

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P	W	0	0	0	0	1	1	5	A
---	---	---	---	---	---	---	---	---	---

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						

Principal Office (No./Street/Barangay/City/Town/Province)

5	F		F	i	v	e	E	-	C	o	m		C	e	n	t	e	r		P	a	l	m		C	o	a	s	t	
A	v	e	.		c	o	r	.		P	a	c	i	f	i	c		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		1	3	0	0	,	
M	e	t	r	o		M	a	n	i	l	a																			

Form Type

1	7	-	A
---	---	---	---

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/s

(632) 4030813

Mobile Number

N/A

No. of Stockholders

20,750

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

ir@atlasmining.com.ph

Telephone Number/s

(632) 4030813

Mobile Number

N/A

Contact Person's Address

5F FiveE-com Center, Palm Coast Avenue corner Pacific Drive Mall of Asia Complex, Pasay City, 1300 Metro Manila
--

Note: 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.

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 2018
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) 4030813
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, 2018)

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, 2018):

Php1,820,182,082.56



ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION

**ANNUAL REPORT
SEC FORM 17-A**

31 December 2018
Period ended Date

**ANNUAL REPORT
TABLE OF CONTENTS**

	<u>Page No.</u>
PART I – BUSINESS AND GENERAL INFORMATION	
Item 1. Business	1
Item 2. Properties	4
Item 3. Legal Proceedings	6
Item 4. Submission of Matters to a Vote of Security Holders	6
PART II – OPERATIONAL AND FINANCIAL INFORMATION	
Item 5. Market for Issuer’s Common Equity And Related Stockholders Matters	7
Item 6. Management’s Discussion and Analysis of Financial Condition and Results of Operation	8
Item 7. Financial Statements	17
Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	17
PART III – CONTROL AND COMPENSATION INFORMATION	
Item 9. Directors and Executive Officers of the Issuer	18
Item 10. Executive Compensation	22
Item 11. Security Ownership of Certain Beneficial Owners and Management	22
Item 12. Certain Relationships and Related Transactions	25
PART IV – CORPORATE GOVERNANCE	
Item 13. Corporate Governance	26
PART V – EXHIBITS AND SCHEDULES	
Item 14. A. Exhibits	27
B. Reports on SEC Form 17-C (Current Report)	28
SIGNATURES	29

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” or “Carmen Copper”) incorporated on 16 September 2004, is the only significant subsidiary of AT with the Parent Company owning 100% of the outstanding capital stock. CCC was.

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, Japan and South Korea pursuant to offtake agreements. In 2013, it began delivering copper concentrate to the plant of the Philippine Associated Smelting and Refining Corporation (“PASAR”) in Isabel, Leyte. While a substantial portion of CCC’s copper production in 2018 were covered by offtake contracts entered into with MRI Trading AG (MRI) on account of MRI’s ability to provide the most favorable terms and facilities, CCC is not dependent upon a single counterparty.

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 off-takers 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 ("MPSA") between AT and the Philippine Government, or by pending MPSA Applications or Exploration Permit Applications ("EPA") in the name of AT and/or individual claim owners having effective and enforceable operating agreements with AT.

While the government is considering the adoption of certain fiscal policies that may result in an increase in the rate of its share in mining revenues, no definitive legislation has been promulgated except for the excise tax rate which doubled from 2% to 4% in 2018. Another escalation 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 2,397 employees as of 31 December 2018, of whom 35 are senior officers, 404 managers, and 1,958 rank and file employees. Around 1,458 (74%) 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.

➤ *Environmental Protection and Enhancement*

CCC continues to ensure compliance with the applicable environmental laws, regulations and orders. CCC 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 its commitment, CCC secured *ISO 14001:2015 Certification* from TUV Rheinland which provides a standardized method for resource, waste and materials management and environmental monitoring, development and closure planning and rehabilitation and remediation measures. The certification is valid until March 11, 2021.

In support of the MGB's Mining Forest program, 16.6 hectares of mine affected areas were reforested with 27,835 seedlings planted. CCC donated 16,600 seedlings to various government agencies and private entities. CCC invested Php193.5 million for various environmental maintenance activities, climate change mitigation programs, capital expense projects and research development programs outlined in the company's annual Environmental Protection and Enhancement Program ("EPEP").

To promote and educate employees and stakeholders on biodiversity, CCC continues to enrich sparsely vegetated areas and maintain 1,263 hectares of plantation including an arboretum. The Corporation's arboretum accommodates 2,264 seedlings of 20 native species. In 2018, the arboretum was developed into an ecological park, the first environmental recreation facility in Toledo City. The ecological park shall be used to promote biodiversity and environmental sustainability among different stakeholders.

To manage and conserve water resources, recycled water is being used and various water conservation measures were also initiated and continue to be implemented. To reduce its carbon footprint, CCC heightened its reforestation activities and implemented various climate change mitigation activities.

In preparation for mine closure at the end of its operational lifespan, as of 2018 Php69.6 million was allocated for the Company's Final Mine Rehabilitation and Decommissioning Fund ("FMRDF"). The company's sustainable development initiatives have earned it the *2018 Gawad Tugas for Responsible Mining* from the DENR Region 7. CCC was also honored with the Presidential Mineral Industry and Environmental Award ("PMIEA") *Platinum Achievement* for demonstrating outstanding safety, health and environmental management and community development in the conduct of its mining operation.

➤ *Sustainable Communities*

AT and CCC played a significant role in bringing Toledo to cityhood status through the AT Group's socio-economic contributions. CCC ensures that its operations do not bring irreversible effects to the natural environment of Toledo. 1.5% of CCC's operating cost is earmarked for the Social Development and Management Program ("SDMP"), helping provide social safety nets such as access to education, health care and livelihood that benefits the four (4) communities that host Carmen Copper Mine operations and the thirteen (13) surrounding barangays.

In 2018, CCC revisited the community needs assessment process and enhanced its information, education and communication community campaigns. CCC organized the communities into cooperatives to manage sustainable livelihood programs such as the Carmen Copper Integrated Farm. CCC also built a fitting community legacy with the opening of the Carmen Copper Heritage Center, the first copper mining museum in Southeast Asia.

In the area of livelihood, CCC implemented projects geared towards the development and promotion of economically viable community enterprises by providing the community access to capital. To date, more than 680,000 beneficiaries have improved access to basic services. 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 increased its investment in scholarship grants by providing educational opportunities to 301 underprivileged children in the form of scholarships with 221 in secondary, 80 in tertiary education and 147 under technical vocational training. Nine (9) scholars of the Company graduated and some of them joined the Company's workforce. To date, CCC also built and repaired thirty-six (36) classrooms and assisted in the construction of six (6) covered courts or multipurpose halls.

In 2018, 20,156 patients were served through the *Doktor to the Barangay Program* and 6,455 patients were treated in CCC medical missions. CCC also donated 18 ambulances to communities with 17,879 patients served to date. School-based feeding program of CCC has served 441,569 children in 26 elementary schools, 1 day care center and 1 foundation. In 2018, CCC published its *2017 Sustainability Report* which demonstrates the Company's commitment to sustainable development. The Report, which was aligned with the United Nations Sustainable Development Goals and the UN Global Compact Principles, won the Silver Anvil Award of the Public Relations Society of the Philippines.

➤ *Health and Safety; Occupational Health*

The demands of the mining industry require CCC to manage risks round the clock every day. With a diversified and robust workforce, the company teaches its people to make safety a way of life, a culture. Making safety an essential part of the day-to-day grind in the mine site lays the foundation to a culture of safety that has significantly prevented and mitigated occupational injuries and illnesses. In 2018, CCC recorded zero fatal incidents and a significant increase in safe man-hours rendered. In 2018, CCC was recertified to *OHSAS 18001:2007* for Occupational Health and Safety Management by TUV Rheinland valid until March 2021.

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 tool (HAIRADC). In some situations, where applicable, quick risk assessment techniques such as the SLAM (Stop-Look-Assess-Manage) and TAKE 5 were introduced.

The CCC Hospital (CCCH) continues to promote, maintain and enhance the health, wellness and safety of the employees and their dependents. In 2018, CCCH attended to a total of 14,677 patients through consultations and annual medical examinations. Other services rendered include 20,548 laboratory exams, 4,651 X-ray diagnostic exams and 2,273 dental services. During the company's 14th anniversary celebration in September, CCCH also spearheaded a medical mission in partnership with SM Foundation that benefitted 317 indigent patients in Toledo. In 2018, CCCH was awarded the Best Performing Hospital for the implementation of Unified Disease Registry System.

Item 2. **PROPERTIES**

The AT Group has a total landholding of 3,560.3507 hectares in Toledo City, Cebu:

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
Sub Total	84	563.8738

2. AT-managed parcels of land

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

3. CCC – owned parcels of land

3.1 Acquired (ongoing registration)	56	85.6052
3.2 Titled	1	0.1150
3.3 With Tax Declarations	6	6.1867
Sub- Total	63	91.9069

A. *Mineral Properties*

AT is the registered owner of several mineral rights/properties and operates several mining claims by virtue of existing operating agreements with claim owners. The relevant details on 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 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		1,274.1270	Dec. 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		

B. 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 2018 and 2017:

CCC Summary of Operations:

Year-on-Year	2018	2017	Change
Production			
Milling Tonnage ('000 dmt)	16,256	14,236	14%
Daily Milling Average (dmt per day)	44,536	39,004	14%
Ore Grade	0.278%	0.289%	-4%
Copper Concentrate ('000 dmt)	149	135	11%
Copper Metal Gross (in million lbs)	85.83	78.2	10%
Gold (ounces)	27,013	21,979	23%
Shipment			
Number of Shipments	30.0	26.5	13%
Copper Concentrate ('000 dmt)	147	130	14%
Copper Metal Gross (in million lbs)	84.46	75.1	12%
Gold (payable ounces)	24,988	19,112	31%

CCC Summary of Costs:

Year-on-Year (US\$/lb Cu)	2018	2017	Change
C1	1.86	1.75	7%
C2	2.65	2.48	7%
C3	3.20	3.00	7%

Metal Prices (Average Invoiced Price):

Year-on-Year	2018	2017	Change
Copper (US\$/lb)	2.96	2.78	6%
Gold (US\$/ounce)	1,270	1,259	1%

C. Proven and Probable Reserves

CCC Mineral Resources as of December 31, 2018 @ 0.20%Cu cut-off								
Deposits	Measured		Indicated		Inferred		Combined	
	Tonnage 000	Grade (% Cu)	Tonnage 000	Grade (% Cu)	Tonnage 000	Grade (% Cu)	Tonnage 000	Grade (% Cu)
Lutopan Pit	208,700	0.31%	700	0.27%	4,200	0.26%	213,600	0.31%
Carmen Pit	190,700	0.36%	69,800	0.33%	31,600	0.26%	292,100	0.34%
Total	399,400	0.33%	70,500	0.33%	35,800	0.26%	505,700	0.33%

CCC Ore Reserves as of December 31, 2018 @ 0.20%Cu cut-off									
Deposits	Proven Reserves			Probable Reserves			Combined		
	Tonnage 000	Grade (% Cu)	Pounds (millions)	Tonnage 000	Grade (% Cu)	Pounds (millions)	Tonnage 000	Grade (% Cu)	Pounds (millions)
Lutopan Pit	140,000	0.31%	955	70,000	0.31%	477	210,000	0.32%	1,432
Carmen Pit	174,000	0.36%	1,378	58,000	0.34%	434	232,000	0.35%	1,786
Total	314,000	0.34%	2,333	128,000	0.32%	911	442,000	0.34%	3,219

Item 3. LEGAL PROCEEDINGS

There is no material pending legal proceeding to which the Corporation or any of its subsidiaries or affiliates is a party or of which any of their property is the subject.

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 the latest practicable date, 28 February 2019, is Php2.92 per share. The trading price range of AT shares of stock for each calendar quarter of the last two (2) fiscal years:

	2017		2018	
	High	Low	High	Low
1Q	5.30	5.28	4.73	4.60
2Q	5.21	5.19	4.11	4.02
3Q	4.75	4.55	3.02	3.01
4Q	5.01	4.87	2.65	2.53

(2) Holders

As of 28 February 2019, there were a total of 20,748 individuals holding AT shares of stock and 2.51% 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)	1,711,994,288	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)	66,836,680	1.88
6	National Book Store	9,203,407	0.26
7	William T. Enrile &/or William R. Enrile II &/or Nelly R. Enrile	4,700,000	0.13
8	The Bank of Nova Scotia	4,425,254	0.12
9	Bank of Nova Scotia	2,950,169	0.08
10	DFC Holdings, Inc.	2,606,061	0.07
11	Tytana Corporation	2,562,439	0.07
12	Mitsubishi Metal Corporation	2,319,048	0.07
13	Globalfund Holdings, Inc.	1,787,000	0.05
14	Metropolitan Bank and Trust Company	1,701,281	0.05
15	National Financial Services LLC	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
	Toledo City Government	1,000,000	0.03
18	Asian Oceanic Holdings Phils., Inc.	972,501	0.03
19	Donald R. Osborn as Trustee U/W/O Andres Soriano Jr	945,677	0.03
20	Enrile William II	900,000	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 existing substantial Shareholders of AT (the "Subscribers") in March and August 2017, equivalent to 25% of the total increase in the Corporation's Authorized Capital Stock (ACS) of 5.89billion, constitutes an exempt transaction under *Section 10-1(i) of the SRC and Rule 10-1 of the SRC IRR* (the "Share Issue").

Subscription Aggregate Value (the "Issue Price") is Php6,455,734,500 based on the Subscription Price of Php4.3842/share, the 90-day VWAP preceding the Pricing Date. The amount of Php1,613,933,625 was paid in cash by the Subscribers upon execution of the Subscription Agreements with the balance upon call:

Subscriber	Number of Shares to be subscribed	Percentage	Subscription Price at Php4.3842/share	Paid-Up
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
Total	1,472,500,000	100	Php6,455,734,500	Php1,613,933,625

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* under *SEC Form 10-1* with the SEC on 4 December 2017. The Shares issued have the same dividend, voting and pre-emption rights as the outstanding shares of the Corporation. No other material rights are granted to common Shareholders except those provided under the Corporation Code, the AOI and the By-Laws of AT. There is no provision in the AOI or By-Laws of the Corporation that would delay, defer or prevent a change in control of the Corporation.

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

(1) As of 31 December 2018

	2018	Δ%	2017	Δ%	2016	Δ%
Consolidated net income/(loss)	(1,719,662)	-13%	(1,967,948)	124%	(879,496)	8%
Consolidated gross revenues	14,209,893	19%	11,964,162	-1%	12,079,853	7%
Consolidated net revenues	13,295,914	20%	11,070,571	1%	10,924,490	-4%
Costs and operating expenses	13,092,699	30%	10,096,189	-3%	10,385,324	-3%

AT posted a *consolidated net loss* of Php1.720 billion in 2018, 13% lower than in 2017. Revenues and operating costs increased by 19% and 30%, respectively. Below are the summary points year-on-year:

- With sustained production, copper concentrate shipped increased by 14% from 129,700 tonnes in 2017 to 147,400 tonnes in 2018 with copper metal content increasing by 12% to 84.46 million pounds and gold content increasing by 31% to 24,988 ounces.

- Metal prices year-on-year stabilized with average realized copper price at USD2.96/lb, 6% higher than USD2.78/lb, and average realized gold price at USD1,270/oz, 1% higher than USD1,259/oz in 2017.
- Due to the higher volume of shipments, costs and operating expenses were 30% higher. Aside from the effect of higher volume, operating cost was adversely affected by higher energy prices, higher waste charged to operations and higher mine product excise tax rate which doubled from 2% to 4% in 2018. These factors caused average cost per pound to increase by 6% from USD1.75/lb to USD1.86/lb.
- Equity in net earnings of associates increased to Php81.417 million income as compared to net loss of Php7.471 million recognized in 2017.
- Provision for mark to market gain for copper price hedges of Php560 million was recorded as a result of the reversal of last year's accounting valuation as actual settlement prices were closer to the hedged prices.

Gross revenue for the year reached Php14.209 billion, 19% higher year-on-year due to higher volume of shipments and higher metal prices. Copper revenues improved by 17% from Php10.703 billion to Php12.572 in 2018.

- CCC shipped 147 million dmt and 130 million dmt of copper concentrates in 2018 & 2017, respectively. Copper metal content for the year is 84.46 million lbs. while gold is 24,988 oz., representing an increase of 12% & 31% respectively vis-à-vis last year.
- CCC's average daily milling rate increased by 14%, from 39,004 to 44,536 dmt. Realized copper grade declined by 4% from 0.289% to 0.278%. Copper concentrates produced increased by 11% to 149.254 million dmt from 134.551 million dmt in 2017. Gold yield increased by 23% to 27,013 ounces from 21,979 ounces production volume from last year. Additional revenue from silver amounted to Php1.665 million.
- Average copper prices increased by 6% to USD2.96/lb. while average gold prices increased by 1% to 1,270/oz.

Cost and operating expenses (98% of net revenues) were higher by 30% due to higher volume shipped in 2018 and higher energy prices, higher waste charged to operations and higher mine product excise tax rate which doubled from 2% to 4% in 2018. Finance charges (18% of net revenue) increased by 6% 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) decreased by 31% primarily due to the Php560 million provision for mark to market losses for copper price hedges recognized in 2017 and subsequently reversed in 2018 as the loss was not realized.

USD: Php Exchange rate closed at USD1.00:Php52.58 as at 31 December 2018 against USD1.00:Php49.93 as at 31 December 2017. This triggered the recognition of net foreign exchange loss of Php177 million primarily from the restatement of Philippine Peso denominated receivables as CCC has adopted the US dollar as its functional currency. Benefit from (provision for) income tax increased by 32% due to the effect of unrealized foreign exchange losses, provision for impairment losses, excess of MCIT over RCIT, provision for Net Operating Loss Carry Over(NOLCO), gain/loss on asset derecognition and debt issue cost.

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):

	2018	2017	2016
Assets	79,776,974	74,402,874	73,899,134
Liabilities	44,164,223	38,011,671	37,229,042
Retained Earnings	14,278,107	15,992,908	17,960,856

The discussion below pertains to the audited consolidated financial condition of the Group as of 31 December 2018 vis-à-vis that as of 31 December 2017:

Cash and cash equivalents decreased by 11% mainly due to settlement of obligations with creditors and placements in time deposits. Short-term investments increased by 254% arising from additional time deposits having maturity

beyond 3 months from date of purchase. *Receivables* arise from its shipments of copper concentrates and advances to related parties, officers and employees. *Inventories* registered an increase of 5% mainly due to higher copper concentrates on hand at year-end and consumable items and spare parts.

Other Current Assets decreased by 29% due mainly to the settlement of derivative receivable and reclassification of Deposit to Suppliers on PPE from Current to Non-Current. These were partly offset by the increase in creditable withholding taxes, advances to suppliers, prepaid taxes, and various prepayments for 2018 operations. *Property, plant and equipment* (49% of total assets) increased by 5% due to acquisition of fixed assets used in operation and mine development costs. *Movement in Mining Rights* (10% of total assets) was due to production-driven depletion during the year.

Goodwill (24% of total assets) pertain to the 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 (the "Nickel Corporations"), respectively, increased by Php31 million or 16% representing its share in the net income of the Nickel Corporations. *Deferred tax assets* (4% of total assets) increased by 51% due to the effects of unrealized foreign exchange losses, provision for impairment losses, excess of MCIT over RCIT, provision for NOLCO, gain/loss on asset derecognition and debt issue cost.

Other Noncurrent Assets (3% of total assets) increased by 34% consists mainly of input VAT credits and Mine Rehabilitation Fund and reclassification of Deposit to Suppliers on PPE from Current to Non-Current. *Accounts payable and accrued liabilities* (6% of total liabilities) decreased by 4% mostly due to settlement of payables to suppliers. *Current and non-current portions of long-term debts* (1% and 55% of total liabilities) decreased by 7%, respectively, due to settlement of loans that matured in 2018.

Bank Loans which are short-term in nature increased by 275% due to availment of new bank loans. *Other current liabilities* of Php1.969 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* decreased by 100% due to settlement of embedded derivatives.

Income tax payable pertains to the income tax liability for the year. *Retirement benefits liability* decreased by 3% due to payment of retirement benefits and actuarial valuation for adjustment for 2018. *Liability for Mine Rehabilitation Cost* increased by 39% due to accretion of the change of estimate of asset retirement obligation. *No increase in Authorized Capital hence Capital Stock, Additional Paid-In Capital (APIC) and Subscription Receivable* (10%, 55% and 14% respectively of the Total Equity) remained the same in 2018. Movement in *Retained Earnings* pertains to the net loss for the year amounting to Php1.720 billion.

Key Performance Indicators

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

Particulars	2018	2017	2016
Current ratio	0.45:1	0.44:1	0.25:1
Debt to equity	1.24:1	1.09:1	1.06:1
Return on equity	-5.19%	-5.62%	-2.47%
Return on assets	-2.16%	-2.65%	-1.22%
Net profit margin	-12.93%	-17.78%	-8.05%

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 2018:

Particulars (in Php million)	
Net cash flow from operating activities	2,191
Net cash flows used in investing activities	(6,203)
Net cash flows provided by financing activities	3,890
Net increase in cash and cash equivalents	(149)

Cash from operating activities resulted from positive results of operations and from interest received on its cash placements. 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 availment of new bank loans.

Material Plans, Trends, Events or Uncertainties

- On January 16, 2018, March 2, 2018 and October 11, 2018, CCC obtained short-term clean loans of US\$50 million, US\$15 million and US\$105 million, respectively with maturities in 2018 and interest rates of 2.87-3.95%. The loans were rolled over during the year with maturity date of January 9, 2019.

(2) 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.

- 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., 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 availment 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 (ACS) to 8.890 billion common shares, *Capital Stock and APIC* 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* pertains 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%

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 & confirmation:* In 2017, AT's Shareholders approved and confirmed the: (i) Increase in the ACS and consequent amendment to article VII of AT's 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 Php3 billion to Php8.89 billion divided into 8.89 billion common shares, with a par value of Php1.00 per share. 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* with the SEC on 4 December 2017.

- *Refinancing of the USD300 million bond*: CCC successfully refinanced and settled its USD300 million bond that matured in March 2017 with a seven(7)-year term loan from BDO Unibank Inc. amounting to USD320 million.

(3) 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 25kdmt 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 Php244 million to Php62 million 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) the 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 has 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 Php7 million. *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

The table below shows the highlights in the financial position of the Atlas 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 the 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 (the "Nickel Corporations"), 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. The 2016 results of the Nickel Corporations were reported as *Equity in the net income of an associate* which amounted to Php62 million.

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 non-current 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 re-measurement gain on retirement liabilities.

Key Performance Indicators

The following table shows the key performance indicators of Atlas 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%

Liquidity and Capital Resources

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

Particulars (in Php million)	Amount
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. Net cash used in investing activities was a result of the increased acquisition of property, plant and equipment. Net cash from financing activities increased mainly due to availment of additional loans for working capital requirements.

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 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 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 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 60,000tpd 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 affected 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.

Item 7. FINANCIAL STATEMENTS

The Consolidated Audited Financial Statements of AT and Subsidiaries (the "AT Group") for 2018 are incorporated herein by reference.

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

Sycip Gorres Velayo & Company ("SGV") is the external auditor for the current year. The Corporation engaged Mr. Jose Peptio E. Zabat III of SGV for the examination of the Corporation's financial statements for 2018. Previously, Mr. John C. Ong, Mr. Martin C. Guantes and Ms. Eleanore A. Layug of SGV were engaged by AT to audit the Corporation's financial statements for the period 2009, 2009-2013 and 2013-2017 respectively. AT has always faithfully complied with the five (5)-year rotation requirement with respect to its external auditor's certifying partner.

SGV has been the Corporation's independent accountant since 1958. No independent accountant engaged by the Corporation has resigned, or has declined to stand for re-election, or was dismissed or otherwise ceased performing services for the Corporation, and the Corporation has engaged no new independent accountant. The Corporation has not had any disagreement on any matter of accounting principles or practices, financial statement disclosures or

auditing scope or procedure with its current independent accountant/external auditor for the same periods or any subsequent interim period.

The table below provides the aggregate fees of SGV for the years ended 31 December 2018, 2017 and 2016 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.

<i>Particulars</i>		<i>2018</i>		<i>2017</i>		<i>2016</i>
Audit	Php	3,600,000	Php	3,600,000	Php	3,600,000
Interim Review		-		-		775,000
Performance of agreed-upon procedures		-		-		-
TOTAL	Php	3,600,000	Php	3,600,000	Php	4,375,000

There were no other professional services rendered by SGV during the period. The Corporation did not engage any other firm for tax accounting, compliance, advice, planning and any form of tax services covering the year 2018.

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

a) Information regarding the Corporation's Directors and Officers.

- (1) *Identity of each of the 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/Officers of the Corporation elected/appointed on 26 April 2018:

<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	75
Frederic C. DyBuncio	Vice Chairman of the Board of Directors	Filipino	59
Adrian Paulino S. Ramos	Director/ President	Filipino	40
Martin C. Buckingham	Director/Executive Vice President	British	66
Isidro A. Consunji	Director	Filipino	70
Gerard Anton S. Ramos	Director	Filipino	44
Jose T. Sio	Director	Filipino	79
Jay Y. Yuvallos	Director	Filipino	52
Emilio S. de Quiros, Jr.	Independent Director	Filipino	70
Laurito E. Serrano	Independent Director/ Lead Director	Filipino	58
Fulgencio S. Factoran Jr.	Independent Director	Filipino	75
Roderico V. Puno	Corporate Secretary	Filipino	55
Fernando A. Rimando	Vice President-Finance/Chief Financial Officer	Filipino	52
Maria Eleonor A. Santiago	Compliance Officer/Assistant Corporate Secretary/ Head, Legal Affairs and Corporate Governance	Filipino	52

- (2) *Significant Employees*: The Corporation has no significant employees.
- (3) *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.
- (4) *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.

Business Experience in the last five (5) years of incumbent Directors and Executive Officers of the Corporation including the additional nominee for Independent Director (ID):

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., and NBS Express, Inc.; (iii) Chairman of the BODs and President of Alakor Corporation (“Alakor”), National Book Store, Inc. (“NBSI”), The Philodrill Corporation, Vulcan Industrial & Mining Corporation, and United Paragon Mining Corporation (“UPMC”); (iv) Vice-Chairman of the BODs of MRT Development Corporation and Shang Properties, Inc.; and (v) President of Abacus Book & Card Corporation, MRT Holdings Corporation, Power Books, Inc., TMM Management, Inc., and Zenith Holdings Corporation. 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”) and 2Go Group, Inc.; (ii) Director of Phoenix Petroleum Philippines, Inc.; (iii) Adviser to the BOD of Belle Corporation and its subsidiary Premium Leisure Corp.; and (iv) 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 (COO) and Director of Anglo; (ii) Vice-President and Director of Alakor; (iii) Vice President/CFO of NBSI; (iv) Corporate Secretary/Director of Alakor Securities Corporation; (v) Treasurer/Director of Peakpres Corporation, UPMC and Vulcan Industrial & Mining Corporation; and (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 served as its Executive Vice-President (EVP) from 22 July 2002 until 2019. He is concurrently a Director of CCC. 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 CEO of Semirara Mining Corporation and President/CEO of DMCI Holdings, Inc. He obtained his undergraduate degree in Civil Engineering from the University of the Philippines and 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/President of UPMC; (ii) Director/Vice-President of Alakor; (iii) Director/Vice-President/Corporate Secretary of NBSI; (iii) EVP/ Investments of Anglo; and (iv) Director of CCC and The Philodrill Corporation. He obtained his Bachelor 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 BOD 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 (iii) Concrete Aggregates 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) NLEX 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.

Jay Y. Yuvallos has served as an Independent Director (ID) of AT and CCC from 9 August 2016 to 26 April 2018 and currently a Director of both AT and CCC. He is also the President of Interior Basics Export Corporation and YZ Global Resources, Inc., and a Director of Sun Energy Developers Asia Inc. He also served as the Treasurer of Medgruppe Polyclinics & Diagnostic Center. He was the Philippine Representative to the ASEAN Business Advisory Council (ABAC) and East Asia Business Council and served as the Acting Chairman of the ABAC Small & Medium Enterprise (SME) Working Group and Chairman to the E-commerce Working Group. He was a member of the BOD of the Philippine Export-Import ("PhilEXIM") Credit Agency from 2013 to October 2018. He holds a Bachelor of Science Degree in Commerce-Accounting from the University of San Jose-Recoletos.

Fulgencio S. Factoran, Jr. has been an ID of AT since 28 February 2012 and the Chairman of the Corporate Governance Committee (CGCom) and the Related Party Transaction Committee (RPTC) of the BOD. His business affiliations are the following: (i) Chairman 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.); (ii) Principal Partner of Factoran and Associates Law Offices since 1996 until the present; (iii) Trustee of Philippine Educational Theater Association ("PETA"); and (iv) a Co-founder and past President of the 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 ID since 22 August 2012 and was elected as the Lead Director since 27 July 2017. He concurrently sits as a member of the BOD of CCC, Pacific Online Systems, Inc., 2GO Group, Inc., MJC Investments Corporation, Axelum Resources Corp., APC Group, Inc., UPMC, and MRT Development Corporation. Mr. Serrano's professional experience which span over 30 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.

Emilio S. de Quiros, Jr. has served as an ID of AT since 27 July 2017. He is currently the Chairman of Belle Corp. and an ID of RCBC Savings Bank. He has served as President and CEO of the Social Security System ("SSS"). 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 (EVP) of Bank of the Philippine Islands ("BPI") and President of Ayala Life Insurance Inc., Ayala Plans and a Director of 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.

Jose P. Leviste, Jr. is the additional nominee for ID. Dr. Leviste is currently the Chairman of OceanaGold (Philippines), Inc. and from December 2007 to June 2018, he was a member of the BOD of OceanaGold Corporation (“OGC”) in Melbourne, Australia, a publicly listed company in the Toronto, Australian and New Zealand Stock Exchanges. He is also: (i) Chairman of Atlantic, Gulf and Pacific Co. of Manila (“AG&P”), Constellation Energy Corporation, Pacific Rim Innovation Management and Exponents Inc., and Enactus Philippines; (ii) ID of Pico De Loro Beach & Country Club and Investment Capital Corporation of the Philippines (“ICCP”); (iii) Chairman of the Philippine-Spanish Council (“PHSPBC”); (iv) Resident Representative of the Australia Philippines Business Council (“APBC”); (v) Vice Chairman of the Chamber of Mines of the Philippines (“COMP”); and (vi) Governor of the Philippine Constitution Association. Dr. Leviste is a Senior Adviser of Italpina Development Corporation (“IDC”) and the Asia Advisor of the Board for the Philippines of Sindicatum Sustainable Resources of Singapore, and a member of the Governing Council of the Philippine Council for Agriculture Aquatic and Natural Resources Research and Development (PCAARRD) of the Department of Science and Technology (“DOST”) representing the private sector. He completed his Bachelor of Arts Degree in Economics (with academic honors) from the Ateneo de Manila University and holds two (2) masters degrees: Economics from Fordham University, New York, and Business Administration from Columbia University, New York. He completed the Pacific Rim Management Program, Doing Business in Japan at the University of Southern California and he was a Fellow of the Asia Program of the Woodrow Wilson International Center in Washington DC. He was also a Bachelor Associate of Asia Pacific Research Center of Stanford University. In 2007, he received his Doctor of Humanities, Honoris Causa from the Nueva Vizcaya State University for being an Outstanding Business and Technocrat.

Officers

Roderico V. Puno has served as the Corporate Secretary of AT and CCC 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 30 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 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 nominated to the BOD seats for 2019-2020 are the following: Messrs. Alfredo C. Ramos, Frederic C. DyBuncio, Adrian Paulino S. Ramos, Martin C. Buckingham, Isidro A. Consunji, Gerard Anton S. Ramos, Jose T. Sio, Fulgencio S. Factoran, Jr. (ID), Laurito E. Serrano (ID) and Emilio S. de Quiros, Jr. (ID). Also included in the Final List of Candidates for ID is Dr. Jose P. Leviste. The nominees were selected through the nomination process determined and implemented by the CGCom.

The Final List of Candidates for election to the seats reserved for IDs 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
Jose P. Leviste	SM Investments Corporation	None

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

No Independent Director has exceeded the term limit as stated in SEC MC No. 4 Series of 2017 re: Term Limit of ID. 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. Copies of the Certificate of Qualification for IDs of Messrs. Factoran, Serrano, de Quiros and Leviste are enclosed herewith.

- (3) No Director has resigned or declined to stand for re-election to the BOD since the date of the last AGM because of disagreement with the Corporation on any matter relating to the Corporation's operations, policies or practices.

The CGCom in pre-screening the qualifications of the nominees, considered the nomination letters for independent directors submitted on or before 16 March 2019 by Shareholders of record. Taking into consideration the qualifications and disqualifications provided in the Code of Corporate Governance, the Corporation's By-Laws, CGCom Charter, Securities Regulation Code (SRC) and the criteria prescribed in the SRC Rule 38, the CGCom has determined that the nominees for independent directors are qualified to sit in the BOD as ID. The CGCom is composed of the following members, all of whom are IDs: (i) Fulgencio S. Factoran, Jr. - Chairman; (ii) Laurito E. Serrano, and (iii) Emilio S. de Quiros, Jr.

