include its cash in banks, trade receivables, interest receivables, AFS financial asset, derivative asset, receivables from related parties and short-term investments with a maximum exposure equal to the carrying amount of these assets.

With respect to its cash in banks, short-term investments, receivables, derivative assets, bank loans, accounts payable and accrued liabilities except, long-term debt and derivative liabilities, credit risk is mitigated by the short-term and/or liquid nature of its cash investments placed with financial institutions of high credit standing.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the consolidated statements of financial position.



The following table summarizes the gross maximum exposure to credit risk for the components of the consolidated statements of financial position. The maximum exposure is shown gross, before the effect of mitigation through use of master netting and collateral agreements.

	2017	2016
Cash and cash equivalents		
Cash in banks	₱1,203,983	₱1,644,849
Time deposits	167,695	772,503
Short-term investments	793,841	646,360
Receivables		
Trade	289,883	276,367
Nontrade	75,344	73,726
Interest	2,244	141,024
Receivables from officers and employees	16,206	16,547
Other current asset		
Derivative asset	56,482	12,409
AFS financial asset	4,326	4,326
	₱2,610,004	₱3,588,111

Credit Quality Per Class of Financial Assets

The credit quality by class of asset for the Group's financial assets as at December 31, 2017 and 2016 based on credit rating system follows:

December 31, 2017

	Neither Past due nor impaired High Grade	Past Due But Not Impaired	Impaired	Total
Cash and cash equivalents				
Cash in banks	₱1,203,983	₱-	₱-	₱1,203,983
Time deposits	167,695	-	-	167,695
Short-term investments	793,841	-	-	793,841
Receivables				
Trade	289,883	-	-	289,883
Nontrade	-	75,344	-	75,344
Interest	-	2,244	-	2,244
Receivables from officers and employees	-	16,206	-	16,206
Other current asset				
Derivative asset	56,482	-	-	56,482
AFS financial asset	-	-	4,326	4,326
	₱2,511,884	₱93,794	₱4,326	₱2,610,004

December 31, 2016

	Neither Past due nor impaired High Grade	Past Due But Not Impaired	Impaired	Total
Cash and cash equivalents				
Cash in banks	₱1,644,849	₱-	₱-	₱1,644,849
Time deposits	772,503	-	-	772,503
Short-term investments	646,360	-	-	646,360

(Forward)



	Neither Past due nor impaired High Grade	Past Due But Not Impaired	Impaired	Total
Receivables				
Trade	₱276,367	₱-	₱-	₱276,367
Nontrade	-	73,726	-	73,726
Interest	-	141,024	-	141,024
Receivables from officers and employees	-	16,547	-	16,547
Other current asset				
Derivative asset	12,409	-	-	12,409
AFS financial asset	-	-	4,326	4,326
	₱3,352,488	₱231,297	₱4,326	₱3,588,111

The credit quality of the financial assets was determined as follows:

- Cash and cash equivalents, short-term investments and related interest receivables are assessed as high-grade since these are deposited in reputable banks, which have a low probability of insolvency.
- Trade receivables, which pertain mainly to receivables from sale of copper and other precious metals, are assessed as high-grade. These are assessed based on past collection experience of full settlement within two months after invoice date with no history of default.
- Nontrade receivables, which pertain mainly to receivables from contractors and suppliers, are already past due but not impaired.
- Advances to officers and employees, which pertain mainly to the unliquidated advances used in the Group's operations, consists of standard grade, substandard grade and past due but not impaired accounts.
- Quoted equity instruments are assessed as impaired since the Company has unable to establish its ownership on these investments.
- Derivative asset, which pertains to provisional pricing and commodity swap transactions, is assessed as high grade since this contains insignificant risk of default based on historical experience of the Group.

The above high grade credit quality financial assets pertain to financial assets with insignificant risk of default based on historical experience.

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 Group's mix of fixed and floating interest rate debts is 12:88, 84:16 and 74:26 in 2017, 2016 and 2015, respectively. The Group monitors its exposure to fluctuations in interest rates by measuring the impact of interest rate movements on the Group's net worth. This is done by modeling the impact of various changes in interest rates to the Group's net interest positions.

The Group has no outstanding floating interest rate debt as at December 31, 2017 and 2016.

Concentration of Risk

In 2017 and 2016, majority of the CCC's copper production was sold to MRI. However, it has no significant concentration of credit risk since it can sell its copper concentrate to other third party customers. The Group continuously monitors its receivables from MRI to assess its credit risk exposure.



Liquidity Risk

Liquidity risk is the risk where the Group becomes unable to meet its payment obligations when these fall due under normal and stress circumstances. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group also manages its liquidity risk on a consolidated basis based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

The tables below of the Group, as well as financial assets considered by management as part of its liquidity risk management based on remaining undiscounted contractual obligations as at December 31, 2017 and 2016 follow:

The aging analyses of the Group's financial assets are as follow:

December 31, 2017

	On demand	Within one year	1 to < 3 years	> 3 years	Total
Cash and cash equivalents					
Cash in banks	₱1,203,983	₱-	₱-	₱-	₱1,203,983
Time deposits	167,695	-	-	-	167,695
Short-term investments	793,841	-	-	-	793,841
Receivables					
Trade	289,883	-	-	-	289,883
Nontrade	-	75,344	-	-	75,344
Interest	-	2,244	-	-	2,244
Receivables from officers and employees	-	16,206	-	-	16,206
Other current asset					
Derivative asset	56,482	-	-	-	56,482
AFS financial asset					
	-	-	-	4,326	4,326
	₱2,511,884	₱93,794	₱-	₱4,326	₱2,610,004
Financial liabilities:					
Accounts payable and accrued liabilities*	₱-	₱2,766,930	₱-	₱-	₱2,766,930
Long-term debt and other interest-bearing liabilities	-	6,848,387	22,437,903	-	29,286,290
Derivative liabilities	-	742,043	-	-	742,043
	₱-	₱10,357,360	₱22,437,903	₱-	₱32,795,263
	₱2,511,884	(₱10,263,566)	(₱22,437,903)	₱4,326	(₱30,185,259)

**Excluding government payables

December 31, 2016

	On demand	Within one year	1 to < 3 years	> 3 years	Total
Cash and cash equivalents					
Cash in banks	₱1,644,849	₱-	₱-	₱-	₱1,644,849
Time deposits	772,503	-	-	-	772,503
Short-term investments	646,360	-	-	-	646,360
Receivables					
Trade	276,367	-	-	-	276,367
Nontrade	-	73,726	-	-	73,726
Interest	-	141,024	-	-	141,024
Receivables from officers and employees	-	16,547	-	-	16,547
Other current asset					
Derivative asset	12,409	-	-	-	12,409
AFS financial asset					
	-	-	-	4,326	4,326
	₱3,352,488	₱231,297	₱-	₱4,326	₱3,588,111

(Forward)



	On demand	Within one year	1 to < 3 years	> 3 years	Total
Financial liabilities:					
Accounts payable and accrued liabilities*	₱-	₱2,421,349	₱-	₱-	₱2,421,349
Long-term debt and other interest-bearing liabilities	-	20,817,950	10,540,433	-	31,358,383
Derivative liabilities	-	31,889	-	-	31,889
	₱-	₱23,271,188	₱10,540,433	₱-	₱33,811,621
	₱3,352,488	(₱23,039,891)	(₱10,540,433)	₱4,326	(₱30,223,510)

*Excluding government payables

28. Fair Value of Financial Instruments

Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments other than those with carrying amounts that are reasonable approximations of fair values as at December 31 of each year:

	Carrying Values		Fair Values	
	2017	2016	2017	2016
Other Financial Liabilities				
Long-term debt and other interest-bearing liabilities:				
BDO Unibank	₱14,427,427	₱-	₱20,196,130	₱-
SMIC	6,472,570	6,876,128	9,341,764	8,218,862
BDO Leasing	1,179,371	262,272	1,156,344	272,199
APHC	576,897	700,000	750,286	742,541
Alakor Corporation	142,209	173,000	184,949	183,514
RCBC	-	934,249	-	995,311
Security Bank	-	1,059,960	-	1,152,702
UOB	-	1,197,755	-	1,276,034
Bonds Payable	-	14,916,000	-	14,636,325
	₱22,798,474	₱26,119,364	₱31,629,473	₱27,477,488

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Short-term Investments, and Trade and Interest Receivables

The carrying amounts of cash and cash equivalents, short-term investments, and trade and interest receivables approximate their fair value due to the relatively short-term maturities of these financial instruments.

AFS Financial Asset

The fair value of quoted equity instrument is determined by reference to market bid quotes at the end of the reporting period. AFS financial asset is carried at fair value.

Accounts Payable and Accrued Liabilities, except Government Payables, and Payable to Related Parties

The carrying amounts of accounts payable and accrued liabilities, excluding government payables, and payable to related parties approximate their fair values due to the relatively short-term maturities of these financial instruments.



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, except for the Bonds Payable whose fair value is determined by reference to market prices at the end of the period.

The fair value hierarchy of the financial assets and liabilities is presented in the following table:

December 31, 2017

	Level 1	Level 2	Level 3	Total
Asset measured at fair value:				
Derivative asset	P-	P56,482	P-	P56,482
Liability measured at fair value:				
Derivative liabilities	P-	(P742,043)	P-	(P742,043)
Liability for which fair values are disclosed:				
Long-term debt and other interest-bearing liabilities	-	-	(31,629,473)	(31,629,473)
Total	P-	(P742,043)	(P31,629,473)	(P32,371,516)

December 31, 2016

	Level 1	Level 2	Level 3	Total
Asset measured at fair value:				
Derivative asset	P-	P12,409	P-	P12,409
Liability measured at fair value:				
Derivative liabilities	P-	(P31,889)	P-	(P31,889)
Liability for which fair values are disclosed:				
Long-term debt and other interest-bearing liabilities	(14,636,325)	-	(12,841,163)	(27,477,488)
Total	(P14,636,325)	(P31,889)	(P12,841,163)	(P27,509,377)

There were no transfers between levels of fair value measurement as at December 31, 2017 and 2016.

29. Capital Management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during 2017 and 2016.



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

	2017	2016
Capital stock (Note 17)	₱3,559,533	₱2,087,033
Additional paid-in capital (Note 17)	19,650,936	14,686,962
Subscription receivable (Note 17)	(4,841,801)	-
Revaluation increment on land (Note 9)	298,869	298,869
Remeasurement gain on retirement plan (Note 22)	166,717	178,868
Unrealized gain on available for sale (AFS) financial asset (Note 11)	4,861	4,861
Cumulative translation adjustments	1,582,447	1,475,910
Retained earnings (Note 29)	15,992,908	17,960,856
Cost of 1,980,000 treasury shares held by a subsidiary	(23,267)	(23,267)
	₱36,391,203	₱36,670,092

30. Commitments and Contingencies

Parent Company

Contingencies

The Parent Company filed with the Court of Tax Appeals (CTA) a Petition for Review with an Application for Temporary Restraining Order and/or Writ of Preliminary Injunction and Motion for the Suspension of Collection of Tax against the Commissioner of Internal Revenues (CIR) from assessing and collecting excise taxes from the Parent Company for July 1991 to August 1994, the period to collect having lapsed.

On October 14, 2010, the CTA issued an order granting the Company's motion for the suspension of the collection of the taxes.

After trial on the merits, the Court in Division issued a *Decision* in favor of the Company, and cancelled/withdrew the assessment notices issued against the Company for taxable years 1991, 1992 and 1993 which ruling was affirmed by the Court in Division and subsequently by the *CTA En Banc* in its Decision dated August 14, 2015 and Resolution dated January 29, 2016.

Not satisfied with the adverse rulings, the CIR filed a Petition for Review on Certiorari to the Supreme Court (SC) seeking to annul and set aside the Decision and Resolution of the CTA En Banc. The SC in its Resolution dated December 7, 2016 denied the CIR's petition and affirmed the decision of the CTA En Banc. Subsequently, the SC denied with finality the Motion for Reconsideration filed by the CIR on 5 April 2017. On 30 August 2017, the Parent Corporation received the Entry of Judgement certifying that the SC Resolution dated 7 December 2016 affirming the decision of the CTA En Banc has on 5 April 2017 become final and executory and the same is recorded in the Book of Entries of Judgments.

CCC

Power Agreements

On December 15, 2014, CCC and Toledo Power Company (TPC) executed a twelve-year Energy Conversion Agreement pursuant to which CCC shall supply to TPC the coal needed to generate electric power from the plant under the terms of the Electric Power Purchase Agreement (EPPA).



On June 5, 2012, CCC signed a twelve-year EPPA with TPC. Pursuant to the terms of the EPPA, TPC will build and operate a 72-megawatt net output clean coal-fired power plant in Toledo City (the “Plant”) that will guarantee the supply of up to 60 megawatts of electric power to the CCC’s mining operations upon its commissioning. The power plant was completed in December 2014.

In June 2008, CCC entered into a power supply agreement with Cebu III Electric Cooperative, Inc. (“CEBECO III”) for the supply of 2MW of firm electric power at agreed prices.

Total utilities expense related to the said power agreements amounted to ₱2,056,703, ₱2,170,068 and ₱2,180,752 in 2017, 2016 and 2015, respectively. Related accrued expenses amounted to ₱151,734 and ₱122,035 as at December 31, 2017 and 2016, respectively (see Note 14).

Waste Stripping Services Agreement

In May 2012, CCC entered into a waste stripping services agreement with Galeo Equipment and Mining Company, Inc. (“Galeo”) for waste stripping services at CCC’s Carmen and Lutopan Open Pit Mines at specified pricing formulas. The agreement has a term of four years reckoned from the earlier of June 1, 2012 or the date when Galeo commences the performance of waste stripping services. The agreement was terminated in April 2016.

A new contract for lease was executed covering a period of sixteen (16) months beginning on September 22, 2016 or from the time the equipment is made available at CCC, whichever is earlier. The lessee shall pay the billing within sixty (60) days from the receipt of the invoice.

Total expenses related to waste stripping services agreement and lease amounted to ₱1,147,963, ₱1,103,507 and ₱3,719,593 in 2017, 2016 and 2015, respectively. Related accrued expenses amounted to ₱131,876 and ₱180,752 as at December 31, 2017 and 2016, respectively.

Fuel and Lubricants Supply Agreements

In May 2016, CCC signed a new four-year supply agreement with Pilipinas Shell Petroleum Corporation for the purchase of fuel at established pricing formulas. Total expenses related to the fuel supply agreement amounted to ₱697,823, ₱601,447 and ₱880,453 in 2017, 2016 and 2015, respectively. Accrued expenses amounted to ₱46,570 and ₱71,642 as at December 31, 2017 and 2016, respectively.

Legal Contingencies

The Group is a party to minor labor cases arising from its operations. The Group’s management and legal counsel believe that the eventual resolution of these cases will not have a material effect on the Group’s consolidated financial statements. Accordingly, no provision for probable losses was recognized by the Group in 2017, 2016 and 2015.

Collective Bargaining Agreement (CBA)

In October 2012, CCC executed a five-year CBA with its rank-and-file union (the “Union”). However, in view of the election of a new bargaining representative for the Union in October 2014, a new CBA was executed CCC on January 30, 2015 (the “2015 CBA”). The 2015 CBA shall be valid as to the representation aspect for a period of five years. Under the provisions of the Labor Code, the economic provisions of the 2015 CBA shall be re-negotiated on the third anniversary of its execution.

On January 31, 2018, CCC and the Union agreed and signed on the economic terms of the remaining two-year term of the 2015 CBA.



Consignment Agreements

Shorr Industrial Sales, Inc.

In September 2012, CCC entered into a consignment agreement with Shorr Industrial Sales, Inc. for the supply of parts and tools for heavy equipment. The expiry of the latest agreement is on June 30, 2018.

Synchrotek Corporation

In December 2016, CCC renewed its consignment contract with Synchrotek Corporation for the supply of filters, lubricants and other heavy equipment parts. The contract expired in December 2017 and is subject for renewal. Renewal for 2018 is currently being reviewed and re-evaluated for approval.

Morse Hydraulics

CCC entered into a consignment agreement with Morse Hydraulics for the supply of hydraulic hoses and fittings at established price list valid for one year beginning July 1, 2012 to June 30, 2013. The agreement has since been renewed annually, and the latest renewal covers the period July 1, 2017 to June 30, 2018.

Orica Philippines, Inc.

In 2013, CCC entered into a consignment agreement with Orica Philippines, Inc. for the supply of explosives and blasting accessories for use in mining and mine development activities. The consignment agreement with Orica Philippines, Inc. was valid until September 30, 2014, and ensures the availability of the goods covered thereby and pegs a price range for the supply of such goods during the period of effectivity. The consignment agreement with Orica Philippines, Inc. was renewed in 2017 and extended until July 31, 2020.

Le Price International Corporation

In 2013, CCC entered into a consignment agreement with Le Price International Corporation for the supply of a centralized lubrication, a filtration, a fire suppression and a refueling system. The consignment agreement with Le Price International Corporation, which is valid until July 31, 2014, ensures the availability of the goods covered thereby and pegs a price range for the supply of such goods during the period of effectivity. The consignment agreement with Le Price International Corporation was renewed in October 2017.

Atlas Copco Phils.

In 2015, CCC entered into a consignment agreement with Atlas Copco for the supply of drill equipment parts and accessories. This ensured the availability of the critical parts required for continued operations, and pegs a price range for the supply of such goods during the period of effectivity. The consignment agreement was renewed in July 2017 and extended until December 15, 2018.

Maxima Machineries, Inc.

CCC entered into a consignment agreement in April 2013 with Maxima Machineries, Inc. for the supply of excavators, dump trucks, bulldozers and other heavy equipment parts and accessories. This ensured the availability of the critical parts required for continued operations, and pegs a price range for the supply of such goods during the period of effectivity. The consignment agreement was recently renewed, valid for the period April 2017 and until April 2018 including extension and renewal.



31. Other Matters

- a. Tax Reform for Acceleration and Inclusion Act
Republic Act (RA) No.10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making it the new tax law enacted as of the reporting date. Although the TRAIN changes the existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the Group assessed that the same will not have any significant impact on the consolidated financial statement balances as of the reporting date except for the amendments made on Section 151 of Tax Code which increased the previously imposed two percent (2%) excise tax rate on all metallic minerals based on the market value of the gross output at the time of the removal to four percent (4%) excise tax rate.
- b. Social Development Management Program (SDMP)
The five-year SDMP plan of CCC covering years 2014-2018, in compliance with DENR Administrative Order 2010-21, was duly approved by the MGB. In 2017, actual spent and commitment totaled ₱165,943, with ₱77,385 of which was the utilization of the 2016 provision. In 2016, CCC spent ₱222,105 for the SDMP.
- c. Operating Agreement (the “Agreement”) with CCC
On May 5, 2006, the Parent Company and CCC executed the Agreement wherein the Parent Company conveyed to CCC its exploration, development and utilization rights with respect to certain mining rights and claims (the “Toledo Mine Rights”) and the right to rehabilitate, operate and/or maintain certain of its fixed assets.

In consideration of CCC’s use of the Toledo Mine Rights, the Agreement provides that CCC shall pay the Parent Company a fee equal to 10% of the sum of the following:

- a. Royalty payments to third party claim holders of the Toledo Mine Rights,
- b. Lease payments to third party owners of the relevant portions of the parcels of land covered by the surface rights, and
- c. Real property tax payments on the parcels of land covered by the surface rights and on the relevant fixed assets

On March 10, 2010, the Parent Company and CCC agreed on a royalty payment arrangement and on the computation of the basis of royalty income which is 2% of the gross sales by CCC of copper concentrates.

For years 2017 and 2016, the BOD of the Parent Company approved the waiver of its entitlement to receive from the CCC, pursuant to the Agreement, royalties due from operations in 2017 and 2016, respectively.



32. Supplemental Disclosure to Consolidated Statements of Cash Flows

The following table summarizes the changes in liabilities arising from financing activities:

	January 1, 2017	Cash flows		Effect of exchange rate changes	Others	December 31, 2017
		Availments	Payments			
Bank loans	₱3,064,741	₱-	(₱111,381)	₱-	₱-	₱2,953,360
Long-term debt and other interest-bearing liabilities	28,293,642	16,880,189	(16,910,064)	(60,525)	(1,870,312)	26,332,930
	₱31,358,383	₱16,880,189	₱17,021,445	(₱60,525)	(₱1,870,312)	₱29,286,290

Others refer to the noncash financing activity of the Group related to the BDO loan of CCC (see Note 15).



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and Stockholders
Atlas Consolidated Mining and Development Corporation
FiveE-com Center, Palm Coast Drive
Mall of Asia Complex, Pasay City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Atlas Consolidated Mining and Development Corporation and Subsidiaries (the Group) as at December 31, 2017 and 2016, and for each of the three years in the period ended December 31, 2017 included in this form 17-A, and have issued our report thereon dated March 5, 2018. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Parent Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Eleanore A. Layug

Partner

CPA Certificate No. 0100794

SEC Accreditation No. 1250-AR-1 (Group A),

January 7, 2016, valid until January 6, 2019

Tax Identification No. 163-069-453

BIR Accreditation No. 08-001998-97-2018,

February 2, 2018, valid until February 1, 2021

PTR No. 6621271, January 9, 2018, Makati City

March 5, 2018



**ATLAS CONSOLIDATED MINING
AND DEVELOPMENT CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
SEC FORM 17-A
DECEMBER 31, 2017**

Report of Independent Auditor's on Supplementary Schedules

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SCHEDULE E. Long-Term Debt

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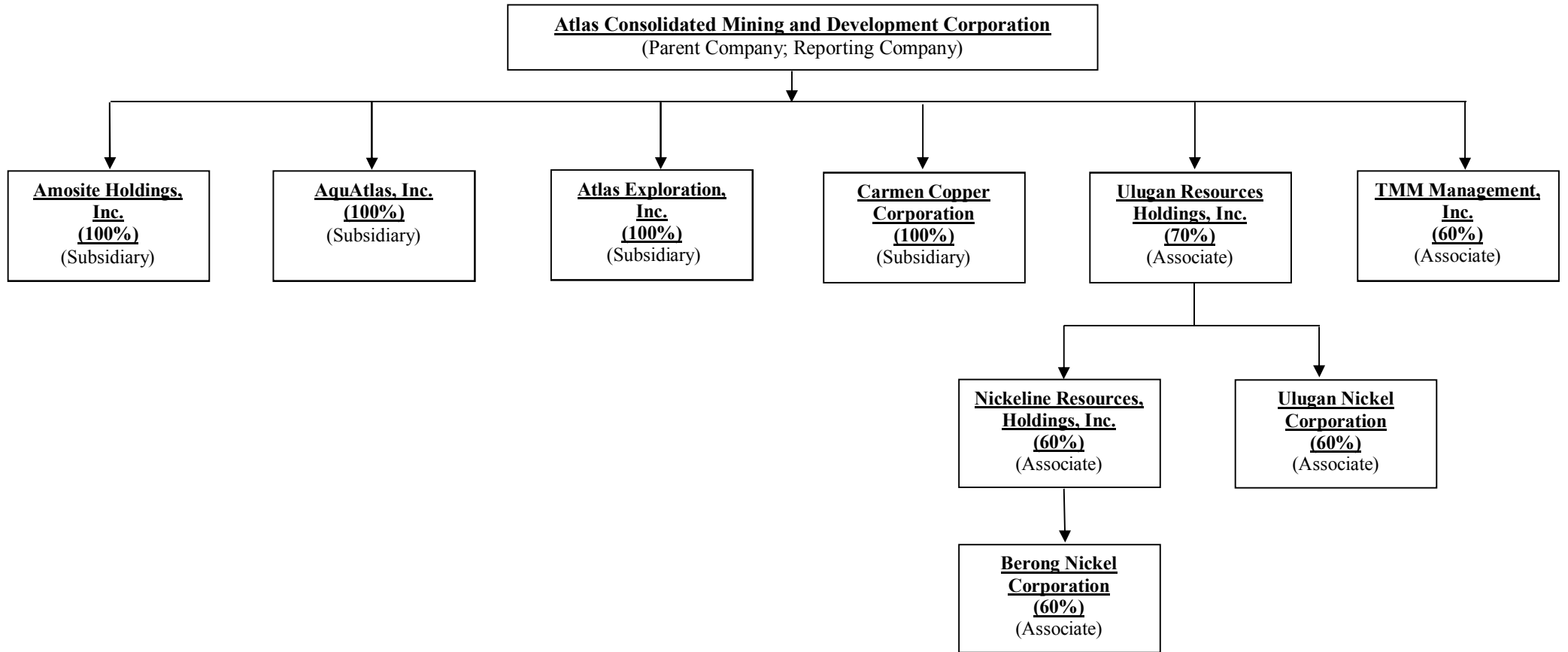
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SCHEDULE H. Capital Stock

SCHEDULE I
ATLAS CONSOLIDATED MINING AND DEVELOPMENT
CORPORATION AND SUBSIDIARIES
FINANCIAL RATIOS PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2017

	2017	2016
<u>Profitability Ratios:</u>		
Return on assets	(2.65%)	(1.22%)
Return on equity	(5.62%)	(2.47%)
Gross profit margin	24.93%	20.31%
Operating profit margin	(17.78%)	(8.05%)
<u>Liquidity and Solvency Ratios:</u>		
Current ratio	0.44:1	0.25:1
Quick ratio	0.27:1	0.18:1
Solvency ratio	0.03:1	0.05:1
<u>Financial Leverage Ratios:</u>		
Asset to equity ratio	2.14:1	2.10:1
Debt ratio	0.51:1	0.50:1
Debt to equity ratio	1.09:1	1.06:1
Interest coverage ratio	0.02:1	0.17:1

SCHEDULE II
ATLAS CONSOLIDATED MINING AND DEVELOPMENT
CORPORATION AND SUBSIDIARIES
MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2017



SCHEDULE III
ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION
AND SUBSIDIARIES
SCHEDULE OF EFFECTIVE STANDARDS AND
INTERPRETATIONS UNDER THE PFRS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2017

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as at December 31, 2017:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
PFRS 2	Share-based Payment	✓		
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
IFRIC 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	✓		
IFRIC 21	Levies	✓		
SIC 7	Introduction of the Euro			✓
SIC 10	Government Assistance - No Specific Relation to			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2017		Adopted	Not Adopted	Not Applicable
	Operating Activities			
SIC 15	Operating Leases - Incentives			✓
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC 29	Service Concession Arrangements: Disclosures			✓
SIC 31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC 32	Intangible Assets - Web Site Costs			✓

The Group did not early adopt any accounting pronouncement effective after December 31, 2017.

SCHEDULE IV
ATLAS CONSOLIDATED MINING AND DEVELOPMENT
CORPORATION AND SUBSIDIARIES
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
PURSUANT TO SEC RULE 68, AS AMENDED AND
SEC MEMORANDUM CIRCULAR NO. 11
As of December 31, 2017
(Amounts in thousands)

Unappropriated Retained Earnings, beginning		₱784,162
Adjustment for treasury shares		(23,267)
Unappropriated Retained Earnings, as adjusted, beginning		₱760,895
Add: Net income actually earned/realized during the period		
Net income (loss) during the period closed to Retained Earnings	(₱119,974)	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	-	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	(548)	
Unrealized actuarial gain	-	
Fair value adjustment (mark-to-market gains)	-	
Fair value adjustment of investment property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP - gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	-	
Subtotal	(548)	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Subtotal	-	
Net loss actually earned during the period	(120,522)	
Add (Less):		
Dividend declarations during the period	-	
Appropriations of retained earnings	-	
Reversals of appropriations	-	
Effects of prior period adjustments	-	
Treasury shares	-	
Subtotal	-	(120,522)
Unappropriated Retained Earnings, as adjusted, ending		₱640,373

SCHEDULE A

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
FINANCIAL ASSETS
DECEMBER 31, 2017

Name of issuing entity and association of each issue	Number of shares or principal amounts of bonds and notes	Amount shown in the balances sheet (figures in thousands)	Values based on market quotation at end of reporting period	Income received and accrued
AFS Financial Asset:				
PLDT	2,100	₱—	(see Note below)	₱—

Note:

AFS financial asset is valued based on quoted price of PLDT shares of stocks as at December 31, 2017. AFS financial asset is carried at fair value with cumulative changes in fair value presented as a separate component of equity.

SCHEDULE B

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS
(OTHER THAN RELATED PARTIES)
DECEMBER 31, 2017

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected / Settlements	Amounts Written-off	Current	Not Current	Balance at end period
NONE							

SCHEDULE C

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
AMOUNTS RECEIVABLE / PAYABLE FROM RELATED PARTIES
WHICH ARE ELIMINATED DURING THE
CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2017

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected	Amounts Written-off	Current	Not Current	Balance at end period
CCC	(₱115,415,039)	₱7,125,124,612	₱-	₱-	(₱7,240,539,651)	₱-	(₱7,240,539,651)
AEI	100,562,089	65,757	-	-	100,627,846	-	100,627,846
AI	31,740,569	66,264	-	-	31,806,833	-	31,806,833
AHI	(2,148,251)	-	63,764	-	(2,084,487)	-	(2,084,487)

SCHEDULE D**ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2017**

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Goodwill	₱19,026,118,600	₱-	₱-	₱-	₱-	₱19,026,118,600
Mining Rights	8,347,114,074	-	165,471,145	-	-	8,181,642,929
Deferred mine exploration costs	16,708,002	-	-	-	-	16,708,002

SCHEDULE E

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
LONG-TERM DEBT
DECEMBER 31, 2017

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under the caption "Current Portion of long-term borrowings" in related balance sheet	Amount shown under the caption "Long- term borrowings- net of current portion" in related balance sheet	Interest rates	Number of periodic installment payments	Maturity date
Banco De Oro Unibank, Inc. – <i>Term Loan</i>	P–	P–	P14,427,427,135	5.00%	13	March 16, 2024
SM Investments Corporation – <i>Term Loan</i>	–	–	6,472,569,948	5.00%	31	March 21, 2024
MayBank – <i>Term Loan</i>	–	811,662,080	–	4.34%	10	October 16, 2018
BDO Leasing & Finance, Inc. – <i>Leasing</i>	–	360,573,088	818,801,011	This is composed of several leasing arrangements with interest rates ranging from 4.75% - 5.25% and has maturity dates stretching from March 2018 up to September 2022 and monthly installment payments.		
United Overseas Bank Ltd. – <i>Term Loan</i>	–	1,014,577,600	–	4.04%	10	October 16, 2018
Security Bank – <i>Term Loan</i>	–	894,167,500	–	5.00%	10	October 16, 2018
Standard Chartered Bank – <i>Leasing</i>	–	22,676,558	–	3.95%	3	March 11, 2018
Rizal Commercial Banking Corporation – <i>Term Loan</i>	–	791,370,528	–	3.74%	10	October 16, 2018
Anglo Philippine Holdings Corporation – <i>Term Loan</i>	–	–	576,896,712	5.00%	31	March 21, 2024
Alakor Corporation – <i>Term Loan</i>	–	–	142,208,629	5.00%	31	March 21, 2024

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under the caption "Current Portion of long-term borrowings" in related balance sheet	Amount shown under the caption "Long-term borrowings- net of current portion" in related balance sheet	Interest rates	Number of periodic installment payments	Maturity date
Banco De Oro Unibank, Inc. – <i>Term Loan</i>	₱–	₱–	₱14,427,427,135	5.00%	13	March 16, 2024
SM Investments Corporation – <i>Term Loan</i>	–	–	6,472,569,948	5.00%	31	March 21, 2024
MayBank – <i>Term Loan</i>	–	811,662,080	–	4.34%	10	October 16, 2018
BDO Leasing & Finance, Inc. – <i>Leasing</i>	–	360,573,088	818,801,011	This is composed of several leasing arrangements with interest rates ranging from 4.75% - 5.25% and has maturity dates stretching from March 2018 up to September 2022 and monthly installment payments.		
United Overseas Bank Ltd. – <i>Term Loan</i>	–	1,014,577,600	–	4.04%	10	October 16, 2018
Security Bank – <i>Term Loan</i>	–	894,167,500	–	5.00%	10	October 16, 2018
Standard Chartered Bank – <i>Leasing</i>	–	22,676,558	–	3.95%	3	March 11, 2018
Rizal Commercial Banking Corporation – <i>Term Loan</i>	–	791,370,528	–	3.74%	10	October 16, 2018
Anglo Philippine Holdings Corporation – <i>Term Loan</i>	–	–	576,896,712	5.00%	31	March 21, 2024
Alakor Corporation – <i>Term Loan</i>	–	–	142,208,629	5.00%	31	March 21, 2024

SCHEDULE F

**ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2017**

Name of Related Party	Balance at beginning of period	Balance at end of period
SM Investments Corporation	₱6,930,563,000	₱6,472,569,934
Anglo Philippine Holdings Corporation	–	576,896,712
Alakor Corporation	–	142,208,629

Notes:

On March 21, 2017, Carmen Copper Corporation, a subsidiary of the Parent Company availed of loans from Anglo Philippine Holdings Corporation and Alakor Corporation for working capital requirements.