Item 10. EXECUTIVE COMPENSATION

- 1) *Executive Compensation of Directors and Executive Officers.* Aggregate cash compensation paid during the last three (3) fiscal years ended 31 December 2018, 2017 and 2016 to the five (5) most highly compensated officers and to all other officers as a group, including the estimate for 2019 are shown below.

2) Summary Compensation Table

(a) Name and Principal Position	Aggregate annual cash compensation (Php)			
	(b) Year	(c) Salaries	(d) Bonuses	(e) Other compensation
Chief Executive Officer (CEO) & four (4) Most Highly Compensated Officers				
(1) Adrian Paulino S. Ramos, CEO/President	2019 (estimate)	26,031,286	-0-	-0-
(2) Martin C. Buckingham, Executive Vice-President	2018	26,031,286	-0-	-0-
(3) Fernando A. Rimando, Chief Financial Officer (CFO), VP-Finance	2017	22,237,854	-0-	-0-
(4) Feliciano B. Alvarez, Chief Audit Executive (CAE), AVP- Internal Audit	2016	22,055,669	-0-	-0-
(5) Leila C. Cabañes, Treasurer, Manager-Treasury & Commercial Development				
	2019 (estimate)	-0-	-0-	-0-
All other officers as a group	2018	-0-	-0-	-0-
	2017	-0-	-0-	-0-
	2016	-0-	-0-	-0-

- 3) *Compensation of Directors/Committee Members.* AT Group compensates its Directors with a *per diem* of Php10,000 and allowance or remuneration. As of 31 December 2018, the Directors as a group received Php7.95m. There are no other arrangements pursuant to which any Director 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.* 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.

There were no changes in employment and control arrangements as of 28 February 2019.

- 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/features of the CSOP: (i) *Number of underlying shares:* 50,000,000 shares to be taken out of the unissued portion of the Corporation's ACS; 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 per share.

Extent of stock option award under the CSOP as of 2014 to the three (3) most highly compensated officers at that time and to all other directors and officers collectively:

<i>Name</i>	<i>Position</i>	<i>No. of Shares</i>
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:

	<i>2014</i>	<i>2013</i>	<i>2012</i>
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 and three (3) years prior, 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. 2019:

Title of Class	Name & Address of Record Owner	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	Amount and Nature of Ownership ¹	Percent of Class (%)
Common	SM Investments Corporation ("SMIC") ² 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") ³ Quad Alpha Centrum 125 Pioneer St., Mandaluyong City (Shareholder)	Alakor	Filipino	479,258,461	13.46
Common	Anglo Philippine Holdings Corporation ("Anglo") ⁴ Quad Alpha Centrum 125 Pioneer St., Mandaluyong City (Shareholder)	Anglo	Filipino	1,019,570,792	28.64
Common	PCD Nominee Corp. (Filipino) ⁵	Clients of PCD Nominee Corp. ⁶	Filipino	1,711,994,288	48.10%

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.

Security ownership of Directors and Executive Officers of AT as of 28 February 2019:

Title of Class	Name of Directors / Officers and Position	No. of Shares Held ⁷	Percent (%)	Nature of Ownership
Common	Alfredo C. Ramos Director/Chairman of the Board	1,509,062,687	42.40	Record & Beneficial Owner
Common	Frederic C. DyBuncio Director/Vice-Chairman	1,001	0.00	Beneficial Owner
Common	Martin C. Buckingham Director/Executive Vice-President	19,398,901	0.54	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	4,551,000	0.13	Beneficial Owner
Common	Jose T. Sio Director	1,001	0.00	Beneficial Owner
Common	Fulgencio S. Factoran, Jr.	110,000	0.00	Beneficial Owner

¹The 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 AT.

²The Chairman and/or Director and/or SEVP of SMIC have the power to vote the common shares of SMIC in AT.

³The Chairman of the Board of Directors/President of Alakor has the power to vote the common shares of Alakor in AT.

⁴The Chairman of the Board of Directors of Anglo has the power to vote the common shares of Anglo in AT.

⁵The Corporation has no information as to the beneficial owners of the shares of stocks of more than 5% of AT shares held by the PCD Nominee Corp. (Filipino) other than: (i) SMIC with 604,788,435 shares (35.33%); (ii) Anglo with 53,570,500 shares (3.13%) and (iii) Alakor with 339,808,461 shares (19.85%)

⁶The 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

⁷The 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.

Common	Independent Director Jay Y. Yuvallos	5,000	0.00	Beneficial Owner
Common	Director Emilio S. de Quiros, Jr.	100	0.00	Beneficial Owner
Common	Independent Director Laurito E. Serrano	2,000	0.00	Beneficial Owner
Common	Independent Director Roderico V. Puno	0	0.00	N/A
Common	Corporate Secretary Fernando A. Rimando	0	0.00	N/A
Common	Chief Financial Officer & VP-Finance Maria Eleonor A. Santiago	0	0.00	N/A
Common	Asst. Corp. Sec./Compliance Officer (CO)/ Head, Corporate Legal Affairs & CG	0	0.00	N/A
Common	Leila Marie P. Cabañes	0	0.00	N/A
Common	Treasurer Feliciano B. Alvarez	0	0.00	N/A
	Chief Audit Executive			
All Directors and Officers as a Group		1,634,741,005	45.92%	

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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 discussed further below;
- (II) Note 22 (Related Party Disclosures), Page 74 of the Notes to the AT and Subsidiaries (the "AT Group") Audited Consolidated Financial Statements ("AFS") for the year ended 31 December 2018; and
- (III) primary issuance of shares in 2017 discussed in Item VI, Subparagraph (4), Part IV Management Report 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.

Proposed Issuance of Warrants and the Underlying Common Shares as a result of the exercise of the Warrants. In 2017, to refinance the US\$300 Million existing bonds of its wholly-owned subsidiary, 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 (the "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: SMIC, Anglo and Alakor, at the Exercise Price of Php4.3842.

The number of Warrants to be issued of around 5,541,191,780 shall be subject to change or revision: SMIC (5,349,908,307 Warrants), Anglo (153,026,778 Warrants), and Alakor (38,256,695 Warrants), all with the same number of Underlying Common Shares of Stock. On 21 February 2017, AT's Shareholders approved the Warrants issuance and the Underlying Common Shares as a result of the exercise of the Warrants. AT also obtained a waiver of the conduct of a rights or public offer for the issuance of the Underlying Common 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 2018 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:

- o Entitlement ratio is 1:1, Each Warrant is entitled to subscribe to one (1) common share of stock of AT.
- o Exercise period of the Warrants shall be from the date of issue of the Warrants up to the day immediately preceding the seventh (7th) anniversary of the date issue. Expiry date is the 7th anniversary of Warrants issuance.

- Basis of determining the Exercise Price of Php4.3842 is the 90-day VWAP preceding the pricing date, 16 November 2016.
- The Warrants constitute direct, unsecured and unsubordinated obligations of AT and will at all times rank *paripassu* without preference among themselves and with all other outstanding unsecured and unsubordinated obligations, past and future.
- 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 consent of the Warrant Holders which AT may deem necessary or desirable provided the modification is not materially prejudicial to the Warrant Holders' interests.
- 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.
- Timetable for the issuance of Warrants will be upon obtaining: (i) Shareholders' approval to the increase in the 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.

The Corporation has no parent company. AT's substantial Shareholders with the percentage of voting securities are discussed in Item 11 above.

The members of the Related Party Transactions Committee (RPTCom) are all ID: (i) Fulgencio S. Factoran, Jr.- Chairman, (ii) Laurito E. Serrano – Member, and (iii) Emilio S. de Quiros, Jr. – Member.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The BOD and Management of AT unceasingly commit themselves as far as practicable and to the best of their abilities to the principles and practices of good corporate governance as institutionalized in *AT's Code of Corporate Governance (the "CCG", approved 2017)* which updated the previous *Manual of Corporate Governance (the "Manual", approved 2014)*.

As the Corporation continuously pursues initiatives aimed at strengthening governance structures, processes and systems, the BOD had duly approved the following Committee Charters, to wit: (i) Board Risk Oversight Committee (BROC) Charter (Jan. 2018); (ii) AuditCom Charter (March 2018); (iii) CGCom Charter (March 2018); (iv) RPTC Charter (March 2018); (v) Executive Committee Charter (April 2018) and (vi) BOD Charter (October 2018).

Pursuant to the new approved and adopted CCG which formalized and institutionalized among others, the assessment or evaluation process to measure the level of compliance of the BOD, top level Management and the rest of the employees, the BOD approved the Performance Evaluation Guidelines for its Directors and Key Officers in October 2018. Thus, the BOD shall conduct an annual self-assessment of its performance, including the performance of the Chairman, individual Members and Committees and top level Management. Every three (3) years, the assessment will be supported by an external facilitator.

Likewise in 2018, the Related Party Transaction Policy was approved to strengthen the RPTC's tasks in reviewing all material related party transactions (RPT) of the Company. The BOD also approved and adopted the BOD Diversity Policy to ensure that the BOD shall have an approximate mix of competence and expertise.

Several Corporate Governance Policies were correspondingly approved and adopted in October 2018 by the BOD:

- (i) Alternative Dispute Mechanism Policy which established an alternative dispute mechanism to resolve disputes between the Corporation and Shareholders and third parties in an amicable and effective manner;

- (ii) Loan Policy which set the rules and procedure in the event loans are granted to Directors and Officers to defray their personal financial obligations and needs brought about by medical and calamity emergencies;
- (iii) Reward Policy which aimed to retain and ensure a work force with exemplary working knowledge, right experience and proverbial expertise relevant to the Corporation's industry/sector;
- (5) Information Policy which ensured regulation of the disclosure pertaining to the Corporation;
- (6) Insider Trading Policy set to protect the public from abusive trading practices and illegal conduct of security trading; and
- (7) Remuneration Policy which aimed to reward directors and officers based on quantum meruit.

In the April 2018 Organizational Meeting of the BOD, the respective Chairman and members of the various BOD Committees were duly elected and assumed office. Mr. Laurito E. Serrano (ID) was elected as the Lead Director from among the IDs. All the Chairmen of the different BOD Committees are IDs except for the Executive Committee Chairman.

AT has not deviated from the CCG. New policies are being issued by the Corporation from time to time to fully implement and comply with the CCG and the leading practices on good corporate governance.

PART V – EXHIBITS AND SCHEDULES

Item 14. 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 2018

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>
14 November 2018	Press Release on the 2018 Q3 Results
14 November 2018	2018 Q3 Unaudited Financial and Operating Results
16 October 2018	Filing of Amendment to the GIS to reflect the changes in the Company's contact details and appointment of new officer.
12 October 2018	BOD Approval of BOD Charter & CG Polices: BOD Charter, Alternative Dispute Mechanism Policy BOD and Officers Diversity Policy, Performance Evaluation Policy, Related Party Transaction Policy, Remuneration Policy, Information Disclosure Policy, Insider Trading Policy, Directors' & Officers' Loan Policy & Reward Policy,
12 October 2018	Resignation and Appointment of Officer
14 August 2018	Press Release on the 2018 Q2 Results
14 August 2018	2018 Q2 Unaudited Financial and Operating Results
10 August 2018	Change in Corporate Contact Details and/or Website
15 May 2018	First Half 2018 Unaudited Financial and Operating Results
15 May 2018	Press Release on the 2018 Q1 Results
27 April 2018	Results of the Organizational Meeting of the Board of Directors (BOD)
27 April 2018	Results of the 2018 Annual General Meeting of the Shareholders (AGM)
25 April 2018	Clarification of news report entitled "DENR limits areas for mining activities".
27 April 2018	Notice on Distribution of Definitive Information Statement in compact disc.
28 March 2018	Change in Shareholdings of Directors or Principal Officers
16 March 2018	Approval of BOD Committee Charters: AuditCom Charter, CGCom Charter, RPTCom Charter
08 March 2018	Press Release on the financial and operations results of AT for the year 2017.
12 February 2018	Notice and Agenda of the 2018 Annual General Meeting of the Shareholders (AGM)
19 January 2018	Approval of AT BOD of the following: (i) 2018 AGM on 26 April 2018 at 2pm, venue TBA; Record Date - 28 February 2018 and (ii) Board Risk Oversight Committee (BROC) Charter


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 ____ March 2019.

By:


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



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


Amour A. Belen
Financial Accounting Manager
(Principal Accounting Officer)



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

Subscribed and Sworn to before me in the City of CITY OF MAKATI this APR 11 2019 day of March 2019 affiant/s exhibiting to me their TIN/Passport, as follows:

Name
Adrian Paulino S. Ramos
Fernando A. Rimando
Maria Eleonor A. Santiago
Amour A. Belen

TIN/Passport Issued on Issued at


Doc. No. 149
Page No. 2/1
Book No. XII
Series of 2019


ATTY. GERVACIO B. ORTIZ JR.
Notary Public Makati City
Until Dec. 31, 2019
Appointment No. M-183 (2019-2020)
PTR No. 7333104 Jan. 3, 2019/Makati
IBP Lifetime No. 656155 Roll No. 40091
MCLE Compliance No. V-0006934
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

**Atlas Consolidated Mining
and Development Corporation
and Subsidiaries**

Consolidated Financial Statements
December 31, 2018 and 2017
and Years Ended December 31, 2018,
2017 and 2016

and

Independent Auditor's Report





**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, 2018 and 2017, 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.

A handwritten signature in black ink, appearing to read "Alfredo C. Ramos".

Alfredo C. Ramos
Chairman of the Board

A handwritten signature in black ink, appearing to read "Adrian Paulino S. Ramos".

Adrian Paulino S. Ramos
President

A handwritten signature in black ink, appearing to read "Fernando A. Rimando".


Fernando A. Rimando
Vice President / Chief Finance Officer

Signed this 21 day of March 2019

SUBSCRIBED AND SWORN to before me, this MAR 21 2019 day of March 2019 at
PASAY CITY, affiant with Taxpayer Identification Numbers as follows:

<u>Name</u>	<u>Tax Identification Number</u>
Alfredo C. Ramos	██████████
Adrian Paulino S. Ramos	██████████
Fernando A. Rimando	██████████

Doc. No. 178
Page No. 36
Book No. 4
Series of 2019


ATTY. MA. CLEOFE L. JAIME
NOTARY PUBLIC
ATTORNEY'S ROLL NO. 27802
IBP NO. AR 54860693 R.C. 1/3/2019
PTR NO. 6391939 PASAY CITY 1/3/2019
MCLE COMPL. NO. V 0011721-NOV. 25, 2015
OFFICE ADDRESS STALL NO. 1 UNIT 54
ARNAIZ AVE., PASAY CITY
NOTARIAL COMM. NO. 18-09

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Atlas Consolidated Mining and Development Corporation

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, 2018 and 2017, 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, 2018, 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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 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 PFRSs, 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, 2018, the Group has goodwill attributable to Carmen Copper Corporation amounting to ₱19.0 billion, and property, plant and equipment, and mining rights amounting to ₱46.9 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 methodology 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 estimate is a key input to depletion, decommissioning provisions and impairment estimates. The Group's mine development costs and mining rights amounting to ₱34.0 billion as of December 31, 2018 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.



Adoption of PFRS 15, Revenue from Contracts with Customers

Effective January 1, 2018, the Group adopted the new revenue recognition standard, PFRS 15, *Revenue from Contracts with Customers*, under the modified retrospective approach. The adoption of PFRS 15 is significant to our audit because this involves application of significant management judgment and estimation in: determining whether the Group's offtake contracts for the sale of copper concentrate are within the scope of PFRS 15; determining whether there are other promises in the offtake contracts, other than the sale of copper concentrate, that are separate performance obligations; determining whether the transaction price includes variable consideration, significant financing component, non-cash consideration, or consideration payable to customer; allocation of the transaction price among the performance obligations; and determining whether the sale of copper concentrate should be recognized over time or point in time.

The disclosures related to the adoption of PFRS 15 are included in Notes 2 and 19 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's process in implementing the new revenue recognition standard. We reviewed the PFRS 15 impact assessment prepared by management, including revenue streams identification and scoping, and contract analysis. For the sale of copper concentrate, we obtained the offtake contracts and reviewed whether the accounting policies appropriately considered the five-step model and requirements of PFRS 15. In addition, we reviewed and checked whether all performance obligations within the offtake contracts with customers have been identified. We also checked whether management has identified and estimated all components of the transaction price, and whether the Group's timing of revenue recognition is based on when the performance occurs and control over the copper concentrate is transferred to the customer. Further, we reviewed the application of the accounting policy and the additional disclosures in the consolidated financial statements required under the new revenue standard.

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, 2018, 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, 2018 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.

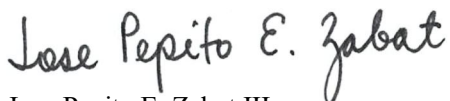
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Jose Pepito E. Zabat III.

SYCIP GORRES VELAYO & CO.



Jose Pepito E. Zabat III

Partner

CPA Certificate No. 85501

SEC Accreditation No. 0328-AR-4 (Group A),

April 26, 2018, valid until April 25, 2021

Tax Identification No. 102-100-830

BIR Accreditation No. 08-001998-60-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 7332636, January 3, 2019, Makati City

March 7, 2019



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

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

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱1,225,699	₱1,374,801
Short-term investments (Note 4)	2,812,863	793,841
Receivables (Note 5)	487,186	484,118
Inventories (Note 7)	2,279,974	2,163,008
Other current assets (Note 8)	445,953	627,689
Total Current Assets	7,251,675	5,443,457
Noncurrent Assets		
Property, plant and equipment (Note 9):		
At cost	38,891,632	36,969,982
At revalued amount	430,286	430,286
Mining rights (Note 10)	7,989,958	8,181,643
Goodwill (Note 10)	19,026,119	19,026,119
Investments in associates (Note 12)	221,682	190,665
Deferred tax assets (Note 24)	3,527,397	2,343,727
Other noncurrent assets (Note 13)	2,438,225	1,816,995
Total Noncurrent Assets	72,525,299	68,959,417
TOTAL ASSETS	₱79,776,974	₱74,402,874
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 14)	₱2,778,172	₱2,903,635
Bank loans (Note 15)	11,079,605	2,953,360
Current portion of long-term debts and other interest bearing liabilities (Note 15)	274,006	3,895,027
Derivative liabilities (Note 6)	–	742,043
Income tax payable	86	29
Other current liability (Note 15)	1,969,576	1,870,312
Total Current Liabilities	16,101,445	12,364,406
Noncurrent Liabilities		
Long-term debts and other interest-bearing liabilities - net of current portion (Note 15)	24,113,614	22,437,903
Retirement benefits liability (Note 23)	308,306	316,490
Liability for mine rehabilitation (Note 16)	77,732	55,849
Deferred tax liabilities (Note 24)	3,563,126	2,837,023
Total Noncurrent Liabilities	28,062,778	25,647,265
Total Liabilities	₱44,164,223	₱38,011,671

(Forward)



	December 31	
	2018	2017
Equity		
Capital stock (Note 17)	₱3,559,533	₱3,559,533
Additional paid-in capital (Note 17)	19,650,936	19,650,936
Subscription receivable (Note 17)	(4,841,801)	(4,841,801)
Revaluation increment on land (Note 9)	298,869	298,869
Remeasurement gain on retirement benefits liability (Note 23)	204,741	166,717
Unrealized gain on financial asset at fair value through profit or loss (Note 11)	-	4,861
Cummulative translation adjustments	2,485,633	1,582,447
Retained earnings (Note 30)	14,278,107	15,992,908
Cost of 1,980,000 treasury shares held by a subsidiary	(23,267)	(23,267)
Equity	35,612,751	36,391,203
TOTAL LIABILITIES AND EQUITY	₱79,776,974	₱74,402,874

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		
	2018	2017	2016
REVENUES FROM CONTRACTS WITH CUSTOMERS (Note 19)			
Copper concentrate	₱13,295,913	₱11,053,326	₱10,911,534
Magnetite concentrate	–	17,245	12,956
	13,295,913	11,070,571	10,924,490
COSTS AND EXPENSES			
Mining and milling costs (Note 20)	11,068,954	8,310,273	8,706,018
General and administrative expenses (Note 21)	1,289,837	1,404,939	1,274,505
Mine products taxes (Note 20)	542,223	215,506	216,429
Depletion of mining rights (Note 10)	191,685	165,471	188,372
	13,092,699	10,096,189	10,385,324
OTHER INCOME (CHARGES)			
Finance charges (Note 25)	(2,345,870)	(2,204,606)	(1,930,435)
Fair value gain (loss) on derivatives - net (Note 6)	559,551	(977,146)	(16,186)
Foreign exchange gains (losses) - net	(177,363)	(26,200)	158,086
Fair value gain (loss) on provisionally priced receivables - net (Note 5)	(151,000)	–	–
Loss on retirement of property and equipment (Note 9)	(96,238)	(4,660)	(523)
Share in net income (loss) of associates (Note 12)	81,417	(7,471)	61,713
Interest income (Note 25)	41,030	30,195	42,158
Gain (loss) on disposal of property and equipment (Note 9)	(6,235)	282	1,087
Loss on disputed value-added tax (VAT; Note 13)	–	–	(495,159)
Gain on extinguishment of debt (Note 15)	–	28,434	–
Others - net	(73,295)	33,443	42,447
	(2,168,003)	(3,127,729)	(2,136,812)
LOSS BEFORE INCOME TAX	(1,964,789)	(2,153,347)	(1,597,646)
BENEFIT FROM INCOME TAX (Note 24)	245,127	185,399	718,150
NET LOSS	(₱1,719,662)	(₱1,967,948)	(₱879,496)

(Forward)



	Years Ended December 31		
	2018	2017	2016
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gain (loss) on retirement benefits liability - net of tax (Note 23)	₱38,024	(₱12,151)	₱50,186
<i>Items that may be reclassified subsequently to profit or loss in subsequent periods:</i>			
Cumulative translation adjustments	903,186	106,537	1,019,174
	941,210	94,386	1,069,360
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱778,452)	(₱1,873,562)	₱189,864
LOSS PER SHARE (Note 27)			
Basic loss per share	(₱0.4834)	(₱0.5532)	(₱0.4218)
Diluted loss per share	(₱0.4834)	(₱0.5532)	(₱0.4218)

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, 2018, 2017 AND 2016

(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)	Unrealize gain on available fo sale financial asset (Note 11)	Remeasurement gain (loss) on retirement benefits liability (Note 23)	Cumulative translation adjustments	Retained earnings (Note 30)	Total	Treasury shares held by a subsidiary	Total
BALANCES AT JANUARY 1, 2016	₱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 (loss)	-	-	-	-	-	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	-	-	-	-	-	(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
Effect of adoption of PFRS 9 (Note 2)	-	-	-	-	(4,861)	-	-	4,861	-	-	-
Net loss	-	-	-	-	-	-	-	(1,719,662)	(1,719,662)	-	(1,719,662)
Other comprehensive income	-	-	-	-	-	38,024	903,186	-	941,210	-	941,210
Total comprehensive income (loss)	-	-	-	-	-	38,024	903,186	(1,719,662)	(778,452)	-	(778,452)
BALANCES AT DECEMBER 31, 2018	₱3,559,533	₱19,650,936	(₱4,841,801)	₱298,869	₱-	₱204,741	₱2,485,633	₱14,278,107	₱35,636,018	(₱23,267)	₱35,612,751

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		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	(₱1,964,789)	(₱2,153,347)	(₱1,597,646)
Adjustments for:			
Depreciation and depletion (Notes 9 and 10)	3,568,078	2,929,342	2,575,135
Finance charges (Note 25)	2,345,870	2,204,606	1,930,435
Fair value loss (gain) on derivatives (Note 6)	(559,551)	977,146	16,186
Net unrealized foreign exchange losses (gains) - net	369,288	(356,985)	(501,205)
Fair value loss (gain) on provisionally priced sales (Note 6)	151,000	-	-
Loss on retirement of property, plant and equipment (Note 9)	96,238	4,660	523
Loss (gain) on disposal of property, plant and equipment (Note 9)	6,235	(282)	(1,087)
Share in net loss (income) of associates (Note 12)	(81,417)	7,471	(61,713)
Interest income (Note 25)	(41,030)	(30,195)	(42,158)
Movement in retirement benefits liability (Note 23)	28,636	6,486	(10,739)
Fair value gain on investment in unit investment trust fund (Note 13)	(330)	-	-
Gain on extinguishment of loan (Note 15)	-	(28,434)	-
Loss on disputed VAT (Note 13)	-	-	495,159
Operating income before working capital changes	3,918,228	3,560,468	2,802,890
Decrease (increase) in:			
Receivables	(2,215)	56,091	(33,218)
Inventories	(116,966)	(472,484)	522,144
Other current assets	181,736	(173,882)	29,569
Increase (decrease) in accounts payable and accrued liabilities	(175,537)	410,982	(2,863,593)
Net cash generated from operations	3,805,246	3,381,175	457,792
Interest paid	(1,536,909)	(1,754,747)	(1,889,308)
Income taxes paid	(117,371)	(90,909)	(30,756)
Interest received	40,177	168,975	7,571
Net cash flows from (used in) operating activities	2,191,143	1,704,494	(1,454,701)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from:			
Short-term investments	7,417,877	7,828,461	462,800
Disposal of property and equipment (Note 9)	17,937	375	2,910
Dividends received (Note 12)	-	-	61,740
Additions to:			
Short-term investments	(9,583,654)	(7,975,942)	(312,313)
Property, plant and equipment (Note 9)	(3,434,441)	(3,801,509)	(1,932,815)
Decrease (increase) in other noncurrent assets	(621,230)	279,292	(245,753)
Net cash flows used in investing activities	(₱6,203,511)	(₱3,669,323)	(₱1,963,431)

(Forward)



	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of:			
Long-term debts and other interest-bearing liabilities (Note 15)	₱42,272	₱16,880,189	₱5,949,128
Bank loans	9,444,948	-	116,650
Payments of:			
Long-term debts and other interest-bearing liabilities (Note 15)	(4,122,169)	(16,910,063)	(756,601)
Bank loans	(1,475,450)	(111,381)	(5,900)
Proceeds from issuance of shares, net of transactions costs (Note 17)	-	1,594,673	-
Net cash flows from financing activities	3,889,601	1,453,418	5,303,277
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	(26,335)	(3,817)	21,687
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
	(149,102)	(1,044,068)	1,906,832
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
	1,374,801	2,418,869	512,037
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)			
	₱1,225,699	₱1,374,801	₱2,418,869

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 concentrate.

The Parent Company’s shares of stock were 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, 2018 and 2017. 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, 2018 and 2017:

Subsidiaries as at December 31, 2018 and 2017	Nature of Business	Percentage of Ownership	
		2018	2017
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	
		2018	2017
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 (see Note 10)	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 2018, 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 ₱65 in 2018 and has cumulative capital deficiency of ₱103,465 as at December 31, 2018.

b. *AI*

In 2018, 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 ₱61 in 2018 and has cumulative capital deficiency of ₱31,973 as at December 31, 2018.

c. *AHI*

AHI is the owner of certain real properties that are used in the mining operations of CCC. AHI incurred a net loss of ₱68 in 2018 and has cumulative deficit of ₱3,022 as at December 31, 2018.

d. *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 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 2018, 2017 and 2016.

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.

Authorization for the Issuance of the Consolidated Financial Statements

The consolidated financial statements of the Parent Company and its subsidiaries as at December 31, 2018 and 2017, and for each of the three years in the period ended December 31, 2018 were authorized for issuance by the BOD on March 7, 2019.

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 certain parcels of land, which are carried at revalued amounts, and derivatives and financial assets at fair value through profit or loss, which have been 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, 2018 and 2017. 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, 2018. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance, unless otherwise stated.

- *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. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

The Group has no cash-settled share-based payments and share-based payment transactions with net settlement features for withholding tax obligations, and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the Group's consolidated financial statements.

- *PFRS 9, Financial Instruments*

PFRS 9 replaces Philippine Accounting Standards (PAS) 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied PFRS 9 prospectively, with the initial application date of January 1, 2018. The Group has not restated the comparative information, which continue to be reported under PAS 39. There were no material impacts on the comparative balances other than a change in classification and measurement of some receivables and other financial assets. There



was no significant impact on hedging as the Group no longer has hedging transactions as at December 31, 2018.

The effects of adopting PFRS 9 are set out below.

a. Classification and Measurement

Under PFRS 9, there is a change in the classification and measurement requirements relating to financial assets. Previously, there were four categories of financial assets: loans and receivables, fair value through profit or loss, held to maturity and available for sale.

Under PFRS 9, financial assets are either classified as at amortised cost, fair value through profit or loss, or fair value through other comprehensive income.

For debt instruments, the classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent solely for payments of principal and interest on the principal amount outstanding. A financial asset can only be measured at amortised cost if both of the following are satisfied:

- Business model: the objective of the business model is to hold the financial asset for the collection of the contractual cash flows
- Contractual cash flows: the contractual cash flows under the instrument relate solely to payments of principal and interest

The assessment of the Group's business model was made as of the date of initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely for payments of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of PFRS 9 did not have a significant impact on the Group other than to change the presentation of balances relating to provisionally priced sales.

Financial Assets

The Group continued measuring at fair value all financial assets previously held at fair value under PAS 39. The following are the changes in the classification of the Group's financial assets:

- Short-term investments, nontrade receivables, interest receivables, advances to related parties, and advances to officers and employees under receivables, and refundable security deposits under other noncurrent assets previously classified as loans and receivables: these were assessed as being held to collect contractual cash flows and give rise to cash flows representing solely for payments of principal and interest. These are now classified and measured as debt instruments at amortised cost.
- Trade receivables (subject to provisional pricing) under receivables and quotational period (QP) derivatives: prior to the adoption of PFRS 9, the exposure of provisionally priced sales to commodity price movements over the QP, previously led to embedded derivatives (QP derivatives) being separated from the host trade receivable and accounted for separately. Under PFRS 9, embedded derivatives are no longer separated from financial assets. Instead, the exposure of the trade receivable to future commodity price movements will cause the trade receivable to fail the solely for payments of principal and interest test. Therefore, the entire receivable is now required to be measured at fair value through profit or loss, with subsequent changes in fair value recognized in the



consolidated statement of comprehensive income each period until final settlement. The Group previously presented such fair value changes in fair value gains/losses on derivatives, but will now present them as fair value gains/losses on provisionally priced trade receivables. There was an immaterial impact on the consolidated statement of comprehensive income arising from this change. The key impact was on presentation and disclosure, including the PFRS 13, *Fair Value Measurement* disclosures.

- Quoted equity investment previously classified as available for sale financial asset is now measured at fair value through profit or loss.

In summary, upon the adoption of PFRS 9, the Group had the following required or elected reclassifications as at January 1, 2018:

	Amount	PFRS 9 measurement category		
		Fair value through profit or loss	Amortized cost	Fair value through other comprehensive income
PAS 39 measurement category				
<i>Loans and receivables</i>				
Short-term investments	₱793,841	₱–	₱793,841	₱–
Trade receivables (subject to provisional pricing)	289,883	346,365	–	–
Nontrade receivables	75,344	–	75,344	–
Interest receivables	2,244	–	2,244	–
Advances to:				
Related parties	133,376	–	133,376	–
Officers and employees	16,206	–	16,206	–
Refundable security deposits under other noncurrent assets	3,125	–	3,125	–
<i>Fair value through profit or loss</i>				
QP derivatives	56,482	–	–	–
<i>Available for sale financial asset</i>				
Quoted equity instrument	4,326	4,326	–	–

Financial Liabilities

The Group has not designated any financial liabilities at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

b. Impairment

The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss approach. PFRS 9 requires the Group to recognize an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss and contract assets in the scope of PFRS 15.

As all the Group's receivables (not subject to provisional pricing) which the Group measures at amortised cost are short-term (i.e., less than 12 months) and the Group's credit rating and risk management policies in place, the change to a forward-looking expected credit losses approach did not have a material impact on the amounts recognized in the consolidated financial statements.

c. Hedge Accounting

The Group has elected to adopt the new general hedge accounting model in PFRS 9. However, the changes introduced by PFRS 9 relating to hedge accounting have no impact, as the Group no longer has freestanding derivatives designated under hedge accounting as at December 31, 2018.



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

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 supersedes PAS 18, *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised 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.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at January 1, 2018.

The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 18 and related Interpretations.

The effect of adopting PFRS 15 is set out below.

Overall impact

The Group's revenue from contracts with customers comprises two main streams being the sale of copper and magnetite concentrates. The Group undertook a comprehensive analysis of the impact of the new revenue standard based on a review of the contractual terms of its principal revenue streams with the primary focus being to understand whether the timing and amount of revenue recognized could differ under PFRS 15. For all of the Group's revenue streams, the nature and timing of satisfaction of the performance obligations, and, hence, the amount and timing of revenue recognized under PFRS 15, is the same as that under PAS 18. There were some reclassifications and some impact on presentation – refer below for further discussion. See Note 3 below for the Group's PFRS 15 revenue recognition accounting policies.