SCHEDULE G

**ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2017**

Name of issuing entity of securities guaranteed by the Parent Company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owed by person for which statement is filed	Nature of guarantee
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NOT APPLICABLE

SCHEDULE H

**ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
CAPITAL STOCK
DECEMBER 31, 2017**

The Parent Company's authorized share capital is ₱8.89 billion divided into 8.89 billion shares at ₱1 par value. As at December 31, 2017, total shares issued and outstanding is 3,559,532,774 held by 20,799 shareholders.

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversions and other rights	Number of shares held by related parties	Directors, officers, and employees	Others
Common Stock	8,890,000,000	2,087,032,774	–	1,980,000	137,461,752	1,951,551,022

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

A	T	L	A	S		C	O	N	S	O	L	I	D	A	T	E	D		M	I	N	I	N	G		A	N	D
D	E	V	E	L	O	P	M	E	N	T		C	O	R	P	O	R	A	T	I	O	N						

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

F	i	v	e	E	-	c	o	m		C	e	n	t	e	r	,		P	a	l	m		C	o	a	s	t		D
r	i	v	e	,		M	a	l	l		o	f		A	s	i	a		C	o	m	p	l	e	x	,		P	a
s	a	y		C	i	t	y	,		M	e	t	r	o		M	a	n	i	l	a								

Form Type

A	A	P	F	S
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Department requiring the report

C	R	M
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Secondary License Type, If Applicable

N	/	A
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COMPANY INFORMATION

Company's Email Address ir@atlasmining.com.ph	Company's Telephone Number (632) 831-8000 loc. 25001	Mobile Number N/A
No. of Stockholders 20,799	Annual Meeting (Month / Day) 04/26	Fiscal Year (Month / Day) 12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person Mr. Fernando A. Rimando	Email Address farimando@atlasmining.com.ph	Telephone Number/s (632) 831-8000 loc. 25005	Mobile Number N/A
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CONTACT PERSON'S ADDRESS

**FiveE-com Center, Palm Coast Drive
Mall of Asia Complex, Pasay City, Metro Manila**

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Atlas Consolidated Mining and Development Corporation
FiveE-com Center, Palm Coast Drive
Mall of Asia Complex, Pasay City, Metro Manila

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Atlas Consolidated Mining and Development Corporation (the Company), which comprise the parent company statements of financial position as at December 31, 2017 and 2016, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.



Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 25 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Atlas Consolidated Mining and Development Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Eleanore A. Layug.

SYCIP GORRES VELAYO & CO.


Eleanore A. Layug

Partner

CPA Certificate No. 0100794

SEC Accreditation No. 1250-AR-1 (Group A),

January 7, 2016, valid until January 6, 2019

Tax Identification No. 163-069-453

BIR Accreditation No. 08-001998-97-2018,

February 2, 2018, valid until February 1, 2021

PTR No. 6621271, January 9, 2018, Makati City

March 5, 2018



ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱211,049	₱323,786
Receivables (Note 5)	281,425	351,081
Other current assets	1,933	5,776
Total Current Assets	494,407	680,643
Noncurrent Assets		
Investments (Note 6)	25,801,934	25,801,934
Property and equipment (Note 7)		
At revalued amount	430,286	430,286
At cost	3,712	6,267
Other noncurrent assets (Note 9)	52,500	50,472
Total Noncurrent Assets	26,288,432	26,288,959
TOTAL ASSETS	₱26,782,839	₱26,969,602
LIABILITIES AND EQUITY		
Current Liabilities		
Accrued expenses and other liabilities (Note 10)	₱39,030	₱67,826
Current portion of long-term debts (Note 11)	–	981,435
Payables to related parties (Note 14)	7,242,624	117,564
Income tax payable	29	9
Total Current Liabilities	7,281,683	1,166,834
Noncurrent Liabilities		
Long-term debts - net of current portion (Note 11)	–	7,767,776
Retirement benefits liability (Note 17)	9,870	8,536
Deferred tax liabilities (Note 18)	136,373	146,261
Total Noncurrent Liabilities	146,243	7,922,573
Total Liabilities	7,427,926	9,089,407
Equity		
Capital stock (Note 12)	3,559,533	2,087,033
Additional paid-in capital (Note 12)	19,650,936	14,686,962
Subscriptions receivable (Note 12)	(4,841,801)	–
Revaluation increment on land (Note 7)	298,869	298,869
Remeasurement gain on retirement benefits liability (Note 17)	18,327	18,308
Unrealized gain on available for sale (AFS) financial asset (Note 8)	4,861	4,861
Retained earnings	664,188	784,162
Total Equity	19,354,913	17,880,195
TOTAL LIABILITIES AND EQUITY	₱26,782,839	₱26,969,602

See accompanying Notes to Parent Company Financial Statements.



ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31	
	2017	2016
INCOME		
Gain on extinguishment of debt (Note 11)	₱28,434	₱-
Foreign exchange gains - net	12,616	11,184
Interest income (Note 4)	2,374	12,919
Dividend income (Note 6)	-	61,740
Others	587	-
	44,011	85,843
EXPENSES		
Finance charges (Notes 11 and 17)	102,461	397,876
General and administrative expenses (Note 15)	71,186	110,108
Others - net	-	218
	173,647	508,202
LOSS BEFORE INCOME TAX	129,636	422,359
PROVISION FOR (BENEFIT FROM) INCOME TAX		
(Note 18)		
Current	234	284
Deferred	(9,896)	7,702
	(9,662)	7,986
NET LOSS	119,974	430,345
OTHER COMPREHENSIVE INCOME		
<i>Item that will not be reclassified to profit or loss in subsequent periods:</i>		
Remeasurement gain on retirement plan (Note 17)	(19)	(4,526)
TOTAL COMPREHENSIVE LOSS	₱119,955	₱425,819
LOSS PER SHARE (Note 19)		
Basic and diluted loss per share	(₱0.0337)	(₱0.2062)

See accompanying Notes to Parent Company Financial Statements.



ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(Amounts in Thousands, Except Par Value per Share)

	Capital stock (Note 12)	Additional paid-in capital (Note 12)	Subscriptions receivable (Note 12)	Revaluation increment on land (Note 7)	Remeasurement gain on retirement benefits liability (Note 17)	Unrealized gain on AFS financial assets (Note 8)	Retained earnings	Total
Balances at January 1, 2016	₱16,696,262	₱77,733	₱–	₱298,869	₱13,782	₱4,861	₱1,214,507	₱18,306,014
Net loss	–	–	–	–	–	–	(430,345)	(430,345)
Other comprehensive income	–	–	–	–	4,526	–	–	4,526
Total comprehensive income (loss)	–	–	–	–	4,526	–	(430,345)	(425,819)
Change in par value per share from ₱8 to ₱1 (Note 12)	(14,609,229)	14,609,229	–	–	–	–	–	–
Balances at December 31, 2016	2,087,033	14,686,962	–	298,869	18,308	4,861	784,162	17,880,195
Net loss	–	–	–	–	–	–	(119,974)	(119,974)
Other comprehensive income	–	–	–	–	19	–	–	19
Total comprehensive income (loss)	–	–	–	–	19	–	(119,974)	(119,955)
Subscriptions to capital stock (Note 12)	1,472,500	4,963,974	(4,841,801)	–	–	–	–	1,594,673
Balances at December 31, 2017	₱3,559,533	₱19,650,936	(₱4,841,801)	₱298,869	₱18,327	₱4,861	₱664,188	₱19,354,913

See accompanying Notes to Parent Company Financial Statements.



ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(₱129,636)	(₱422,359)
Adjustments for:		
Finance charges (Notes 11 and 17)	102,461	397,876
Gain on extinguishment of debt (Note 11)	(28,434)	–
Foreign exchange gains - net	(12,616)	(11,185)
Depreciation (Notes 7 and 15)	3,091	4,020
Interest income (Note 4)	(2,374)	(12,919)
Movement in retirement benefits cost (Note 17)	891	856
Loss (gain) on disposal and retirement of property and equipment (Note 7)	(282)	500
Dividend income (Note 6)	–	(61,740)
Operating loss before working capital changes	(66,899)	(104,951)
Decrease (increase) in:		
Receivables	69,656	20,986
Other current assets	3,842	(5,334)
Increase(decrease) in accrued expenses and other liabilities	(28,796)	6,872
Net cash used in operations	(22,197)	(82,427)
Interest received	2,374	12,919
Income taxes paid	(214)	(307)
Net cash flows used in operating activities	(20,037)	(69,815)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Other noncurrent assets	(2,028)	(1,833)
Investments	–	(5,162,038)
Short-term investments	–	185,058
Acquisitions of property and equipment (Note 7)	(629)	(2,240)
Proceeds from disposal and retirement of property and equipment (Note 7)	375	1,823
Dividend received	–	61,740
Net cash flows used in investing activities	(2,282)	(4,917,490)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares, net of transaction costs (Note 12)	1,594,673	–
Payments of:		
Long-term debts (Notes 11 and 24)	(343,750)	(504,103)
Interest	(90,610)	(320,508)
Increase (decrease) in payable to related parties (Note 24)	(1,261,753)	115,312
Availment of loan	–	5,949,128
Net cash flows from (used in) financing activities	(101,440)	5,239,829
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	11,022	3,884
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(112,737)	256,408
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
	323,786	67,378
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)		
	₱211,049	₱323,786

See accompanying Notes to Parent Company Financial Statements.



ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

(Amounts in Thousands, Except Number of Shares, Loss per Share Data and as Otherwise Indicated)

1. Corporate Information, Business Operations and Authorization for the Issuance of the Parent Company Financial Statements

Corporate Information

Atlas Consolidated Mining and Development Corporation (the Company) was incorporated and was registered with the Philippine Securities and Exchange Commission (SEC) as 'Masbate Consolidated Mining Company, Inc.' on March 9, 1935 as a result of the merger of assets and equities of three pre-war mining companies, namely, Masbate Consolidated Mining Company, Antamok Goldfields Mining Company and IXL Mining Company. Thereafter, it amended its articles of incorporation to reflect the present corporate name and to extend its corporate life up to March 2035. The registered business address of the Company is FiveE-com Center, Palm Coast Drive, Mall of Asia Complex, Pasay City, Metro Manila.

The Company, through its subsidiaries and associates, is engaged in metallic mineral mining and exploration, and currently produces copper concentrate (with gold and silver) and magnetite iron ore concentrate.

The Company's shares of stock are listed with the Philippine Stock Exchange (PSE) on November 17, 1970.

A major restructuring of the Company was undertaken in 2004 and 2005 with the creation of three special-purpose subsidiaries to develop the Toledo Copper Project, the Berong Nickel Project and the Toledo-Cebu Bulk Water and Reservoir Project. As a result, Carmen Copper Corporation (CCC), Berong Nickel Corporation (BNC) and AquAtlas, Inc. (AI) were incorporated and, subsequently, were positioned to attract project financing, as well as specialist management and operating expertise. In addition, the Company incorporated its wholly owned subsidiaries, Atlas Exploration, Inc. (AEI) to host, explore and develop copper, gold, nickel and other mineral exploration properties and Amosite Holdings, Inc. (AHI) to hold assets for investment purposes. AEI will also explore for other metalliferous and industrial minerals to increase and diversify the mineral holdings and portfolio of the Company.

Business Operations

The Company has control of CCC, AEI, AI and AHI as at December 31, 2017 and 2016.

The Company has no geographical segments as these entities were incorporated and are operating within the Philippines.

The table below contains the details of the Company's equity interest in its subsidiaries and a description of the nature of the business of each subsidiary as at December 31, 2017 and 2016:

Nature of Business	Percentage of Ownership	
	2017	2016
<u>Subsidiaries as at December 31, 2017 and 2016</u>		
AEI Incorporated in the Philippines on August 26, 2005 to engage in the business of searching, prospecting, exploring and locating of ores and mineral resources, and other exploration work	100.00	100.00



	Nature of Business	Percentage of Ownership	
		2017	2016
AI	Incorporated in the Philippines on May 26, 2005 to provide and supply wholesale or bulk water to local water districts and other customers	100.00	100.00
AHI	Incorporated in the Philippines on October 17, 2006 to hold assets for investment purposes	100.00	100.00
CCC	Incorporated in the Philippines on September 16, 2004 primarily to engage in exploration work for the purpose of determining the existence of mineral resources, extent, quality and quantity, and the feasibility of mining them for profit	100.00	100.00

a. *AEI*

In 2017, AEI continued its exploration activities for the geotechnical survey of the Sigpit gold prospect and for the drilling at the southern extension of the Lutopan orebody. AEI incurred a net loss of ₱66 in 2017 and has cumulative capital deficiency of ₱103,401 as at December 31, 2017.

b. *AI*

In 2017, AI continued to explore and assess the feasibility of projects involving the bulk supply of potable water from the Company's Malubog Dam. AI incurred a net loss of ₱66 in 2017 and has cumulative capital deficiency of ₱31,913 as at December 31, 2017.

c. *CCC*

In July 2011, the Company acquired all of the equity interest of CASOP Atlas BV and CASOP Atlas Corporation (collectively called 'CASOP') in CCC. As a result, the Company became the owner of 100% of CCC's outstanding capital stock. Prior to such acquisition, the Company owned 54.45% of the outstanding capital stock of CCC.

On May 5, 2006, the Company entered into an Operating Agreement with CCC ('the Operating Agreement') respecting the terms of the assignment by the Company to CCC of operating rights over the Toledo mining complex, and the right to acquire certain fixed assets. The agreement may be terminated by the Company upon 30 days prior written notice. Pursuant to the Operating Agreement, the Board of Directors (BOD) approved the waiver of its entitlement to receive from CCC, royalties due from operations in 2017 and 2016.

The Executive Committees of the Company and CCC, during a joint meeting held on February 3, 2015, approved the set off of (i) amounts withdrawn from the collection account of CCC with BDO Unibank, Inc. (BDO), which was established under the December 2010 Omnibus Loan and Security Agreement between CCC and BDO, to fund the debt service reserve account of the Company in respect of the United States Dollar (US\$)-denominated loan facility debt availed by the Company on July 25, 2011 amounting to of US\$75.0 million ('BDO Facility') against (ii) fees receivable by the Company from CCC pursuant to the Operating Agreement (the 'Netting Arrangement'). Under the terms of the approval, the Netting Arrangement shall be applied retroactively to cover the relevant balances as at December 31, 2014.

d. *AHI*

AHI is the owner of certain real properties that are used in the mining operations of CCC. AHI incurred a net loss of ₱64 in 2017 and has cumulative deficit of ₱2,954 as at December 31, 2017.



Authorization for the Issuance of the Parent Company Financial Statements

The parent company financial statements as at and for the years ended December 31, 2017 and 2016 were authorized for issuance by the Company's BOD on March 5, 2018.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The parent company financial statements have been prepared on a historical cost basis, except for land, which is carried at revalued amounts and available for sale (AFS) financial asset which are measured at fair value. The parent company financial statements are presented in Philippine Peso, which is the Company's functional and presentation currency in compliance with Philippine Financial Reporting Standards (PFRSs) as issued by the Financial Reporting Standards Council. All values are rounded to the nearest thousands (₱000), except number of shares, loss per share data, and as otherwise indicated.

Statement of Compliance

The parent company financial statements have been prepared in accordance with PFRSs.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2017. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance, unless otherwise stated.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities - Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

Adoption of these amendments did not have any impact on the parent company financial statements.

- Amendments to Philippine Accounting Standard (PAS) 7, *Statement of Cash Flows - Disclosure Initiative*

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

The Company has provided the required information in Note 24 to the parent company financial statements. As allowed under the transition provisions of the standard, the Company did not present comparative information for the year ended December 31, 2016.



- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The Company applied the amendments retrospectively. However, their application has no effect on the Company's financial position and performance as the Company has no deductible temporary differences or assets that are in the scope of the amendments.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its parent company financial statements. The Company intends to adopt the following pronouncements when these become effective.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment - Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

The Company has assessed that the adoption of these amendments will not have any impact on the 2018 parent company financial statements.

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company is currently assessing the potential impact of adopting PFRS 9 in 2018.



- Amendments to PFRS 4, *Insurance Contracts - Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard.

The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

The amendments are not applicable to the Company since none of its activities are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

The Company is currently assessing the potential impact of adopting PFRS 15 in 2018.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively, with earlier application permitted.

The Company has assessed that the adoption of these amendments will not have any impact on the 2018 parent company financial statements.



- Amendments to PAS 40, *Investment Property - Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

Since the Company's current practice is in line with the clarifications issued, the Company does not expect any effect on its parent company financial statements upon adoption of these amendments.

- Philippine Interpretation based on International Financial Reporting Interpretations Committee (IFRIC)-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Company is currently assessing the impact of adopting IFRIC 22.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The Company is currently assessing the impact of adopting amendments to PFRS 9.

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and



an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Company is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The Company has assessed that the adoption of these amendments will not have any impact on the 2019 parent company financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Company is currently assessing the impact of adopting this interpretation.



Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28 - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Summary of Significant Accounting Policies

Presentation of Parent Company Financial Statements

The Company elected to present all items of recognized income and expense in a single parent company statement of comprehensive income.

Current versus Noncurrent Classification

The Company presents assets and liabilities in the parent company statement of financial position based on current or noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within 12 months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Company classifies all other liabilities as noncurrent.

Deferred tax liabilities are classified as noncurrent liabilities.

Cash and Cash Equivalents

Cash consists of cash on hand and in banks. Cash in banks earns interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Company, and earn interest at the prevailing short-term investment rates. 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 date of acquisition and are subject to an insignificant risk of changes in value.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial Recognition and Measurement

Financial instruments are recognized in the parent company statement of financial position when the Company becomes a party to the contractual provisions of the instrument. The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

Financial instruments are recognized initially at fair value. Except for financial assets at fair value through profit or loss, the initial measurement of financial assets includes transaction costs. In case of loans and borrowings, and payables, net of directly attributable transaction costs.

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets or derivatives designated as hedging instruments in an effective hedge, as appropriate.

Purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Financial liabilities are classified, at initial recognition as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company's financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, and payables, net of directly attributable transactions costs.

The Company determines the classification at initial recognition and, where allowed and appropriate, re-evaluates such designation at the end of each reporting period.

The Company's financial instruments are in the nature of loans and receivables, AFS financial assets, loans and borrowings, and payables. As at December 31, 2017 and 2016, the Company has no financial instruments classified as financial assets and liabilities at fair value through profit or loss, held-to-maturity investments and derivatives designated as hedging instruments in an effective hedge.

Subsequent Measurement

The subsequent measurement of financial instruments depends on their classification as follows:

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 (EIR) method, less impairment. Gains and losses are recognized in the parent company statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. As at December 31, 2017 and 2016, the Company's loans and receivables consist of receivables from related parties and other receivables under 'receivables' in the parent company statement of financial position.



AFS Financial Assets

AFS financial assets include investments in equity and debt securities. Equity investments classified as AFS financial assets are those which are neither classified as held for trading nor designated as fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in the parent company statement of comprehensive income in the 'unrealized gain (loss) on AFS financial assets' until the investment is derecognized, at which time the cumulative gain or loss is recognized in the parent company statement of comprehensive income, or determined to be impaired, at which time the cumulative loss is reclassified to the parent company statement of comprehensive income and removed from other comprehensive income.

The Company evaluates its AFS financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances.

Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Company has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the AFS financial assets category, any previous gain or loss on that asset that has been recognized in equity is amortized to the parent company statement of comprehensive income over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the parent company statement of comprehensive income.

As at December 31, 2017 and 2016, the Company's AFS financial asset pertains to its investment in equity securities.

Loans and Borrowings

Issued financial instruments or their components, which are not designated as at fair value through profit or loss are classified as loans and borrowings, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Loans and borrowings are initially recorded at fair value less directly attributable transaction costs. After initial measurement, other financial liabilities are measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral part of the EIR. Effects of restatement of foreign currency-denominated liabilities, if any, are recognized in the foreign currency exchange gains (losses) under other expenses - net in the parent company statement of comprehensive income.



This accounting policy relates to the Company's long-term debts.

Payables

This category pertains to financial liabilities that are not held for trading or not designated as at fair value through or loss upon the inception of the liability. These include liabilities arising from operations (e.g., accounts payable and accrued liabilities). Payables are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

This accounting policy applies to the Company's nontrade payables, accrued expenses except government payables, and interest payable under 'accrued expenses and other liabilities' on the parent company statement of financial position.

Derecognition of Financial Instruments

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a Company 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; and the Company 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. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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 the parent company statement of comprehensive income.



Impairment of Financial Assets

The Company assesses, at the end of the reporting period, 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 EIR (i.e., the EIR 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 the parent company statement of comprehensive income.

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 Company of financial assets with similar credit risk characteristics and that Company 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 the parent company statement of comprehensive income, 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 these are assessed as uncollectible.

AFS Financial Assets

For AFS financial assets, the Company assesses at the end of the reporting period whether there is objective evidence that an investment or a Company of investments is impaired. In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is 'significant' or 'prolonged' requires judgment. The Company treats 'significant' generally as 20% or more and 'prolonged' as greater than 12 months for quoted equity securities. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized on that investment is removed from other comprehensive income and recognized in the parent company statement of comprehensive



income. Impairment losses on equity investments are not reversed through the parent company statement of comprehensive income. Increases in the fair value after impairment are recognized directly in other comprehensive income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the parent company statement of financial position 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. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Fair Value Measurement

The Company measures financial instruments, such as AFS financial asset and nonfinancial asset such as land, at fair value at the end of the reporting period.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- | | |
|---|---------|
| • Significant estimates and assumptions | Note 3 |
| • Land | Note 7 |
| • AFS financial asset | Note 8 |
| • Financial instruments | Note 20 |

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefit by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable



For assets and liabilities that are recognized in the parent company financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Convertible Loans Payable and Long-term Debts

Convertible loans payable and long-term debts denominated in the functional currency of the Company are regarded as compound instruments, consisting of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt and is recorded within borrowings.

The difference between the proceeds of issue of the convertible bond and the fair value assigned to the liability component representing the embedded option to convert the liability into equity of the Company is included in the company statement of changes of equity.

When the embedded option in convertible loans payable and long-term debt is denominated in a currency other than the functional currency of the Company, the option is classified as a derivative liability. The option is valued at mark-to-market with subsequent gains and losses being recognized in parent company statement of comprehensive income.

Issue costs are apportioned between the liability and equity components of the convertible loans and long-term debts where appropriate based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity. The interest expense on the liability component is calculated by applying the EIR for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loans payable and long-term debts.

Inventories

Inventories include materials and supplies. These are carried at the lower of cost and net realizable value (NRV). Cost is determined using the weighted-average method. NRV is the value of the inventories when sold at their condition at the end of the reporting period.

Other Current and Noncurrent Assets

Other current assets are composed of deposits and advances to suppliers and prepayments. Other noncurrent assets are composed of input value-added tax (VAT), deferred mine exploration costs, long-term advances and refundable deposits.

Input 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. Deferred input VAT represents input VAT on the purchase of capital goods exceeding one million pesos. The related input VAT is recognized over five years or the useful life of the capital goods, whichever is shorter. 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 may be claimed as tax credits. Input VAT is stated at cost less allowance for impairment losses.

Property and Equipment

Items of property and equipment, except land, are carried at cost less accumulated depreciation, and any impairment in value. Land is carried at revalued amounts less any impairment in value.



The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been placed into operation, such as repairs and maintenance costs, are normally recognized in parent company statement of comprehensive income in the period in which they are incurred. When property and equipment are sold or retired, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in parent company statement comprehensive income.

The office equipment, furniture and fixtures, computer software, transportation equipment and laboratory equipment are depreciated or amortized using the straight-line method over the estimated useful life of five years. Leasehold improvements are amortized over the estimated useful life of five years or the lease term, whichever is shorter.

Depreciation of an item of property 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 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, *Non-current Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

An item of property 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 parent company statement of comprehensive income in the year the asset is derecognized.

The property and equipment's useful lives and method of depreciation are reviewed and adjusted, if appropriate, at each end of the reporting period.

Land is measured at fair value at the date of revaluation. Valuations are performed with sufficient frequency to ensure that carrying amount of revalued asset does not differ materially from its fair value. The net appraisal increment resulting from the revaluation of land is credited to the 'Revaluation increment on land' account shown under the equity section of the parent company statement of financial position. Any appraisal decrease is first offset against revaluation increment on earlier revaluation. The revaluation increment pertaining to disposed land is transferred to the 'Retained earnings' account.

Investments in Subsidiaries and Associates

The Company's investments in subsidiaries and associates are accounted for under the cost method less any impairment losses. A subsidiary is an entity in which the Company has control. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Company controls an investee, if and only if, the Company has all of the following:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee and
- The ability to use its power over the investee to affect the amount of the Company's returns

An associate is an entity in which the Company has a significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and reporting policy decisions of the investee, but has no control or joint control over those policies. The



consideration made in determining significant influence is similar to those necessary to determine control activities.

Under the cost method, the investments in subsidiaries and associates are carried in the parent company statement of financial position at cost less any impairment in value. The Company recognizes income from the investments only to the extent that it receives distributions from accumulated profits of the subsidiaries and associates arising after the date of acquisition. Distributions received in excess of such profits are regarded as recovery of investment and are recognized as a reduction in the cost of the investment.

Advances to subsidiaries and associates granted by the Company are in the nature of cash advances or expenses paid by the Company on behalf of its subsidiaries and associates. These are based on normal credit terms, unsecured, interest-free and are recognized and carried at original amounts advanced.

Deferred Mine Exploration Costs

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analyzing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to the parent company statement of comprehensive income as incurred, unless the Company concludes that a future economic benefit is more likely than not to be realized. These costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalized, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Expenditure on exploration and evaluation is accounted for in accordance with the area of interest method. Exploration and evaluation expenditure is capitalized provided the rights to tenure of the area of interest is current and either: the exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, then, any fulfillment exploration and evaluation expenditure is reclassified as mine properties and mine development costs included as part of property and equipment. Prior to reclassification, exploration and evaluation expenditure is assessed for impairment.

When a project is abandoned, the related deferred mine exploration costs are written off.



Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

Impairment of Nonfinancial Assets

Property and Equipment

Property and equipment, except land, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's or cash-generating unit's fair value less cost to sell and 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, in which case the asset is tested as part of a large cash-generating unit. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value-in-use is the present value, using a pre-tax discount rate, of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Impairment losses are recognized in the parent company statement of comprehensive income.

Recovery of impairment losses recognized in prior periods is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the parent company statement of comprehensive income. However, the increased carrying amount of an asset due to recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for that asset in prior periods.

Other Nonfinancial Assets

The Company provides allowance for impairment losses on other nonfinancial assets when these can no longer be realized. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease other nonfinancial assets.

Leases

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.

Operating Lease - Company as a Lessor

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased assets and are recognized over the lease term on the same basis as rental income.

Operating Lease - Company as a Lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the parent company statement of comprehensive income on a straight-line basis over the lease term.

Income Taxes

Current Income Tax

Current income tax assets and current income tax liabilities for the current and prior periods 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 at the end of the reporting period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the parent company statement of comprehensive income.

Deferred tax

Deferred tax is provided using the balance sheet liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes at the reporting date. Deferred 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 carry-over (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 tax liabilities are recognized for all taxable temporary differences.

The carrying amount of deferred tax assets are reviewed at each end of the reporting period 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 tax assets to be utilized before their reversal or expiration. Unrecognized deferred tax assets are reassessed at the end of the reporting period and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the income tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on income tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred 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.

Deferred tax relating to items recognized outside the parent company statement of comprehensive income is recognized outside the parent company statement of comprehensive income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Share-based Payments

The cost of equity-settled transactions with employees is measured by reference to their fair value at the date they are granted, determined using the acceptable valuation techniques.

The cost of equity-settled transactions, together with a corresponding increase in equity, is recognized over the period in which the performance and/or service conditions are fulfilled ending on the date on which the employees become fully entitled to the award ('Vesting Date').

The cumulative expense recognized for equity-settled transactions at the end of the reporting period up to and until the vesting date reflects the extent to which the vesting period has expired, as well as the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for the period represents the movement in cumulative expense recognized at the beginning and end of that period. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which awards are



treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. An additional expense is likewise recognized for any modification which increases the total fair value of the share-based payment arrangement or which is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. If a new award, however, is substituted for the cancelled awards and designated as a replacement award, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

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.

Subscriptions Receivable

Subscriptions receivable represent outstanding receivables from stock subscription agreements. The Company may present the subscriptions receivable as part of current assets when they have established the right to receive the outstanding receivables within the next 12 months from the end of the reporting period. Otherwise, this is presented as a deduction from equity.

Foreign Currency-denominated Transactions

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Company's net investment of foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss on translation of non-monetary items measured at fair value of the item i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss, is recognized in other comprehensive income or profit or loss, respectively.

Retained Earnings

The amount included in retained earnings includes profit (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 these are approved by the Company's stockholders. Interim dividends,



if any, are deducted from equity when these are paid. Dividends for the year that are approved after the end of the reporting period are dealt with as an event after the end of the reporting period.

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

When retained earnings account has a debit balance, it is called 'Deficit'. A deficit is not an asset but a deduction from equity.

Earnings Per Share (EPS)

Basic EPS amount is calculated by dividing net income for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year.

Diluted EPS amount is calculated by dividing the net profit attributable to ordinary equity holders of the Company (after deducting interest on the convertible cumulative preference shares) by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalization, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively. If these changes occur after the reporting period but before the parent company financial statements are authorized for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares. The fact that per share calculations reflect such changes in the number of shares shall be disclosed. In addition, basic and diluted earnings per share of all periods presented shall be adjusted for the effects of errors and adjustments resulting from changes in accounting policies accounted for retrospectively.

Other Comprehensive Income

Other comprehensive income comprises items of income and expense (including items previously presented under the parent company statement of changes in equity) that are not recognized in the parent company statement of comprehensive income for the year in accordance with PFRSs.

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, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty, as applicable.

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal in all of its revenue arrangements.

Dividend Income

Dividend income is recognized when the Company's right to receive the payment is established, which is generally upon the date of declaration.



Interest Income

Interest income is recognized as the interest accrues using the EIR method.

Others

Revenue is recognized in the parent company statement of comprehensive income as these are earned.

Costs and Expenses

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or depreciation of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost and expenses are generally recognized in the parent company statement of comprehensive income when the services are used or the expenses are incurred.

Provisions

General

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 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 parent company statement of comprehensive income, net of any reimbursement.

Employee Benefits

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any).

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined retirement benefits liability or asset
- Remeasurements of net defined retirement benefits liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in parent company statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined retirement benefits liability or asset is the change during the period in the net defined retirement benefits liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined retirement benefits liability or asset. Net interest on the net defined retirement benefits liability or asset is recognized as expense or income in the parent company statement of comprehensive income.



Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined retirement benefits liability) are recognized immediately in other comprehensive income in the period in which these arise. Remeasurements are not reclassified to the parent company statement of comprehensive income in subsequent periods. Remeasurements recognized in other comprehensive income after the initial adoption of Revised PAS 19, *Employee Benefits* are not closed to any other equity account.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined retirement benefits liability is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination Benefit

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee Leave Entitlement

Employee entitlements to annual leave are recognized as a liability when these are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before 12 months after the reporting period is recognized for services rendered by employees up to the end of the reporting period.

Contingencies

Contingent liabilities are not recognized in the parent company 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 parent company financial statements but are disclosed in the notes to parent company financial statements when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the parent company 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 parent company financial statements.

Events after the End of the Reporting Period

Events after the end of the reporting period that provide additional information about the Company's position at the end of the reporting period (adjusting events) are reflected in the parent company financial statements. Events after the end of the reporting period that are not adjusting events are disclosed when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the parent company financial statements in accordance with PFRSs requires the Company to exercise judgment, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses and the accompanying disclosures and the disclosure of the contingent assets and contingent liabilities. Future events may occur which will



cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the parent company financial statements as these 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. However, actual outcome can differ from these estimates.