Impact on Consolidated Statement of Comprehensive Income

Copper and Magnetite Concentrates Sales

There were no changes identified with respect to the timing of revenue recognition in relation to copper and magnetite concentrates, as control transfers to customers (mainly smelting companies) at the date of shipment, which is consistent with the point in time when risks and rewards passed under PAS 18. There were some reclassification changes arising from copper concentrate sales that have provisional pricing terms.

Provisionally Priced Commodity Sales

The Group's sales of copper concentrate to customers contain terms which allow for price adjustments based on the market price at the end of a QP stipulated in the contract – these are referred to as provisionally priced sales. Under previous accounting standards (PAS 18 and PAS 39), provisionally priced sales were considered to contain an embedded derivative, which was required to be separated from the host contract for accounting purposes from the date of shipment. Revenue was initially recognized for these arrangements at the date of shipment (which was when the risks and rewards passed) and was based on the most recently determined estimate of metal in concentrate (based on initial assay results) and the estimated forward price that the entity expected to receive at the end of the QP, determined at the date of shipment. Subsequent changes in the fair value of the embedded derivative were recognized in the consolidated statement of comprehensive income each period until the end of the QP, and were presented as part of fair value gain/loss on derivatives.

Under PFRS 15, the accounting for this revenue will remain unchanged in that revenue will be recognized when control passes to the customer (which will continue to be the date of shipment) and will be measured at the amount to which the Group expects to be entitled. This will be the estimate of the price expected to be received at the end of the QP, i.e. the forward price. It will be the impact of the requirements of PFRS 9 that will lead to a change to the Group's accounting (refer to the PFRS 9 discussion above in this Note). The Group will now present such movements after the date of sale in the consolidated statement of comprehensive income as fair value gain/loss on provisionally priced trade receivables and there will be no impact on the disclosures relating to revenue from contracts with customers.

Other Impacts

The change did not have a material impact on other comprehensive income for the year. There was no net impact on the consolidated statement of comprehensive income.

- 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. Retrospective application is required.

The adoption of these amendments did not have any impact on the Group's 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. Retrospective application of the amendments is not required and 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 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 the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

The Group made some adjustments on its 2018 consolidated financial statements in line with the interpretation issued.

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 following pronouncements when these become effective.

Effective beginning on or after January 1, 2019

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

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are solely for payments of principal and interest on the principal amount outstanding (the solely for payments of principal and interest criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the solely for payments of principal and interest criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

These amendments have no impact on the consolidated financial statements of the Group.



- 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. 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 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.



The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

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

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its 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, *Income Taxes*, 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.

This interpretation is not relevant to the Group because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as of December 31, 2018 and 2017.



- *Annual Improvements to PFRSs 2015-2017 Cycle*

- *Amendments to PFRS 3, Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- *Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- *Amendments to PAS 23, Borrowing Costs, Borrowing Costs Eligible for Capitalization*
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

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



Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.



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. 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. 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 respective short-term investment rates.

Financial Instruments - Initial Recognition and Subsequent Measurement

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.

Financial Assets

Initial Recognition and Measurement (applicable starting January 1, 2018 upon adoption of PFRS 9)

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely for payments of principal and interest on the principal amount outstanding. This assessment is referred to as the solely for payments of principal and interest test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets designated at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial Assets at Amortized Cost (Debt Instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely for payments of principal and interest on the principal amount outstanding.



Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the consolidated statement of comprehensive income when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include short-term investments, nontrade receivables, interest receivables, advances to related related parties, advances to officers and employees, and refundable security deposits under other noncurrent assets.

Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely for payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in profit or loss in the consolidated statement of comprehensive income.

A derivative embedded in a hybrid contract with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

As PFRS 9 now has the solely for payments of principal and interest test for financial assets, the requirements relating to the separation of embedded derivatives is no longer needed for financial assets. An embedded derivative will often make a financial asset fail the solely for payments of principal and interest test thereby requiring the instrument to be measured at fair value through profit or loss in its entirety. This is applicable to the Group's trade receivables. These receivables relate to sales contracts where the selling price is determined after delivery to the customer, based on the market price at the relevant QP stipulated in the contract. This exposure to the commodity price causes such trade receivables to fail the solely for payments of principal and interest test. As a result, these receivables are measured at fair value through profit or loss from the date of recognition of the corresponding sale, with subsequent movements being recognized in fair value gain/loss on provisionally priced trade receivables in the consolidated statement of comprehensive income.

Aside from trade receivables, this category also includes derivative asset, quoted equity instrument and investment in unit investment trust fund which the Group classified at fair value through profit or loss.



Initial Recognition and Measurement (applicable until December 31, 2017 prior to the adoption of PFRS 9)

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available for sale 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.

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

As at December 31, 2017, the Group's financial assets are in the nature of financial assets at fair value through profit or loss, loans and receivables, and available for sale financial assets. 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 assets prior to the adoption of PFRS 9 depend on their classification as follows:

Financial Assets at Fair Value Through Profit or Loss

Financial assets 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 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, the Group's financial assets at fair value through profit or loss consist of derivative assets.

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 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.



Available for Sale Financial Assets

Available for sale financial assets include investments in equity and debt securities. Equity investments classified as available for sale 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, available for sale 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 available for sale 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 available for sale 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 available for sale 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 effective interest rate. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of comprehensive income.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement-and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. 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.



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.

Impairment of Financial Assets

Upon adoption of PFRS 9, the Group recognizes an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Expected credit losses are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month expected credit losses). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime expected credit losses).

For any other financial assets carried at amortised cost (which are due in more than 12 months), the expected credit losses is based on the 12-month expected credit losses. The 12-month expected credit losses is the proportion of lifetime expected credit losses that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit losses. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

As at December 31, 2017, prior to the adoption of PFRS 9, 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.

Available for Sale Financial Assets

For available for sale 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 available for sale 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.

Financial liabilities

Initial Recognition and Measurement

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.



All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and other financial liabilities, net of directly attributable transaction costs.

The Group's financial liabilities include payables and loans and borrowings.

Subsequent Measurement

Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of comprehensive income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has designated its derivative liability as at fair value through profit or loss.

Payables and Loans and Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognized in the profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statements comprehensive income.

This category generally applies to accounts payable and accrued liabilities, bank loans, long-term debts and other interest-bearing liabilities, and other current liability.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of 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 derivatives, provisionally priced trade receivables, and non-financial 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
- Derivatives Notes 5, 6 and 8
- Financial assets at fair value through profit or loss Notes 11 and 13
- Land Note 9
- Financial instruments Note 29

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.

Derivative Financial Instruments and Hedge Accounting

Initial Recognition and Subsequent Measurement

The Group uses derivative financial instruments, such as forward commodity contracts, to hedge its commodity price risks. Such derivative financial instruments 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 financial assets when the fair value is positive and as financial liabilities when the fair value is negative.



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

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment
- 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 it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Before January 1, 2018, the documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Beginning January 1, 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair Value Hedges

The change in the fair value of a hedging instrument is recognized in the consolidated statement of comprehensive income as other income (charges). The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the consolidated statement of comprehensive income as other income (charges).

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortised fair value is recognized immediately in profit or loss.

As at December 31, 2018 and 2017, the Group has freestanding derivative instruments such as commodity swap transaction used to hedge risks associated with copper prices.



Embedded Derivatives (applicable until December 31, 2017 prior to the adoption of PFRS 9)

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, 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 inventories, which consists of copper concentrate containing copper, gold and silver, and materials and supplies are valued at the lower of cost and net realizable value (NRV).

NRV for copper concentrate 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 the end of the reporting period.

Cost is determined using the following methods:

Copper Concentrate and Magnetite Concentrate

The cost of copper concentrate, containing copper, gold and silver, and magnetite concentrate are determined using the moving average method and are 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.

Materials and Supplies

Materials and supplies primarily pertain to consumable bearing and grinding balls, coolant and lubricants for the concentrators, concentrator supplies such as flotation 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. 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, creditable withholding taxes, derivative assets, prepaid insurance, and others. Other noncurrent assets are composed of input VAT, deposits and advances to suppliers, deferred mine exploration costs, mine rehabilitation fund (MRF), social development and management program (SDMP) fund, investment in unit investment trust fund, refundable deposits 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:

	<u>Number of Years</u>
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 2018 and 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 comprehensive 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 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 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 from Contracts with Customers

The Group is principally engaged in the business of producing copper concentrate and in some instances, magnetite concentrate. Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group has generally concluded that it is the principal in its revenue contracts because it typically controls the goods before transferring these to the customer.



Contract Assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. The Group does not have any contract assets as at December 31, 2018 as performance and a right to consideration occurs within a short period of time and all rights to consideration are unconditional.

Trade Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract. The Group does not have any contract liabilities as at December 31, 2018 as all transfers of goods to customers are made before consideration is received by the Group.

Copper Concentrate Sales

The Group's copper concentrate has copper, gold and silver. For copper concentrate sales, the enforceable contract is each purchase order, which is an individual, short-term contract, while the performance obligation is the delivery of the concentrate.

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 sales of copper concentrate allow for price adjustments based on the market price at the end of the relevant QP stipulated in the contract. These are referred to as provisional pricing arrangements and are such that the selling price for metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer. Adjustments to the sales price occur based on movements in quoted market prices up to the end of the QP. The period between provisional invoicing and the end of the QP can be between one and three months. The end of the QP also marks the settlement date for each shipment. 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 and other related 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 and other related charges.

Revenue is recognized when control passes to the customer, which occurs at a point in time when the copper concentrate is physically transferred onto the buyer's vessel and date of the bill of lading issued by the buyer's shipping agent. Under the terms of offtake 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.



For these provisional pricing arrangements, any future changes that occur over the QP are embedded within the provisionally priced trade receivables and are, therefore, within the scope of PFRS 9 and not within the scope of PFRS 15. Given the exposure to the commodity price, these provisionally priced trade receivables will fail the cash flow characteristics test within PFRS 9 and will be required to be measured at fair value through profit or loss up from initial recognition and until the date of settlement. These subsequent changes in fair value are recognized in the consolidated statement of comprehensive income each period and presented separately from revenue from contracts with customers as part of fair value gain/loss on provisionally priced trade receivables. Changes in fair value over, and until the end of, the QP, are estimated by reference to updated forward market prices for gold and copper as well as taking into account relevant other fair value considerations as set out in PFRS 13, including interest rate and credit risk adjustments (see Note 29).

As noted above, as the enforceable contract for the arrangements is the purchase order, the transaction price is determined at the date of each sale (i.e., for each separate contract) and, therefore, there is no future variability within scope of PFRS 15 and no further remaining performance obligations under those contracts.

Magnetite Concentrate Sales

For magnetite concentrate sales, the enforceable contract is each purchase order, which is an individual, short-term contract, while the performance obligation is the delivery of the concentrate.

Revenue is recognized when control passes to the customer, which occurs at a point in time when the magnetite concentrate is physically transferred onto the buyer's vessel and date of the bill of lading issued by the buyer's shipping agent. Selling prices are based on agreed prices between the customers and the Group which are known or can be reasonably estimated.

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, general administrative expenses, mine product taxes and depletion of mining rights, 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 26.

Basic Earnings/Loss 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/Loss 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 28 and 30).

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, 2018 and 2017, 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).

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 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, 2018 and 2017, the Group has deductible temporary differences, NOLCO and excess MCIT amounting to ₱1,224,843 and ₱1,439,642, respectively (see Note 24), for which no deferred tax assets were recognized. As at December 31, 2018 and 2017, deferred tax assets amounting to ₱3,527,397 and ₱2,343,727 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 24).

Definition of Default and Credit Impaired Financial Assets (applicable starting January 1, 2018 upon adoption of PFRS 9)

The Group defines financial instruments as in default, which is fully aligned with the definition of credit-impaired, when a customer is more than 90 days past due on its contractual obligations. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to calculate the Group's expected loss.

An instrument is considered to be no longer in default (i.e., to have cured) when it no longer meets any of the default criteria.

General Approach for Debt Financial Assets Measured at Amortized Cost

The expected credit loss is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the probability of default, loss given default, and exposure at default, defined as follows:

- *Probability of default.* The probability of default represents the likelihood of a debtor or customer defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. Probability of default estimates are estimates at a certain date, which are calculated based on available market data using rating tolls tailored to the various categories of counterparties and exposures. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated probability of default. Probability of defaults are estimated considering the contractual maturities of exposures.



The 12-months and lifetime probability of default represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic condition that affect credit risk.

- *Loss given default.* Loss given default represents the Group's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money. Loss given default varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. Loss given default is expressed as a percentage loss per unit of exposure at the time of default.
- *Exposure at default.* Exposure at default is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

Incorporation of Forward-looking Information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of expected credit loss.

To do this, the Group has considered a range of relevant forward- looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of expected credit losses.

Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group considers two or more economic scenarios and the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, and credit risk and credit losses. The Group considers macro-economic factors such as local GDP growth rates, inflation rates, and copper prices in its analysis.

Predicted relationship between the key indicators and default and loss rates on portfolios of financial assets have been developed based on analyzing historical data over the past three years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on expected credit loss due to lack of reasonable and supportive information.

Grouping of Instruments for Losses Measured on Collective Basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogenous. The Group considers in its collective assessment the type of counterparties and its geographical location.



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 2018, 2017 and 2016 amounted to nil, ₦396,042, and ₦324,952 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.

Identification of the Enforceable Contract

For copper concentrate sales, while there are master services agreements (offtake contracts) with key customers that set out the general terms and conditions governing any sales that occur, they do not contain any minimum volumes, i.e., the customer is not required to buy any concentrate. The customer



is only obliged to purchase metal in concentrate when it places a purchase order for each shipment. Also, there are no terms which link separate purchase orders. For example, there are no rebates or discounts provided if a customer buys more than a specified amount each year, and there are no penalties that impact overall sales during a period. Therefore, for these arrangements, the enforceable contract has been determined to be each purchase order.

Allocation of Stripping Costs

Significant judgement is required to distinguish between development stripping and production stripping and to distinguish between the production stripping that relates to the extraction of inventory and that which relates to the creation of a stripping activity asset.

Once the Group has identified its production stripping for each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify and define these components, and also to determine the expected volumes (e.g., in tonnes) of waste to be stripped and ore to be mined in each of these components. These assessments are undertaken for each individual mining operation based on the information available in the mine plan. The mine plans and, therefore, the identification of components, will vary between mines for a number of reasons. These include, but are not limited to, the type of commodity, the geological characteristics of the ore body, the geographical location and/or financial considerations.

Judgement is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Group considers that the ratio of the expected volume (e.g., in tonnes) of waste to be stripped for an expected volume (e.g., in tonnes) of ore to be mined for a specific component of the ore body, is the most suitable production measure.

Furthermore, judgements and estimates are also used to apply the units of production method in determining the depreciable lives of the stripping activity asset(s).

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:

Business Model Assessment

Classification and measurement of financial assets depends on the results of the solely for payments of principal and interest and the business model test (Note 2). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.



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

PFRSs require 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, 2018 and 2017. 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 9.93% and 10.18% as at December 31, 2018 and 2017, respectively.

Based on the management's assessment, no impairment loss on goodwill, property, plant and equipment and mining rights should be recognized in 2018, 2017 and 2016 (see Notes 9 and 10).

Estimating Allowance for Impairment Losses of Receivables (applicable until December 31, 2017 prior to the adoption of PFRS 9)

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 as at December 31, 2017 (see Note 5). Receivables, net of allowance for impairment losses, amounted to ₱484,118 as at December 31, 2017 (see Note 5).

Measurement of Expected Credit Losses (applicable starting January 1, 2018 upon adoption of PFRS 9)

Expected credit losses are derived from unbiased and probability weighted estimates of expected loss, and are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate, or an approximation thereof. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to contractual terms.



Allowance for expected credit losses on receivables amounted to ₱33,124 as at December 31, 2018 (see Note 5). Receivables, net of allowance for expected credit losses, amounted to ₱487,186 as at December 31, 2018 (see Note 5).

Estimating Ore Reserves

Ore reserves estimate for development projects is, 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 reserves estimate is 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 reserves estimate for partially developed areas is 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 reserves estimate for undeveloped or partially developed areas is 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 29).

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, and Transamine Trading S.A. (TTSA), 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, 2018 and 2017, the cost of mine products inventory is lower than its NRV. No provision for impairment loss on of mine products inventory was recognized in 2018 and 2017. Mine products inventory amounted to ₱711,113 and ₱507,925 as at December 31, 2018 and 2017, 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 ₱517,822 and ₱475,902 as at December 31, 2018 and 2017, respectively, had been fully provided with an allowance for impairment losses (see Note 7).



Materials and supplies inventories, net of allowance for impairment losses, amounted to ₱1,568,861 and ₱1,655,083 as at December 31, 2018 and 2017, 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, 2018 and 2017, the fair value of the land amounted to ₱430,286 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 2018, 2017 and 2016 are 2.33%, 1.98% and 2.21%, 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 2018, 2017 and 2016, no provision for impairment loss on the Group's deferred mine exploration costs was recognized (see Note 13).



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 ₱219,042 and ₱211,388 as at December 31, 2018 and 2017, 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 23.

Retirement benefits liability amounted to ₱308,306 and ₱316,490 as at December 31, 2018 and 2017, respectively (see Note 23). Retirement benefits costs amounted to ₱62,369, ₱48,207 and ₱73,375 in 2018, 2017 and 2016, respectively (see Note 23).

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, 2018 and 2017 amounted to ₱77,732 and ₱55,849, 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 2018, 2017 and 2016.

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 quotational period. Total mine product sales, net of smelting and related charges, amounted to ₱13,295,913, ₱11,070,571 and ₱10,924,490 in 2018, 2017 and 2016, respectively (see Note 19).

4. Cash and Cash Equivalents, and Short-term Investments

Cash and Cash Equivalents

	2018	2017
Cash on hand	₱3,710	₱3,123
Cash in banks	1,160,957	1,203,983
Cash equivalents	61,032	167,695
	₱1,225,699	₱1,374,801

Interest income earned from cash in banks amounted to ₱2,810, ₱3,555 and ₱4,034 in 2018, 2017 and 2016, respectively (see Note 25).

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 ₱2,812,863 and ₱793,841 as at December 31, 2018 and 2017, respectively, are classified as short-term investments in the consolidated statement of financial position. Interest income earned from short-term investments amounted to ₱38,100, ₱25,324 and ₱38,124 in 2018, 2017 and 2016, respectively (see Note 25). Interest receivable from the said short-term investments amounted to ₱3,097 and ₱2,244 as at December 31, 2018 and 2017, respectively (see Note 5).



5. Receivables

	2018	2017
Trade receivables	₱238,351	₱289,883
Nontrade	160,619	72,328
Interest (Note 4)	3,097	2,244
Advances to:		
Related parties (Note 22a)	102,440	136,392
Officers and employees	15,803	16,206
	520,310	517,053
Less allowance for expected credit loss	(33,124)	(32,935)
	₱487,186	₱484,118

The Group's trade receivables arise from its shipments of copper concentrate, containing copper, gold, silver, and magnetite concentrate.

Trade receivables (subject to provisional pricing) are non-interest bearing, but are exposed to future commodity price movements over the QP and, hence, fail the solely for payments of principal and interest test and are measured at fair value up until the date of settlement. These trade receivables are initially measured at the amount which the Group expects to be entitled, being the estimate of the price expected to be received at the end of the QP. Approximately 90% of the provisional invoice (based on the provisional price (calculated as the average price five to 10 days prior to delivery)) is received in cash when the goods are loaded onto the ship, which reduces the initial receivable recognized under PFRS 15. The QPs can range between one and three months post shipment and final payment is due between 30 to 90 days from the end of the QP.

Based on CCC's pricing agreements with MRI, PASAR, and TTSA, copper sales will be provisionally priced at shipment subject to price and quantity adjustment after the QP. Under the offtake contracts with MRI, CCC, with the consent of MRI, 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.

Upon adoption of PFRS 9, the Group, through CCC, recognized net fair value loss on provisionally priced receivables amounting to ₱151,000 in 2018.

Prior to the adoption of PFRS 9, the Group, through CCC, recognized fair value gain on derivatives and related derivative asset amounting to ₱56,482 as at December 31, 2017. The fair value gain and loss on derivatives in 2016 amounting to ₱5,101 and ₱31,889, respectively, were subsequently reversed in 2017 with an additional net cumulative translation adjustment of ₱369. As at December 31, 2016, the Group recognized fair value gain and loss on derivatives amounting to ₱5,101 and ₱31,889, respectively. The fair value gain and loss on derivatives in 2015 amounting to ₱56 and ₱2,459, respectively, were subsequently reversed in 2016 with an additional net cumulative translation adjustment of ₱891.

Nontrade receivables mainly comprise of receivables from the settlement of commodity swap transactions, and the outstanding balance of other billings which are not related to Group's operations. These are non-interest bearing and are generally collectible within one year. Advances from officers and employees are non-interest bearing and are subject to payroll deduction.



The Group applied the general approach on receivables carried at amortized cost. However, the expected credit loss obtained from the assessment was considered insignificant considering the high credit standing of the Group's counterparties, except for various individually significant accounts for which significant increase in credit risk has been recognized (see Note 28). As a result, the allowance provided in the prior years for credit losses expected over the remaining life of the exposure was still deemed reasonable. No provision for expected credit losses was provided in 2018. Prior to the adoption of PFRS 9, provision for impairment losses on receivables amounting to ₱1,822 and ₱1,763 were recognized by the Group in 2017 and 2016, respectively.

After the adoption of PFRS 9, movements in allowance for expected credit losses are as follows:

	2018
Balances at beginning of year	₱32,935
Provision for expected credit losses (Note 21)	-
Cumulative translation adjustment	189
Balances at end of year	₱33,124

As the Groups's nontrade receivables, interest receivables, advances to officers and employees, and advances to related parties which the Group measures at amortized cost are short-term (i.e., less than 12 months) and the Group's credit rating and risk management policies are in place, no additional provision for expected credit losses was provided as a result of the change to a forward-looking expected credit losses approach.

Prior to the adoption of PFRS 9, movements in allowance for impairment losses are as follows:

	2017
Balances at beginning of year	₱31,122
Provision for impairment loss (Note 21)	1,822
Cumulative translation adjustment	(9)
Balances at end of year	₱32,935

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 commodity price risk.

In 2018 and 2017, 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, PASAR and TTSA

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 PASAR (PASAR Contracts) effective in 2016, and one contract of purchase with TTSA (TTSA Contract) effective in 2018, whereby the Group 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, PASAR Contracts and TTSA Contract.



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 MRI Contracts, CCC and MRI 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) an addendum to the MRI Contract will be executed to confirm the actual volume of the copper shipped based on the fixed price.

No price fixing was exercised in 2018 and 2017. The Group recognized copper concentrate sales amounting to ₱14,209,893, ₱11,952,096 and ₱12,020,307 in 2018, 2017 and 2016, respectively.

Freestanding Derivatives

Commodity Swap Transactions

In November 2016 and in various dates in 2017, CCC entered into Copper Asian Swap transactions 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. No additional commodity swap transactions were entered into by the Group in 2018.

The Group recognized realized losses and related derivative liabilities on its commodity swap transactions amounting to ₱223,249, ₱311,334 and nil in 2018, 2017 and 2016, respectively. The Group recognized unrealized losses and related derivative liabilities amounting to nil, ₱742,043 and nil in 2018, 2017 and 2016, respectively. The Group recognized unrealized gains and related derivative asset amounting to nil, nil and ₱7,308 in 2018, 2017 and 2016, respectively.

The unrealized loss and related derivative liability in 2017 amounting to ₱742,043, was subsequently reversed in 2018 with a cumulative translation adjustment of ₱40,757. The unrealized gain and related derivative asset in 2016 amounting to ₱7,308 was subsequently reversed in 2017 with cumulative translation adjustment of ₱100.

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 6.50% 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 106.50% of the principal amount plus accrued and unpaid interest with the net prepayment 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 prepayment option is clearly and closely related to the host contract and that 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 amounting to US\$320.0 million (see Note 15).



7. Inventories

This account consists of:

	2018	2017
At cost:		
Mine products		
Coarse and fine ore	₱24,835	₱31,650
Copper concentrate	686,278	476,275
At lower of cost and NRV		
Materials and supplies (net of allowance for impairment losses of ₱517,822 and ₱475,902 as at December 31, 2018 and 2017, respectively)	1,568,861	1,655,083
	₱2,279,974	₱2,163,008

Mine Products

Mine products include copper concentrate containing copper, gold and silver. The cost of mine products includes depreciation and depletion of property, plant and equipment amounting to ₱29,672, ₱90,518 and 2,343 as at December 31, 2018, 2017 and 2016, respectively (see Note 9).

Materials and Supplies

Materials and supplies consist of consumable items and spare parts. Materials and supplies with cost amounting to ₱517,822 and ₱475,902 as at December 31, 2018 and 2017, respectively, are fully provided with allowance for impairment losses.

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

	2018	2017
Balances at beginning of year	₱475,902	₱381,049
Provision for impairment losses (Note 21)	33,504	95,478
Cumulative translation adjustment	8,416	(625)
Balances at end of year	₱517,822	₱475,902

The cost of inventories recognized as expense amounted to ₱3,866,317, ₱2,647,263 and ₱3,231,489 in 2018, 2017 and 2016, respectively (see Notes 20 and 21).

8. Other Current Assets

This account consists of:

	2018	2017
Deposits and advances to suppliers	₱123,137	₱309,183
Creditable withholding taxes	307,992	245,364
Prepaid insurance	8,338	10,905
Derivative asset (Note 5)	-	56,482
Others	6,486	5,755
	₱445,953	₱627,689



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. The eventual realization of such advances is determined by the usage/realization of the asset to which it was advanced for. These are classified as current if such will be applied as payments for assets to be classified as inventories or other working capital accounts and are recognized in the books at amounts initially paid. Purchases 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. Other deposits and advances to suppliers in Note 13 were presented as noncurrent since these are expected to be applied as payments for assets to be classified as property, plant and equipment or other noncurrent assets.

Creditable Withholding Taxes

Creditable withholding taxes are advance payments to the Bureau of Internal Revenue (BIR) thru the Group's customers as withholding agents, applied against the Group's income tax due. Excess of creditable withholding taxes against income tax payable represents excess tax credits for the period and are carried over in the succeeding period.

Prepaid Insurance

Prepaid insurance pertains to insurance premiums paid by CCC for the benefit of the next period's operations.

Others

Others include cash advance clearing accounts and other prepayments, which are individually insignificant in amount.



9. Property, Plant and Equipment

The composition of and movements of this account follow:

December 31, 2018:

	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	₱74,778	₱28,940,402	₱242,477	₱2,534,993	₱18,755,625	₱162,716	₱11,503	₱536,564	₱51,259,058	₱430,286
Additions	-	-	-	-	-	-	-	3,434,441	3,434,441	-
Reclassifications	-	1,273,787	-	8,910	870,811	9,574	-	(2,163,082)	-	-
Retirements	-	-	-	-	(882,221)	(16,247)	-	-	(898,468)	-
Disposals	-	-	-	-	(489,979)	-	-	-	(489,979)	-
Change in estimate (Note 16)	-	16,434	-	-	-	-	-	-	16,434	-
Cumulative translation adjustment	785	1,585,066	17,183	153,345	1,101,422	12,439	124	28,531	2,898,895	-
Balances at end of year	75,563	31,815,689	259,660	2,697,248	19,355,658	168,482	11,627	1,836,454	56,220,381	430,286
Accumulated depreciation and depletion:										
Balances at beginning of year	-	4,122,304	198,302	1,135,200	8,684,542	141,307	7,421	-	14,289,076	-
Depreciation and depletion (Notes 7, 20 and 21)	-	1,496,929	16,928	226,418	1,653,430	12,229	131	-	3,406,065	-
Retirements	-	-	-	-	(786,020)	(16,210)	-	-	(802,230)	-
Disposals	-	-	-	-	(465,807)	-	-	-	(465,807)	-
Cumulative translation adjustment	-	232,788	14,809	78,765	563,929	11,230	124	-	901,645	-
Balances at end of year	-	5,852,021	230,039	1,440,383	9,650,074	148,556	7,676	-	17,328,749	-
Net book values	₱75,563	₱25,963,668	₱29,621	₱1,256,865	₱9,705,584	₱19,926	₱3,951	₱1,836,454	₱38,891,632	₱430,286



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	₱430,286
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	430,286
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, 20 and 21)	-	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	140,339	671	11	-	148,997	-
Balances at end of year	-	4,122,304	198,302	1,135,200	8,684,542	141,307	7,421	-	14,289,076	-
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

Construction in-progress includes cost of various projects at different stages of completion as at December 31, 2018 and 2017.



Mine development costs consist of the following:

December 31, 2018:

	Mine and Mining Properties	Mine Development Costs	Mine Rehabilitation Costs	Total
Cost:				
Balances at beginning of year	₱1,268,439	₱27,671,963	₱–	₱28,940,402
Reclassifications	–	1,273,787	–	1,273,787
Change in estimate	–	–	16,434	16,434
Cumulative translation adjustment	70,911	1,514,155	–	1,585,066
Balances at end of year	1,339,350	30,459,905	16,434	31,815,689
Accumulated depletion:				
Balances at beginning of year	229,760	3,892,544	–	4,122,304
Depletion	25,474	1,471,455	–	1,496,929
Cumulative translation adjustment	15,751	217,037	–	232,788
Balances at end of year	270,985	5,581,036	–	5,852,021
Net book values	₱1,068,365	₱24,878,869	₱16,434	₱25,963,668

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

Revaluation Increment on Land at Revalued Amount

The fair value of the land amounted to ₱430,286 as at December 31, 2018 and 2017 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 24). The carrying amount of the land had it been carried using the cost model is ₱3,330 as at December 31, 2018 and 2017.

Fully Depreciated Property, Plant and Equipment

Fully depreciated property, plant and equipment still used by the Group amounted to ₱2,931,503 and ₱2,452,463 as at December 31, 2018 and 2017, respectively. These are retained in the Group's records until these are disposed. No further depreciation is charged to current operations for these items.



Disposals

The Group sold items of property, plant and equipment in 2018, 2017 and 2016 with cost amounting to ₱489,979, ₱933 and ₱12,743, respectively and corresponding accumulated depreciation of ₱465,807, ₱840 and 10,920, respectively. Proceeds from the sales in 2018, 2017 and 2016 amounted to ₱17,937, ₱375 and ₱2,910, respectively and the Group recognized loss on the said disposal of items of property, plant and equipment amounting to ₱6,235 in 2018 while the Group recognized gains on the said disposals amounting to ₱282 and ₱1,087 in 2017 and 2016, respectively.

Retirements

Total cost of property, plant and equipment retired in 2018, 2017 and 2016 amounted to ₱898,468, ₱44,540 and ₱414,470, respectively, with corresponding accumulated depreciation of ₱802,230, ₱39,880 and ₱413,947, respectively. The said retirements resulted in losses amounting to ₱96,238, ₱4,660 and ₱523 in 2018, 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 ₱1,146,709 and ₱1,849,137 as at December 31, 2018 and 2017, respectively (see Note 15).

Commitments

The Group has capital expenditure commitments amounting to ₱1,159,968 and ₱560,611 as at December 31, 2018 and 2017, respectively.

Depreciation and Depletion

The allocation of depreciation and depletion is as follows:

	2018	2017	2016
Inventories (Note 7)	₱29,672	₱90,518	₱2,343
Mining and milling costs (Note 20)	3,318,278	2,610,296	2,314,646
General and administrative expenses (Note 21)	58,115	63,057	69,774
	₱3,406,065	₱2,763,871	₱2,386,763

10. Goodwill

The carrying amount of goodwill includes:

	2018	2017
CCC	₱19,011,108	₱19,011,108
AHI	15,011	15,011
	₱19,026,119	₱19,026,119

CCC

On December 31, 2011, the Group recognized provisional fair values of identifiable assets and liabilities, including 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 in 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 ₱191,685, ₱165,471 and ₱188,372 in 2018, 2017 and 2016, respectively. The carrying amount of mining rights amounted to ₱7,989,958 and ₱8,181,643 as at December 31, 2018 and 2017, respectively. The Group recognized the related reversal of deferred tax liability amounting to ₱57,505, ₱49,641 and ₱56,512 in 2018, 2017 and 2016, 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 Anscor 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 2018, 2017 and 2016.

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, 2018. 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, 2018 is 9.93%. 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 34-year 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.

d. Copper Prices

The Group considers the effect of commodity price changes. The Group considered the possible effect of the changes in the price of copper 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 9.93% and 10.18% as at December 31, 2018 and 2017, respectively.

11. Quoted Equity Instrument

The Group's quoted equity instrument in shares amounted to ₱4,326 as at December 31, 2018 and 2017. The Group recognized an allowance for impairment loss on quoted equity instrument amounting to ₱4,326 as at December 31, 2018 and 2017.