Other disclosures relating to the Company's exposure to risks and uncertainties include financial risk management objectives and policies, sensitivity analyses disclosures and capital management (see Notes 21 and 22).

Judgments

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

Going Concern

Management has made an assessment on the Company's ability to continue as going concern and is satisfied that it has the resources to continue business for the foreseeable future.

Determination of Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine Peso. The Peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the income and general and administrative expense of the Company.

Assessing Existence of Significant Influence

In assessing whether significant influence still exists, the Company considered not only its percentage ownership but other factors such as board seat representations it has in an associate's governing body and its interchange of managerial personnel with an associate, among others. As at December 31, 2017 and 2016, the Company assessed that it has significant influence over the associates and has accounted for the investments as investments in associates. The Company has the ability to participate in the financial and reporting decisions of the investee, but has no control or joint control over those policies (see Note 6).

Determination of Control

Where the Company does not have majority of the voting interest over an investee, it considers all relevant facts and circumstances in assessing whether it has control over the investee. This may include a contractual arrangement with the other voting shareholders of the investee or rights arising from other contractual arrangements which give power to the Company over the investee to affect its returns.

The Company determines control when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. Management assessed that the Company has control on all of its wholly owned subsidiaries.

Operating Lease Commitments - Company as a Lessee

The Company has entered into leases of office, commercial spaces and land. The Company has determined that all significant risks and rewards of ownership of these spaces remain with the lessors due to the following:

- The ownership of the assets do not transfer to the Company at the end of the lease term



- The Company has no option to purchase the assets at prices which are expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the leases, it is reasonably certain that the option will be exercised
- The lease terms are not for the major part of the economic lives of the assets even if the titles are not transferred and
- At the inception of the lease, the present value of the minimum lease payments does not amount to at least substantially all of the fair values of the leased assets.

Operating Lease Commitments - Company as a Lessor

The Company has entered into property and equipment leases. The Company has determined that it retained all the significant risks and rewards of ownership of these properties which are being leased as operating leases.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainties at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are as follows:

Estimating Fair Value of Financial Assets and Financial Liabilities

PFRSs 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 parent company statement of comprehensive income (see Note 20).

Estimating Allowance for Impairment Losses of Receivables

The Company evaluates specific accounts where the Company has information that certain debtor are unable to meet their financial obligations. Factors, such as the Company's length of relationship with the debtor and the debtor's current credit status, are considered to ascertain the amount of reserves that will be recorded in the receivables account. In addition to specific allowances against individually significant accounts, the Company also makes a collective impairment assessment against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as any past collection experiences, the current economic conditions, and average age of the group of receivables. Allowance is re-evaluated and adjusted as additional information is received.

Allowance for impairment loss on receivables amounted to ₱29,359 as at December 31, 2017 and 2016. Receivables, net of valuation allowance, amounted to ₱281,425 and ₱351,081 as at December 31, 2017 and 2016, respectively (see Note 5).

Estimating Allowance for Impairment on Materials and Supplies Inventory

The Company provides allowance for materials and supplies whenever NRV of inventories becomes lower than cost due to damage, inventory losses, physical deterioration, obsolescence, changes in price levels or other causes. Material and supplies inventory amounting to ₱316,232 as at December 31, 2017 and 2016 have been fully provided with allowance for impairment loss.

Determination of the Appraised Value of Land

The appraised value of land is based on a valuation by an independent appraiser firm, which management believes holds a recognized and relevant professional qualification and has recent experience in the location and category of the land being valued. The appraiser firm used the market



data approach in determining the appraised value of land. As at December 31, 2017 and 2016, the fair value of the land amounted to ₱430,616 based on the latest valuation obtained in 2015 (see Note 7).

Estimating Recoverability of Deferred Mine Exploration Costs

The application of the Company's accounting policy for deferred mine exploration costs requires judgment and estimates in determining whether it is likely that the future economic benefits are certain, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after mine explorations costs are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written-off in the parent company statement of comprehensive income in the period when the new information becomes available.

The Company reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. An impairment loss is recognized when the carrying values of these assets are not recoverable.

In 2017 and 2016, there was no impairment loss on the Company's deferred mine exploration costs. Deferred mine exploration costs amounted to ₱16,708 as at December 31, 2017 and 2016 (see Note 9).

Estimating Realizability of Deferred Tax Assets

The Company reviews the carrying amounts of deferred tax assets at the end of the reporting period and reduces the amounts 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 tax assets to be utilized. As at December 31, 2017 and 2016, the Company has deductible temporary differences, NOLCO and excess MCIT amounting to ₱1,457,885 and ₱1,498,138, respectively (see Note 18), for which no deferred tax asset were recognized because management believes that the Company will not be able to realize in the future the carry forward benefits of NOLCO, excess MCIT and deductible temporary difference prior to their expiration.

Estimating Impairment of AFS Financial Asset

The Company treats AFS financial asset as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Company treats 'significant' generally as 20% or more and 'prolonged' as greater than 12 months for quoted equity securities. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities. AFS financial asset, net of allowance for impairment loss amounted to nil as at December 31, 2017 and 2016, respectively (see Note 8).

Estimating Impairment of Investments

PFRSs require that an impairment review be performed when certain impairment indicators are present. Determining the fair value of investments, which involves the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such asset, requires the Company to make estimates and assumptions that can materially affect its parent company financial statements. Future events could cause the Company to conclude that the investment is impaired. Any resulting impairment loss could have a material adverse impact on the parent company statement of financial position and parent company statement of comprehensive income. Management has determined that there are no events or circumstances that may indicate that the carrying amount of the investment is not recoverable as at December 31, 2017 and 2016: thus, no



impairment loss was recognized for the years then ended. The Company's investments amounted to ₱25,801,934 as at December 31, 2016 and 2015 (see Note 6).

Estimating Impairment of Investments in Input VAT

The Company assesses on a regular basis if there is objective evidence of impairment of input VAT. The amount of impairment loss is measured as the difference between the carrying amount and the estimated recoverable amount. The recognition of impairment requires the Company to assess the status of its application for refund and tax credit certificates with government agencies.

No allowance for impairment loss on input VAT was recognized as at December 31, 2017 and 2016 (see Note 9).

Estimating Retirement Benefits Cost

The retirement benefits cost as well as the present value of the retirement benefits liability is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future retirement increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined retirement benefits liability are highly sensitive to changes in these assumptions. All assumptions are reviewed at the end of the reporting period. Retirement benefits costs amounted to ₱1,971 and ₱3,079 in 2017 and 2016 respectively (see Note 17). Retirement benefits liability amounted to ₱9,870 and ₱8,536 as at December 31, 2017 and 2016, respectively (see Note 17).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined retirement benefits liability.

Further details about the assumptions used are provided in Note 17.

Provisions and Contingencies

The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Company's defense in these matters and is based upon an analysis of potential results. The Company is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Company's management and legal counsel believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material effect on the parent company financial statements. Accordingly, no provision for probable losses arising from contingencies was recognized by the Company in 2017 and 2016 (see Note 23).

4. Cash and Cash Equivalents

	2017	2016
Cash on hand	₱12	₱12
Cash in banks	43,343	48,449
Cash equivalents	167,694	275,325
	₱211,049	₱323,786

Interest income from cash in banks amounted to ₱67 and ₱113 in 2017 and 2016, respectively.

Cash equivalents are not restricted and considered as free cash. Interest income earned from cash equivalents amounted to ₱2,307 and ₱12,806 in 2017 and 2016, respectively. The Company has



US\$-denominated cash in banks amounting to US\$2,109 and US\$11 as at December 31, 2017 and 2016, respectively. The Company also has Great Britain Pound (GB£)-denominated cash in banks amounting to GB£139 as at December 31, 2017 and 2016 (see Note 21).

5. Receivables

	2017	2016
Receivables from:		
Related parties (Note 14)	₱265,811	₱334,750
Officers and employees		
Unimpaired	7,352	8,034
Impaired	308	308
Others:		
Unimpaired	8,262	8,297
Impaired	29,051	29,051
	310,784	380,440
Less allowance for impairment losses	29,359	29,359
	₱281,425	₱351,081

The terms and conditions of receivables from related parties are presented in Note 14. Receivables from officers and employees pertain to cash advances used for the operations of the Company, while other receivables comprise mainly of receivables from various debtors. Other receivables are non-interest bearing and are collectible within 12 months from the end of the reporting period. Receivables from officers and employees are non-interest bearing and are subject to liquidation.

Allowance for Impairment Losses on Receivables

The balance of allowance for impairment losses on receivables from officers and employees, and from other receivables amounted to ₱29,359 as at December 31, 2017 and 2016. There were no additional provisions for impairment losses on receivables recognized in 2017.

6. Investments

The Company's investments as at December 31, 2017 and 2016 consist of:

Subsidiaries:	
CCC	₱25,717,272
AHI	80,012
AEI	2,500
AI	100
	25,799,884
Associates:	
URHI	1,750
TMMI	300
	2,050
	₱25,801,934

The Company has recognized dividend income from URHI amounting to ₱61,740 in 2016.



As at December 31, 2017 and 2016, details of the Company's ownership interest in associates are as follows:

Company	Ownership interest		Principal activities
	2017	2016	
TMMI	60.00	60.00	Management services
URHI	70.00	70.00	Holding company
UNC*	42.00	42.00	Mining
NRHI*	42.00	42.00	Holding company
BNC*	25.20	25.20	Mining

*URHI owns 60% of UNC and NRHI. NRHI owns 60% of BNC.

Summarized financial information of the investments in associates as at December 31, 2017 and 2016, which are accounted for under the cost method, follow:

	2017	2016
Current assets	₱560,338	₱1,424,213
Noncurrent assets	515,686	466,492
Total assets	1,076,024	1,890,705
Current liabilities	733,752	1,173,885
Noncurrent liabilities	6,053	354,186
Total liabilities	739,805	1,528,071
Net assets	336,219	362,634
Revenue	217,977	1,532,098
Total comprehensive income (loss)	(29,303)	480,408



7. Property and Equipment

December 31, 2017

	At Cost						Land At Revalued Amount
	Office Equipment, Furniture and Fixtures	Computer Software	Transportation Equipment	Leasehold Improvements	Laboratory Equipment	Total	
Revalued amount/cost:							
Balances at beginning of year	₱4,672	₱388	₱9,353	₱2,134	₱459	₱17,006	₱430,616
Additions	–	–	–	629	–	629	–
Disposals	–	–	(933)	–	–	(933)	–
Balances at end of year	4,672	388	8,420	2,763	459	16,702	430,616
Accumulated depreciation:							
Balances at beginning of year	3,597	248	6,523	178	193	10,739	–
Depreciation (Note 15)	565	59	1,826	549	92	3,091	–
Disposals	–	–	(840)	–	–	(840)	–
Balances at end of year	4,162	307	7,509	727	285	12,990	–
Allowance for asset write-downs beginning and end of year	–	–	–	–	–	–	330
Net book values	₱510	₱81	₱911	₱2,036	₱174	₱3,712	₱430,286

December 31, 2016

	At Cost						Land At Revalued Amount
	Office Equipment, Furniture and Fixtures	Computer Software	Transportation Equipment	Leasehold Improvements	Laboratory Equipment	Total	
Revalued amount/cost:							
Balances at beginning of year	₱4,842	₱1,288	₱13,736	₱3,625	₱459	₱23,950	₱430,616
Additions	106	–	–	2,134	–	2,240	–
Disposals	–	–	(4,383)	–	–	(4,383)	–
Retirements	(276)	(900)	–	(3,625)	–	(4,801)	–
Balances at end of year	4,672	388	9,353	2,134	459	17,006	430,616
Accumulated depreciation:							
Balances at beginning of year	2,946	1,064	6,948	2,521	101	13,580	–
Depreciation (Note 15)	927	84	2,135	782	92	4,020	–
Disposals	–	–	(2,560)	–	–	(2,560)	–
Retirements	(276)	(900)	–	(3,125)	–	(4,301)	–
Balances at end of year	3,597	248	6,523	178	193	10,739	–
Allowance for asset write-downs beginning and end of year	–	–	–	–	–	–	330
Net book values	₱1,075	₱140	₱2,830	₱1,956	₱266	₱6,267	₱430,286

Fully Depreciated Property and Equipment

As at December 31, 2017 and 2016, the cost of fully depreciated property and equipment still being used in the operations amounted to ₱5,581 and ₱1,176, respectively.



Disposals

In 2017 and 2016, the Company sold items of property and equipment with cost amounting to ₱933 and ₱4,383, respectively, and corresponding accumulated depreciation of ₱840 and ₱2,560, respectively. Proceeds from the sale of property and equipment amounted to ₱375 and ₱1,823 in 2017 and 2016, respectively. The Company recognized gain on disposals of items of property and equipment amounting to ₱282 and nil, in 2017 and 2016, respectively.

Retirements

Total cost of property and equipment retired in 2017 and 2016 amounted to nil and ₱4,801, respectively, with related accumulated depreciation amounting to nil and ₱4,301, respectively. The said retirements resulted in losses of nil and ₱500 in 2017 and 2016, respectively.

Revaluation Increment on Land

The fair value of the land amounted to ₱430,616 as at December 31, 2017 and 2016 based on the latest valuation obtained in 2015 by the Company. The resulting increase in the valuation of land amounting to ₱298,869 is presented as 'Revaluation increment on land', net of the related deferred tax liability amounting to ₱128,087 (see Note 18). The carrying amount of the land had it been carried using the cost model is ₱3,660 as at December 31, 2017 and 2016.

8. AFS Financial Asset

The Company's AFS financial asset consists of investment in shares of Philippine Long Distance Telephone Company amounting to ₱4,326 as at December 31, 2017 and 2016. The Company recognized an allowance for impairment loss on AFS financial asset amounting to ₱4,326 as at December 31, 2017 and 2016.

As at December 31, 2017 and 2016, the cumulative change in value of AFS financial asset amounted to ₱4,861. The change in fair values have been recognized and is shown as 'Unrealized gain on AFS financial asset' account in the equity section of the parent company statement of financial position.

9. Other Noncurrent Assets

This account consists of:

	2017	2016
Input VAT	₱31,447	₱29,431
Deferred mine exploration costs	16,708	16,708
Advances for Longos and Nesbitan Gold Projects	4,333	4,333
Refundable deposits	12	-
	₱52,500	₱50,472

Input VAT of the Company arises from VAT from payment of insurance services, rental, and utilities.

No allowance for impairment of input VAT was provided in 2017 and 2016.

Advances for Longos and Nesbitan Gold Projects pertain to field supplies and other costs incurred during the evaluation and exploration of the said projects.



10. Accrued Expenses and Other Liabilities

This account consists of:

	2017	2016
Nontrade payables	₱29,349	₱26,118
Accrued expenses	9,681	11,507
Interest payables (Note 11)	–	30,201
	₱39,030	₱67,826

Nontrade

These payables pertain to unpaid cash dividends, unclaimed termination benefits of former Company employees before the temporary suspension of operations in prior years, and unpaid utilities. These are non-interest bearing payables to various suppliers and are normally settled on terms ranging from 30 to 60 days.

Accrued Expenses

As at December 31, 2017 and 2016, the Company's accrued expenses are due within 12 months from the end of the reporting period. Accrued expenses which consist of government payables, salaries payables and utilities are as follows:

	2017	2016
Government payables	₱8,407	₱9,499
Salaries payables	125	121
Others	1,149	1,887
	₱9,681	₱11,507

11. Long-Term Debts

	2017	2016
SM Investments Corporation (SMIC; Note 14)	₱–	₱6,930,563
Convertible loans:		
SMIC	–	936,604
Anglo Philippine Holding Corporation (APHC)	–	707,252
Alakor Corporation (Alakor)	–	174,792
	–	8,749,211
Less noncurrent portion	–	7,767,776
Current portion	₱–	₱981,435

a. Convertible Loans - SMIC, APHC and Alakor

Senior unsecured convertible loan facilities covering the aggregate amount of ₱1.8 billion (the 'convertible loans') were obtained by the Company from its principal shareholders, SMIC, APHC and Alakor, and (the 'lenders') in June 2015, under independent bilateral loan agreements with common terms. Proceeds of the convertible loans were used substantially to subscribe to the capital stock of its subsidiary, CCC.

The convertible loans (i) have a 3-year tenure, (ii) accrue at the rate of 4% per annum payable semi-annually, (iii) with an indicative yield-to-maturity of 5.625% per annum, (iv) convertible into equity of the Company at a conversion price equivalent to whichever is higher of 120% of



the volume weighted average price ('VWAP') of the Company shares over the period of 10 trading days immediately preceding the drawdown date, or par value of the Company shares, (v) may be paid before maturity at which the agreed yield will be realized (a) at the option of the lenders on the first anniversary of the drawdown date and at the end of every six-month period thereafter, and (b) at the option of the Company at any time after the lapse of 18 months from the drawdown date, provided, that the closing price of the Company shares on each of 20 trading days within any period of 30 consecutive trading days exceeds 130% of the conversion price on each of such trading days.

The notes together with its features are evaluated to determine if the embedded components qualify as derivatives to be separately accounted for under PAS 32, *Financial Instruments: Presentation*. As a result of this evaluation, the Company identified the conversion rights as derivative financial instruments and to be taken up as equity. Using the residual approach, the proceeds are allocated between the debt instrument and conversion rights. At inception date the fair value of the debt instrument and conversion right presented as additional paid-in capital amounted to ₱1,751,153 and ₱48,847, respectively.

On February 28, 2017, the Company made partial payment of the convertible loans from the lenders amounting to ₱343,750. On March 21, 2017, the loans were fully settled using the proceeds from an intercompany loan from CCC amounting to ₱1,456,250, which is equal to the remaining principal amount of the loan. In 2017, the Company recognized gain on extinguishment of debt amounting to ₱28,434 while the embedded conversion option amounting to ₱48,847, which was recognized during the grant of the loans is lodged in the additional paid-in capital account in the parent company statement of financial position.

The interest expense recognized with respect to the senior unsecured convertible loans amounted to ₱24,984 and ₱126,619 in 2017 and 2016, respectively. Accrued interest payable amounted to nil and ₱4,312 as at December 31, 2017 and 2016, respectively (see Note 10).

b. SMIC

On September 16, 2015, the Company availed from SMIC a loan facility in the amount of ₱981,435 which was used to finance working capital requirements and equity infusion to its subsidiary, CCC. The essential terms of the loan include: interest rate at 5% per annum, subject to repricing at prevailing market rates; payable in 90 days extendible up to five years; and with prepayment option of all or part of the loan prior to maturity.

In January, February, March and September 2016, the Company additionally availed from SMIC senior unsecured loan facilities covering the aggregate amounts of ₱705,375, ₱1,346,268, ₱2,236,560 and ₱1,660,925, respectively, to raise additional working capital.

The loans are payable within five years from the dates of availment, accrued interest at the rate of 5% per annum subject to repricing at prevailing market rate and with prepayment option of all or part of the loan prior to maturity.

On March 21, 2017, the Company extinguished all its loans payable to SMIC amounting to ₱6,930,563 by using the proceeds from an intercompany transaction with CCC.



The related interest expense amounted to ₱77,007 and ₱258,073 in 2017 and 2016, respectively. Accrued interest payable amounted to nil and ₱25,889 as at December 31, 2017 and 2016, respectively (see Note 10).

c. US\$75 million BDO Loan

On July 25, 2011, the Company availed from BDO a US\$-denominated loan facility debt covering the amount of US\$75 million (the 'BDO Facility') which was fully drawn upon availment. The proceeds from the BDO Facility were used to finance (i) the Company's acquisition of the entire equity interest of CASOP in CCC, and (ii) CCC's working capital requirements. The BDO Facility was fully settled and paid in July 2016.

The BDO Facility (i) has a term of five years, (ii) is payable in 49 equal monthly installments starting July 2012, (iii) accrues interest at the rate of 7% per annum, and (iv) is primarily secured by an irrevocable suretyship executed by CCC in favor of BDO.

Upon the occurrence of an event of default, BDO has the option to convert all amounts outstanding under the BDO Facility into equity of the Parent Company. The conversion shall be effectuated through the assignment by BDO to the Company of the amount of the loan obligation as payment for BDO's subscription to the shares of stock of the Parent Company at the price of ₱19.56 per share and based on the Philippine Peso-US\$ exchange rate of US\$1.00:₱43.50.

Securities

The BDO Facility is also secured by a pledge of the shares of CCC that were purchased by the Parent Company. Such purchase was funded partly by the proceeds from the BDO Facility.

Covenants

The agreement embodying the terms of the BDO Facility imposes certain restrictions and requirements with respect to, among others, the following:

- Maintenance of debt service coverage during the term of the BDO Facility (debt service coverage ratio (DSCR) must not be less than 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.
- Cash securities (which are classified as short-term investments).

In 2016, the Parent Company has complied with the covenants respecting the BDO Facility. On July 2016, the Parent Company was able to pay the outstanding loan in full amounting to ₱504.2 million.

The related interest expense recognized amounted to nil and ₱12,699 in 2017, 2016, respectively. The accrued interest payable amounted to nil as at December 31, 2017 and 2016 (see Note 10).



12. Equity

a. Capital Stock

The table below presents the details of the Company's authorized and issued and outstanding capital stock as at December 31:

	2017		2016	
	No. of Shares	Amount	No. of Shares	Amount
Authorized - (₱1 par value)	8,890,000,000	₱8,890,000	3,000,000,000	₱3,000,000
Issued	2,087,032,774	2,087,033	2,087,032,774	2,087,033
Subscribed	1,472,500,000	1,472,500	–	–
Total shares issued and subscribed	3,559,532,774	₱3,559,533	2,087,032,774	₱2,087,033

Increase in Authorized Capital Stock and Stock Subscriptions

In 2017, the Company's BOD and shareholders approved the increase in its authorized capital stock (ACS) from ₱3,000,000 to ₱8,890,000, divided into 8,890,000,000 common shares with a par value of ₱1 per share, thereby amending its articles of incorporation. In addition, the Company secured from the minority shareholders a waiver of the requirement to the conduct of public or rights offering of the shares subscribed out of the increase in the ACS. A majority vote representing the outstanding shares held by minority shareholders present or represented by proxies granted the said waiver.

Pursuant to the increase in ACS, the Company entered into stock subscription agreements, with subscription price of ₱4.3842 per share, with the following:

Subscriber	No. of shares subscribed	Total subscription price	Capital stock	Additional paid-in capital	Subscriptions receivable
SMIC	598,049,708	₱2,621,970	₱598,050	₱2,016,098	₱1,966,477
APHC	845,000,292	3,704,650	845,000	2,848,597	2,778,488
Alakor	29,450,000	129,115	29,450	99,279	96,836
	1,472,500,000	₱6,455,735	₱1,472,500	₱4,963,974	₱4,841,801

The subscription price of ₱4.3842 per share is based on the 90-day VWAP preceding the pricing date, November 16, 2016. A portion of the subscriptions were paid in cash amounting to ₱1,613,934.

Transaction costs on the issuance of shares amounting to ₱19,261, were accounted for as a deduction from additional paid-in capital, include registration and regulatory fees and stamp duties.

The dividend, voting and preemption rights of the subscribed shares are the same with the rights being enjoyed by the current shareholders. The subscribed shares will not have any effect upon the rights of the existing shareholders.

On November 17, 2017, the Philippine SEC approved the Company's application to increase its ACS and amend its articles of incorporation.

The increase in the ACS will enable the Company to have sufficient unissued shares of stock to issue the warrants and the Underlying Common Shares, as a result of the exercise of the warrants as briefly described below, and will provide the Company flexibility to raise fresh funds.



With available and sufficient unissued capital stock, the Company will have the capability for any future capital initiative.

As at December 31, 2017 and 2016, the Company is compliant with the minimum public float as required by the PSE.

2016

Reduction in Par Value, Decrease and Increase in ACS

In 2016, the Company's BOD and shareholders approved the (i) change in the par value of common shares from ₱8 per share, with ACS of ₱24,000,000 divided into 3,000,000,000 common shares, to ₱1 per share, with ACS of ₱3,000,000, divided into 3,000,000,000 common shares.

The lower par value of ₱1 per share would allow the Company to raise fresh funds through primary shares issuance, if needed. The decrease in ACS and par value reduction resulted in additional paid-in capital of ₱14,609,229. The SEC approved the reduction in par value and capital stock on June 29, 2016.

b. Warrant Issue

On February 21, 2017, the shareholders approved the issuance of approximately 5.6 billion warrants and the corresponding 5.6 billion Underlying Common Shares as a result of the exercise of the warrants to refinance the US\$300.0 million existing bonds of CCC as well as the Company's existing Shareholders' advances to a subordinated loan with warrants.

The warrants shall be issued by the Company to its major Shareholders or their assigns, among others.

The following are the salient features, terms and conditions, and other relevant information of the warrant issue:

- The number of warrants to be issued to the Company's major Shareholders is approximately 5.6 billion, subject to the exchange rate on the date all regulatory approvals are secured and full compliance with all legal laws, rules and regulations for the issuance of warrants.
- Entitlement ratio is one common stock to one warrant; thus the corresponding number of underlying securities is approximately 5.6 billion Common Shares. Exercise period of the warrants shall be from and including the date of issue of the warrants up to 5:00 p.m. on the day immediately preceding the date of the seventh anniversary of the date of issue of the warrants. Expiry date is the seventh anniversary of the date of the issue of the warrants.
- The basis of determining the Exercise Price of ₱4.3842 is the 90-day VWAP preceding the pricing date, November 16, 2016.
- Timetable for the issuance of the warrants will be upon obtaining the following:
(i) Shareholders' approval to the increase in the ACS and amendment to Article VII of the Company Articles of Incorporation (AOI); (ii) SEC approval of the increase in ACS and amendment to AOI, and (iii) other regulatory approvals and compliance with all legal requirements.



- The warrants constitute direct, unsecured and unsubordinated obligations of the Company, and will at all times rank *pari passu* without preference among themselves and with all other outstanding unsecured and unsubordinated obligations of the Company, past and future.
- Exercise of the warrants is subject to all applicable laws, regulations and practices in force on the relevant Exercise Date.
- Warrants are exercisable on any business day during the Exercise Period.
- The Company may, but is not obligated, at any time to purchase the warrants at any price.
- The Company may modify the terms and conditions without the consent of the warrant Holders which the Company may deem necessary or desirable provided the modification is not materially prejudicial to the interests of the Warrant Holders.
- If any event occurs which would reasonably be expected to have an effect on the Exercise Price, upon written opinion of an Independent Investment Bank, adjustments shall be made as appropriate on account of such event.
- As at December 31, 2017, no warrant was issued by Company.

Below is the Company's track record of registration of securities under the Philippine SEC:

Date of Registration (SEC Approval)	Description	Authorized Shares	Number of shares issued	Par value per share	Total amount (in 000's)
December 31, 2009	Common shares	12,000,000,000	1,048,931,882	₱10.00	₱10,489,319
October 8, 2010	Increase in number of common shares	14,200,000,000	1,059,931,882	10.00	10,599,319
September 5, 2011	Increase in number of common shares	20,000,000,000	1,336,614,382	10.00	13,366,144
November 8, 2011	Increase in number of common shares	30,000,000,000	1,336,614,382	10.00	13,366,144
January 23, 2013	Decrease in number of common shares and reduction in par value	24,000,000,000	2,074,366,980	8.00	16,594,936
June 29, 2016	Reduction in par value consequently decreasing the number of common shares	3,000,000,000	2,087,032,774	1.00	2,087,033
November 17, 2017	Increase in number of common shares	8,890,000,000	3,359,532,774	1.00	3,359,533
As at December 31, 2017		8,890,000,000	3,359,532,774	₱1.00	₱3,359,533

c. Additional Paid-In Capital

Convertible Loans

Additional paid-in capital amounting to ₱48,847 was recognized as a result of the equity conversion option from the ₱1.8 billion convertible loan availed by the Company from SMIC, Alakor and APHC (see Note 11).

Movements in additional paid-in capital are as follows:

	2017	2016
Balances at beginning of year	₱14,686,962	₱77,733
Subscriptions to capital stock	4,963,974	–
Change in par value per share from ₱8 to ₱1	–	14,609,229
Balances at end of year	₱19,650,936	₱14,686,962



d. Retained Earnings

There were no dividends declared and paid in 2017 and 2016.

e. Number of Shareholders

As at December 31, 2017 and 2016, the Company has 20,799 and 20,816 shareholders, respectively.

13. Comprehensive Stock Option Plan

On July 18, 2007, the Company's stockholders and BOD approved and ratified the Comprehensive Stock Option Plan for the Company's qualified employees. The salient terms and features of the stock option plan, among others, are as follows:

- i. Participants: directors, officers, managers and key consultants of the Company and its significantly owned subsidiaries;
- ii. Number of underlying shares: 50,000,000 common shares to be taken out of the unissued portion of the Company's ACS with; 25,000,000 of the underlying shares already been earmarked for the first-tranche optionees as duly approved by the Company's stockholders during the annual general meeting (AGM) held on July 18, 2007;
- iii. Option period: Three years from the date the stock option is awarded to the optionees;
- iv. Vesting period: 1/3 of the options granted will vest in each year; and
- v. Exercise price: ₱10.00 per share benchmarked on the average closing price of the Company's shares of stock as traded on the PSE during the period between September 6, 2006 (date of the AGM during which the stock option plan was first approved) and June 18, 2007 (the date of the BOD meeting during which the terms of the stock option plan were approved); such average closing price was ₱11.05 (the exercise price represents the average closing price discounted at the rate of 9.50%).

The Company used the Black-Scholes model to compute for the fair value of the stock options based on the following assumptions as at July 18, 2007:

Spot price per share	₱15.00
Time to maturity	3 years
Volatility*	52.55%
Dividend yield	0.00%

**Volatility is calculated using historical stock prices and their corresponding logarithmic returns.*

Qualified employees who were previously granted stock option awards exercised their subscription rights with respect to a total of nil shares in 2017 and 2016.

14. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.



The parent company statement of financial position include the following amounts resulting from the various transactions with related parties:

2017				
	Amount/ Volume	Outstanding Balance	Terms	Conditions
<i>Receivables</i> (Note 5)				
<i>Subsidiaries</i>				
AEI	P66	P100,628	On demand; non-interest bearing	Unsecured; no guarantee
AI	66	31,807	On demand; non-interest bearing	Unsecured, no guarantee
<i>Associates</i>				
BNC	—	114,642	On demand; non-interest bearing	Unsecured, no guarantee
URHI	—	3,006	On demand; non-interest bearing	Unsecured, no guarantee
UNC	—	15,728	On demand; non-interest bearing	Unsecured, no guarantee
	P132	P265,811		
<i>Payables</i>				
CCC	P7,125,124	P7,240,540	On demand; non-interest bearing	Unsecured, no guarantee
AHI	—	2,084	On demand; non-interest bearing	Unsecured, no guarantee
	P7,125,124	P7,242,624		
2016				
	Amount/ Volume	Outstanding Balance	Terms	Conditions
<i>Receivables</i> (Note 5)				
<i>Subsidiaries</i>				
AEI	P78	P100,562	On demand; non-interest bearing	Unsecured; no guarantee
AI	69	31,741	On demand; non-interest bearing	Unsecured, no guarantee
<i>Associates</i>				
BNC	6,529	122,039	On demand; non-interest bearing	Unsecured, no guarantee
URHI	61,740	64,746	On demand; non-interest bearing	Unsecured, no guarantee
UNC	838	15,662	On demand; non-interest bearing	Unsecured, no guarantee
	P69,254	P334,750		
<i>Loans</i>				
SMIC (Note 11)	P5,949,128	P6,930,563	Interest-bearing; 5% per annum	Unsecured, no guarantee
<i>Payables</i>				
CCC	P198,116	P115,416	On demand; non-interest bearing	Unsecured, no guarantee
AHI	104	2,148	On demand; non-interest bearing	Unsecured, no guarantee
	P198,220	P117,564		



The Company's transactions consist mainly of receivables from and payables to related parties to cover administrative and operating costs and expenses. These amounts are non-interest bearing, due and demandable and are expected to be settled in cash.