On January 1, 2018, the cumulative change in fair value of the quoted equity instrument was reclassified to retained earnings as a result of the adoption of PFRS 9.



12. Investments in Associates

As of June 2014, the Group has the following investments in associates (collectively called the Nickel Corporations), which are domiciled in the Philippines:

a.) TMM Management, Inc. (TMMI)	direct interest
b.) Ulugan Resources Holdings, Inc. (URHI)	direct interest
c.) Ulugan Nickel Corporation (UNC)	effective interest
d.) Nickeline Resources Holdings, Inc. (NRHI)	effective interest
e.) Berong Nickel Corporation (BNC)	effective interest

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

The remaining ownership of the above associates 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 positions in the said 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 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, 2018 and 2017, the percentages of ownership of investment in associates are as follows:

Company	Percentage of Ownership		Principal Activities
	2018	2017	
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, 2018 and 2017, the movements in the investments in associates account are as follows:

	2018	2017
Balances at beginning of year	₱190,665	₱198,136
Accumulated equity:		
Share in net income (loss)	81,417	(7,471)
Dividend income	(50,400)	—
Balances at end of year	₱221,682	₱190,665

On December 12, 2018, BNC declared dividends amounting to ₱200,000 to all shareholders of record as of December 31, 2018.



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, 2018 and 2017, which are accounted for under the equity method, follow:

	2018	2017
Current assets	₱850,600	₱560,338
Noncurrent assets	510,832	515,686
Total assets	1,361,432	1,076,024
Current liabilities	587,020	733,752
Noncurrent liabilities	108,522	6,053
Total liabilities	695,542	739,805
Net assets	665,890	336,219
Net income (loss)	₱286,578	(₱29,303)
Other comprehensive income (loss)	(241)	2,548
Total comprehensive income (loss)	₱286,337	(₱26,755)

13. Other Noncurrent Assets

This account consists of:

	2018	2017
Input VAT (net of allowance for possible losses of ₱219,042 and ₱211,388 as at December 31, 2018 and 2017, respectively)	₱1,941,554	₱1,640,629
Deposits and advances to suppliers	295,633	-
MRF	74,157	67,215
SDMP fund	68,255	68,121
Investment in unit investment trust fund	27,999	-
Deferred mine exploration costs	16,708	16,708
Refundable deposits	4,906	3,125
Others	9,013	21,197
	₱2,438,225	₱1,816,995

Input VAT

Input VAT written off in 2016 amounting to ₱455,504 represents credits disallowed under the revised rules of the BIR and is the subject of a motion for reconsideration still pending with the Supreme Court. The Group, through CCC, was able to monetize tax credit certificate from the Bureau of Customs amounting to ₱445,776 in 2017 and utilized input VAT application amounting to ₱104,378 in 2016.

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

	2018	2017
Balances at beginning of year	₱211,388	₱206,833
Provision during the year (Note 21)	740	-
Write-off during the year	(740)	-
Cumulative translation adjustment	7,654	4,555
Balances at end of year	₱219,042	₱211,388



Deposits and Advances to Suppliers

The advances will be classified as non-current if such will be applied as payment for assets to be classified as property, plant and equipment or investment properties. These pertain mostly to advances made to the contractors for the Biga Tailings Storage Facility Enhancement Project of CCC.

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 Projects (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 2018 and 2017.

MRF

MRF pertains 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.

Interest income earned from MRF amounted to ₱6 and ₱1,316 in 2018 and 2017, respectively (see Note 25).

SDMP Fund

SDMP fund pertains to the deposits for the unexpended budget for 2017 identified as on-going projects under the Group's SDMP.

Interest income earned from SDMP fund amounted to ₱114 in 2018 (see Note 25).

Investment in Unit Investment Trust Fund

On January 26, 2018, CCC entered into a Transmission Service Agreement with National Grid Power Corporation (NGPC). This required CCC to provide credit support to NGPC through opening of a bank account assignable to NGPC. On July 11, 2018, CCC instructed BDO to debit from CCC's current account the amount of ₱28,126 and to invest the amount to a unit investment trust fund. The unit investment trust fund is then assigned to NGPC as basic security deposit. The Group has assessed the the investment in unit investment trust fund is not for contractual cash inflows and that no interest will be collected, given that fair value changes are expected to arise from movements of the net asset value per unit.

As at December 31, 2018, the Group has investment in unit investment trust fund amounting to ₱27,999, which have been measured at fair value (see Note 29). Unrealized gain on investment in unit investment trust fund, presented under Other - net in the statement of comprehensive income, amounted to ₱330 in 2018 with cumulative translation adjustment of ₱457.

Refundable Security Deposits

Refundable security deposits pertain to amounts paid by the Group as security deposit to various contractors which shall be refunded after the performance/delivery of services/goods.



Others

Others consists mainly of advances for the Longos and Nesbitan Gold Projects, which were used for field supplies and other costs during exploration and evaluation phase of the said projects. Others also include other assets of the Group which are considered individually insignificant in amount.

14. Accounts Payable and Accrued Liabilities

This account consists of:

	2018	2017
Trade	₱978,170	₱1,589,734
Accrued expenses:		
Power and other utilities	427,319	151,664
Rental	252,018	174,106
Contracted services	117,018	6,746
Explosives	32,158	20,376
Personnel	28,485	119,500
Insurance	19,088	17,212
Consigned fees	13,787	11,561
Professional fees	1,771	34,812
Others	310,010	257,015
Interest (Note 15)	313,833	263,759
Government payables	125,292	137,264
Others	159,223	119,886
	₱2,778,172	₱2,903,635

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 also include trust receipts, which are interest bearing. In 2018, the Group has obtained a total of ₱158,434 trust receipts, with various maturities in 2019, and interest rates of 3.13% to 4.00%. The related interest expense recognized related to trust receipts amounted to ₱3,084, ₱1,964 and ₱2,596 in 2018, 2017 and 2016, respectively (see Note 25).

Accrued Expenses - Others

The accrued expenses - others consist largely of accruals for purchased materials and supplies for which invoices have yet to be issued by suppliers as at December 31, 2018 and 2017. These are normally settled within six months.

Interest

Interest pertains to 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, Philippine Health Insurance Corporation, and Home Development Mutual Fund, withholding tax payable, excise tax payable, and customs duties which are non-interest bearing and are usually settled within the next month following the month of incurrence.



Others

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

15. Bank Loans, 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:

	2018	2017
China Banking Corporation (CBC)	₱8,938,600	₱–
Standard Chartered Bank (SCB)	788,700	748,950
Rizal Commercial Banking Corporation (RCBC)	525,800	499,300
Land Bank of the Philippines (LBP)	484,735	489,314
BDO	289,190	274,615
Security Bank	52,580	149,790
United Coconut Planters Bank (UCPB)	–	791,391
	₱11,079,605	₱2,953,360

1. CBC

On January 16, 2018, March 2, 2018 and October 11, 2018, CCC obtained from CBC short-term clean loans of US\$50.0 million, US\$15.0 million and US\$105.0 million, respectively, with maturities in 2018 and interest rates of 2.87% to 3.95%. The loans were rolled over during the year with new maturity date of January 9, 2019.

The interest expense recognized on the loans from CBC amounted to ₱154,943 in 2018 (see Note 25). The accrued interest payable amounted to ₱75,476 as at December 31, 2018 (see Note 14).

2. SCB

On February 6, 2015, CCC obtained a short-term clean loan from SCB in the amount of US\$15.0 million at the interest rate of 3.00% per annum, which initially matured on August 5, 2015. The loan was rolled-over several times with the last roll over done on October 2, 2018 to mature on January 21, 2019 at the interest rate of 3.75% per annum.

The interest expense recognized on the loans from SCB amounted to ₱33,286, ₱31,663 and ₱30,539 in 2018, 2017 and 2016, respectively (see Note 25). The accrued interest payable amounted to ₱5,751 and ₱5,149 as at December 31, 2018 and 2017, 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 July 27, 2018 to mature on July 22, 2019 at the interest rate of 3.75%.



The interest expense recognized on the RCBC loan amounted to ₱18,093, ₱13,594 and ₱14,039 in 2018, 2017 and 2016, respectively (see Note 25). The accrued interest payable amounted to ₱460 and ₱1,146 as at December 31, 2018 and 2017, respectively (see Note 14).

4. LBP

On April 23, 2013, CCC obtained a short-term clean loan with a dollar to peso convertibility clause from LBP 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 28, 2018 to mature on March 27, 2019 at the interest rate of 4.90% to 5.30%. CCC made several principal payments in accordance with the dollar to peso convertibility clause amounting to US\$0.5 million in 2013, US\$0.5 million in 2014, US\$0.4 million in 2015, US\$0.15 million in 2016, and US\$0.6 million in 2017. In 2018, CCC made partial payments to this loan amounting to US\$0.58 million.

On March 7, 2018 and May 9, 2018, CCC obtained short-term clean loans of US\$3.6 million and US\$6.0 million, respectively with maturity dates within 2018 at the interest rate of 4.03% to 4.90%. CCC fully paid the loans on October 30, 2018.

The interest expense recognized on the loans from LBP amounted to ₱36,869, ₱19,204 and ₱16,661 in 2018, 2017 and 2016, respectively (see Note 25). The accrued interest payable amounted to ₱183 and ₱1,109 as at December 31, 2018 and 2017, 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 21, 2018 to mature on December 16, 2019 with interest rate of 4.00%.

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 April 23, 2018 to mature on April 17, 2019 with interest rate of 4.00%.

The interest expense recognized on the loan from BDO amounted to ₱9,108, ₱7,760 and ₱7,378 in 2018, 2017 and 2016, respectively (see Note 25). The accrued interest payable amounted to ₱82 and ₱60 as at December 31, 2018 and 2017, 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 20, 2018 to mature on March 20, 2019 with interest rate of 3.85%. CCC made principal payments amounting to US\$0.3 million in 2016, US\$1.2 million in 2017 and US\$2 million in 2018.

The interest expense recognized amounted to ₱3,692, ₱6,822 and ₱6,384 in 2018, 2017 and 2016, respectively (see Note 25). The accrued interest payable amounted to ₱533 and ₱60 as at December 31, 2018 and 2017, respectively (see Note 14).



7. 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 2.80% to 3.50% per annum. On March 5, 2018, CCC fully paid the said loan.

The interest expense recognized from the loan from UCPB amounted to ₱5,195, ₱25,924 and ₱25,903 in 2018, 2017 and 2016, respectively (see Note 25). The accrued interest payable amounted to nil and ₱1,731 as at December 31, 2018 and 2017, respectively (see Note 14).

8. 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 3.00% 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 ₱275 in 2016 (see Note 25).

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

The Group's long-term debts and other interest-bearing liabilities as at December 31, 2018 and 2017 are as follows:

	2018	2017
BDO	₱15,767,076	₱14,427,427
SM Investments Corporation (SMIC; Note 2)	6,962,853	6,472,570
BDO Leasing & Finance, Inc. (BDO Leasing)	848,673	1,179,371
Anglo Philippine Holdings Corporation (APHC; Note 2)	620,596	576,897
Alakor Corporation (Alakor; Note 22)	152,981	142,209
LBP Leasing	35,441	-
United Overseas Bank Ltd. (UOB)	-	1,014,578
Security Bank	-	894,168
Maybank	-	811,662
RCBC	-	791,371
SCB	-	22,677
	24,387,620	26,332,930
Less noncurrent portion	24,113,614	22,437,903
	₱274,006	₱3,895,027

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

	2018	2017
Due in:		
2018	₱-	₱3,895,027
2019	274,006	266,091
2020 and thereafter	24,113,614	22,171,812
	₱24,387,620	₱26,332,930



Current portion of long-term debts

	2018	2017
BDO Leasing	₱266,110	₱360,571
LBP Leasing	7,896	-
UOB	-	1,014,578
Security Bank	-	894,168
MayBank	-	811,662
RCBC	-	791,371
SCB	-	22,677
	₱274,006	₱3,895,027

1. BDO

On March 16, 2017, CCC availed a secured subordinated term loan from BDO amounting to US\$320.0 million to settle its 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 5.00% per annum, inclusive of final withholding tax and fixed for the first two years with a step up of 1.00% every year thereafter. Interest is payable semi-annually in arrears from March 16, 2017.

CCC shall not declare or pay dividends to its stockholders or partners (other than dividends payable or paid solely in shares of stock of CCC) or retain, retire, purchase or otherwise acquire any class of its capital stock or make any other capital or other asset distribution to its stockholders or partners upon the occurrence of an event of default. Also, CCC will not extend loans or advances to any of its directors, officers, stockholders or partners, except duly approved employee benefit loans.

Principal payment equivalent to 1.00% 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 34). As at December 31, 2018 and 2017, the other current liability amounted to ₱1,969,576 and ₱1,870,312, respectively.

The interest expense recognized on the subordinated term loan, including the amortization of debt issue costs, amounted to ₱1,495,295 and ₱1,045,231 in 2018 and 2017, respectively (see Note 25). The total accrued interest payable to BDO amounted to ₱222,106 and ₱212,902 as at December 31, 2018 and 2017, respectively (see Note 14).

The carrying value of the loan as at December 31, 2018 and 2017 amounted to ₱15,767,076 and ₱14,427,427, respectively, net of debt issue costs with carrying value of ₱1,058,524 and ₱1,550,173 as at December 31, 2018 and 2017, respectively.

The movements in unamortized debt issue cost follow:

	2018	2017
Balances at beginning of year	₱1,550,173	₱-
Additions	-	1,950,788
Amortization	(574,932)	(404,419)
Cumulative translation adjustment	83,283	3,804
Balances at end of year	₱1,058,524	₱1,550,173



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 5.00% per annum for the first two years with a step up of 1.00% 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.

CCC shall not declare or pay dividends to its stockholders or partners (other than dividends payable or paid solely in shares of stock of CCC) or retain, retire, purchase or otherwise acquire any class of its capital stock or make any other capital or other asset distribution to its stockholders or partners. Also, CCC will not extend loans or advances to any of its directors, officers, stockholders or partners, except duly approved employee benefit loans.

The interest expense recognized on the said loans, including amortization of debt issue costs, amounted to ₱388,447 and ₱434,480 in 2018 and 2017, respectively (see Note 25). The total accrued interest payable amounted to ₱10,193 and ₱10,548 as at December 31, 2018 and 2017, respectively (see Note 14).

The carrying value of the loan as at December 31, 2018 and 2017 amounted to ₱7,736,430 and ₱7,191,676, respectively, net of debt issue costs with carrying value of ₱248,689 and ₱81,313 as at December 31, 2018 and 2017, respectively.

The movements in unamortized debt issue cost follow:

	2018	2017
Balances at beginning of year	(₱81,313)	₱-
Additions	-	41,771
Amortization	(163,348)	(124,421)
Cumulative translation adjustment	(4,028)	1,337
Balances at end of year	(₱248,689)	(₱81,313)

3. BDO Leasing

Since 2011, CCC has 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, CCC availed of additional finance lease facilities from BDO Leasing covering the total amount of ₱1,179,207.

The carrying value of the property, plant and equipment mortgaged as collaterals for the BDO Leasing facilities amounted to ₱1,146,709 and ₱1,849,137 as at December 31, 2018 and 2017, respectively (see Note 9).

The interest expense on the said facilities amounted to ₱51,555, ₱32,398 and ₱25,311 in 2018, 2017 and 2016, respectively (see Note 25). The accrued interest payable amounted to ₱116 and nil as at December 31, 2018 and 2017, respectively (see Note 14).



4. 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 6.50% 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, 2016. On December 18, 2016, CCC has fully paid the outstanding loans payable to LBP Leasing.

On January 30, 2018, CCC obtained a ₱42.27 million peso-denominated equipment leasing loan from LBP Leasing payable monthly over 60 months at an interest rate of 6.00% reprisable annually.

The related interest expense recognized amounted to ₱2,146, nil and ₱3,821 in 2018, 2017 and 2016, respectively (see Note 25).

No accrued interest payable was recognized as at December 31, 2018 and 2017.

5. 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.

On October 16, 2018, CCC fully paid the loans.

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 the auditor's 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. This did not significantly impact the Group since the bilateral loans are already classified as current liabilities. On October 16, 2018, CCC fully paid the loans.

- (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 ₱126,389, ₱183,383 and ₱195,324 in 2018, 2017 and 2016, respectively (see Note 25). The total accrued interest payable related to Bilateral Loan Agreements amounted to nil and ₱31,000 as at December 31, 2018 and 2017, respectively (see Note 14).

The Bilateral Loan Agreements consist of the following loans:

- 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 3.74% 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. On October 16, 2018, CCC fully paid the loan.

The interest expense recognized in respect of the UOB TLA amounted to ₱37,200, ₱53,104 and ₱56,984 in 2018, 2017 and 2016, respectively (see Note 25). Accrued interest payable on the UOB TLA as at December 31, 2018 and 2017 amounted to nil and ₱8,642 (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 5.00% per annum. CCC fully availed the facility covered by the SB TLA. In 2017, CCC made partial



payments of the SB TLA amounting to ₱165,880. On October 16, 2018, CCC fully paid the loan.

The interest expense on the SB TLA recognized amounted to ₱32,737, ₱48,599 and ₱55,765 in 2018, 2017, and 2016, respectively (see Note 25). The accrued interest payable on the SB TLA amounted to nil and ₱8,689 as at December 31, 2018 and 2017, 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 3.74% per annum. CCC fully availed the facilities covered by the Maybank TLA. In 2017, CCC made partial payments of the Maybank TLA amounting to US\$3.0 million. On October 16, 2018, CCC fully paid the loan.

The interest expense recognized on the Maybank TLA amounted to ₱31,085, ₱43,425 and ₱44,321 in 2018, 2017 and 2016, respectively (see Note 25). The accrued interest payable on the Maybank TLA amounted to nil and ₱7,428 as at December 31, 2018 and 2017, 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 2.50% 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).

The RCBC TLA covers a facility amounting to 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 3.74% per annum. CCC fully availed of the facility covered by the RCBC TLA. In 2017, CCC made partial payments of the RCBC TLA amounting to US\$2,941. On October 16, 2018, CCC fully paid the loan.

Total interest expense on the RCBC TLA amounted to ₱25,367, ₱38,255 and ₱38,524 in 2018, 2017 and 2016, respectively (see Note 25). The accrued interest payable on the RCBC TLA amounted to nil and ₱6,240 as at December 31, 2018 and 2017, respectively (see Note 14).

6. 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 were 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. On March 2018, the company fully paid the loan.

The interest expense recognized on the OLSA amounted to ₱247, ₱4,750 and ₱12,323 in 2018, 2017 and 2016, respectively (see Note 25). The total accrued interest payable on the OLSA amounted to nil and ₱53 as at December 31, 2018 and 2017, respectively (see Note 14).

The carrying amount of the loans under the OLSA amounted to nil and ₱22,677 as at December 31, 2018 and 2017, respectively. CCC settled the principal amounts and interests on a timely basis until fully paid on June 11, 2017 and March 11, 2018.

7. 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 6.50% and will carry a yield to maturity of 6.75%. The interest expense recognized from the bonds payable amounted to nil, ₱280,184 and ₱1,089,783 in 2018, 2017 and 2016, respectively (see Note 25).

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. 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 106.50% 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.



In March 2017, CCC fully settled its US\$300.0 million bonds using the proceeds from a seven-year term loan from BDO amounting to US\$320.0 million.

8. 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 three-year tenure, (ii) accrue interest at the rate of 4.00% per annum payable semi-annually, (iii) with an indicative yield-to-maturity of 5.63% 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 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 Convertible Loans together with its features are evaluated to determine if the embedded components qualify as derivatives to be separately accounted for. 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 Convertible 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 Convertible Loans. In 2017, the Parent Company recognized a 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 Convertible 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 nil, ₱24,984 and ₱126,620 in 2018, 2017 and 2016, respectively (see Note 25).

9. 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 CCC. The essential terms of the loan include: interest rate at 5.00% 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 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 5.00% 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 from CCC amounting to ₱6,930,563.

The interest expense recognized on the SMIC loan facility amounted to nil, ₱77,006 and ₱258,073 in 2018, 2017 and 2016, respectively (see Note 25).

10. US\$75.0 million BDO Loan

On July 25, 2011, the Parent Company availed from BDO a US\$-denominated loan facility 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 7.00% 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 ₱12,699 in 2016 (see Note 25).

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, totaling to ₱269.4 million, are payable within 36 months and accrue interest at the rate of 6.50% to 7.00% per annum. In 2016, CCC has fully paid the outstanding loans payable to SBM Leasing. The related interest expense recognized amounted to ₱383 in 2016 (see Note 25).



16. Liability for Mine Rehabilitation

Movements in the liability for mine rehabilitation are as follows:

	2018	2017
Balances at beginning of year	₱55,849	₱53,266
Accretion of interest (Note 25)	2,490	2,380
Cumulative translation adjustment	2,959	203
Change in accounting estimate	16,434	-
Balances at end of year	₱77,732	₱55,849

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 2018, the estimated future cash flows of CCC's Final Mine Rehabilitation and Decommissioning Plan were updated to reflect forecasted changes in inflation and risk-free rates. As at December 31, 2018, the increase in liability for mine rehabilitation amounted to ₱16,434. Discount rates used by the Group in determining the present value of the future rehabilitation costs is 4.95% as at December 31, 2018 and 2017.

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:

	2018		2017	
	No. of Shares	Amount	No. of Shares	Amount
Authorized - (₱1 par value)	8,890,000,000	₱8,890,000	8,890,000,000	₱8,890,000
Issued	2,087,032,774	2,087,033	2,087,032,774	2,087,033
Subscribed	1,472,500,000	1,472,500	1,472,500,000	1,472,500
Total shares issued and subscribed	3,559,532,774	₱3,559,533	3,559,532,774	₱3,559,533

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 volume weighted average price preceding the pricing date, November 16, 2016. In 2017, 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, 2018 and 2017, the Parent Company is compliant with the minimum public float as required by the PSE.

2016

Reduction in Par Value and Decrease in Authorized Capital Stock

In 2016, the Parent Company's BOD and shareholders approved the 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. Warrants 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 for the refinancing of the US\$300.0 million bonds of CCC as well as the Parent Company's 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 at December 31, 2018, no warrants were issued by the Parent Company.

The following are the salient features, terms and conditions, and other relevant information of the Warrants 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 7th anniversary of the date of issue of the warrants. Expiry date is the 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 volume weighted average price 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's 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.

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, 2018		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 loans availed by the Parent Company from SMIC, Alakor and APHC (see Note 15).

Movements in additional paid-in capital are as follows:

	2018	2017
Balances at beginning of year	₱19,650,936	₱14,686,962
Subscriptions to capital stock	–	4,963,974
Balances at end of year	₱19,650,936	₱19,650,936

d. Retained Earnings

The details and movements of the Group's retained earnings are as follows:

	2018	2017
Beginning balances	₱15,992,908	₱17,960,856
Net loss	(1,719,662)	(1,967,948)
Effect of adoption of PFRS 9 (Note 2)	4,861	–
Ending balances	₱14,278,107	₱15,992,908

Restricted Retained Earnings

As at December 31, 2018 and 2017, CCC has retained earnings in an amount exceeding its paid-up capital. The retention of the surplus profit is on account of the restriction on the declaration of dividend under certain loan agreements (see Note 15).

Dividend Declaration

There were no dividends declared and paid in 2018 and 2017.



e. Number of Shareholders

As at December 31, 2018 and 2017, the Parent Company has 20,753 and 20,799 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 did not exercise subscription rights in 2018 and 2017.

19. Revenues from Contracts with Customers

Revenue from contracts with customers is disaggregated into the following:

	2018	2017	2016
Type of goods			
Copper concentrate containing:			
Copper	₱12,572,825	₱10,703,420	₱10,163,804
Gold	1,635,403	1,242,285	1,900,169
Silver	1,665	1,212	2,924
Smelting and related charges	(913,980)	(893,591)	(1,155,363)
	13,295,913	11,053,326	10,911,534
Magnetite concentrate	-	17,245	12,956
Total revenues from contracts with customers	₱13,295,913	₱11,070,571	₱10,924,490



All revenue from copper and magnetite concentrate is recognized at a point in time when control transfers.

20. Mining and Milling Costs, and Mine Products Taxes

Mining and milling costs consists of:

	2018	2017	2016
Materials and supplies (Note 7)	₱3,854,057	₱2,641,122	₱3,222,626
Depreciation and depletion (Note 9)	3,318,278	2,610,296	2,314,646
Communication, light and water	2,513,234	2,043,759	2,163,398
Personnel costs (Note 21)	651,920	606,437	659,025
Contracted services	583,420	279,337	174,630
Other costs	148,045	129,322	171,693
	₱11,068,954	₱8,310,273	₱8,706,018

Other costs consist of freight expenses, customs duties, insurance costs of vehicles used in the mine operations and other expenses which are individually insignificant in amount.

Mine Products Taxes

Excise taxes amounting to ₱542,223, ₱215,506 and ₱216,429 in 2018, 2017 and 2016, respectively, pertain to the taxes paid and accrued by the Group related to the production of copper concentrate.

21. General and Administrative Expenses

	2018	2017	2016
Personnel costs	₱402,645	₱412,959	₱403,188
Rentals	253,239	336,004	259,933
Taxes and licenses	166,584	188,433	141,161
Community assistance	104,988	114,318	93,764
Depreciation and depletion (Note 9)	58,115	63,057	69,774
Professional fees	43,911	58,496	92,469
Provision for impairment losses:			
Inventories (Note 7)	33,504	94,853	44,825
Receivables (Note 5)	-	1,822	1,763
Input VAT (Note 13)	740	-	-
Insurance	24,203	19,878	20,906
Communication, light and water	22,915	21,502	24,229
General consumption items (Note 7)	8,537	5,299	6,994
Entertainment, amusement and recreation	8,487	13,731	14,481
Bond premium expense	-	1,764	353
Transportation and travel	5,632	269	401
Office supplies (Note 7)	3,723	842	1,869
Repairs and maintenance	1,357	1,157	3,073
Others	151,257	70,555	95,322
	₱1,289,837	₱1,404,939	₱1,274,505



Rentals pertain to land, office and equipment rentals not directly related to the mining operations.

Others consist primarily of insurance fees, diesel fuel costs, 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:

	2018	2017	2016
Salaries and wages	₱906,483	₱890,878	₱911,995
Retirement benefits cost (Note 23)	47,338	35,328	59,311
Other employee benefits	100,192	93,190	90,907
	₱1,054,013	₱1,019,396	₱1,062,213
	2018	2017	2016
Mining and milling (Note 20)	₱651,920	₱606,437	₱659,025
General and administrative expenses	402,093	412,959	403,188
	₱1,054,013	₱1,019,396	₱1,062,213

22. 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:

	2018			
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Associates				
<i>Receivables (Note 5)</i>				
BNC	₱33,700	₱79,855	On demand; non-interest bearing	Unsecured, no guarantee
URHI	-	3,006	On demand; non-interest bearing	Unsecured, no guarantee
UNC	-	16,563	On demand; non-interest bearing	Unsecured, no guarantee

(Forward)



2018				
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Entities with significant influence over the Group				
<i>Receivables (Note 5)</i>				
Alakor	₱-	₱3,016	On demand; non-interest bearing	Unsecured, no guarantee
	₱33,700	₱102,440		
Entities with significant influence over the Group				
<i>Loans (Note 15)</i>				
SMIC	₱146,756	₱6,962,853	Interest-bearing; 5% for the first two years; repriceable at the option of the lender at prevailing market rates	Unsecured, no guarantee
APHC	13,081	620,596	Interest-bearing; 5% for the first two years; repriceable at the option of the lender at prevailing market rates	Unsecured, no guarantee
Alakor	3,224	152,981	Interest-bearing; 5% for the first two years; repriceable at the option of the lender at prevailing market rates	Unsecured, no guarantee
	₱163,061	₱7,736,430		
2017				
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Associates				
<i>Receivables (Note 5)</i>				
BNC	₱7,397	₱114,642	On demand; non-interest bearing	Unsecured, no guarantee
URHI	61,740	3,006	On demand; non-interest bearing	Unsecured, no guarantee
UNC	66	15,728	On demand; non-interest bearing	Unsecured, no guarantee
Entities with significant influence over the Group				
<i>Receivables (Note 5)</i>				
Alakor	-	3,016	On demand; non-interest bearing	Unsecured, no guarantee
	₱69,203	₱136,392		
Entities with significant influence over the Group				
<i>Loans (Note 15)</i>				
SMIC	₱7,524,077	₱6,472,570	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
	₱8,360,023	₱7,191,676		



b. *Compensation of Key Management Personnel*

The Group considers all senior officers as key management personnel.

	2018	2017	2016
Short-term benefits	₱76,289	₱100,925	₱128,603
Retirement benefits	3,754	8,334	10,789
	₱80,043	₱109,259	₱139,392

23. 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 benefits cost as at December 31, 2018, 2017 and 2016:

	2018		2017		2016	
	Retirement benefits liability	Retirement benefits costs	Retirement benefits liability	Retirement benefits costs	Retirement benefits liability	Retirement benefits costs
Parent Company	₱8,940	₱1,907	₱9,869	₱1,971	₱8,536	₱3,079
CCC	299,366	60,462	306,621	46,236	275,573	70,296
	₱308,306	₱62,369	₱316,490	₱48,207	₱284,109	₱73,375

The movements in remeasurement gain on retirement benefits liability, net of tax, of the Parent Company and CCC are as follows:

	2018	2017
Balances at beginning of year	₱166,717	₱178,868
Actuarial gains (losses):		
Experience adjustments	(3,399)	(21,782)
Demographic assumptions	6,075	(137)
Financial assumptions	35,348	9,768
	38,024	(12,151)
Remeasurement gain on retirement benefits liability - net of tax	₱204,741	₱166,717



Parent Company Retirement Benefits Liability

The details of retirement benefits cost follow:

	2018	2017	2016
Current service cost (Note 21)	₱1,473	₱1,501	₱2,594
Interest cost (Note 25)	434	470	485
	₱1,907	₱1,971	₱3,079

The movements in the present value of the retirement benefits liability are as follows:

	2018	2017
Balances at beginning of year	₱9,869	₱8,536
Current service cost (Note 21)	1,473	1,501
Interest cost (Note 25)	434	470
Actuarial losses (gains):		
Experience adjustments	(963)	245
Demographic assumptions	(1,110)	(73)
Financial assumptions	(763)	(200)
Benefits paid	-	(610)
Balances at end of year	₱8,940	₱9,869

The Parent Company does not have any plan assets.

The retirement benefits cost 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:

	2018	2017	2016
Discount rate	7.33%	5.77%	5.51%
Expected rate of salary increase	5.00%	5.00%	5.00%
	22% at age 18	8% at age 18	8% at age 18
	decreasing to	decreasing to	decreasing to
Turnover rate	0% at age 60	0% at age 60	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)	2018	2017
Discount rates	+1%	(₱411)	(₱9,168)
	-1%	469	10,700
Salary increase rate	+1%	₱521	₱10,749

The Parent Company does not expect to contribute to the defined retirement benefits plan in 2019. 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, 2018 and 2017:

	2018	2017
Less than one year	₱5,236	₱4,701
More than five years to 10 years	10,316	11,203
More than 10 years to 15 years	1,482	3,387
More than 15 years to 20 years	12,756	662
More than 20 years	7,434	44,114
	₱37,224	₱64,067

The average duration of the defined retirement benefits liability as at December 31, 2018 and 2017 is 13.49 years and 17.90 years, respectively.

CCC Retirement Benefits Liability

The details of retirement benefits costs follow:

	2018	2017	2016
Current service cost (Note 21)	₱45,865	₱33,827	₱49,020
Interest cost (Note 25)	14,597	12,409	13,579
Settlement loss (Note 21)	-	-	7,697
	₱60,462	₱46,236	₱70,296

The movements in present value of the retirement benefits liability are as follows:

	2018	2017
Balances at beginning of year	₱306,621	₱275,573
Current service cost (Note 21)	45,865	33,827
Interest cost (Note 25)	14,597	12,409
Actuarial losses (gains):		
Experience adjustments	5,819	21,537
Demographic assumptions	(7,568)	210
Financial assumptions	(49,735)	(9,568)
Benefits paid	(18,702)	(28,232)
Cumulative translation adjustment	2,470	865
Balances at end of year	₱299,367	₱306,621

CCC does not have any plan assets.

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 CCC's defined retirement benefits plan are shown below:

	2018	2017	2016
Discount rate	7.33%	5.77%	5.50%
Expected rate of salary increase	5.00%	5.00%	5.00%
	22% at age 18	8% at age 18	8% at age 18
	decreasing to	decreasing to	decreasing to
Turnover rate	0% at age 65	0% at age 65	0% at age 65

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)	2018	2017
Discount rates	+1%	(P24,621)	(P31,144)
	-1%	29,198	37,742
Salary increase rate	+1%	P31,356	P39,742

CCC does not expect to contribute to the defined retirement benefits plan in 2019. 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, 2018 and 2017:

	2018	2017
Less than one year	P6,525	P8,996
More than one year to five years	59,571	47,433
More than five years to 10 years	188,442	165,192
More than 10 years to 15 years	261,028	240,317
More than 15 years to 20 years	395,470	378,479
More than 20 years	1,224,649	1,481,146
	P2,135,685	P2,321,563

The average duration of the defined retirement benefits liability as at December 31, 2018 and 2017 is 20.99 years and 22.30 years, respectively.