Compensation of Key Management Personnel

The Company considers all senior officers as key management personnel. Below are the details of the compensation of key management personnel:

	2017	2016
Short-term benefits	₱19,744	₱27,040
Retirement benefits	-	-
	₱19,744	₱27,040

15. General and Administrative Expenses

	2017	2016
Personnel costs (Note 16)	₱26,610	₱32,225
Taxes and licenses	8,531	39,668
Entertainment, amusement and recreation	8,499	8,882
Professional and consultancy fees	7,881	7,941
Depreciation (Note 7)	3,091	4,020
Insurance	2,642	2,071
Regulatory charges	2,192	772
Rental	1,577	4,785
Communication, light and water	1,364	1,701
Repairs and maintenance	690	2,197
Office supplies	300	1,381
Transportation and travel	269	402
Others	7,540	4,063
	₱71,186	₱110,108

Others consist mainly of expenses related to the annual stockholders meeting, miscellaneous charges and membership dues.

16. Personnel Costs

	2017	2016
Salaries and wages	₱24,834	₱29,316
Retirement benefits cost (Note 17)	1,501	2,594
Other employee benefits	275	315
	₱26,610	₱32,225

Other employee benefits pertain to expenses incurred for social security and other mandatory employee contributions and other employee related expenses.



17. Retirement Benefits Liability

The Company has an unfunded defined retirement benefits plan covering substantially all of its employees. The plan provides a retirement of amount equal to one month's salary for every year of service, with six months or more of service considered as one year.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the components of net retirement benefits costs recognized in the parent company statement of comprehensive income and the amounts recognized in the parent company statement of financial position.

The details of retirement benefits cost follow:

	2017	2016
Current service cost (Note 16)	₱1,501	₱2,594
Interest cost	470	485
	₱1,971	₱3,079

The Company has 16 regular employees as at December 31, 2017 and 18 regular employees as at December 31, 2016.

The movements in present value of the retirement benefits liability are as follows:

	2017	2016
Balances at beginning of year	₱8,536	₱11,721
Current service cost	1,501	2,594
Interest cost	470	485
Actuarial losses (gains):		
Experience adjustments	245	(3,245)
Demographic assumptions	(72)	(1,020)
Financial assumptions	(200)	(261)
Benefits paid	(610)	(1,738)
Balances at end of year	₱9,870	₱8,536

The Company does not have any plan assets.

The movements in remeasurement gain on retirement plan are as follows:

	2017	2016
Balances at beginning of year	₱18,308	₱13,782
Remeasurement gain on retirement plan	19	4,526
Balances at end of year	₱18,327	₱18,308



The retirement benefits cost, as well as the present value of the retirement benefits liability is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining retirement benefits costs and retirement benefits liability for the Company's retirement plan are shown below:

	2017	2016
Discount rate	5.77%	5.51%
Future annual increase in salary	5.00%	5.00%
Average expected term of obligation	13	13
Turnover rate	8% at age 18 decreasing to 0% at age 60	8% at age 18 decreasing to 0% at age 60

The sensitivity analyses below have been determined based on reasonably possible changes of each significant assumption on the defined retirement benefits liability as at the end of the reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	2017	2016
Discount rates	+1%	(₱9,168)	(₱7,925)
	(1%)	10,700	9,263
	Increase (decrease)	2017	2016
Salary increase rate	+1%	₱10,749	₱9,303

The Company does not expect to contribute to the defined retirement benefits plan in 2017. The Company does not have a trustee bank and does not currently employ any asset-liability matching.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2017 and 2016, respectively:

	2017	2016
Less than one year	₱4,701	₱4,350
More than one year to five years	-	-
More than five years to 10 years	11,203	11,662
More than 10 years to 15 years	3,387	3,489
More than 15 years to 20 years	662	685
More than 20 years	44,114	44,604
	₱64,067	₱64,790

The average duration of the expected benefits payments as at December 31, 2017 and 2016 are 17.90 years and 18.39 years, respectively.



18. Income Taxes

Provision for current income tax in 2017 and 2016 amounting to ₱234 and ₱284, respectively, represents the Company's MCIT.

The reconciliation between the provision for (benefit from) income tax computed at the statutory income tax rate and the provision for (benefit from) income tax as shown in the parent company statement of comprehensive income follows:

	2017	2016
Loss computed at statutory income tax rate	(₱38,891)	(₱126,708)
Additions to (reduction in) income taxes resulting from tax effects of:		
Expired NOLCO	60,205	76,505
Movement of unrecognized deferred tax assets	(13,367)	56,916
Reversal of deferred tax liability on equity conversion option	(10,473)	-
Income exempt from tax	(8,530)	(18,522)
Nondeductible expenses	5,805	21,919
Share issuance costs (Note 12)	(5,778)	-
Expired excess MCIT	2,079	1,752
Income already subjected to final tax	(712)	(3,876)
	(₱9,662)	₱7,986

As at December 31, 2017, the NOLCO and excess MCIT that can be claimed as deduction from future taxable income and tax due, respectively, follow:

Year Incurred	Available Until	NOLCO	MCIT
2017	2020	₱160,914	₱234
2016	2019	428,243	284
2015	2018	235,926	381
		₱825,083	₱899

Movements in NOLCO and excess MCIT follow:

	2017	2016
NOLCO:		
Beginning of year	₱864,853	₱691,628
Additions	160,914	428,243
Expirations	(200,684)	(255,018)
End of year	₱825,083	₱864,853
MCIT:		
Beginning of year	₱2,744	₱4,212
Additions	234	284
Expirations	(2,079)	(1,752)
End of year	₱899	₱2,744



The Company has the following deductible temporary differences and carryforward benefits of NOLCO and excess MCIT for which no deferred tax assets were recognized as it is not probable that sufficient future taxable profits will be available against which the benefits can be utilized.

	2017	2016
<i>Deferred tax assets</i>		
Carry-forward benefits of:		
NOLCO	₱825,083	₱864,853
MCIT	899	2,744
Allowance for impairment on:		
Inventories	316,232	316,232
Receivables	29,359	29,359
AFS	2,867	2,867
Unrealized foreign exchange losses	273,547	273,547
Retirement benefits liability	9,898	8,536
Total	₱1,457,885	₱1,498,138

The Company recognized deferred tax liabilities as follows:

	2017	2016
<i>Deferred tax liabilities:</i>		
Revaluation increment on land	₱128,087	₱128,087
Retirement benefits liability - other comprehensive income	5,498	5,492
Unrealized foreign exchange gains	2,788	2,209
Convertible loan	-	10,473
	₱136,373	₱146,261

The Company did not avail the Optional Standard Deduction in 2017 and 2016.

19. Basic/Diluted Loss Per Share

Basic and diluted loss per share is computed as follows:

	2017	2016
Net loss	(₱119,974)	(₱430,345)
Divided by basic weighted average number of common shares outstanding (in thousands)	3,559,533	2,087,033
	(₱0.0337)	(₱0.2062)

As at December 31, 2017 and 2016, the Company has no potentially dilutive common shares.



20. Fair Value of Financial Instruments

The following table shows the carrying values and fair values of the Company's financial instruments, whose carrying values does not approximate its fair values as at December 31 of each year:

	Carrying Values		Fair Values	
	2017	2016	2017	2016
Other Financial Liabilities				
Long-term debts:				
SMIC	₱-	₱6,885,732	₱-	₱8,218,862
APHC	-	700,000	-	742,541
Alakor Corporation	-	173,000	-	183,514
	₱-	₱7,758,732	₱-	₱9,144,917

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Receivables Except Receivables from Officers and Employees, Accrued Expenses and Other Liabilities Except Government Payables and Payable to Related Parties

The carrying values approximate the fair values due to the relatively short-term maturity of these financial instruments, and payable to related parties will be settled on demand and when available funds are obtained.

AFS Financial Asset

The fair value was determined by reference to market closing price which represents the exit price as at the end of the reporting period. AFS financial asset is carried at fair value.

Long-term Debts

The fair value of long-term debts was determined using the discounted cash flow methodology, with reference to the benchmark interest rates for similar types of long-term debts. The discount rates used ranges from 3.87% to 4.74%.

There have been no transfers between Level 1 and Level 2 measurements, and no transfers into and out of Level 3 measurements in 2017 and 2016.

21. Financial Risk Management Objectives and Policies

The Company's main financial instruments are cash and cash equivalents, receivables, and AFS financial asset. It also has various financial liabilities such as accrued expenses and other liabilities except government payables, payable to related parties, and long-term debts.

The main risks arising from the Company's financial instruments are foreign currency risk, equity price risk, credit risk and liquidity risk. The BOD reviews and adopts relevant policies for managing each of these risks and they are summarized as follows:

Foreign Currency Risk

Foreign currency risk is that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company has foreign currency risk arising from its cash equivalents and receivables from related parties. To mitigate the risk of incurring foreign exchange losses, foreign currency holdings are matched against the potential need for foreign currency in financing equity investments and new projects.



As at December 31, 2017 and 2016, foreign currency-denominated assets and liabilities are as follows:

	2017		2016	
	Foreign Currency	Peso Equivalent	Foreign Currency	Peso Equivalent
Assets:				
Cash equivalents	US\$2,109 GB£139	₱105,302 9,330	US\$11 GB£139	₱547 8,461
Receivables from related parties	US\$2,611	130,367	US\$2,770	137,724
Total Assets in US\$	US\$4,720	₱235,669	US\$2,781	₱138,271
Total Assets in GB£	GB£139	₱9,330	GB£139	₱8,461

As at December 31, 2017 and 2016, foreign exchange closing rates follow:

	2017	2016
US\$	₱49.93	₱49.72
GB£	67.12	60.87

The Company's policy is to maintain foreign currency exposure within acceptable limits. The Company believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for an institution engaged in the type of business in which the Company is involved. The Company did not seek to hedge the exposure on the change in foreign exchange rates between the US\$, GB£ and the Philippine peso. The Company believes that active currency hedging would not provide long-term benefits to stockholders.

Sensitivity of the Company's pre-tax income to foreign currency risks are as follows:

Year ended December 31, 2017:

- An increase of ₱5,239 in the pre-tax income if peso weakens by ₱1.11 against the US\$.
A decrease of ₱2,596 in the pre-tax income if peso strengthens by ₱0.55 against the US\$.
- An increase of ₱144 in the pre-tax income if peso weakens by ₱1.04 against the GB£.
A decrease of ₱49 in the pre-tax income if the value of peso strengthens by ₱0.35 against the GB£.

Year ended December 31, 2016:

- An increase of ₱1,375 in the pre-tax income if peso weakens by ₱0.49 against the US\$.
A decrease of ₱1,745 in the pre-tax income if peso strengthens by ₱0.63 against the US\$.
- An increase of ₱206 in the pre-tax income if peso weakens by ₱1.48 against the GB£.
A decrease of ₱312 in the pre-tax income if the value of peso strengthens by ₱2.24 against the GB£.

Equity Price Risk

Equity price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to equity price risk because of its AFS financial asset. Management believes that the fluctuation in the fair value of AFS financial asset will not have a significant effect on the parent company financial statements.

Credit Risk

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its debtors and counterparties to fulfill their obligations on maturity dates or due to adverse market conditions. The Company financial assets which are exposed to credit risk include its



cash and cash equivalents, receivables except receivables from officers and employees and AFS financial asset with a maximum exposure equal to the carrying amount of these assets.

With respect to cash and cash equivalents and AFS financial asset, credit risk is mitigated by the short-term and/or liquid nature of its cash investments placed with financial institutions of high credit standing.

The following table summarizes the gross maximum exposure to credit risk for the components of the parent company statement of financial position as at December 31, 2017 and 2016. The maximum exposure is shown gross, before the effect of mitigation through use of master netting and collateral agreements.

	2017	2016
<i>Cash and Cash Equivalents*</i>	₱211,037	₱323,774
<i>Loans and receivables:</i>		
Receivable from related parties	265,811	334,750
Other receivables	37,313	37,348
<i>AFS Financial Asset</i>	4,326	4,326
	₱518,487	₱700,198

**Excluding cash on hand*

It is the Company's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Company has internal mechanism to monitor the granting of credit and management of credit exposures. The Company has no significant concentration risk to a counterparty or group of counterparties. The credit quality of financial assets is managed by the Company using internal credit ratings.

Credit Quality per Class of Financial Assets

The credit quality by class of asset for the Company's financial assets as at December 31, 2017 and 2016 based on its credit rating system follows:

December 31, 2017

	<u>Neither Past Due nor Impaired</u>		Impaired	Total
	High Grade	Standard Grade		
Cash and cash equivalents*	₱211,037	₱-	₱-	₱211,037
Loans and receivables:				
Receivable from related parties	-	265,811	-	265,811
Other receivables	-	37,313	-	37,313
AFS financial asset	-	-	4,326	4,326
	₱211,037	₱303,124	₱4,326	₱518,487

**Excluding cash on hand*

December 31, 2016

	<u>Neither Past Due nor Impaired</u>		Impaired	Total
	High Grade	Standard Grade		
Cash and cash equivalents*	₱323,774	₱-	₱-	₱323,774
Loans and receivables:				
Receivable from related parties	-	334,750	-	334,750
Other receivables	-	37,348	-	37,348
AFS financial asset	-	-	4,326	4,326
	₱323,774	₱372,098	₱4,326	₱700,198

**Excluding cash on hand*



High grade credit quality pertain to financial assets with insignificant risk of default based on historical experience. Standard grade receivable includes those that are collected on their due dates even without an effort from the Company to follow them up.

The credit quality of the financial asset was determined as follows:

- Cash and cash equivalents excluding cash on hand are assessed as high-grade since these are deposited in reputable banks, which have a low probability of insolvency.
- Receivables are classified as standard grade since the collection of the balances depends on the availability of funds of existing and active parties, except for items specifically identified below as past due but not impaired.
- AFS financial asset is assessed as impaired since the Company has unable to establish its ownership on these investments.

Impairment Assessment

The main consideration for the impairment assessment include whether any payments of principal or interest are overdue by more than one year or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract.

The Company determines the allowance appropriate for each individually significant receivable on an individual basis. Items considered when determining allowance amounts include the availability of other financial support and the timing of the expected cash flows.

The impairment losses are evaluated at each reporting period, unless unforeseen circumstances require more careful attention. Impaired financial assets as at December 31, 2017 and 2016 relate to AFS financial asset.

Liquidity Risk

Liquidity risk is such risk where the Company becomes unable to meet its payment obligations when these fall due under normal and stress circumstances. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The Company also manages its liquidity risk based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

The tables below summarizes the maturity profile of the financial liabilities of the Company, as well as financial assets considered by management as part of its liquidity risk management based on remaining undiscounted contractual obligations as at December 31, 2017 and 2016 follow:

December 31, 2017

	On demand	1 to 12 months	More than 12 months	Total
Cash and cash equivalents	₱211,037	₱-	₱-	₱211,037
Loans and receivables:				
Receivable from related parties	265,811	-	-	265,811
Other receivables	-	37,313	-	37,313
AFS financial asset	-	-	4,326	4,326
	₱476,848	₱37,313	₱4,326	₱518,487

(Forward)



	On demand	1 to 12 months	More than 12 months	Total
Financial liabilities:				
Accrued expenses and other liabilities*	₱-	₱30,623	₱-	₱30,623
Payable to related parties	7,242,624	-	-	7,242,624
Long-term debts	-	-	-	-
	₱7,242,624	₱30,623	₱-	₱7,273,247

*Excluding government payables

December 31, 2016

	On demand	1 to 12 months	More than 12 months	Total
Cash and cash equivalents	₱323,774	₱-	₱-	₱323,774
Loans and receivables:				
Receivable from related parties	334,750	-	-	334,750
Other receivables	-	37,348	-	37,348
AFS financial asset	-	-	4,326	4,326
	₱658,524	₱37,348	₱4,326	₱700,198

Financial liabilities:				
Accrued expenses and other liabilities*	₱-	₱58,327	₱-	₱58,327
Payable to related parties	117,564	-	-	117,564
Long-term debts	-	981,435	7,767,776	8,749,211
	₱117,564	₱1,039,762	₱7,767,776	₱8,925,102

*Excluding government payables

22. Capital Management

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

The Company manages its capital structure and make necessary adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during 2017 and 2016.