The defined retirement benefits plan typically exposes the Group to a number of risks such as interest rate risk and salary risk. The most significant of which relate to interest rate risk. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement liability. An increase in government bond yields will decrease the defined benefit obligation. Hence, the present value of defined benefit obligation is directly affected by the discount rate to be applied by the Group.



24. Income Taxes

The components of the provision for (benefit from) income tax are as follow:

	2018	2017	2016
Current	₱117,428	₱69,716	₱51,946
Deferred	(362,555)	(255,115)	(770,096)
	(₱245,127)	(₱185,399)	(₱718,150)

The provision for current income tax pertains to the excess MCIT over RCIT in 2018, 2017 and 2016.

Parent Company, AEI, AHI and AI

The Parent Company, AEI, AHI and AI has the following carry-forward benefits of NOLCO and MCIT, and deductible temporary differences in 2018 and 2017, 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:

	2018	2017
Carry-forward benefits of:		
NOLCO	₱589,999	₱806,230
MCIT	622	899
Allowance for impairment losses on:		
Inventories	316,232	316,232
Receivables	29,359	29,359
Quoted equity instrument	2,867	2,867
Unrealized foreign exchange losses	273,960	273,547
Retirement benefits liability	11,804	10,508
	₱1,224,843	₱1,439,642

CCC

The components of deferred tax assets of CCC as at December 31, 2018 and 2017:

	2018	2017
<i>Recognized directly in profit or loss</i>		
Deferred tax assets:		
NOLCO	₱1,339,726	₱1,538,698
Unrealized foreign exchange losses	1,180,069	123,374
Retirement benefits liability	268,463	247,024
Excess of MCIT over RCIT	238,467	158,323
Provision for impairment losses:		
Input VAT	65,619	62,312
Inventories	60,477	47,901
Receivables	1,143	1,017
Debt issue cost	56,035	4,865
Liability for mine rehabilitation cost	23,320	16,755
	3,233,319	2,200,269
<i>Recognized in Other Comprehensive Income</i>		
Cumulative translation adjustments	294,078	143,458
Deferred tax assets	₱3,527,397	₱2,343,727



The components of deferred tax liabilities of the Group as at December 31, 2018 and 2017:

	2018	2017
<i>Recognized directly in profit or loss</i>		
Deferred tax liability:		
Mining rights	₱2,397,418	₱2,454,493
Unrealized foreign exchange gains	835,656	76,953
	3,233,074	2,531,446
<i>Recognized in Other Comprehensive Income</i>		
Revaluation increment on land (Note 9)	128,087	128,087
Remeasurement gain on retirement benefits liability	192,608	167,704
Cumulative translation adjustments	9,357	9,786
	330,052	305,577
Deferred tax liabilities	₱3,563,126	₱2,837,023

As at December 31, 2018, the Group's NOLCO and MCIT that can be claimed as deduction against future taxable income and future tax liabilities, respectively, are as follows:

Year incurred	Available until	NOLCO	MCIT
2018	2021	₱1,100,628	₱117,427
2017	2020	2,580,768	69,716
2016	2019	1,354,497	51,946
		₱5,035,893	₱239,089

Movements in NOLCO and MCIT are as follows:

	2018	2017
NOLCO:		
Beginning of year	₱5,935,224	₱3,555,836
Additions	1,100,628	2,580,768
Expirations	(1,999,959)	(201,380)
End of year	₱5,035,893	₱5,935,224
MCIT:		
Beginning of year	₱158,872	₱91,235
Additions	117,427	69,716
Expirations	(37,209)	(2,079)
End of year	₱239,090	₱158,872



- b. A reconciliation of the benefit from income tax computed at the statutory income tax rate with the benefit from income tax is presented as follows:

	2018	2017	2016
Benefit from income tax at statutory income tax rates	(₱589,437)	(₱646,004)	(₱479,294)
Additions to (reductions in) income tax resulting from:			
Nondeductible expenses	981,133	732,850	1,006,486
Income exempt from income tax	(835,802)	(493,969)	(978,047)
Expired NOLCO	599,988	60,414	76,673
Cumulative translation adjustments	(215,537)	317,101	(281,497)
Movements on unrecognized deferred tax assets	(70,591)	(19,294)	56,823
Excess MCIT over RCIT	(69,482)	(67,403)	(50,252)
Depletion of mining rights	(57,075)	(49,641)	(56,512)
Expired MCIT	37,209	-	-
Equity in net earnings in an associate	(24,425)	-	-
Interest income subjected to final tax and others	(1,108)	(8,980)	(12,530)
Reversal of deferred tax liability on equity conversion option	-	(10,473)	-
	(₱245,127)	(₱185,399)	(₱718,150)

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 100% of its sales are export sales.

25. Interest Income and Finance Charges

Sources of interest income are as follows:

	2018	2017	2016
Cash equivalents (Note 4)	₱2,810	₱3,555	₱4,034
Short-term investments (Note 4)	38,100	25,324	38,124
Other noncurrent assets (Note 13)	120	1,316	-
	₱41,030	₱30,195	₱42,158



Finance changes consists of:

	2018	2017	2016
Interest expense on loans and long-term debt and other interest-bearing liabilities (Note 15)	₱1,586,985	₱1,658,543	₱1,911,510
Amortization of debt issue cost (Note 15)	738,280	528,840	–
Interest cost on retirement benefits liability (Note 23)	15,031	12,879	14,064
Interest on trust receipts (Note 14)	3,084	1,964	2,596
Accretion of interest on liability for mine rehabilitation cost (Note 16)	2,490	2,380	2,265
	₱2,345,870	₱2,204,606	₱1,930,435

26. 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.

2018:	Mining	Non-Mining	Total	Eliminations	Consolidated
Segment revenue					
From external customers	₱13,295,913	₱–	₱13,295,913	₱–	₱13,295,913
	₱13,295,913	₱–	₱13,295,913	₱–	₱13,295,913
Cost of sales	₱11,068,954	₱–	₱11,068,954	₱–	₱11,068,954
General and administrative expenses	1,226,774	63,108	1,289,882	(45)	1,289,837
Mine tax/royalties/business tax	542,223	–	542,223	–	542,223
Operating income (loss)	457,962	(63,108)	394,854	45	394,899
Depreciation and depletion	3,374,903	1,490	3,376,393	–	3,376,393
Earnings before interest, income taxes, and depreciation and amortization (EBITDA)	₱3,832,865	(₱61,618)	₱3,771,247	₱45	₱3,771,292
Segment results					
Loss before income tax	(₱1,800,579)	(₱3,587)	(₱1,804,166)	(₱160,623)	(₱1,964,789)
Benefit from income tax	189,387	(1,765)	187,622	57,505	245,127
Net loss	(₱1,611,192)	(₱5,352)	(₱1,616,544)	(₱103,118)	(₱1,719,662)
Assets					
Total assets	₱58,680,579	₱26,689,952	₱85,370,531	(₱5,593,557)	₱79,776,974
Investments	–	25,801,934	25,801,934	(25,801,934)	–
Goodwill	–	–	–	19,026,119	19,026,119
Mining rights	–	–	–	7,989,958	7,989,958
Liabilities					
Total liabilities	40,661,822	7,308,273	47,970,095	(3,805,872)	44,164,223
Other segment information					
Depreciation and depletion	3,404,575	1,490	3,406,065	–	3,406,065
Finance charges	2,345,436	434	2,345,870	–	2,345,870



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	1,333,557	71,382	1,404,939	-	1,404,939
Mine tax/royalties/business tax	215,506	-	215,506	-	215,506
Operating income (loss)	1,211,235	(71,382)	1,139,853	-	1,139,853
Depreciation and depletion	2,670,263	3,090	2,673,353	-	2,673,353
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)	(₱1,844,647)	(₱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	2,386,763	-	2,386,763	-	2,386,763
Finance charges	1,930,435	-	1,930,435	-	1,930,435

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, 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:

	2018	2017	2016
Total segment net loss before tax	(P1,804,166)	(P1,980,405)	(P1,409,248)
Depletion of mining rights (Note 10)	(191,685)	(165,471)	(188,372)
Share in net income (loss) of associates (Note 12)	81,417	(7,471)	61,714
Dividend income	(50,400)	-	(61,740)
General and administrative expenses	45	-	-
Combined segment net loss before tax	(P1,964,789)	(P2,153,347)	(P1,597,646)

Reconciliation of segment assets:

	2018	2017	2016
Total segment assets	P85,370,531	P80,547,967	P72,746,011
Receivables	(7,430,185)	(7,356,460)	(246,955)
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)	7,989,958	8,181,643	8,347,114
Deferred tax assets	1,017,468	236,370	248,356
Quoted equity instrument	(5,069)	(9,900)	(6,117)
Investments in shares of stocks	(25,801,934)	(25,801,934)	(25,801,934)
Investment in associates (Note 12)	221,682	190,665	198,136
Other noncurrent assets	(60,000)	(60,000)	(60,000)
Combined segment assets	P79,776,974	P74,402,874	P73,899,134

Reconciliation of segment liabilities:

	2018	2017	2016
Total segment liabilities	P47,970,095	P42,559,344	P34,604,765
Accounts payable and accrued liabilities	(1,051)	(1,051)	(1,051)
Payable to related parties	(7,229,063)	(7,247,272)	(136,950)
Deferred tax liabilities	3,424,242	2,700,650	2,762,278
Combined segment liabilities	P44,164,223	P38,011,671	P37,229,042

Revenues of the Group, through CCC, are from MRI, PASAR, TTSA, Cliveden Trading, AG, and Yanggu Xiangguang Copper Co., Ltd., and are covered by Pricing Agreements.

	2018	2017	2016
MRI	P8,919,309	P7,968,617	P7,725,970
PASAR	4,370,572	3,946,312	3,349,215
TTSA	920,012	-	-
Cliveden Trading, AG	-	37,167	649,667
Yanggu Xiangguang Copper Co., Ltd.	-	-	295,455
Combined segment revenues	P14,209,893	P11,952,096	P12,020,307



27. Basic/Diluted Loss Per Share

Basic loss per share is computed as follows:

	2018	2017	2016
Net loss	(₱1,719,662)	(₱1,967,948)	(₱879,496)
Divided by basic weighted average number of common shares outstanding (in thousands)	3,557,553	3,557,553	2,085,033
	(₱0.4834)	(₱0.5532)	(₱0.4218)

Diluted loss per share is computed as follows:

	2018	2017	2016
Net loss	(₱1,719,662)	(₱1,967,948)	(₱879,496)
Divided by basic weighted average number of common shares outstanding (in thousands)	3,557,553	3,557,553	2,302,242
	(₱0.4834)	(₱0.5532)	(₱0.3820)

Reconciliation of the weighted average number of common shares outstanding (in thousands) used in computing basic and diluted earnings per share as follows:

	2018	2017	2016
Basic weighted average number of common shares outstanding	3,557,553	3,557,553	2,085,233
Adjustments:			
Convertible loans	-	-	217,009
Diluted weighted average number of common shares outstanding	3,557,553	3,557,553	2,302,242

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.

In computing for the 2016 diluted loss per share, the Parent Company did not consider the effect of the convertible loans since these are anti-dilutive.

28. Financial Risk Management Objectives and Policies

The Group's main financial instruments are cash and cash equivalents, short-term investments, quoted equity instrument, investment in unit investment trust fund and refundable security deposits under other noncurrent assets, bank loans, long-term debts and other interest-bearing liabilities, and derivatives. It has various other financial assets and liabilities such as receivables, and accounts payable and accrued liabilities, which mainly 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, bank loans, accounts payable and accrued liabilities except, long-term debt and derivatives. 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, 2018 and 2017, foreign currency-denominated assets and liabilities follow:

	2018		2017	
	Original Currency	Peso Equivalent	Original Currency	Peso Equivalent
Assets				
Cash in banks	US\$14,898	₱783,337	US\$18,854	₱941,371
	JP¥4	2	JP¥2,885	1,276
	GB£177	11,812	GB£139	9,329
Short-term investments	US\$51,373	2,701,181	US\$15,899	793,841
Receivables	US\$6,565	345,198	US\$8,602	429,487
Derivative asset	–	–	US\$1,131	56,482
	US\$72,836	₱3,829,716	US\$44,486	₱2,221,181
	GB£177	₱11,812	GB£139	₱9,329
	JP¥4	₱2	JP¥2,885	₱1,276
Liabilities				
Accounts payable and accrued expenses	US\$48,412	₱2,545,480	US\$40,742	₱2,034,259
	JP¥50,452	23,970	JP¥49,374	21,838
	AU\$163	6,045	AU\$143	5,578
	EU€11	638	EU€10	590
Long-term debt	US\$447,005	23,503,506	US\$59,150	2,953,360
Bank Loans	US\$210,719	11,079,605	US\$485,871	24,259,556
Derivative liabilities	–	–	US\$14,862	742,043
	US\$706,136	₱37,128,591	US\$600,625	₱29,989,218
	JP¥50,452	₱23,970	JP¥49,374	₱21,838
	AU\$163	₱6,045	AU\$143	₱5,578
	EU€11	₱638	EU€10	₱590
Net liabilities in US\$	US\$633,300	₱33,298,875	US\$556,139	₱27,768,037
Net assets in GB£	GB£177	₱11,812	GB£139	₱9,329
Net liabilities in AU\$	AU\$163	₱6,045	AU\$143	₱5,578
Net liabilities in JP¥	JP¥50,448	₱23,968	JP¥46,489	₱20,562
Net liabilities in EU€	EU€11	₱638	EU€10	₱590



As at December 31, 2018 and 2017, foreign exchange closing rates used in converting foreign currency-denominated assets and liabilities are as follows:

	2018	2017
US\$	₱52.580	₱49.930
AU\$	37.070	38.905
JP¥	0.4751	0.4423
EU€	60.311	59.613
GB£	66.733	67.116

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 12 months would be:

	2018		2017	
	Peso Strengthens	Peso Weakens	Peso Strengthens	Peso Weakens
US\$	₱0.67	₱0.44	₱1.11	₱0.55
AU\$	0.47	0.54	0.79	0.93
JP¥	0.01	0.01	0.01	0.01
EU€	1.19	1.30	0.40	1.35
GB£	1.58	1.40	0.35	1.04

	2018		2017	
	Peso Strengthens	Peso Weakens	Peso Strengthens	Peso Weakens
US\$	₱0.67	₱0.44	₱1.11	₱0.55
AU\$	0.47	0.54	0.79	0.93
JP¥	0.01	0.01	0.01	0.01
EU€	1.19	1.30	0.40	1.35
GB£	1.58	1.40	0.35	1.04

Sensitivity of the Group's pre-tax income to foreign currency risks are as follows:

Year ended December 31, 2018:

- An increase of ₱421,144 in the pre-tax income if peso strengthens by ₱0.67 against the US\$.
- A decrease of ₱278,652 in the pre-tax income if peso weakens by ₱0.44 against the US\$.

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\$.

Management believes that the foreign currency risk associated with AU\$, JP¥, EU€, GB£-denominated accounts will not have a significant effect on consolidated financial statements, and as such, did not present a sensitivity analysis are considered insignificant.

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 2018 and 2017 follows:

December 31, 2018:

Change in Copper Prices	Effect on Income Before Income Tax
Increase by 10%	₱1,356,079
Decrease by 10%	(1,356,079)

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)

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, and its investment in unit investment trust fund, which are classified as financial asset at fair value through profit or loss. Management believes that the fluctuation in the fair value of financial asset at fair value through profit or loss will not have a significant effect on the consolidated financial statements, and as such, did not present a sensitivity analysis

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Cash in banks, cash equivalents, and short-term investments

Credit risk from balances with banks and financial institutions is managed by the Group in accordance with its policies. Credit risk is mitigated by the short-term and/or liquid nature of its cash investments placed with approved financial institutions of high credit standing. The expected credit loss on the Group's cash in banks, cash equivalents, and short-term investments is calculated using the general approach.

Trade receivables

Customer credit risk is managed by the Group's policy, procedures, and control relating to customer credit risk management. The Group trades only with recognised creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures, short-term liquidity and financial position. In addition, outstanding trade receivable balances are regularly monitored on an ongoing basis, with the result that the Group's exposure to credit-impaired balances and bad debts is not significant. The Group's trade receivables are not subject to the recognition of expected credit loss since these are measured at fair value through profit or loss.

At December 31, 2018 and 2017, the Group only had two customers that accounted for all trade receivables. The maximum exposure to credit risk for trade receivables at the reporting date is also the carrying value (see Note 5). The Group does not hold collateral as security.



Other financial assets

With respect to credit risk arising from the other financial assets of the Group, which comprise derivative asset, quoted equity instrument, and investment in unit investment trust fund and refundable security deposits under other noncurrent assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group limits its counterparty credit risk on these assets by dealing only with financial institutions with high credit ratings. The expected credit loss on the other financial assets of the Group measured at amortized cost is computed using the general approach.

The following table summarizes the gross maximum exposure to credit risk for the components of the consolidated statements of financial position. The maximum exposure shown is gross, before the effect of any allowance for impairment.

	2018	2017
Cash and cash equivalents		
Cash in banks	₱1,160,957	₱1,203,983
Cash equivalents	61,032	167,695
Short-term investments	2,812,863	793,841
Receivables		
Trade	238,351	289,883
Nontrade	160,619	72,328
Interest	3,097	2,244
Advances to		
Related parties	102,440	136,392
Officers and employees	15,803	16,206
Other current asset		
Derivative asset	-	56,482
Quoted equity instrument	4,326	4,326
Other noncurrent assets		
Investment in unit investment trust fund	27,999	-
Refundable security deposits	4,906	3,125
	₱4,592,393	₱2,746,505

Credit Quality Per Class of Financial Assets

The credit quality by class of asset for the Group's financial assets as at December 31, 2018 and 2017 based on credit rating system follows:

December 31, 2018

	Neither Past due nor impaired High Grade	Past Due But Not Impaired	Impaired	Total
Cash and cash equivalents				
Cash in banks	₱1,160,957	₱-	₱-	₱1,160,957
Cash equivalents	61,032	-	-	61,032
Short-term investments	2,812,863	-	-	2,812,863
Receivables				
Trade	238,351	-	-	238,351
Nontrade	-	131,260	29,359	160,619
Interest	3,097	-	-	3,097
Advances to				
Related parties	-	102,440	-	102,440
Officers and employees	-	12,038	3,765	15,803
Quoted equity instrument	-	-	4,326	4,326
Other noncurrent assets				
Investment in unit investment trust fund	27,999	-	-	27,999
Refundable security deposits	4,906	-	-	4,906
	₱4,309,205	₱245,738	₱37,450	₱4,592,393



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
Cash equivalents	167,695	—	—	167,695
Short-term investments	793,841	—	—	793,841
Receivables				
Trade	289,883	—	—	289,883
Nontrade	—	42,968	29,360	72,328
Interest	2,244	—	—	2,244
Advances to				
Related parties	—	136,392	—	136,392
Officers and employees	—	12,631	3,575	16,206
Other current asset				
Derivative asset	56,482	—	—	56,482
Quoted equity instrument	—	—	4,326	4,326
Refundable security deposits under other noncurrent assets	3,125	—	—	3,125
	₱2,517,253	₱191,991	₱37,261	₱2,746,505

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 concentrate, 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 mainly pertain to receivables from the settlement of commodity swap transactions, and other billings not related to main operations, consist of past due but not impaired and impaired accounts.
- Advances to related parties are assessed as past due but not impaired since the Group still expects to collect the balance from its related parties.
- Advances to officers and employees, which pertain mainly to advances subject to payroll deduction, consist of both past due but not impaired, and impaired accounts.
- Derivative asset, which pertains to provisional pricing, is assessed as high grade since this contains insignificant risk of default based on historical experience of the Group.
- Quoted equity instrument is assessed as impaired since the Group no longer expects future benefits from the said equity instrument.
- Investment in unit investment trust fund is assessed as high grade since this is deposited in a reputable bank.
- Refundable security deposits are assessed as high grade since these are still expected to be received after the completion/performance of the Group's contracts with various counterparties.

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 0:100, 12:88 and 84:16 in 2018, 2017 and 2016, 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 following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's income before income tax, through the impact of floating rate financial liabilities amounting to ₱35,467,225 and ₱25,774,511 as at December 31, 2018 and 2017, respectively.

	Change in interest rates (in basis points)	Sensitivity of income before income tax
2018	+100	(₱355,296)
	-100	355,296
	Change in interest rates (in basis points)	Sensitivity of income before income tax
2017	+100	(₱260,192)
	-100	260,192

Concentration of Risk

In 2018 and 2017, 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, 2018 and 2017 follow:

The aging analyses and maturity profile of the Group's financial assets and liabilities are as follow:

December 31, 2018

	On demand	Within one year	1 to < 3 years	> 3 years	Total
Cash and cash equivalents					
Cash in banks	₱1,160,957	₱-	₱-	₱-	1,160,957
Cash equivalents	61,032	-	-	-	61,032
Short-term investments	-	2,812,863	-	-	2,812,863
Receivables					
Trade	-	238,351	-	-	238,351
Nontrade	160,619	-	-	-	160,619
Interest	-	3,097	-	-	3,097
Advances to					
Related parties	102,440	-	-	-	102,440
Officers and employees	15,803	-	-	-	15,803
Quoted equity instrument	4,326	-	-	-	4,326
Other noncurrent assets					
Investment in unit investment trust fund	-	-	-	27,999	27,999
Refundable security deposits	-	-	-	4,906	4,906
	₱1,505,177	₱3,054,311	₱-	₱32,905	₱4,592,393

(Forward)



	On demand	Within one year	1 to < 3 years	> 3 years	Total
Financial liabilities:					
Accounts payable and accrued liabilities*	P-	P2,644,799	P-	P-	P2,644,799
Bank loans	-	11,079,605	-	-	11,079,605
Other current liability	-	1,969,576	-	-	1,969,576
Long-term debt and other interest-bearing liabilities	-	274,006	609,295	23,504,319	24,387,620
	P-	P15,967,986	P609,295	P23,504,319	P40,081,600
	P1,505,177	(P12,913,675)	(P609,295)	(P23,471,414)	(P35,489,207)

**Excluding government payables

December 31, 2017

	On demand	Within one year	1 to < 3 years	> 3 years	Total
Cash and cash equivalents					
Cash in banks	P1,203,983	P-	P-	P-	1,203,983
Cash equivalents	167,695	-	-	-	167,695
Short-term investments	-	793,841	-	-	793,841
Receivables					
Trade	-	289,883	-	-	289,883
Nontrade	72,328	-	-	-	75,344
Interest	-	2,244	-	-	2,244
Advances to					
Related parties	136,392	-	-	-	133,376
Officers and employees	16,206	-	-	-	16,206
Other current asset					
Derivative asset	-	56,482	-	-	56,482
Quoted equity instrument	4,326	-	-	-	4,326
Refundable security deposits under other noncurrent assets	-	-	-	3,125	3,125
	P1,600,930	P1,142,450	P-	P3,125	P2,746,505

Financial liabilities:					
Accounts payable and accrued liabilities*	P-	P2,766,930	P-	P-	P2,766,930
Bank loans	-	2,953,360	-	-	2,953,360
Other current liability	-	1,870,312	-	-	1,870,312
Long-term debt and other interest-bearing liabilities	-	3,895,027	681,550	21,756,353	26,332,930
Derivative liabilities	-	742,043	-	-	742,043
	P-	P12,227,672	P681,550	P21,756,353	P34,665,575
	P1,600,930	(P11,085,222)	(P681,550)	(P21,753,228)	(P31,919,070)

*Excluding government payables



29. 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	
	2018	2017	2018	2017
Other Financial Liabilities				
Long-term debt and other interest-bearing liabilities:				
BDO Unibank	₱15,767,076	₱14,427,427	₱21,268,023	₱20,196,130
SMIC	6,962,853	6,472,570	9,234,287	9,341,764
BDO Leasing	848,615	1,179,371	822,139	1,156,344
APHC	620,596	576,897	759,657	750,286
Alakor Corporation	152,980	142,209	187,259	184,949
LBP Leasing	35,441	—	35,524	—
	₱24,387,561	₱22,798,474	₱32,306,889	₱31,629,473

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 Receivables

The carrying amounts of cash and cash equivalents, short-term investments and interest receivables approximate their fair value due to the relatively short-term maturities of these financial instruments.

Quoted Equity Instrument

The fair value of quoted equity instrument is determined by reference to market bid quotes at the end of the reporting period and is carried at fair value.

Investment in Unit Investment Trust Fund

The fair value of the investment in unit investment trust fund is determined by the movements of its net asset value per unit, which is computed as the total market value of the assets, less fees, taxes, and other qualified expenses divided by total outstanding units.

Accounts Payable and Accrued Liabilities except Government Payables, Other Current Liability, and Bank Loans

The carrying amounts of accounts payable and accrued liabilities excluding government payables, other current liability and bank loans approximate their fair values due to the relatively short-term maturities of these financial instruments.

Derivatives Liability

Derivatives liability are initially recorded 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 financial liabilities when the fair value is negative.

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.



The fair value hierarchy of the financial assets and liabilities is presented in the following table:

<u>December 31, 2018</u>	Level 1	Level 2	Level 3	Total
Assets measured at fair value:				
Trade receivables	P-	₱238,351	P-	₱238,351
Investment in unit investment trust fund	27,999	-	-	27,999
Quoted equity instrument	4,326	-	-	4,326
Total	32,325	238,351	-	270,676
Liability for which fair values are disclosed:				
Long-term debt and other interest-bearing liabilities	-	-	(32,306,889)	(32,306,889)
Total	P-	P-	(₱32,306,889)	(₱31,663,850)

<u>December 31, 2017</u>	Level 1	Level 2	Level 3	Total
Asset measured at fair value:				
Derivative asset	P-	₱56,482	P-	₱56,482
Quoted equity instrument	4,326	-	-	4,326
Total	4,326	56,482	-	60,808
Liability measured at fair value:				
Derivative liabilities	P-	(₱742,043)	P-	(₱742,043)
Liability for which fair values are disclosed:				
Long-term debt and other interest-bearing liabilities	-	-	(31,629,473)	(31,629,473)
Total	P-	(₱742,043)	(₱31,629,473)	(₱32,371,516)

There were no transfers between levels of fair value measurement as at December 31, 2018 and 2017.

30. 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 2018 and 2017.



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

	2018	2017
Capital stock (Note 17)	₱3,559,533	₱3,559,533
Additional paid-in capital (Note 17)	19,650,936	19,650,936
Subscription receivable (Note 17)	(4,841,801)	(4,841,801)
Revaluation increment on land (Note 9)	298,869	298,869
Remeasurement gain on retirement benefits liability (Note 23)	204,741	166,717
Unrealized gain on AFS financial asset (Note 11)	-	4,861
Cumulative translation adjustments	2,485,633	1,582,447
Retained earnings	14,278,107	15,992,908
Cost of 1,980,000 treasury shares held by a subsidiary	(23,267)	(23,267)
	₱35,612,751	₱36,391,203

31. 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 ₱2,528,461, ₱2,056,703 and ₱2,177,068 in 2018, 2017 and 2016, respectively. Related accrued expenses amounted to ₱426,057 and ₱151,664 as at December 31, 2018 and 2017, 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 16 months beginning on September 22, 2016 or from the time the equipment is made available at CCC, whichever is earlier.

On November 1, 2018, CCC and Galeo signed a new Mining Equipment Rental Agreement (Rental Agreement) with a rental period of up to December 2021. Both parties will review the Rental Agreement by June 30, 2019 and both parties endeavored to have a decision on the extension/non-extension of the rental period or modification of the Rental Agreement not later than July 31, 2019.

Total expenses related to waste stripping services agreement and lease amounted to ₱527,800, ₱1,147,963 and ₱1,130,507 in 2018, 2017 and 2016, respectively. Related accrued expenses amounted to ₱129,914 and ₱130,636 as at December 31, 2018 and 2017, 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 ₱1,357,897, ₱697,823 and ₱601,447 in 2018, 2017 and 2016, respectively. Accrued expenses amounted to ₱32,804 and ₱46,570 as at December 31, 2018 and 2017, 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 2018, 2017 and 2016.

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 2017, CCC renewed its consignment contract with Synchrotek Corporation for the supply of filters, lubricants and other heavy equipment parts. The contract expired in December 2018 and is subject for renewal. Renewal for 2019 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. Renewal for 2019 is currently being reviewed and re-evaluated for approval.

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 and will end on June 30, 2018. The renewal of consignment agreement with Le Price International Corporation for 2019 is currently being reviewed and re-evaluated for approval.

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. The renewal of consignment agreement for 2019 is currently being reviewed and re-evaluated for approval.



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. The renewal of consignment agreement for 2019 is currently being reviewed and re-evaluated for approval.

32. Other Matters

a. 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 2018, actual spent and commitment totaled ₱196,148. 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.

The Company has a five-year SDMP in compliance with DENR Administrative Order 96-40, as amended. The Company has been implementing its SDMP as approved by the MGB.

b. 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 2018 and 2017, 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 2018 and 2017, respectively.



33. Supplemental Disclosure to Consolidated Statements of Cash Flows

The following table summarizes the changes in liabilities arising from financing activities:

	January 1, 2018	Cash flows		Effect of exchange rate changes	Others	December 31, 2018
		Availments	Payments			
Bank loans	₱2,953,360	₱9,444,948	(₱1,475,450)	₱156,747	₱-	₱11,079,605
Long-term debt and other interest-bearing liabilities	26,332,930	42,272	(4,122,169)	1,396,307	738,280	24,387,620
	₱29,286,290	₱9,487,220	(₱5,597,619)	₱1,553,054	₱738,280	₱35,467,225

	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 in 2017 refer to the noncash financing activity of the Group related to the financial guarantee on BDO loan of CCC, while the others in 2018 refer to the amortization of the said financial guarantee (see Note 15).

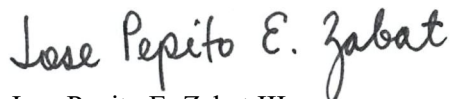


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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 consolidated financial statements of Atlas Consolidated Mining and Development Corporation and Subsidiaries as at December 31, 2018 and 2017, and for each of the three years in the period ended December 31, 2018 included in this form 17-A, and have issued our report thereon dated March 7, 2019. 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 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.



Jose Pepito E. Zabat III
Partner
CPA Certificate No. 85501
SEC Accreditation No. 0328-AR-4 (Group A),
April 26, 2018, valid until April 25, 2021
Tax Identification No. 102-100-830
BIR Accreditation No. 08-001998-60-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332636, January 3, 2019, Makati City

March 7, 2019



**ATLAS CONSOLIDATED MINING
AND DEVELOPMENT CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
SEC FORM 17-A
DECEMBER 31, 2018**

Report of Independent Auditor's on Supplementary Schedules

SCHEDULE I: Financial Ratios

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 (2011):

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)

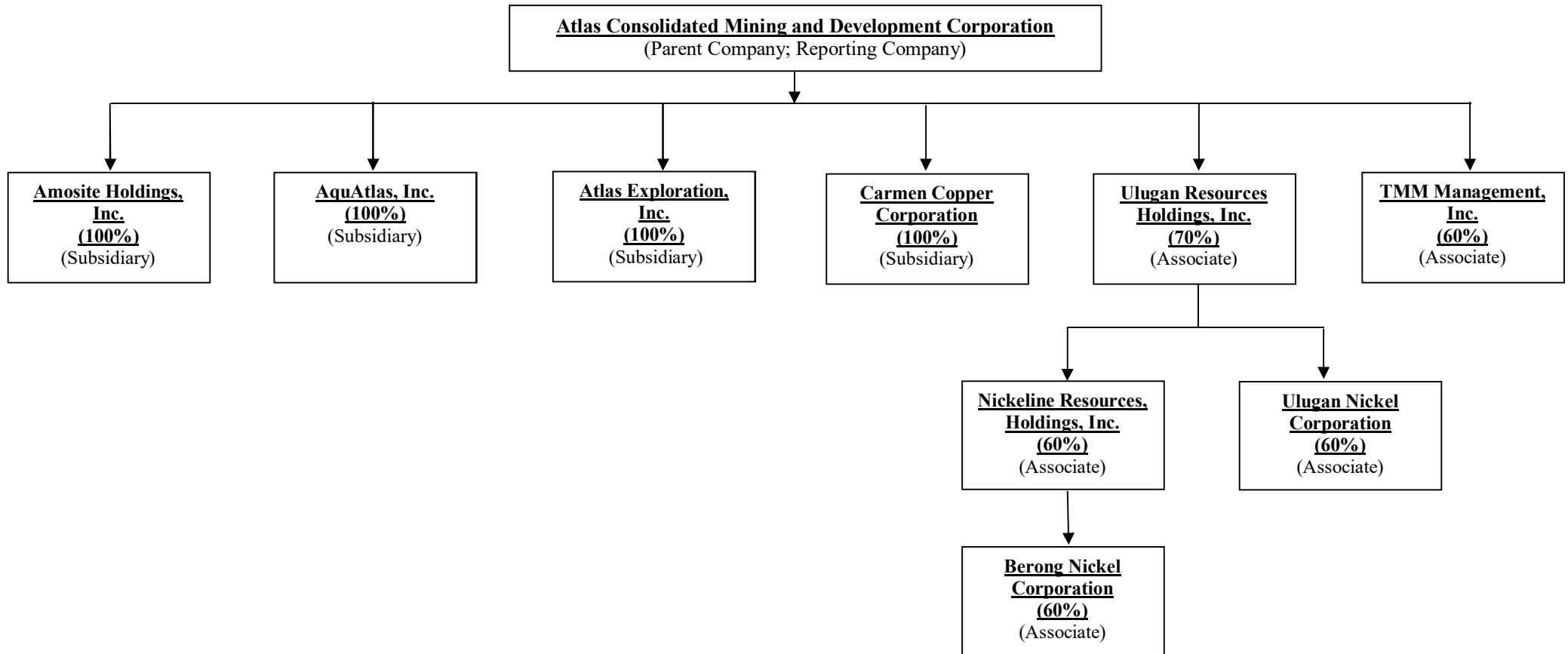
SCHEDULE G. Guarantees of Securities of Other Issuers

SCHEDULE H. Capital Stock

SCHEDULE I
ATLAS CONSOLIDATED MINING AND DEVELOPMENT
CORPORATION AND SUBSIDIARIES
FINANCIAL RATIOS PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2018

	2018	2017
<u>Profitability Ratios:</u>		
Return on assets	(2.23%)	(2.65%)
Return on equity	(5.19%)	(5.62%)
Gross profit margin	16.75%	24.93%
Operating profit margin	(12.93%)	(17.78%)
<u>Liquidity and Solvency Ratios:</u>		
Current ratio	0.45:1	0.44:1
Quick ratio	0.31:1	0.27:1
Solvency ratio	0.04:1	0.03:1
<u>Financial Leverage Ratios:</u>		
Asset to equity ratio	2.41:1	2.14:1
Debt ratio	0.55:1	0.51:1
Debt to equity ratio	1.33:1	1.09:1
Interest coverage ratio	0.16:1	0.02:1

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, 2018



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, 2018

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as at December 31, 2018:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions	✓		
PFRS 3	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with 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 9	Financial Instruments	✓		
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			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		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 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	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	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements	✓		
PAS 28	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)	✓		
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	✓		
	Amendments to PAS 40, Transfers of Investment Property	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	✓		
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment	✓		
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-21	Levies	✓		
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration	✓		
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives			✓
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			✓

The Group did not early adopt any accounting pronouncement effective after December 31, 2018.

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, 2018
(Amounts in thousands)

Unappropriated Retained Earnings, beginning		P669,049
Adjustment for treasury shares		(23,267)
Unappropriated Retained Earnings, as adjusted, beginning		P645,782
Add: Net income actually earned/realized during the period		
Net income (loss) during the period closed to Retained Earnings	(P5,223)	
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)	(210)	
Unrealized actuarial gain	(1,985)	
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	(2,195)	
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	(127,940)	
Add (Less):		
Dividend declarations during the period	-	
Appropriations of retained earnings	-	
Reversals of appropriations	-	
Effects of prior period adjustments	-	
Treasury shares	-	
Subtotal	-	(127,940)
Unappropriated Retained Earnings, as adjusted, ending		P517,842

SCHEDULE A

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
FINANCIAL ASSETS
DECEMBER 31, 2018

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
Financial assets at Fair Value through Profit or Loss:				
Quoted Equity Instrument	2,100	₱-	(see Note below)	₱-
Investment in Unit Investment Trust Fund	N/A	27,999	₱27,999	-

Note: Financial asset at fair value through profit or loss is valued based on quoted price of the shares of stocks as at December 31, 2018. Financial assets at fair value through profit or loss is carried at fair value with changes being presented in the consolidated statements of comprehensive income.

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, 2018**

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, 2018

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected	Amounts Written-off	Current	Not Current	Balance at end period
CCC	(₱7,240,539,651)	₱3,436,532	₱-	₱-	(₱7,243,976,183)	₱-	(₱7,243,976,183)
AEI	100,627,846	73,936	-	-	100,701,782	-	100,701,782
AI	31,806,833	69,916	-	-	31,876,749	-	31,876,749
AHI	(2,084,487)	78,987	-	-	(2,163,474)	-	(2,163,474)

SCHEDULE D

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2018

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	8,181,642,929	—	191,684,930	—	—	7,989,957,999
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, 2018

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–	P15,767,075,985	5.00%	13	March 16, 2024
SM Investments Corporation – <i>Term Loan</i>	–	–	6,962,853,003	5.00%	31	March 21, 2024
LBP Leasing and Finance– <i>Leasing</i>	–	7,895,892	27,544,914	4.34%	10	October 16, 2018
BDO Leasing & Finance, Inc. – <i>Leasing</i>	–	266,110,446	582,563,065	This is composed of several agreements 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.		
Anglo Philippine Holdings Corporation – <i>Term Loan</i>	–	–	620,596,252	5.00%	31	March 21, 2024
Alakor Corporation – <i>Term Loan</i>	–	–	152,980,681	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, 2018**

<u>Name of Related Party</u>	<u>Balance at beginning of period</u>	<u>Balance at end of period</u>
SM Investments Corporation	₱6,472,569,934	₱6,962,853,003
Anglo Philippine Holdings Corporation	576,896,712	620,596,252
Alakor Corporation	142,208,629	152,980,681

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, 2018**

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
---	---	---	--	---------------------

NOT APPLICABLE

SCHEDULE H

**ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
CAPITAL STOCK
DECEMBER 31, 2018**

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, 2018, total shares issued and outstanding is 3,559,532,774 held by 20,753 shareholders.

<u>Title of Issue</u>	<u>Number of shares authorized</u>	<u>Number of shares issued and outstanding as shown under related balance sheet caption</u>	<u>Number of shares reserved for options, warrants, conversions and other rights</u>	<u>Number of shares held by related parties</u>	<u>Directors, officers, and employees</u>	<u>Others</u>
Common Stock	8,890,000,000	3,559,532,774	–	2,715,012,396	135,911,752	708,608,626

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P	W	0	0	0	0	1	1	5	A
---	---	---	---	---	---	---	---	---	---

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					

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	Department requiring the report	Secondary License Type, If Applicable
A A P F S	C R M	N / A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
ir@atlasmining.com.ph	(632) 403-0813 loc. 25001	N/A
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
20,753	04/26	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Fernando A. Rimando	farimando@atlasmining.com.ph	(632) 403-0813 loc. 25005	N/A

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 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, 2018 and 2017, 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.

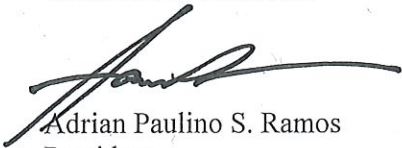
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

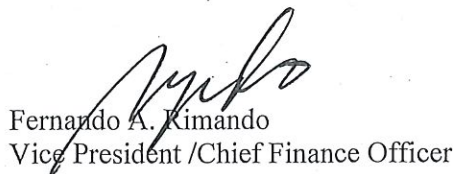
SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of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



Alfredo C. Ramos
Chairman of the Board



Adrian Paulino S. Ramos
President



Fernando A. Kimando
Vice President /Chief Finance Officer

Signed this ___ day of March 2019



MAR 21 2019

SUBSCRIBED AND SWORN to before me, this _____ day of March 2019 at

~~PASAY CITY~~, affiant with Taxpayer Identification Numbers as follows:

Name

Alfredo C. Ramos
Adrian Paulino S. Ramos
Fernando A. Rimando

Tax Identification Number

██████████
██████████
██████████

Doc. No. 168
Page No. 20
Book No. 2
Series of 2019

[Signature]
ATTY. MA. CLEOFE L. JAIME
NOTARY PUBLIC
ATTORNEY'S ROLL NO. 27802
IBP NO. AR 54860693 R.C. 1/3/2015
PTR NO. 6397959 PASAY CITY 1/3/2019
MCLE COMPL. NO. V0011781-NOV. 26, 2015
OFFICE ADDRESS STALL NO. 1 UNIT 54
ARNAIZ AVE., PASAY CITY
NOTARIAL COMM. NO. 18-09



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, 2018 and 2017, 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.

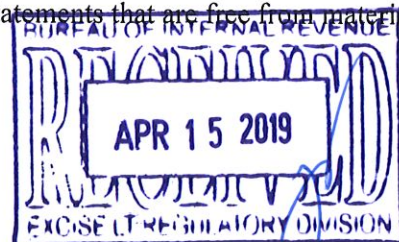
In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting 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.

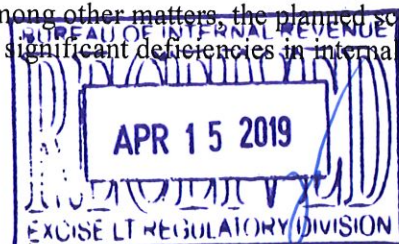
Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

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 Jose Pepito E. Zabat III.

SYCIP GORRES VELAYO & CO.

Jose Pepito E. Zabat

Jose Pepito E. Zabat III
Partner

CPA Certificate No. 85501

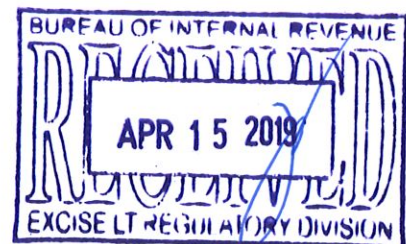
SEC Accreditation No. 0328-AR-4 (Group A),
April 26, 2018, valid until April 25, 2021

Tax Identification No. 102-100-830

BIR Accreditation No. 08-001998-60-2018,
February 26, 2018, valid until February 25, 2021

PTR No. 7332636, January 3, 2019, Makati City

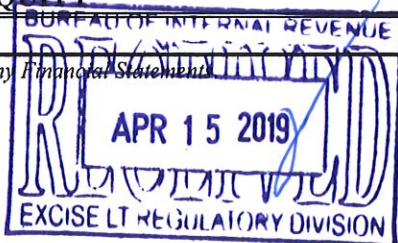
March 7, 2019



ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱81,238	₱211,049
Short-term investments (Note 4)	111,682	-
Receivables (Note 5)	298,681	281,425
Other current assets	1,997	1,933
Total Current Assets	493,598	494,407
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	2,264	3,712
Other noncurrent assets (Note 9)	53,889	52,500
Total Noncurrent Assets	26,288,373	26,288,432
TOTAL ASSETS	₱26,781,971	₱26,782,839
LIABILITIES AND EQUITY		
Current Liabilities		
Accrued expenses and other liabilities (Note 10)	₱36,404	₱39,030
Payables to related parties (Note 14)	7,245,982	7,242,624
Income tax payable	86	29
Total Current Liabilities	7,282,472	7,281,683
Noncurrent Liabilities		
Retirement benefits liability (Note 17)	8,940	9,870
Deferred tax liabilities (Note 18)	138,884	136,373
Total Noncurrent Liabilities	147,824	146,243
Total Liabilities	7,430,296	7,427,926
Equity		
Capital stock (Note 12)	3,559,533	3,559,533
Additional paid-in capital (Note 12)	19,650,936	19,650,936
Subscriptions receivable (Note 12)	(4,841,801)	(4,841,801)
Revaluation increment on land (Note 7)	298,869	298,869
Remeasurement gain on retirement benefits liability (Note 17)	20,312	18,327
Unrealized gain on financial asset at fair value through profit or loss	-	4,861
Retained earnings	663,826	664,188
Total Equity	19,351,675	19,354,913
TOTAL LIABILITIES AND EQUITY	₱26,781,971	₱26,782,839

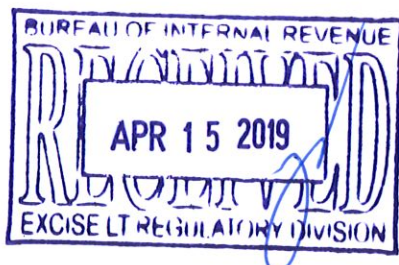
See accompanying Notes to Parent Company Financial Statements.



ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31	
	2018	2017
INCOME		
Dividend income (Note 6)	₱50,400	₱-
Foreign exchange gains - net	3,682	12,616
Interest income (Note 4)	2,975	2,374
Gain on extinguishment of debt (Note 11)	-	28,434
Others	2,897	587
	59,954	44,011
EXPENSES		
General and administrative expenses (Note 15)	62,979	71,186
Finance charges (Notes 11 and 17)	434	102,461
	63,413	173,647
LOSS BEFORE INCOME TAX	3,459	129,636
PROVISION FOR (BENEFIT FROM) INCOME TAX		
(Note 18)		
Current	104	234
Deferred	1,660	(9,896)
	1,764	(9,662)
NET LOSS	5,223	119,974
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)	1,985	19
TOTAL COMPREHENSIVE LOSS	₱3,238	₱119,955
LOSS PER SHARE (Note 20)		
Basic and diluted loss per share	(₱0.0015)	(₱0.0337)

See accompanying Notes to Parent Company Financial Statements.



ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION

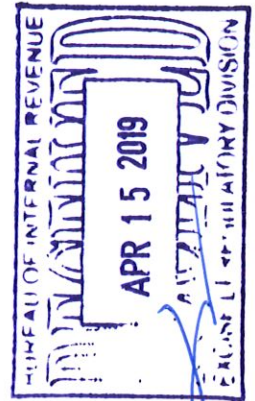
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

(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 available for sale financial assets	Retained earnings	Total
Balances at January 1, 2017	₱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
Effect of adoption of PFRS 9 (Note 2)	-	-	-	-	-	(4,861)	4,861	-
Net loss	-	-	-	-	-	-	(5,223)	(5,223)
Other comprehensive income	-	-	-	-	1,985	-	-	1,985
Total comprehensive income (loss)	-	-	-	-	1,985	-	(5,223)	(3,238)
Balances at December 31, 2018	₱3,559,533	₱19,650,936	(₱4,841,801)	₱298,869	₱20,312	₱-	₱663,826	₱19,351,675

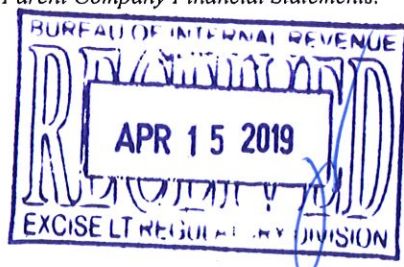
See accompanying Notes to Parent Company Financial Statements.



ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31	
	2018	2017
OPERATING ACTIVITIES		
Loss before income tax	(₱3,459)	(₱129,636)
Adjustments for:		
Finance charges (Notes 11 and 17)	434	102,461
Gain on extinguishment of debt (Note 11)	-	(28,434)
Net unrealized foreign exchange gains	(5,121)	(12,616)
Depreciation (Notes 7 and 15)	1,490	3,091
Interest income (Note 4)	(2,975)	(2,374)
Movement in retirement benefits liability (Note 17)	1,473	891
Gain on disposal of property and equipment (Note 7)	-	(282)
Operating loss before working capital changes	(8,158)	(66,899)
Decrease (increase) in:		
Receivables	(17,256)	69,656
Other current assets	(64)	3,842
Decrease in accrued expenses and other liabilities	(2,626)	(28,796)
Net cash used in operations	(28,104)	(22,197)
Interest received	2,675	2,374
Income taxes paid	(47)	(214)
Net cash flows used in operating activities	(25,476)	(20,037)
INVESTING ACTIVITIES		
Decrease (increase) in:		
Short-term investments	(109,734)	-
Other noncurrent assets	(1,389)	(2,028)
Acquisitions of property and equipment (Note 7)	(42)	(629)
Proceeds from disposal and retirement of property and equipment (Note 7)	-	375
Dividend received	-	-
Net cash flows used in investing activities	(111,165)	(2,282)
FINANCING ACTIVITIES		
Increase (decrease) in payable to related parties (Note 14)	3,358	(1,261,753)
Proceeds from issuance of shares, net of transaction costs (Note 12)	-	1,594,673
Payments of:		
Long-term debts (Note 11)	-	(343,750)
Interest	-	(90,610)
Availment of loan	-	-
Net cash flows from (used in) financing activities	3,358	(101,440)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	3,472	11,022
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(129,811)	(112,737)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	211,049	323,786
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	₱81,238	₱211,049

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 concentrate.

The Company’s shares of stock were 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, 2018 and 2017.

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, 2018 and 2017:

Nature of Business		Percentage of Ownership	
		2018	2017
<u>Subsidiaries as at December 31, 2018 and 2017</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
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 2018, 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 ₱ 65 in 2018 and has cumulative capital deficiency of ₱103,465 as at December 31, 2018.

b. *AI*

In 2018, 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 ₱61 in 2018 and has cumulative capital deficiency of ₱31,973 as at December 31, 2018.

c. *AHI*

AHI is the owner of certain real properties that are used in the mining operations of CCC. AHI incurred a net loss of ₱68 in 2018 and has cumulative deficit of ₱3,022 as at December 31, 2018.

d. *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 2018 and 2017.



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.

Authorization for the Issuance of the Parent Company Financial Statements

The parent company financial statements as at and for the years ended December 31, 2018 and 2017 were authorized for issuance by the Company's BOD on March 7, 2019.

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

Basis of Preparation

The parent company's financial statements have been prepared on a historical cost basis, except for certain parcels of land, which are carried at revalued amounts, and financial assets at fair value through profit or loss, which have been measured at fair value. The parent company's financial statements are presented in Philippine Peso, which is the presentation currency under Philippine Financial Reporting Standards (PFRSs). 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's 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, 2018. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance, unless otherwise stated.

- 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. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.



The Company has no cash-settled share-based payments and share-based payment transactions with net settlement features for withholding tax obligations, and had not made any modifications to the terms and conditions of its share-based payment transaction. Therefore, these amendments do not have any impact on the parent company's financial statements.

- PFRS 9, *Financial Instruments*

PFRS 9 replaces Philippine Accounting Standard (PAS) 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company has applied PFRS 9 prospectively, with the initial application date of January 1, 2018. The Company has not restated the comparative information, which continue to be reported under PAS 39. There were no material impacts on the comparative balances other than a change in classification and measurement of some receivables and other financial assets. There was no impact on hedging as the Company does not have hedging transactions as at December 31, 2018.

The effects of adopting PFRS 9 are set out below.

- a. *Classification and measurement*

Under PFRS 9, there is a change in the classification and measurement requirements relating to financial assets. Previously, there were four categories of financial assets: loans and receivables, fair value through profit or loss, held to maturity, and available for sale. Under PFRS 9, financial assets are either classified as at amortized cost, fair value through profit or loss or fair value through other comprehensive income.

For debt instruments, the classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

A financial asset can only be measured at amortized cost if both of the following are satisfied:

- Business model: the objective of the business model is to hold the financial asset for the collection of the contractual cash flows
- Contractual cash flows: the contractual cash flows under the instrument relate solely to payments of principal and interest

The assessment of the Company's business model was made as of the date of initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely for payments of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of PFRS 9 did not have a significant impact on the Company other than to change the presentation of balances relating to provisionally priced sale.



Financial assets

The Company continued measuring at fair value all financial assets previously held at fair value under PAS 39. The following are the changes in the classification of the Company's financial assets:

- Short-term investments, nontrade receivables, advances to related parties, and advances to officers and employees under receivables, and refundable security deposits under other noncurrent assets previously classified as loans and receivables: these were assessed as being held to collect contractual cash flows and give rise to cash flows representing solely for payments of principal and interest. These are now classified and measured as debt instruments at amortized cost.
- Nontrade receivables, advances to related parties, and advances to officers and employees under receivables, and refundable security deposits under other noncurrent assets previously classified as loans and receivables: these were assessed as being held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortized cost.
- Quoted equity instrument previously classified as available for sale financial asset is now classified and measured as fair value through profit or loss. As a result of the change in classification of the Company's listed equity instrument, the unrealized gain on available for sale financial asset of ₱4,861 related to those investments that were previously presented under accumulated other comprehensive income, was classified to retained earnings as at January 1, 2018.

In summary, upon the adoption of PFRS 9, the Company had the following required or elected reclassifications as of January 1, 2018:

PAS 39 measurement category	PFRS 9 measurement category			
	Amount	Fair value through profit or loss	Amortized cost	Fair value through other comprehensive income
<i>Loans and receivables</i>				
Receivables:				
Nontrade	₱37,313	₱–	₱37,313	₱–
Advances to:				
Related parties	265,811	–	265,811	–
Officers and employees	7,660	–	7,660	–
Refundable security deposits under other noncurrent assets	12	–	12	–
<i>Available for sale financial asset</i>				
Quoted equity instrument	2,867	2,867	–	–

Financial liabilities

The Company has not designated any financial liabilities at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

b. Impairment

The adoption of PFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss approach. PFRS 9 requires the Company to recognise an allowance for expected credit loss for all debt instruments not held at fair value through profit or loss and contract assets in the scope of PFRS 15.



As all of the Company's receivables which the Company measures at amortized cost are short term (i.e., less than 12 months) and the Company's credit rating and risk management policies in place, the change to a forward-looking expected credit loss approach did not have a material impact on the amounts recognized in the parent company financial statements.

c. Hedge accounting

The Company has elected to adopt the new General hedge accounting model in PFRS 9. However, the changes introduced by PFRS 9 relating to hedge accounting commentary has no impact, as the Company does not have derivatives as at December 31, 2018.

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

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 the Company does not have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 18, *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

Adoption of PFRS 15 did not have significant impact to the Parent Company as it currently has no contracts with customers or revenue transaction within the scope of the said standard.

- 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. Retrospective application is required.

The adoption of these amendments did not have any impact on the 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. Retrospective application of the amendments is not required and 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 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 the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

The interpretation does not have a significant impact on the 2018 parent company financial statement.

Standard Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the parent company does not expect that the future adoption of the said pronouncements to have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when these become effective.

Effective beginning on or after January 1, 2019

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

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the solely payments of principal and interest criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the solely payments of principal



and interest criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

These amendments have no impact on the financial statements of the parent company.

- 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. 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 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment,



curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Company.

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

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Company does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on the 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, *Income Taxes*, 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.

This interpretation is not relevant to the Company because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as of December 31, 2018 and 2017.



- *Annual Improvements to PFRSs 2015-2017 Cycle*

- Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Company but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Company because dividends declared by the Company do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

The amendments have no impact on the parent company financial statements upon adoption.



Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Company.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity shall apply amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.



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. 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. 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 respective short-term investment rates.

Financial Instruments - Initial Recognition and Subsequent Measurement

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.

Financial Assets

Initial Recognition and Measurement (applicable starting January 1, 2018 upon adoption of PFRS 9)

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The Company initially measures a financial asset at its fair value plus, in the case of an fair value through profit or loss, transaction costs. In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely for payment of principal and interest on the principal amount outstanding.

This assessment is referred to as the solely payments of principal and interest test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the parent company statement of comprehensive income when the asset is derecognized, modified or impaired.



The Company's financial assets at amortized cost include short-term investments, nontrade receivables, advances to related parties, and advances to officers and employees under receivables, and refundable security deposits under other noncurrent assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely for payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the parent company statement of financial position at fair value with net changes in fair value recognized in profit or loss in the parent company statement of comprehensive income.

This category includes the quoted equity instrument of the Company.

Initial Recognition and Measurement (applicable until December 31, 2017 prior to the adoption of PFRS 9)

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available for sale 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.

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

As at December 31, 2017, the Company's financial assets are in the nature of financial assets at fair value through profit or loss, loans and receivables, and available for sale financial assets.

The Company 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 assets prior to the adoption of PFRS 9 depend 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 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.

Available for Sale Financial Assets

Available for sale financial assets include investments in equity and debt securities. Equity investments classified as available for sale 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, available for sale 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 available for sale 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 available for sale 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 available for sale 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 effective interest rate. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the company statement of comprehensive income.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized (i.e., removed from the parent company statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement-and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. 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.

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.

Impairment of financial assets

Upon adoption of PFRS 9, the Company recognizes an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Expected credit losses are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month expected credit loss). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime expected credit loss).

For any other financial assets carried at amortized cost (which are due in more than 12 months), the expected credit loss is based on the 12-month expected credit loss. The 12-month expected credit loss is the proportion of lifetime expected credit losses that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment including forward-looking information.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Prior to the adoption of PFRS 9, 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 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 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.

Available for Sale Financial Assets

For available for sale financial assets, the Company 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 available for sale 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 consolidated 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.



Financial Liabilities

Initial recognition and measurement

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.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and other financial liabilities, net of directly attributable transaction costs.

The Company's financial liabilities include payables and loans and borrowings.

Subsequent measurement

Payables and loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. The effective interest rate amortization is included as finance costs in the interim consolidated statements of comprehensive income. This category generally applies to the Company's accounts payable and accrued liabilities, bank loans, and payables to related parties.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the parent company statement of 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 quoted equity instruments, and non-financial 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
- Quoted equity instrument Note 8
- Land Note 7
- Financial instruments Note 21



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 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 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 each 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.

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.

Other Current and Noncurrent Assets

Other current assets are composed of prepayments and deposits and advances to suppliers. 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. 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.



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.

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.

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 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.

Operating Segments

For management purposes, the Company 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 Company reports its primary segment information. Financial information on business segments is presented in Note 19.

Earnings Per Share

Basic earnings per share 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 earnings per share 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.

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

As at December 31, 2018, the Company has assessed that it does not have revenue streams involving contracts with customers.

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.

General and Administrative Expenses

General and administrative expenses consist of costs associated with the expense incurred in the direction and general administration of day-to-day operations of the Parent Company. These are generally recognized when the service is incurred or the related expense arises.

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 Benefits

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 22 and 23).

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.

Determination of Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Company, 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, 2018 and 2017, 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.

Business Model Assessment

Classification and measurement of financial assets depends on the results of the solely for payments of principal and interest and the business model test (Note 2). The Parent Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Parent Company monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Parent Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Definition of Default and Credit Impaired Financial Assets (applicable starting January 1, 2018 upon adoption of PFRS 9)

The Company defines financial instruments as in default, which is fully aligned with the definition of credit-impaired, when a customer is more than 90 days past due on its contractual obligations. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to calculate the company's expected loss.

An instrument is considered to be no longer in default (i.e., to have cured) when it no longer meets any of the default criteria.



General Approach for Debt Financial Assets Measured at Amortized Cost

The expected credit loss is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the probability of default, loss given default, and exposure at default, defined as follows:

- *Probability of default.* The probability of default represents the likelihood of a debtor or customer defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. Probability of default estimates are estimates at a certain date, which are calculated based on available market data using rating tolls tailored to the various categories of counterparties and exposures. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated probability of default. Probability of defaults are estimated considering the contractual maturities of exposures.

The 12-months and lifetime probability of default represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic condition that affect credit risk.

- *Loss given default.* Loss given default represents the Company's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money. Loss given default varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. Loss given default is expressed as a percentage loss per unit of exposure at the time of default.
- *Exposure at default.* Exposure at default is based on the amounts the Company expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

Incorporation of Forward-looking Information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of expected credit loss.

To do this, the Company has considered a range of relevant forward- looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of expected credit losses.

Based on the Company's evaluation and assessment and after taking into consideration external actual and forecast information, the Company considers two or more economic scenarios and the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The Company has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, and credit risk and credit losses. The Company considers macro-economic factors such as local GDP growth rates, inflation rates in its analysis.



Predicted relationship between the key indicators and default and loss rates on portfolios of financial assets have been developed based on analyzing historical data over the past three years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Company has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on expected credit loss due to lack of reasonable and supportive information.

Grouping of Instruments for Losses Measured on Collective Basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogenous. The Company considers in its collective assessment the type of counterparties and its geographical location.

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.

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, 2018 and 2017, the Company has deductible temporary differences, NOLCO and excess MCIT amounting to ₱1,273,912 and ₱1,457,585, respectively (see Note 18), for which no deferred tax assets 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.

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 Allowance for Impairment Losses of Receivables (applicable until December 31, 2017 prior to the adoption of PFRS 9)

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, 2018 and 2017. Receivables, net of valuation allowance, amounted to ₱298,681 and ₱281,425 as at December 31, 2018 and 2017, respectively (see Note 5).

Measurement of Expected Credit Losses (applicable starting January 1, 2018 upon adoption of PFRS 9)

Expected credit losses are derived from unbiased and probability weighted estimates of expected loss, and are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate, or an approximation thereof. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to contractual terms.

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, 2018 and 2017, 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, 2018 and 2017, the fair value of the land amounted to ₱430,286 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 2018 and 2017, 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, 2018 and 2017 (see Note 9).

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, 2018 and 2017: thus, no impairment loss was recognized for the years then ended. The Company's investments amounted to ₱25,801,934 as at December 31, 2018 and 2017 (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, 2018 and 2017 (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.

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.

Retirement benefits costs amounted to ₱1,907 and ₱1,971 in 2018 and 2017, respectively (see Note 17). Retirement benefits liability amounted to ₱8,940 and ₱9,870 as at December 31, 2018 and 2017, respectively (see 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 2018 and 2017 (see Note 24).



4. Cash and Cash Equivalents, and Short-term Investments

	2018	2017
Cash on hand	P12	P12
Cash in banks	19,955	43,343
Cash equivalents	61,271	167,694
	P81,238	P211,049

Interest income from cash in banks amounted to P40 and P67 in 2018 and 2017, respectively. Cash equivalents are not restricted and considered as free cash. Interest income earned from cash equivalents amounted to P1,604 and P2,307 in 2018 and 2017, respectively.

Short-term Investments

A portion of the Parent Company's funds was placed in time deposit accounts with various maturity periods reckoned from the date of placement. Such deposits amounting to P111,682 and nil as at December 31, 2018 and 2017, respectively, are classified as short-term investments in the statement of financial position. Interest income earned from short-term investment amounted to P1,331 and nil in 2018 and 2017, respectively.

5. Receivables

	2018	2017
Nontrade	P37,356	P37,313
Interest	300	-
Advances to:		
Related parties (Note 14)	282,403	265,811
Officers and employees	7,981	7,660
	328,040	310,784
Less allowance for impairment losses	29,359	29,359
	P298,681	P281,425

Nontrade receivables comprise mainly of advances to third parties arising from nontrade transactions. Interest receivable pertains to earned interest from short-term investments which are still outstanding as at the reporting date.

The terms and conditions of advances to related parties are presented in Note 14. Advances to officers and employees are non-interest bearing and are subject to salary deduction.

The Company applied the general approach on receivables carried at amortized cost. However, the expected credit loss obtained from the assessment was considered insignificant considering the high credit standing of the Company's counterparties, except for various individually significant accounts for which significant increase in credit risk has been recognized (see Note 22). As a result, the allowance provided in the prior years for credit losses expected over the remaining life of the exposure was still deemed reasonable. No provision for expected credit losses was provided in 2018. Prior to the adoption of PFRS 9, provision for impairment losses on receivables amounting to P29,359 as at December 31, 2017.



As the Company's nontrade receivables, advances to officers and employees, and advances to related parties which the Company measures at amortized cost are short-term (i.e., less than 12 months) and the Company's credit rating and risk management policies are in place, no additional provision for expected credit losses was provided as a result of the change to a forward-looking expected credit losses approach.

6. Investments

The Company's investments as at December 31, 2018 and 2017 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 recognized dividend income from BNC amounting to ₱50,400 in 2018.

As at December 31, 2018 and 2017, the percentage of ownership of investment in associates are as follows:

Company	Percentage of Ownership		Principal activities
	2018	2017	
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

Summarized financial information of the investments in associates as at December 31, 2018 and 2017, which are accounted for under the cost method, are as follows:

	2018	2017
Current assets	₱850,600	₱560,338
Noncurrent assets	510,832	515,686
Total assets	1,361,432	1,076,024
Current liabilities	587,020	733,752
Noncurrent liabilities	108,522	6,053
Total liabilities	695,542	739,805
Net assets	665,890	336,219
Revenue	321,521	217,977
Total comprehensive income (loss)	₱321,521	(₱29,303)



7. Property and Equipment

December 31, 2018

	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	₱8,420	₱2,763	₱459	₱16,702	₱430,286
Additions	42	–	–	–	–	42	–
Disposals	–	–	–	–	–	–	–
Balances at end of year	4,714	388	8,420	2,763	459	16,744	430,286
Accumulated depreciation:							
Balances at beginning of year	4,162	307	7,509	727	285	12,990	–
Depreciation (Note 15)	110	21	697	570	92	1,490	–
Disposals	–	–	–	–	–	–	–
Balances at end of year	4,272	328	8,206	1,297	377	14,480	–
Net book values	₱442	₱60	₱214	₱1,466	₱82	₱2,264	₱430,286

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	₱430,286
Additions	–	–	–	629	–	629	–
Disposals	–	–	(933)	–	–	(933)	–
Balances at end of year	4,672	388	8,420	2,763	459	16,702	430,286
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	–
Net book values	₱510	₱81	₱911	₱2,036	₱174	₱3,712	₱430,286

Fully Depreciated Property and Equipment

As at December 31, 2018 and 2017, the cost of fully depreciated property and equipment still being used in the operations amounted to ₱8,025 and ₱5,581, respectively.