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

	2017	2016
Capital stock (Note 12)	₱3,559,533	₱2,087,033
Additional paid-in capital (Note 12)	19,650,936	14,686,962
Subscriptions receivable (Note 12)	(4,841,801)	-
Revaluation increment on land (Note 7)	298,869	298,869
Remeasurement gain on retirement plan (Note 17)	18,327	18,308
Unrealized gain on AFS financial asset (Note 8)	4,861	4,861
Retained earnings	664,188	784,162
	₱19,354,913	₱17,880,195



23. Other Matters

a. Tax Reform for Acceleration and Inclusion Act (TRAIN)

Republic Act No.10963 or the TRAIN was signed into law on December 19, 2017 and took effect January 1, 2018, making it the new tax law enacted as of the reporting date. Although the TRAIN changes the existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the parent company financial statement balances as of the reporting date.

b. Contingencies

On November 21, 2006, the Company requested for a Bureau of Internal Revenue (BIR) ruling confirming that the period to collect the excise taxes due upon the Company's mining operations in Masbate from July 1991 to August 1994 (the 'Masbate Taxes') had already lapsed.

On December 15, 2006, the BIR issued Ruling No. DA-7222-2006 (the 'Rulin') which confirmed, among others, that the Government's right to collect the Masbate Taxes had already prescribed. Relying upon the authority of the Ruling, the Company derecognized in its books the amount corresponding to the Masbate Taxes.

The Commissioner of Internal Revenue (CIR) later on issued a memorandum order on the revocation of the Ruling. Following such revocation, the BIR issued on August 11, 2010 a Warrant of Destraint or Levy to enforce collection of the Masbate Taxes amounting to ₱197,595.

To enjoin the action to collect, the Company filed with the Court of Tax Appeals (CTA) a Petition for Review with an Application for Temporary Restraining Order and/or Writ of Preliminary Injunction and Motion for the Suspension of Collection of Tax.

On October 14, 2010, the CTA issued an order granting the Company's motion for the suspension of the collection of the Masbate Taxes.

After trial on the merits, the Court in Division issued a *Decision* dated October 1, 2013 in favor of the Company, and cancelled/withdrew the assessment notices issued against the Company for taxable years 1991, 1992 and 1993 which ruling was affirmed by the Court in Division and subsequently *CTA En Banc* in its *Decision* dated August 14, 2015 and *Resolution* dated January 29, 2016.

Not satisfied with the adverse rulings, the CIR filed a Petition for Review on Certiorari to the Supreme Court seeking to annul and set aside the *Decision* and *Resolution* of the CTA En Banc. The Supreme Court in its *Resolution* dated December 7, 2016 denied the CIR's petition and affirmed the CTA En Banc. The CIR filed a Motion for Reconsideration on January 31, 2017.

On January April 5, 2017, the Supreme Court denied the motion with finality.

On August 30, 2017, the Company received the Entry of Judgement certifying that the resolution dated December 7, 2016, affirming the decision of the CTA En Banc, has, on April 5, 2017, become final and executory and recorded in the Book of Entries of Judgments.



24. Supplemental Disclosure to Parent Company Statement of Cash Flows

The following table summarizes the changes in liabilities arising from financing activities

	January 1, 2017	Cash flows			December 31, 2017
		Availments	Payments	Others	
Long-term debts	₱8,730,563	₱-	(₱343,750)	(₱8,386,813)	₱-

Others consist of non-cash financing activities which pertains to the Company's extinguishment of long-term debts amounting to ₱8,386,813 and recognition of payable to related parties with the same amount (see Note 11).

25. Supplementary Information Required Under Revenue Regulations No. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of parent company financial statements accompanying the tax returns. It includes provisions for additional disclosure requirements in the notes to the financial statements, particularly on taxes, duties and licenses paid or accrued during the year.

The Company reported and/or paid the following types of taxes in 2017:

a. *Output VAT*

Net sales or receipts and output vat declared in the Company's VAT returns are as follows:

	Net Sales/ Receipt	Output VAT
Taxable Sales:		
Sale of assets	₱382	₱46
Rental income	286	34
	₱668	₱80

b. *Input VAT*

Balance at beginning of year	₱29,431
Current year's domestic purchases/payments for:	
Services lodged under other accounts	1,985
Goods other than for resale or manufacture	31
Balance at end of year	31,447
Less applications of output VAT	-
	₱31,447

c. *Documentary Stamp Tax*

As at December 31, 2017, the Company paid ₱7,363 related to documentary stamp taxes on issuance of shares of stock of the Company.



d. *Other Taxes and Licenses*

Other taxes and licenses, which include license and permit fees, real estate taxes and fringe benefit tax, among others, for the year ended December 31, 2017 that forms part of the general and administrative expenses are as follows:

Real estate tax	₱8,192
Fringe benefit tax	123
License and permit fees	35
Others	181
	<hr/>
	₱8,531

e. *Withholding taxes*

Withholding taxes remitted and accrued during the year are as follows:

Tax on compensation and benefits	₱6,498
Expanded withholding taxes	2,658
	<hr/>
	₱9,156

f. *Tax Assessments and Cases*

There has been no deficiency tax assessment, tax cases and/or prosecutions in courts or bodies outside the BIR as at and during the year ended December 31, 2017.

g. *Others*

The Company has no locally produced or imported excisable items, landed costs of imports, custom duties and tariff fees paid or accrued for the year.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Atlas Consolidated Mining and Development Corporation
FiveE-com Center, Palm Coast Drive
Mall of Asia Complex, Pasay City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of Atlas Consolidated Mining and Development Corporation as at and for the years ended December 31, 2017 and 2016, and have issued our report thereon dated March 5, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of all effective standards and interpretations, and reconciliation of retained earnings available for dividend declaration are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Eleanore A. Layug

Partner

CPA Certificate No. 0100794

SEC Accreditation No. 1250-AR-1 (Group A),
January 7, 2016, valid until January 6, 2019

Tax Identification No. 163-069-453

BIR Accreditation No. 08-001998-97-2018,

February 2, 2018, valid until February 1, 2021

PTR No. 6621271, January 9, 2018, Makati City

March 5, 2018



ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION
SCHEDULE OF ALL THE EFFECTIVE STANDARDS
AND INTERPRETATIONS UNDER THE PFRS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2017

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as at December 31, 2017:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
PFRS 2	Share-based Payment	✓		
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments			✓
PFRS 10	Consolidated Financial Statements			✓
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2017		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
IFRIC 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
SIC 7	Introduction of the Euro			✓
SIC 10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC 15	Operating Leases - Incentives			✓
SIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2017		Adopted	Not Adopted	Not Applicable
SIC 27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC 29	Service Concession Arrangements: Disclosures			✓
SIC 31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC 32	Intangible Assets - Web Site Costs			✓

The Company did not early adopt any accounting pronouncement effective after December 31, 2017.

**ATLAS CONSOLIDATED MINING AND
DEVELOPMENT CORPORATION
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
PURSUANT TO SEC RULE 68, AS AMENDED
As at December 31, 2017
(Amounts in thousands)**

Unappropriated Retained Earnings, as adjusted, beginning		₱784,162
Add: Net income actually earned/realized during the period		
Net income (loss) during the period closed to Retained Earnings	(₱119,974)	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	-	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	(548)	
Unrealized actuarial gain	-	
Fair value adjustment (mark-to-market gains)	-	
Fair value adjustment of investment property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP - gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	-	
Subtotal	(548)	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Subtotal	-	
Net loss actually earned during the period	(120,522)	
Add (Less):		
Dividend declarations during the period	-	
Appropriations of retained earnings	-	
Reversals of appropriations	-	
Effects of prior period adjustments	-	
Treasury shares	-	
Subtotal	-	(120,522)
Unappropriated Retained Earnings, as adjusted, ending		₱663,640

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of Atlas Consolidated Mining and Development Corporation is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

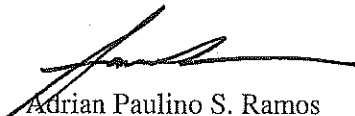
The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

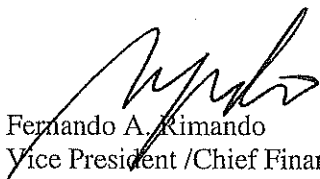
SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



Alfredo C. Ramos
Chairman of the Board



Adrian Paulino S. Ramos
President




Fernando A. Rimando
Vice President /Chief Finance Officer

Signed this 5th day of March 2018

SUBSCRIBED AND SWORN to before me, this APR 03 2018 day of April 2018 at PASAY CITY, affiant with Taxpayer Identification Numbers as follows:

<u>Name</u>	<u>Tax Identification Number</u>
Alfredo C. Ramos	132-017-513
Adrian Paulino S. Ramos	188-355-989
Fernando A. Rimando	101-647-461


ATTY. MA. CLEOFE L. JAIME
NOTARY PUBLIC
ATTORNEY'S ROLL NO. 27002
IBP NO. AR 000399 Q.C. 1/3/2018
PTR NO. 5825315 PASAY CITY 1/3/2018
MCLE COMPL. NO. V 001781-NOV. 26, 2015
OFFICE ADDRESS STALL NO. 1 UNIT 54 A
ARNAIZ AVE., PASAY CITY
NOTARIAL COMM. NO. 18-09

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Book No. 1
Series of 2018

CERTIFICATION OF INDEPENDENT DIRECTOR

I, *Laurito E. Serrano*, Filipino, of legal age and a resident of 4205-C Madras Street, Palanan, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of *Atlas Consolidated Mining and Development Corporation (AT)* and have been its Independent Director since August 2012;
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Carmen Copper Corp. (Subsidiary of AT)	Director	August 2012 - present
2GO Group, Inc. (Subsidiary of NN)	Independent Director	April 2017 - present
Negros Navigation Co., Inc. (NN)	Director	April 2017 - present
APC Group, Inc.	Independent Director	June 2013 - present
Pacific Online Systems Corporation	Independent Director	May 2014 - present
MJC Investments Corp.	Independent Director	May 2014 - present
Axelum Resources Corp.	Director	April 2017 - present
United Paragon Mining Corp. (no operations)	Independent Director	November 2016 - present
MRT Dev. Corporation	Member, Board of Directors	July 2013 - present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of AT, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances;
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)- NA

NAME OF DIRECTOR/ OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OR RELATIONSHIP
NA	NA	NA

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
NA	NA	NA

6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of AT of any changes in the abovementioned information within five (5) days from its occurrence.

MAR 15 2018

Done, this _____ day of March 2018 in Pasay City.




LAURITO E. SERRANO

Affiant

SUBSCRIBED AND SWORN to before me in the City of **PASAY CITY** this **MAR 15 2018** March 2018 by affiant, Mr. Laurito E. Serrano, who personally appeared before me and exhibited to me his Driver's License with number NO5-79-030116 expiring on 3 August 2021.

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ATTY. MA. CLEOFE L. JAIME
NOTARY PUBLIC
ATTORNEY'S ROLL NO. 27802
IBP NO. AR 000399 Q.C. /1/3/2018
PTR NO. 5825315 PASAY CITY 1/3/2018
MCLE COMPL. NO. V 0011781-NOV. 26, 2015
OFFICE ADDRESS STALL NO. 1 UNIT 54 A
ARNAIZ AVE., PASAY CITY
NOTARIAL COMM. NO. 18-09

CERTIFICATION OF INDEPENDENT DIRECTOR

I, Fulgencio S. Factoran, Jr. Filipino, of legal age and a resident of 8 Gladiola Street, Tahanan Village, Sucat, Paranaque City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for Independent Director (ID) of *Atlas Consolidated Mining and Development Corporation (AT)* and have been its ID since 28 February 2012.
2. I am affiliated with the following companies or organizations (including Government Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Nickel Asia Corporation	Independent Director	2010 – present
Agility Group	Chairman/member of the Board of Directors	1996 - present
Factoran & Associates Law Offices	Principal Partner	1996 – 2018
Philippine Educational Theatre Association	Trustee	1994 – 2015
Carmen Copper Corporation	Independent Director	2012 - present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of AT, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable) - NA

NAME OF DIRECTOR/ OFFICER/ SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OR RELATIONSHIP
NA	NA	NA

5. To the best of my knowledge, I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
Violation of Republic Act No. 3019	Preliminary Investigation and Administrative Bureau, Office of the Ombudsman	Preliminary Investigation

6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of AT of any changes in the abovementioned information within five (5) days from its occurrence.


MAR 1 5 2018

Done, this ____ day of March 2018 in Pasay City.


FULGENCIO S. FACTORAN, Jr.
Affiant

SUBSCRIBED AND SWORN to before me the City of **PASAY CITY** **MAR 1 5 2018** this ____ March 2018 by Atty. Fulgencio S. Factoran, Jr. whose identity I have confirmed through his Passport with number EC4081648 issued on 4 May 2015 in DFA NCR-South.

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ATTY. MA. CLEOFE L. JAIME
NOTARY PUBLIC
ATTORNEY'S ROLL NO. 27802
IBP NO. AR 000399 Q.C 1/1/3/2018
PTR NO. 5825315 PASAY CITY 1/3/2018
MCLE COMPL. NO. V 0011781-NOV. 26, 2015
OFFICE ADDRESS STALL NO. 1 UNIT 54 A
ARNAIZ AVE., PASAY CITY
NOTARIAL COMM. NO. 18-09

CERTIFICATION OF INDEPENDENT DIRECTOR

I, *Emilio S. de Quiros, Jr.*, Filipino, of legal age and a resident of 16 Regidor St. Varsity Hills, Loyola Heights, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of *Atlas Consolidated Mining and Development Corporation (AT)* and have been its Independent Director since 27 July 2017;
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Belle Corporation	Member, Board of Directors Chairman of the Board Member, Board of Directors	Since Sept. 2010; August 2016 - April 2017 December 2017 - present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of AT, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances;
4. I am related to the following director/officer/substantial shareholder of AT (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable) - NA

NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OR RELATIONSHIP
NA	NA	NA

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
NA	NA	NA


6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of AT of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this 12th day of March 2018 in Pasay City.


 Emilio S. de Quiros, Jr.
 Affiant

SUBSCRIBED AND SWORN to before me this MAR 14 2018 day of March 2018, at ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION the affiant, Mr. Emilio S. de Quiros, Jr., personally appeared before me and exhibited to me his Passport with number P3713114A issued on 17 July 2017 in DFA-NCR East.

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ATTORNEY'S ROLL NO. 27602
IBP NO. AR 000399 Q.C. 1/3/2018
PTR NO. 5825315 PASAY CITY 1/3/2018
MCLE COMPL. NO. V 0011781-NOV. 26, 2018
OFFICE ADDRESS STALL NO. 1 UNIT 54 A
ARNAIZ AVE., PASAY CITY
NOTARIAL COMM. NO. 18-08



SECRETARY'S CERTIFICATE

I, **DYNAH G. NEPOMUCENO-BAYOT**, *SVP & Corporate Secretary* of Trade and Investment Development Corporation of the Philippines (TIDCORP), *also known as* Philippine Export-Import Credit Agency (Philexim), a government corporate entity duly organized and existing pursuant to Presidential Decree No. 1080, as amended, with principal office address at the 17/F Citibank Tower, Citibank Plaza, Valero Street, Makati City, hereby certify that during the 370th Regular Meeting of the Board of Directors on 19 April 2017, at which meeting a quorum was present and acted throughout, the following *Resolution* was adopted:

RESOLUTION NO. 2946 *Series of 2017*

“**RESOLVED**, that the request of Director Jay Y. Yuvallos for consent/permission to be an independent director of private corporation/s be, as it is hereby **GRANTED** by the Chairperson (Alternate) with the concurrence of the Board of Directors, subject to confirmation of the Governance Commission on GOCCs (GCG) and provided that no conflict of interest shall arise, no commitments in Philexim shall be affected and there shall be no transactions between the private corporation/s and Philexim, as long as he holds concurrent directorships.”

Further I certify that the GCG clarified that “*while the Commission allows Appointive Directors to hold an independent director position in a private corporation, the Appointive Director has the obligation to determine, in a case-to-case basis, whether his being an independent director will amount to a conflict of interest as defined in Section 3 (i) of R.A. No. 6713*” to be reflected in the sworn certification submitted pursuant to GCG MC No. 2012-05 (*Fit and Proper Rule for Appointive Members of the Board of Directors/Trustees of GOCCs, Subsidiaries and Affiliates*).

Finally, I certify that Director Jay Y. Yuvallos has submitted to the GCG the required sworn certification that he possesses all the qualifications and none of the disqualifications which includes no conflicts of interests pertaining to his position.

Issued this 2nd day of March 2018 at Makati City.


DYNAH G. NEPOMUCENO-BAYOT
SVP & Corporate Secretary