Disposals

In 2017, the Company sold items of property and equipment with cost amounting to ₱933 and corresponding accumulated depreciation of ₱840. Proceeds from the said sale of property and equipment amounted to ₱375 in 2017. The Company recognized gain on disposals of items of property and equipment amounting to ₱282 in 2017.

Revaluation Increment on Land at Revalued Amount

The fair value of the land amounted to ₱430,286 as at December 31, 2018 and 2017 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 ₱3,330 as at December 31, 2018 and 2017.

8. Quoted Equity Instrument

The Company's quoted equity instrument amounted to ₱2,867 as at December 31, 2018 and 2017. The Company recognized an allowance for impairment loss on quoted equity instrument amounting to ₱2,867 as at December 31, 2018 and 2017.

On January 1, 2018, the cumulative change in fair value of the quoted equity instrument was reclassified to retained earnings as a result of the adoption of PFRS 9.

9. Other Noncurrent Assets

This account consists of:

	2018	2017
Input VAT	₱32,836	₱31,447
Deferred mine exploration costs	16,708	16,708
Advances for Hexagon, Longos and Nesbitan Gold Projects	4,333	4,333
Refundable security deposits	12	12
	₱53,889	₱52,500

Input VAT of the Company normally arises from payments of insurance services, rental, and utilities. No allowance for impairment of input VAT was provided in 2018 and 2017.

These pertain to field supplies and other costs incurred during evaluation and exploration of projects of the Company. In 2013, deferred mine exploration costs pertain to BNC's exploration expenditures on the Moorsom, Dangla and Longpoint Projects (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 2018 and 2017.

Advances for Hexagon, 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:

	2018	2017
Nontrade payables	₱26,863	₱29,349
Accrued expenses		
Government payables	8,264	8,407
Salaries payables	126	125
Others	1,151	1,149
	₱36,404	₱39,030

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 and are normally settled on terms ranging from 30 to 60 days.

Accrued Expenses

As at December 31, 2018 and 2017, the Company's accrued expenses are due within 12 months from the end of the reporting period.

11. Loans Payable

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 in 2017, respectively.

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 in 2017, respectively.

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:

	2018		2017	
	No. of Shares	Amount	No. of Shares	Amount
Authorized - (₱1 par value)	8,890,000,000	₱8,890,000	8,890,000,000	₱8,890,000
Issued	2,087,032,774	2,087,033	2,087,032,774	2,087,033
Subscribed	1,472,500,000	1,472,500	1,472,500,000	1,472,500
Total shares issued and subscribed	3,559,532,774	₱3,559,533	3,559,532,774	₱3,559,533

2017

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 volume weighted average price preceding the pricing date, November 16, 2016. In 2017, 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, 2018 and 2017, the Company is compliant with the minimum public float as required by the PSE.

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 for refinancing of the US\$300.0 million bonds of CCC as well as the Company's 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 7th anniversary of the date of issue of the warrants. Expiry date is the 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 volume weighted average price 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's 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, 2018, no warrant were 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, 2018		8,890,000,000	3,359,532,774	₱1.00	₱3,359,533

c. Additional Paid-In Capital

There were no movements in additional paid-in capital in 2018. In 2017, as a result of the equity conversion option from the ₱1.8 billion convertible loans availed by the Company from SMIC, Alakor and APHC, additional paid-in capital amounting to ₱48,847 was recognized.

Movements in additional paid-in capital are as follows:

	2018	2017
Balances at beginning of year	₱19,650,936	₱14,686,962
Subscriptions to capital stock	–	4,963,974
Balances at end of year	₱19,650,936	₱19,650,936

d. Retained Earnings

There were no dividends declared and paid in 2018 and 2017.

e. Number of Shareholders

As at December 31, 2018 and 2017, the Company has 20,753 and 20,799 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 did not exercise their subscription rights in 2018 and 2017.

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 includes the following amounts resulting from the various transactions with related parties:

	2018			
	Amount/ Volume	Outstanding Balance	Terms	Conditions
<i>Receivables</i> (Note 5)				
Subsidiaries				
AEI	₱74	₱100,702	On demand; non-interest bearing	Unsecured; no guarantee
AI	70	31,877	On demand; non-interest bearing	Unsecured, no guarantee
Associates				
BNC	33,700	130,255	On demand; non-interest bearing	Unsecured, no guarantee
URHI	—	3,006	On demand; non-interest bearing	Unsecured, no guarantee
UNC	835	16,563	On demand; non-interest bearing	Unsecured, no guarantee
	₱34,679	₱282,403		

(Forward)



2018				
	Amount/ Volume	Outstanding Balance	Terms	Conditions
<i>Payables</i>				
CCC	₱3,437	₱7,243,977	On demand; non-interest bearing	Unsecured, no guarantee
AHI	79	2,005	On demand; non-interest bearing	Unsecured, no guarantee
	₱3,516	₱7,245,982		
2017				
	Amount/ Volume	Outstanding Balance	Terms	Conditions
<i>Receivables (Note 5)</i>				
Subsidiaries				
AEI	₱66	₱100,628	On demand; non-interest bearing	Unsecured; no guarantee
AI	66	31,807	On demand; non-interest bearing	Unsecured, no guarantee
Associates				
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
	₱132	₱265,811		
<i>Payables</i>				
CCC	₱7,125,124	₱7,240,540	On demand; non-interest bearing	Unsecured, no guarantee
AHI	—	2,084	On demand; non-interest bearing	Unsecured, no guarantee
	₱7,125,124	₱7,242,624		

The Company's related party 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. The aggregate compensation and benefits related to key management personnel for the years ended December 31, 2018 and 2017 amounted to ₱26,031 and ₱19,744, respectively.

The following table summarizes the changes in liabilities arising from financing activities

	Cash flows				
	January 1, 2018	Availments	Payments	Others	December 31, 2018
Payable to related parties	₱7,242,624	₱74,852	₱71,494	—	₱7,245,982



15. General and Administrative Expenses

	2018	2017
Personnel costs (Note 16)	₱30,385	₱26,610
Entertainment, amusement, and recreation	7,989	8,499
Professional and consultancy fees	7,416	7,881
Taxes and licenses	4,250	8,531
Rental	2,079	1,577
Depreciation (Note 7)	1,490	3,091
Insurance	1,383	2,642
Communication, light, and water	1,249	1,364
Regulatory charges	1,059	2,192
Repairs and maintenance	853	690
Transportation and travel	367	269
Office supplies	67	300
Others	4,392	7,540
	₱62,979	₱71,186

Others consist mainly of expenses related to the annual stockholders meeting, miscellaneous charges, and membership dues.

16. Personnel Costs

	2018	2017
Salaries and wages	₱28,360	₱24,834
Retirement benefits cost (Note 17)	1,473	1,501
Other employee benefits	552	275
	₱30,385	₱26,610

Other employee benefits pertain to 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 are as follows:

	2018	2017
Current service cost (Note 16)	₱1,473	₱1,501
Interest cost	434	470
	₱1,907	₱1,971

The Company has 15 regular employees as at December 31, 2018, and 16 regular employees as at December 31, 2017.

The movements in present value of the retirement benefits liability are as follows:

	2018	2017
Balances at beginning of year	₱9,870	₱8,536
Current service cost (Note 16)	1,473	1,501
Interest cost	434	470
Actuarial losses (gains):		
Experience adjustments	(963)	245
Demographic assumptions	(1,111)	(72)
Financial assumptions	(763)	(200)
Benefits paid	-	(610)
Balances at end of year	₱8,940	₱9,870

The Company does not have any plan assets.

The movements in remeasurement gain on retirement plan are as follows:

	2018	2017
Balances at beginning of year	₱18,327	₱18,308
Remeasurement gain on retirement plan	1,985	19
Balances at end of year	₱20,312	₱18,327

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 benefits plan are shown below:

	2018	2017
Discount rate	7.33%	5.77%
Future annual increase in salary	5.00%	5.00%
Average expected term of obligation	7	13
Turnover rate	22% at age 18 to 0% at age 60	8% at age 18 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)	2018	2017
Discount rates	+1%	(P411)	(P702)
	-1%	469	831
Salary increase rate	1%	P521	P879

The Company does not expect to contribute to the defined retirement benefits plan in 2019. 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, 2018 and 2017:

	2018	2017
Less than one year	P5,236	P4,701
More than five years to 10 years	10,317	11,203
More than 10 years to 15 years	1,482	3,387
More than 15 years to 20 years	12,756	662
More than 20 years	7,433	44,114
	P37,224	P64,067

The average duration of the expected benefits payments as at December 31, 2018 and 2017 are 13.49 years and 17.90 years, respectively.

18. Income Taxes

Provision for current income tax in 2018 and 2017 amounting to P104 and P234, 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:

	2018	2017
Loss computed at statutory income tax rate	(P1,038)	(P38,891)
Additions to (reduction in) income taxes resulting from tax effects of:		
Expired NOLCO	70,778	60,205
Movement of unrecognized deferred tax assets	(55,684)	(13,367)
Reversal of deferred tax liability on equity conversion option	-	(10,473)

(Forward)



	2018	2017
Income exempt from tax	(P15,120)	(P8,530)
Nondeductible expenses	3,340	5,805
Share issuance costs (Note 12)	-	(5,778)
Expired excess MCIT	381	2,079
Income already subjected to final tax	(893)	(712)
	P1,764	(P9,662)

As at December 31, 2018, 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
2018	2021	P48,912	P104
2017	2020	160,914	234
2016	2019	428,243	284
		P638,069	P622

Movements in NOLCO and excess MCIT follow:

	2018	2017
NOLCO:		
Beginning of year	P825,083	P864,853
Additions	48,912	160,914
Expirations	(235,926)	(200,684)
End of year	P638,069	P825,083

	2018	2017
MCIT:		
Beginning of year	P899	P2,744
Additions	104	234
Expirations	(381)	(2,079)
End of year	P622	P899

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.

	2018	2017
Carry-forward benefits of:		
NOLCO	P639,069	P825,083
MCIT	622	899
Allowance for impairment on:		
Inventories	316,232	316,232
Receivables	29,359	29,359
Quoted equity instrument	2,867	2,867
Unrealized foreign exchange losses	273,959	273,547
Retirement benefits liability	11,804	9,898
Total	P1,273,912	P1,457,885



The Company recognized deferred tax liabilities as follows:

	2018	2017
Deferred tax liabilities:		
Revaluation increment on land	₱128,087	₱128,087
Retirement benefits liability - other comprehensive income	6,351	5,498
Unrealized foreign exchange gains	4,446	2,788
	₱138,884	₱136,373

The Company did not avail the optional standard deduction in 2018 and 2017.

19. Segment Information

The Company is only a holding entity and has no other operating segments. The Company also has no geographical segments since its business is located only in the Philippines.

20. Basic/Diluted Loss Per Share

Basic loss per share is computed as follows:

	2018	2017
Net loss	₱5,223	₱119,974
Divided by basic weighted average number of common shares outstanding (in thousands)	3,559,533	3,559,533
	₱0.0015	₱0.0337

As at December 31, 2018 and 2017, the Company has no potentially dilutive common shares.

21. 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:

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, Receivables, Accrued Expenses and Other Liabilities Except Government Payables, and Payables to Related Parties

The carrying values approximate the fair values due to the relatively short-term maturity of these financial instruments.

Quoted Equity Instrument

The fair value of quoted equity instrument is determined by reference to market bid quotes at the end of the reporting period.



22. Financial Risk Management Objectives and Policies

The Company's main financial instruments are cash and cash equivalents, short-term investments, receivables and quoted equity instrument. It also has various financial liabilities such as accrued expenses and other liabilities, except government payables, and payables to related parties.

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, 2018 and 2017, foreign currency-denominated assets and liabilities are as follows:

	2018		2017	
	Original Currency	Peso Equivalent	Original Currency	Peso Equivalent
Cash in bank	US\$20	₱1,054	US\$12	₱617
Short-term investments	US\$2,124	111,682	US\$2,097	₱104,685
Advances to related parties	US\$2,483	130,574	US\$2,611	130,367
Total Assets in US\$	US\$4,627	₱243,310	US\$4,720	₱235,669
Total Assets in GB£	GB£-	₱-	GB£139	₱9,330

As at December 31, 2018 and 2017, foreign exchange closing rates follow:

	2018	2017
US\$	₱52.580	₱49.930
GB£	66.733	67.116

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, 2018:

- An increase of ₱2,915 in the pre-tax income if peso weakens by ₱0.63 against the US\$.
- A decrease of ₱2,868 in the pre-tax income if peso strengthens by ₱0.62 against the US\$.

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 ₱145 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£.

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 quoted equity instrument, which is classified as financial asset at fair value through profit or loss. Management believes that the fluctuation in the fair value of quoted equity instrument will not have a significant effect on the parent company financial statements, and as such, did not present a sensitivity analysis.

Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Cash in banks, cash equivalents, and short-term investments

Credit risk from balances with banks and financial institutions is managed by the Company in accordance with its policies. Credit risk is mitigated by the short-term and/or liquid nature of its cash investments placed with approved financial institutions of high credit standing. The expected credit loss on the Company's cash in banks, cash equivalents, and short-term investments is calculated using the general approach.

Other financial assets

With respect to credit risk arising from the other financial assets of the Company, which comprise of receivables, and refundable security deposits under other noncurrent assets, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company limits its counterparty credit risk on these assets by dealing only with counterparties with low credit risk. The expected credit loss on the other financial assets of the Company measured at amortized cost is computed using the general approach.

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, 2018 and 2017. The maximum exposure is shown gross, before the effect of mitigation through use of master netting and collateral agreements.

	2018	2017
Cash and Cash Equivalents		
Cash in bank	₱19,955	₱43,343
Cash equivalents	61,271	167,694
Short-term investments	111,682	–
Receivables:		
Nontrade	37,656	37,313
Advances to		
Related parties	282,403	265,811
Officers and employees	7,981	7,660
Quoted equity instrument	2,867	2,867
Refundable security deposits under other noncurrent assets	12	12
	₱523,827	₱524,700



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, 2018 and 2017 based on its credit rating system follows:

December 31, 2018

	Neither Past Due nor Impaired			Total
	High Grade	Standard Grade	Impaired	
Cash and cash equivalents				
Cash in bank	₱19,955	₱-	₱-	₱19,955
Cash equivalents	61,271	-	-	61,271
Short-term investments	111,682	-	-	111,682
Receivables:				
Nontrade	-	37,656	-	37,656
Advances to				
Related parties	-	282,403	-	282,403
Officers and employees	-	7,981	-	7,981
Quoted equity instrument	-	-	₱2,867	2,867
Refundable security deposits under other noncurrent assets	12	-	-	12
	₱192,920	₱328,040	₱2,867	₱523,827

December 31, 2017

	Neither Past Due nor Impaired			Total
	High Grade	Standard Grade	Impaired	
Cash and cash equivalents				
Cash in bank	₱43,343	₱-	₱-	₱43,343
Cash equivalents	167,694	-	-	167,694
Receivables:				
Nontrade	-	37,313	-	37,313
Advances to				
Related parties	-	265,811	-	265,811
Officers and employees	-	7,660	-	7,660
Quoted equity instrument	-	-	2,867	2,867
Refundable security deposits under other noncurrent assets	12	-	-	12
	₱211,049	₱310,784	₱2,867	₱524,700

High grade credit quality pertains 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 in banks, cash equivalents, and short-term investments are assessed as high-grade since these are deposited in reputable banks, which have a low probability of insolvency.
- Receivables, and refundable security deposits 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 as past due but not impaired.
- Quoted equity instrument was considered as impaired since the Company no longer expects future benefits from the said equity instrument.



Liquidity Risk

Liquidity risk is such risk where the Company becomes unable to meet its payment obligations when these falls due under normal and stress circumstances. The Company 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 summarize 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, 2018 and 2017 are as follows:

December 31, 2018

	On demand	One to 12 months	More than 12 months	Total
Cash and cash equivalents				
Cash on hand	₱12	₱-	₱-	₱12
Cash in bank	19,955	-	-	19,955
Cash equivalents	61,271	-	-	61,271
Short-term investment	111,682	-	-	111,682
Receivables:				
Nontrade	-	37,656	-	37,656
Advances to				
Related parties	282,403	-	-	282,403
Officers and employees	-	7,981	-	7,981
Quoted equity instrument	-	-	2,867	2,867
Refundable security deposit	-	-	12	12
	₱475,323	₱45,637	₱2,879	₱523,839
Financial liabilities:				
Accrued expenses and other liabilities*	₱-	₱28,140	₱-	₱28,140
Payable to related parties	7,245,982	-	-	7,245,982
	₱7,245,982	₱28,140	₱-	₱7,274,122

*Excluding government payables

December 31, 2017

	On demand	One to 12 months	More than 12 months	Total
Cash and cash equivalents				
Cash on hand	₱12	₱-	₱-	₱12
Cash in banks	43,343	-	-	43,343
Cash equivalents	167,694	-	-	167,694
Receivables:				
Nontrade receivables	-	37,313	-	37,313
Advances to				
Related parties	265,811	-	-	265,811
Officers and employees	-	7,660	-	7,660
Quoted equity instrument	-	-	2,867	2,867
Refundable security deposits	-	-	12	12
	₱476,860	₱44,973	₱2,879	₱524,712
Financial liabilities:				
Accrued expenses and other liabilities*	₱-	₱30,623	₱-	₱30,623
Payable to related parties	7,242,624	-	-	7,242,624
	₱7,242,624	₱30,623	₱-	₱7,273,247

*Excluding government payables



23. 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 2018 and 2017.

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

	2018	2017
Capital stock (Note 12)	₱3,559,533	₱3,559,533
Additional paid-in capital (Note 12)	19,650,936	19,650,936
Subscriptions receivable (Note 12)	(4,841,801)	(4,841,801)
Revaluation increment on land (Note 7)	298,869	298,869
Remeasurement gain on retirement benefits liability (Note 17)	20,312	18,327
Unrealized gain on financial asset at fair value through profit or loss (Note 8)	-	4,861
Retained earnings	663,826	664,188
	₱19,351,675	₱19,354,913

24. Other Matters

a. 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 Ruling) 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 Detraint 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*.

There was no update as of December 31, 2018.

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 2018:

a. *Output VAT*

Net sales or receipts and output vat declared in the Company's VAT returns amounted to ₱204 and ₱25, respectively.

b. *Input VAT*

Balance at beginning of year	₱31,447
Current year's domestic purchases/payments for:	
Services lodged under other accounts	1,341
Goods other than for resale or manufacture	49
Balance at end of year	32,837
Less applications of output VAT	25
	<u>₱32,811</u>

c. *Documentary Stamp Tax*

There had been no payments of documentary stamp tax on loan instruments, shares of stock and other transactions subject thereto during the year.



d. *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, 2018 that forms part of the general and administrative expenses are as follows:

Fringe benefit tax	₱798
Real estate tax	163
Others	142
	<hr/>
	₱1,103

e. *Withholding taxes*

Withholding taxes remitted and accrued during the year are as follows:

Tax on compensation and benefits	₱6,703
Expanded withholding taxes	1,768
	<hr/>
	₱8,471

f. *Tax Assessments and Cases*

There are 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, 2018.

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.

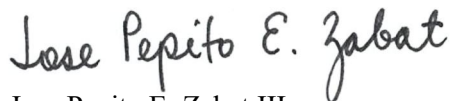


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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, 2018 and 2017, and have issued our report thereon dated March 7, 2019. 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.



Jose Pepito E. Zabat III

Partner

CPA Certificate No. 85501

SEC Accreditation No. 0328-AR-4 (Group A),

April 26, 2018, valid until April 25, 2021

Tax Identification No. 102-100-830

BIR Accreditation No. 08-001998-60-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 7332636, January 3, 2019, Makati City

March 7, 2019



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, 2018

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as at December 31, 2018:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions	✓		
PFRS 3	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with 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 9	Financial Instruments	✓		
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			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	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	Borrowing Costs			✓
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements	✓		
PAS 28	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 – 2016 Cycle)	✓		
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	✓		
	Amendments to PAS 40, Transfers of Investment Property	✓		
PAS 41	Agriculture			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	✓		
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-21	Levies	✓		
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration	✓		
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives			✓
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			✓

The Company did not early adopt any accounting pronouncement effective after December 31, 2018.

**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, 2018
(Amounts in thousands)**

Unappropriated Retained Earnings, as adjusted, beginning		P664,188
Effect of adoption of PFRS 9		4,861
Unappropriated Retained Earnings, as adjusted, beginning		669,049
Add: Net income actually earned/realized during the period		
Net income (loss) during the period closed to Retained Earnings	(P5,223)	
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)	(210)	
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	(210)	
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	(5,433)	
Add (Less):		
Dividend declarations during the period	-	
Appropriations of retained earnings	-	
Reversals of appropriations	-	
Effects of prior period adjustments	-	
Treasury shares	-	
Subtotal	-	(5,433)
Unappropriated Retained Earnings, as adjusted, ending		P663,616

CERTIFICATION OF INDEPENDENT DIRECTOR

I, *Laurito E. Serrano*, Filipino, of legal age and a resident of [REDACTED], 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
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
MRT Dev. Corporation	Director	July 2013 - present
Carmen Copper Corporation	Independent Director	August 2012 - present
2Go Group, Inc.	Independent Director	April 2017 – present
United Paragon Mining Corp.	Independent Director	December 2017 - present
Axelum Resources Corp	Director	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 (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 (SRC) and its Implementing Rules and Regulations (IRR), the 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.

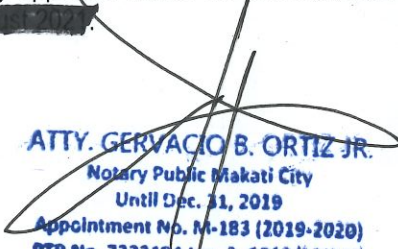
Done this _____ day of March 2019 in Pasay City.



Laurito E. Serrano
Affiant

Subscribed and Sworn to before me in the City of CITY OF MAKATI this MAR 11 2019 March 2019 by affiant, Laurito E. Serrano, who personally appeared before me and exhibited to me his Driver's License with number [REDACTED]

Doc. No. 18
Page No. 39
Book No. VM
Series of 2019.



ATTY. GERVACIO B. ORTIZ JR.
Notary Public Makati City
Until Dec. 31, 2019
Appointment No. M-183 (2019-2020)
PTR No. 7333104 Jan. 3, 2019/Makati
IBP Lifetime No. 656155 Roll No. 40091
MCLE Compliance No. V-0006934
191 Urban Ave. Campos Rueda Bldg.
Crgy. Pio Del Pilar, Makati City

CERTIFICATION OF INDEPENDENT DIRECTOR

I, Fulgencio S. Factoran, Jr., Filipino, of legal age and a resident of [REDACTED], 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 – present
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 (SRC), its Implementing Rules and Regulations (IRR) 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 (SRC) and its Implementing Rules and Regulations (IRR), 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.

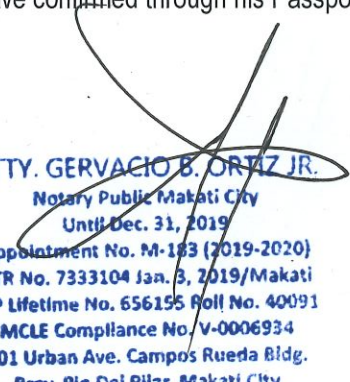
Done this ____ day of March 2019 in Pasay City.


Fulgencio S. Factoran, Jr.
Affiant

MAR 11 2019

Subscribed and Sworn to before me the City of CITY OF MAKATI this ____ March 2019 by affiant, Fulgencio S. Factoran, Jr., whose identity I have confirmed through his Passport with number 

Doc. No. 187
Page No. 39
Book No. VIII
Series of 2019.


ATTY. GERVACIO B. ORTIZ JR.
Notary Public Makati City
Until Dec. 31, 2019
Appointment No. M-183 (2019-2020)
PTR No. 7333104 Jan. 3, 2019/Makati
IBP Lifetime No. 656155 Roll No. 40091
MCLE Compliance No. V-0006934
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

**CERTIFICATION
OF INDEPENDENT DIRECTOR**

I, Emilio S. de Quiros, Jr., Filipino, of legal age and a resident of [REDACTED], 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	Chairman of the Board of Directors	December 2017 - present August 2016 - April 2017
	Member, Board of Directors	Since Sept. 2010;
RBCC Savings Bank	Independent Director	July 2018 - 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

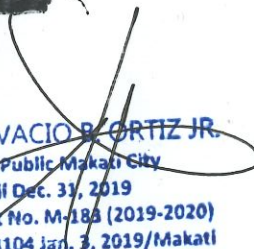
6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of AT of any changes in the abovementioned information within five (5) days from its occurrence.

Done this ____ day of March 2019 in Pasay City.


Emilio S. de Quiros, Jr.
Affiant

Subscribed and Sworn to before me this **MAR 11 2019** day of March 2019 at **CITY OF MAKATI** by affiant, Emilio S. de Quiros, Jr., personally appeared before me and exhibited to me his Passport with no. 

Doc. No. 188
Page No. 39
Book No. 111
Series of 2019.


ATTY. GERVACIO B. ORTIZ JR.
Notary Public Makati City
Until Dec. 31, 2019
Appointment No. M-188 (2019-2020)
PTR No. 7333104 Jan. 3, 2019/Makati
IBP Lifetime No. 656155 Roll No. 40091
MCLE Compliance No. V-0006934
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

CERTIFICATION OF INDEPENDENT DIRECTOR

I, *Jose P. Leviste Jr.*, Filipino, of legal age and with address at [REDACTED], after having been duly sworn to in accordance with law do hereby declare that:

1. I am an nominee for independent director of *Atlas Consolidated Mining and Development Corporation (AT)*.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Atlantic, Gulf and Pacific Co. (AG&P)	Chairman	2015 up to present
OceanaGold (Philippines), Inc.	Chairman	2004 up to present
Constellation Energy Corporation	Chairman	2008 up to present
Pacific Rim Innovation Management and Exponents, Inc.	Chairman	1989 up to present
Pico De Loro Beach and Country Club	Independent Director	2008 up to present
Enactus Philippines	Chairman	2007 up to present
Philippine-Spanish Business Council (PHSPBC)	Chairman	2016 up to present
Chamber of Mines of the Philippines	Vice-Chairman	2017 up to present
Investment Capital Corporation of the Phil. (ICCP)	Independent Director	2011 up to present
Itaipinas Development Corporation (IDC)	Senior Adviser	2015 up to present
Sindicatum Sustainable Resource of Singapore	Asia Advisor	2010 up to present
Phil. Council for Agriculture Aquatic and Natural Resources Research and Devt. (PCAARRD)	Governing Council Member	2011 up to 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.

J.P. Leviste Jr.


Done this 14th day of March 2019 in Pasay City.


Jose P. Leviste, Jr.
Affiant

MAR 19 2019

Subscribed and Sworn to before me this _____ day of March 2019 at PASAY CITY by
affiant, Jose P. Leviste, Jr. personally appeared before me and exhibited to me his Passport with _____

Doc. No. 120
Page No. 28
Book No. 4
Series of 2019.


ATTY. MA. CLEOFE L. JAIME
NOTARY PUBLIC
ATTORNEY'S ROLL NO. 27802
IBP NO. AR 54860693 R.C. 1/3/2019
PTR NO. 6397959 PASAY CITY 1/3/2019
MCLE COMPL. NO. V 0011721-NOV. 26, 2015
OFFICE ADDRESS STALL NO. 1 UNIT 54
ARNAIZ AVE., PASAY CITY
NOTARIAL COMM. NO. 18-09

Delivering Sustained Value Through Responsible Stewardship

2018 SUSTAINABILITY REPORT



WHAT'S INSIDE?

2	About Carmen Copper
4	President's Message
6	Creating Sustained Value
8	In Support of the Sustainable Development Goals
10	The Road to Responsible Stewardship
14	Safeguarding Our Natural Environment
22	Building Self-Reliant Communities
32	Preserving the Heritage of Responsible Mining
44	Cultivating Our Corporate Culture
54	Governance
57	GRI Content Index
	Awards and Citations

ABOUT THIS REPORT

102-49, 102-54

Creating Sustained Value through Responsible Stewardship is the 2nd Sustainability Report of Carmen Copper Corporation (Carmen Copper), covering the period of January 1 to December 31, 2018. This Report is aligned with the United Nations Sustainable Development Goals (SDGs) and is a testament of the company's commitment to the United Nations Global Compact (UNGC) Principles.

Carmen Copper is a wholly-owned subsidiary of Atlas Consolidated Mining and Development Corporation (Atlas Mining). This Report contains the parent company's economic figures (page 2) and employee profile (pages 46 and 48) and also serves as the Sustainability Report of Atlas Mining.

This Report has been prepared in accordance with the GRI Standards: Core option. It has successfully completed the GRI Materiality Disclosures Service which confirms that disclosures 102-40 to 102-49 of the GRI 102: General Disclosures 2016, were correctly located in both the GRI Content Index (see pages 57-58) and in the pages of this Report.



VISION

We aim to be the leading copper producer in the Philippines, a preferred employer in the industry and a role model for responsible mining and good governance.

MISSION

We will enhance value for all our stakeholders by pursuing long-term prospects for stability, growth and diversification while harmonizing safe and efficient business practices with the social and environmental needs of our communities.


VALUES

Professionalism
Genuine Concern for the Company
Team Orientation
Innovation
Concern for Safety,
Social Development and
Sustainability

ABOUT CARMEN COPPER

Incorporated in 2004, Carmen Copper is one of the largest operating copper mines in the country. It has the operating rights for the Toledo Copper Mine under a Mineral Production Sharing Agreement with the Philippine Government. It sources and extracts ore from the Carmen Pit and ships copper concentrate mainly to smelters in China, Japan and the Philippine Associated Smelting and Refining Corporation in Leyte Province.




1,676
hectares of
operational
area of which
276
hectares
are open pit
mining areas


293
shipments to
date (since 2008)
30
shipments
in 2018

ECONOMIC VALUE TABLE

In PHP Million	Atlas Mining			Carmen Copper		
	2016	2017	2018	2016	2017	2018
Economic value generated	12,242	12,063	14,389	12,168	12,039	14,302
Economic value distributed	14,030	14,276	16,535	13,345	13,949	16,283
Operating costs	11,141	11,103	12,794	10,926	10,915	12,577
Employee wages and benefits	403	412	400	371	385	370
Payments to providers of capital	1,845	2,185	2,346	1,447	2,082	2,345
Payments to government	409	471	826	369	462	822
Community investments	232	105	169	232	105	169
Economic value retained	(1,788)	(2,213)	(2,146)	(1,177)	(1,910)	(1,981)



AWARDS

Gawad Tugas for
Responsible Mining
Mines and
Geosciences
Bureau

Presidential Mineral Industry
and Environmental Award
Platinum Achievement for
Surface Mining Category
Philippine Mine Safety and
Environment Association
and the Mines and
Geosciences Bureau

Anvil Award for 2017
Sustainability Report
Public Relations
Society of the
Philippines

PRESIDENT'S MESSAGE



To Our Valued Stakeholders:

In 2018, we embarked on a more strategic approach to sustainable development, taking steps to integrate sustainability in various facets of our operations to effect systemic change in the way we do business. First, we strengthened our cost efficiency campaign focusing on manpower productivity ratios, strict procurement standards and stringent audit systems. Second, we reiterated our corporate mantra of commitment, competence and cooperation in every aspect of project management. Lastly, we deepened our engagement with our stakeholders to foster solidarity in our journey towards sustainable development.

Our Role | Responsible Stewardship

Since the inception of Atlas Consolidated Mining and Development Corporation in 1953, we have played a significant role in bringing Toledo to cityhood status through the company's socio-economic contributions. We recognize the three resources – environmental, community social capital and corporate – that play critical roles in achieving sustained growth and we work diligently to contribute on all fronts.

At Carmen Copper, we ensure that our operations do not bring about irreversible effects to the natural environment of Toledo. We earmark resources for social development, helping provide social safety nets such as access to education, health care and livelihood. We continue to mold our people to serve as responsible stewards, not only of Carmen Copper's resources, but more so, of Toledo City's heritage.

Shared Responsibility | Creating Sustained Value

This year, we revisited our community needs assessment process to have a more comprehensive understanding of what elements should be in place to improve social capital. Working in partnership with our host communities and the local government, we enhanced our information, education and

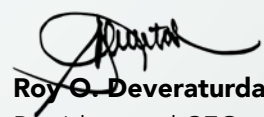
communication and community campaigns to raise awareness about projects in our Social Development and Management Program and the role the community plays to sustain these projects. We organized our communities into cooperatives to manage sustainable livelihood programs such as the Carmen Copper Integrated Farm. We educated the communities on their symbiotic relationship with the natural environment through hands-on projects like seedling production, community nursery projects and tree growing activities. Lastly, we built a fitting community legacy with the opening of the Carmen Copper Heritage Center, the first copper mining museum in Southeast Asia.

Committed to Responsible Mining

As we measure our impact, we are reminded that though we have taken strides in creating shared value, there is still so much to be done. To carry on, we celebrate our milestones and breakthroughs every step of the way.

This year, we were honored with the Presidential Mineral Industry and Environmental Award Platinum Achievement for Surface Mining Category by the Philippine Mine Safety and Environment Association and the Mines and Geosciences Bureau. We also proudly received the Gawad Tugas for Responsible Mining from the Department of Environment and Natural Resources.

Being recognized by the industry in this way encourages us to further enhance the positive impact of our operations. With this, we will certainly continue our journey of creating sustained value for our host and neighboring communities and we will do this through responsible stewardship.



Roy O. Deveraturda
President and CEO

CREATING SUSTAINED VALUE



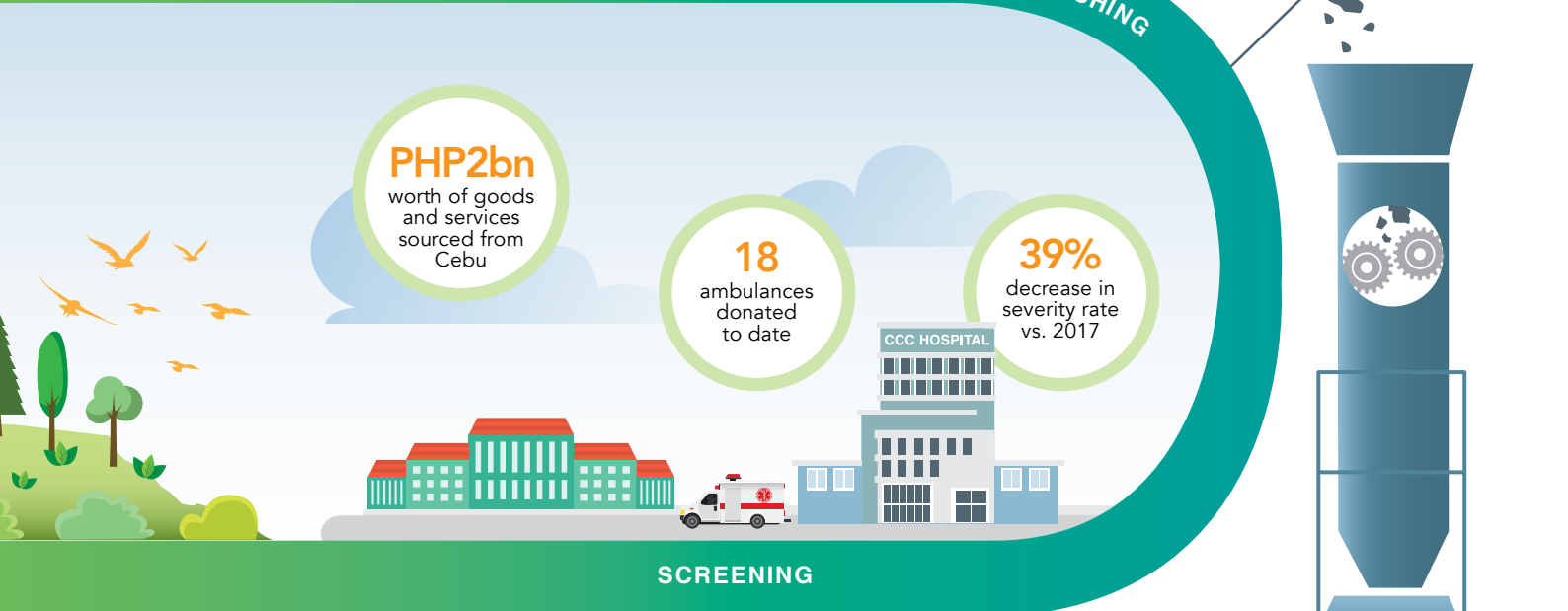


PHP362mn
invested in social
and environmental
initiatives

77%
CO emission
level below
DENR limit

ORE TRANSPORT

CRUSHING



PHP2bn
worth of goods
and services
sourced from
Cebu

18
ambulances
donated
to date

39%
decrease in
severity rate
vs. 2017

SCREENING



PHP1.2bn
worth of goods
and services
sourced
internationally

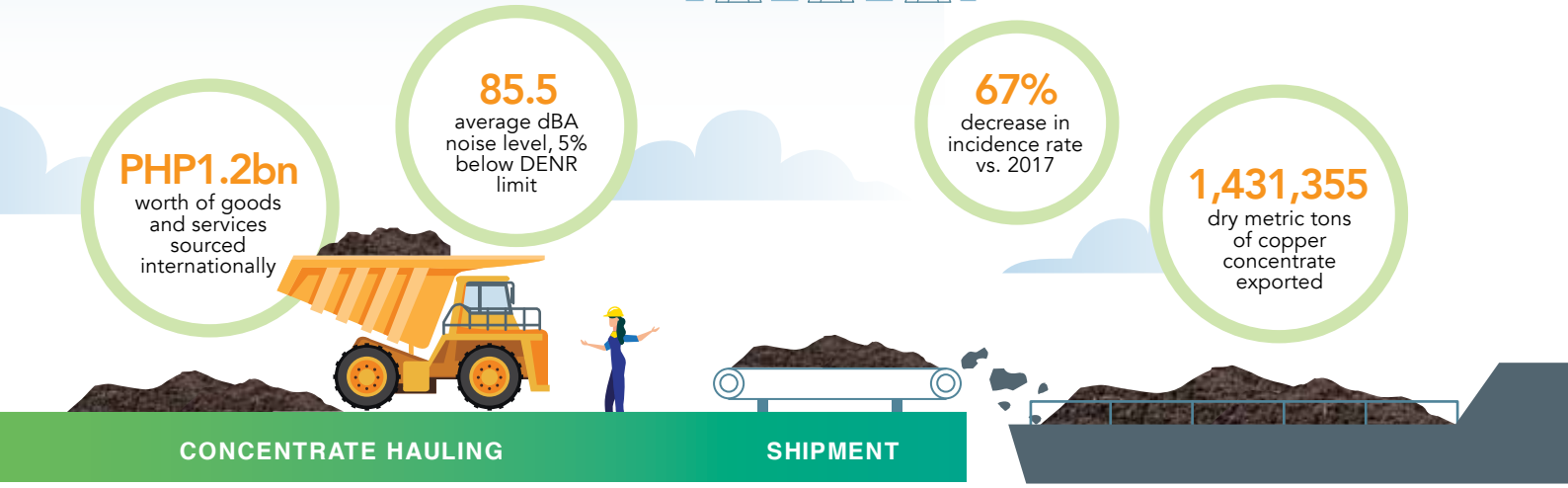
85.5
average dBA
noise level, 5%
below DENR
limit

67%
decrease in
incidence rate
vs. 2017

1,431,355
dry metric tons
of copper
concentrate
exported

CONCENTRATE HAULING

SHIPMENT



1.7M
cubic meters of
water supplied to
communities

51%
of water
consumed
per year is
recycled

Biga Tailings
Storage Facility

IN SUPPORT OF THE SUSTAINABLE DEVELOPMENT GOALS



1 NO POVERTY



PHP169mn
spent on various social development projects

Target 1.1: By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than US\$1.25 a day

4 QUALITY EDUCATION



553
technical-vocational and college scholars to date

Target 4.3: By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant effective learning outcomes

5 GENDER EQUALITY



24%
of newly-hired employees are women

Target 5.1: End all forms of discrimination against all women and girls everywhere

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



Publication of the 2nd Sustainability Report aligned to the GRI Standards, UN SDGs and UNGC Principles

Target 12.6: Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

13 CLIMATE ACTION



Air emissions
below DENR limits

Target 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

2 ZERO HUNGER



2,400
farmers engaged in the Carmen Copper Integrated Farm

Target 2.1: By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round

3 GOOD HEALTH AND WELL-BEING



Carmen Copper Hospital

a PhilHealth TB-DOTS* accredited health facility, served 72 tuberculosis patients in 2018

Target 3.3: By 2030, end the epidemics of AIDS, tuberculosis, malaria and neglected tropical diseases and combat hepatitis, water-borne diseases and other communicable diseases

*Tuberculosis Directly Observed Treatment Short course

6 CLEAN WATER AND SANITATION



51%
of water consumed per year is recycled

Target 6.4: By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity

8 DECENT WORK AND ECONOMIC GROWTH



PHP193mn
spent on environmental protection and enhancement projects

Target 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

15 LIFE ON LAND



2.24M
seedlings planted to date on 1,370 hectares of land

Target 15.2: By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally

17 PARTNERSHIPS FOR THE GOALS



GRI-SM Partnership for the first GRI Sustainability Summit in the country

Target 17.14: Enhance policy coherence for sustainable development

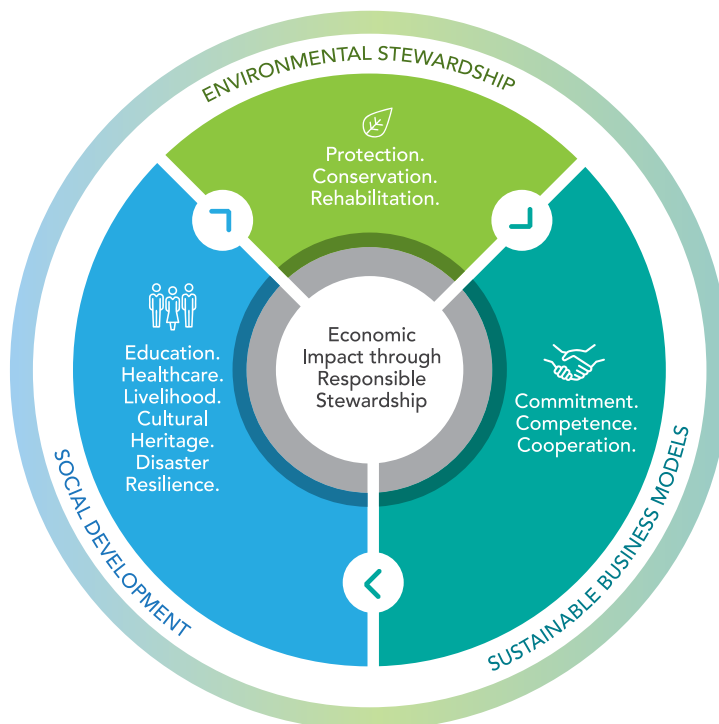
THE ROAD TO RESPONSIBLE STEWARDSHIP

Our Commitment to Sustainability

Carmen Copper is committed to responsible mining. We adhere to global standards of human rights aligned to the United Nations Global Compact Principles. As a company, we:

- Support and respect the protection of internationally proclaimed human rights;
- Support the elimination of all forms of forced and compulsory labor and the abolition of child labor;
- Support the precautionary approach to environmental challenges and encourage the use of environmentally friendly technologies; and
- Support all forms of anti-corruption, anti-extortion and anti-bribery.

THE CARMEN COPPER RESPONSIBLE STEWARDSHIP FRAMEWORK



PROCESS OF MATERIALITY ASSESSMENT 102-46

As we deepened our engagement with our stakeholders, we revisited the material topics that create the most significant impact.

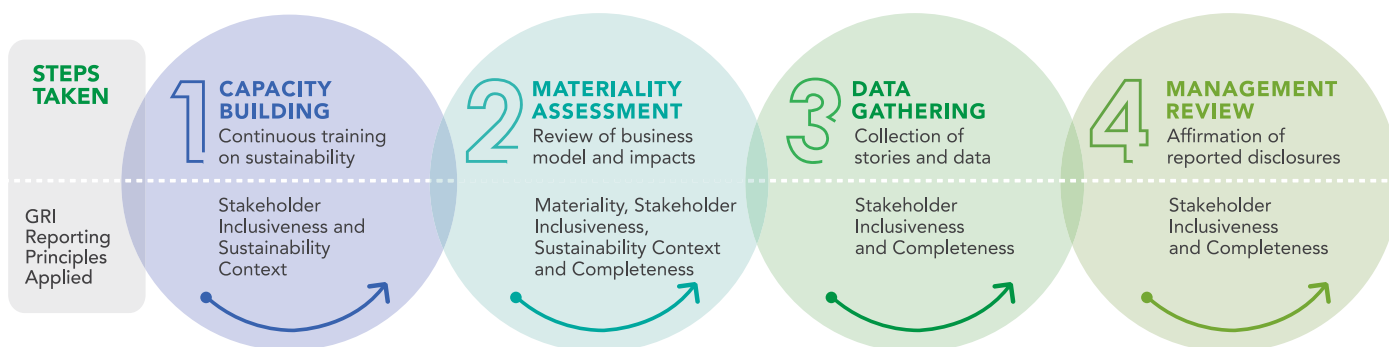
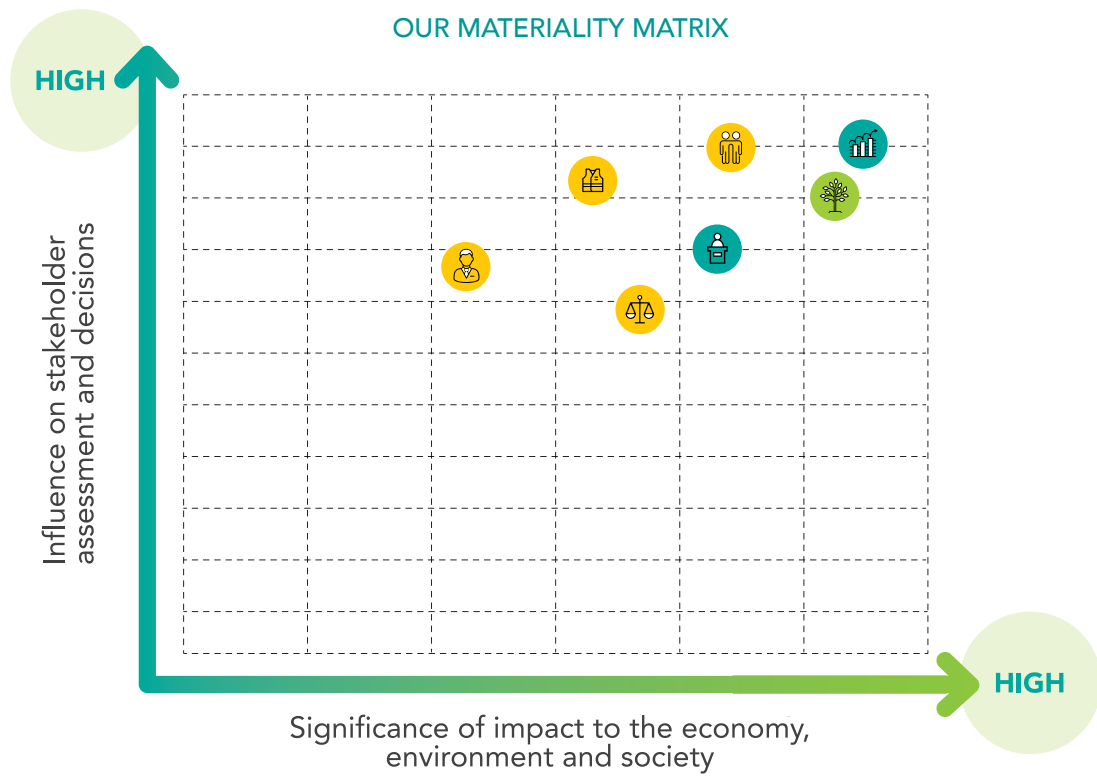









TABLE OF MATERIAL TOPICS AND TOPIC BOUNDARIES 102-46,102-47

	Material Topic and Sub-topics	Topic Boundary	Relevance
Environmental Sustainability			
	Energy, Emissions and Water	Within the organization	We practice due diligence and regular monitoring to ensure that our impact on the environment is mitigated and/or minimized and that we perform within set standards.
	Biodiversity, Effluents and Wastes	Within the organization and with our host communities	
	Environmental Compliance	Within the organization and with regulators and third party consultants	
Community Development			
	Indirect Economic Impacts	Within the organization and with our host communities	As a corporate entity in Toledo City, we acknowledge our responsibility to our host communities which we demonstrate by providing programs and investing in projects that address their needs.
	Local Communities	Within the organization and with our host communities	
Occupational Health and Safety			
	Occupational Health and Safety	Within the organization	We ensure the safety of our employees by adopting safety standards and protocols, providing health insurance and safety gear and promoting the well-being of our employees.
Employee Training, Development and Career Path			
	Employment	Within the organization	We recruit and develop our people in various roles where they can grow and their contributions will be recognized, ensuring alignment to their long-term professional development.
	Training and Education	Within the organization	
Human Rights and Equal Opportunities			
	Human Rights and Equal Opportunities	Within the organization	We promote and protect human rights and uphold the dignity of our employees, communities and other stakeholders.
Governance, Risk Management and Compliance			
	Governance, Risk Management and Compliance	Within the organization	We ensure our compliance to all applicable government regulations and conduct all our transactions to the highest standards of ethical business practices and risk management.
Economic Performance and Supply Chain Management			
	Economic Performance	Within the organization and business partners	We deliver shared value to both our internal and external stakeholders including business partners.
	Procurement Practices	Within the organization and business partners	



MATERIALITY KEY THEMES 102-47

	Environmental Sustainability	How the Company manages its environmental impact, mitigates risk, conserves and protects natural habitats and minimizes its emissions
	Community Development	How the Company provides access to social services and opportunities in education, health care, livelihood, public infrastructure and promotes cultural preservation
	Occupational Health and Safety	How the Company sets safety standards and protocols, provides health insurance and safety gear and promotes the well-being of its employees
	Employee Training Development and Career Path	How the Company recruits, develops and retains local talent in various roles; recognizes the contribution of its employees and provides long-term professional development
	Human Rights and Equal Opportunities	How the Company promotes and protects human rights and upholds the dignity of its employees, communities and other stakeholders
	Governance, Risk Management and Compliance	How the Company ensures compliance to all applicable government regulations; upholds all its transactions to the highest standards of ethical business practices; and mitigates risks
	Economic Performance and Supply Chain Management	How the Company delivers shared value to its principals, its stakeholders and business partners

Our Stakeholders	Description and How We Engage	Concerns	Our Commitment
Employees 	We put high regard in the contribution of our employees. We engage them through regular town hall meetings, performance appraisals, training programs, labor management relations council meetings and other focus group meetings.	Governance, Risk Management and Compliance Community Development	We commit to the development of our employees, creating a path for long-term career growth and incentives for excellent performance.
Communities 	We partner with our communities as co-stewards of our mission to create shared and sustained value for all. We engage them through dialogue, informal interactions, community needs analysis and information, education and communication campaigns.	Community Development Economic Performance and Supply Chain Management	We commit to create value for our communities by helping provide access to quality education, healthcare and livelihood while safeguarding a healthy environment for them to live in.
Government and Regulatory Bodies 	We work in partnership with the government and regulatory bodies to uphold the highest standards of responsible mining. We engage them through regular and accurate reporting, compliance and program partnerships.	Governance, Risk Management and Compliance Environmental Sustainability	We commit to comply with all government regulations and build a strong partnership with the government in pursuit of sustained economic growth.
Business Partners 	In all our dealings, we maintain ethical business practices with transparency and fairness, building long-term relationships. We engage them through regular meetings and procurement management protocols.	Environmental Sustainability Occupational Health and Safety	We commit to ethical business practices of transparency, accountability and fair dealings. Beyond transactional deals, we aim to build long-term relationships.
Investors/Principal 	We are committed to deliver sustainable returns for our providers of capital. We engage them through our principal, Atlas Mining, through Annual and Sustainability Reports, Stockholder's Meetings and Investor Relations Meetings.	Governance, Risk Management and Compliance Economic Performance and Supply Chain Management	We commit to sustainable business practices that are the foundation of long-term returns for our investors.
Socio-Civic and Non-Profit Organizations 	We work with other NGOs and socio-civic organizations to enhance our social and environmental programs. We engage them through association memberships, conferences and industry workshops.	Community Development Environmental Sustainability	We work together with other like-minded partners who share a common goal to uplift our communities.
Media 	We maintain positive media relations through accurate and timely reporting. We engage them through media briefs and coverage.	Governance, Risk Management and Compliance Environmental Sustainability	We partner with the media in providing objective news updates and disclosures. We support open dialogues and press conference briefings especially for critical issues.

A photograph of a greenhouse filled with rows of young green plants in pots. The plants are arranged in neat rows, and a dirt path runs through the center. A circular graphic overlay is positioned in the upper left corner, containing the text "SAFEGUARDING OUR NATURAL ENVIRONMENT".

SAFEGUARDING
OUR NATURAL
ENVIRONMENT



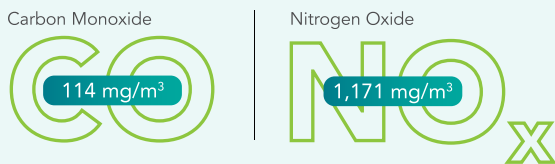
Responsible Mining is our First Principle

We play a crucial role in maintaining the delicate balance of promoting economic growth and prioritizing care for the environment. To help mitigate risks, we worked on and received ISO 14001:2015 certification which provides us a standardized method for resource, waste and materials management and environmental monitoring, development and closure planning and rehabilitation and remediation measures.

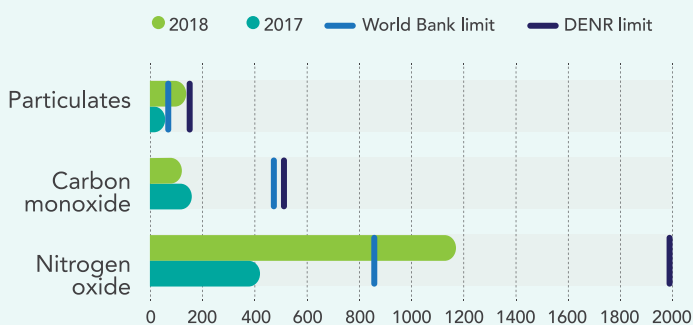


Air Emissions

Every quarter, the Multi-Partite Monitoring Team conducts ambient air sampling. Results of our regular emission tests show that our air emissions are below national set limits. We continue to work to manage these emissions through controls such as replacing old equipment and acquiring new measurement tools.



*Air Emissions by Type, in mg/m³

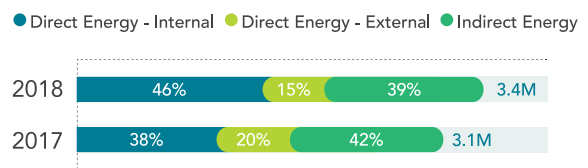


*No emission test was conducted for sulfur oxide in 2018 since the equipment was not ready for testing

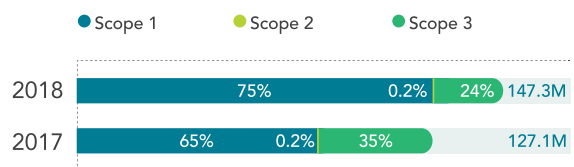
Energy Management

We consistently monitor our energy utilization from fuel consumed by company-owned (direct energy - internal), third-party vehicles (direct energy - external) to electricity use (indirect energy) and the carbon emissions resulting from these sources. Our total energy consumption and greenhouse gas (GHG) emissions increased by 11 and 16 percent respectively from the previous year. We need to focus more on opportunities for conservation and energy efficiency in our operations such as more efficient production methods and reduction of our draw from the local grid to reduce our GHG emissions and save on mining costs moving forward.

**Energy Consumption, in GJ



***GHG Emissions, in tonnes CO₂e



**Energy and emissions data for 2017 were recalculated to include fuel consumed by company-owned and third-party vehicles and for better comparison with 2018

***Scope 2 emissions was computed using the 2015-2017 National Grid Emission Factors provided by the Department of Energy 102-48



Water Management

We minimize our water withdrawal from fresh water sources through our conservation and recycling efforts. We also preserve the quality of our water sources, meeting the standards for contamination-free water sources in 2018.

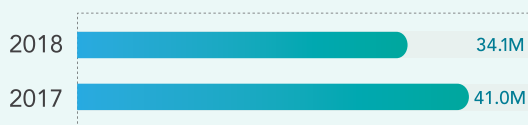


51%
of water consumed
per year is recycled



1.7M
cubic meters
of water supplied
to communities

Water Consumption, in m³

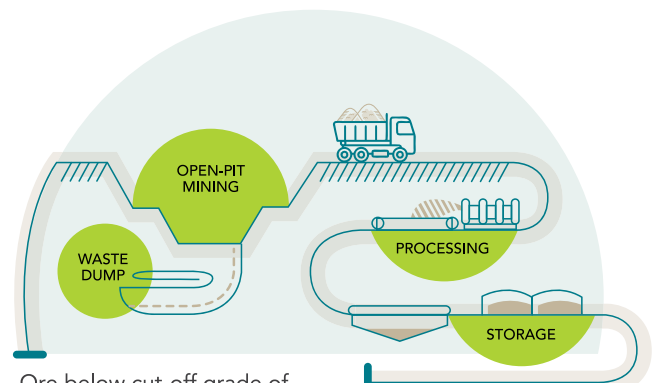


Waste Management

We diligently manage the disposal of our effluents under Carmen Copper's Waste Management Plans following regulatory standards. We also strive to manage our non-hazardous waste responsibly. Our most significant non-hazardous waste streams include recyclables and non-biodegradable waste. Our biodegradable waste is handled directly by the waste generator or unit concerned.

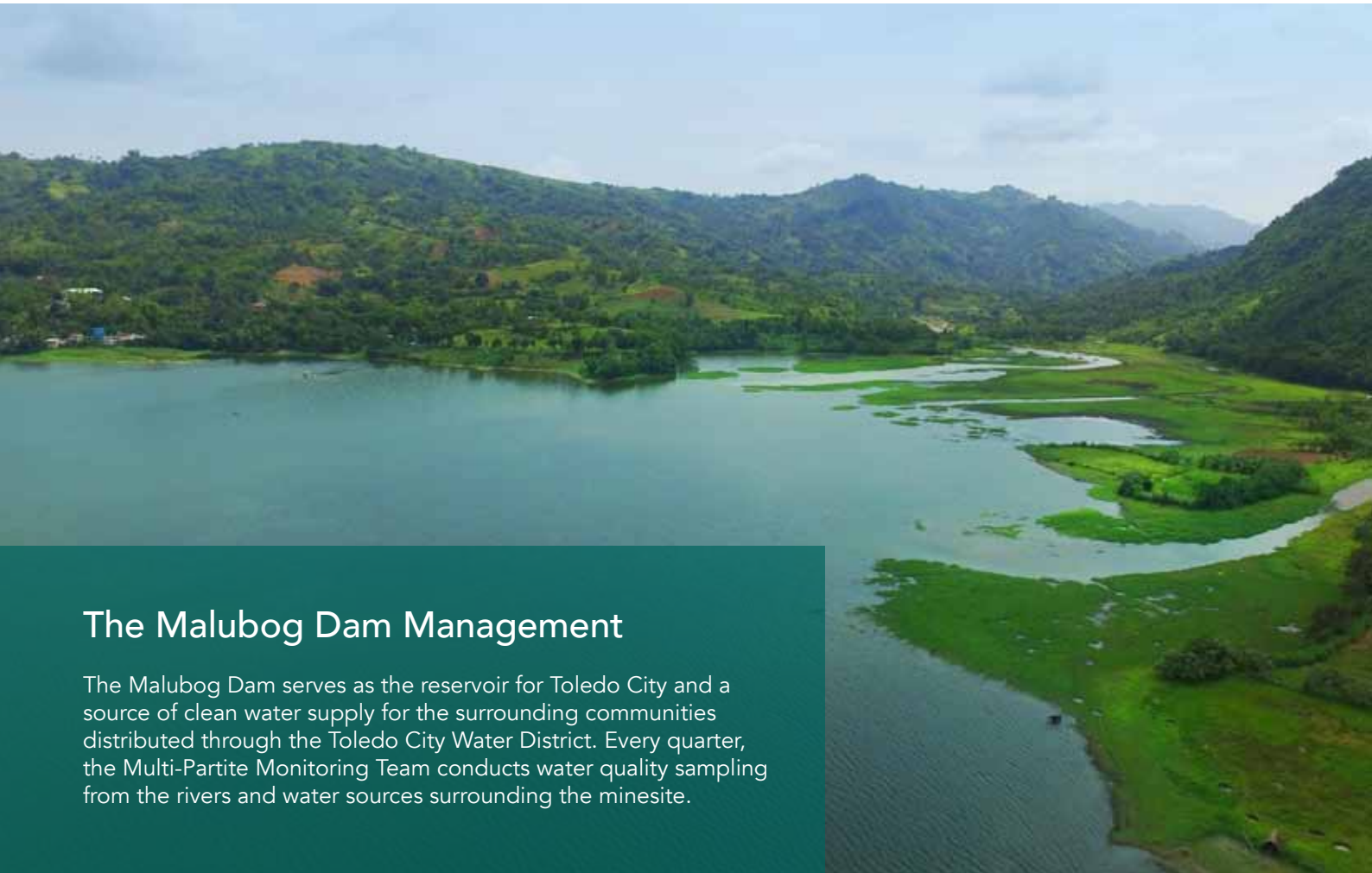


302,549 kgs
recyclable and
non-biodegradable
wastes collected



Ore below cut-off grade of 0.2% are deposited at the Mabais-Sigpit Waste Dump and Lutopan Pit

Tailings from ore processing are deposited at the Biga Tailings Storage Facility



The Malubog Dam Management

The Malubog Dam serves as the reservoir for Toledo City and a source of clean water supply for the surrounding communities distributed through the Toledo City Water District. Every quarter, the Multi-Partite Monitoring Team conducts water quality sampling from the rivers and water sources surrounding the minesite.



Development, Rehabilitation and Closure Planning

We are committed to the people of Toledo even beyond our mining activities. We have earmarked resources for the development and rehabilitation of mined out areas.



PHP73mn

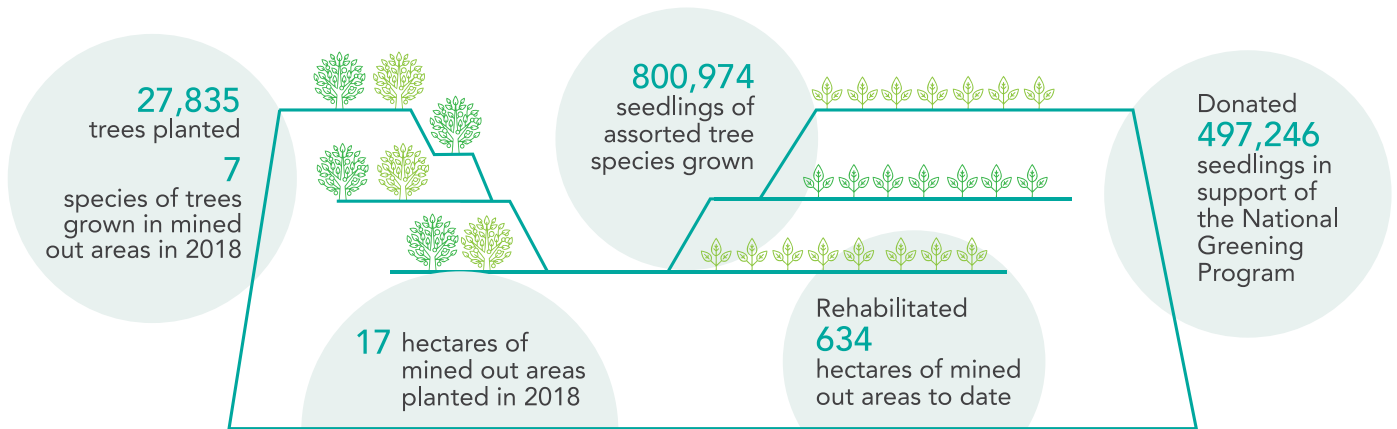
Approved under the Final Mine Rehabilitation and Decommissioning Plan

PHP69.6mn

deposited in a trust fund to date

Protection and Conservation is Our Mission

We are responsible stewards of our environment. We recondition the soil to serve as a rich foundation to cultivate different plant species.



The Carmen Copper Ecological Park*

Originally referred to as the Carmen Copper Arboretum, the Carmen Copper Ecological Park has evolved into the first environmental recreational facility in Toledo City which showcases the various native tree species of Toledo. Additional facilities are in the pipeline for families to enjoy and have a taste of forest bathing which promotes overall well-being. We also hope that through this park, we can encourage the younger generation to unplug from the digital world and rediscover the joy of a relationship with nature.



*The Carmen Copper Ecological Park is not part of mined out areas



Quick Look at our Biodiversity



17 species of plants (non-tree)



64 species of trees



6 species of bats



25 species of birds

Environmental Sustainability is Our Shared Responsibility

We work with our communities to raise awareness that environmental sustainability is everybody's responsibility.

Community Nursery Program

We partner with the members of our people's organizations in producing seedlings in support of the government's National Greening Program. Through this program, our partners help us grow trees and gain income to support their families in the process.



456,491
seedlings produced
to date since 2012



8
barangays: Biga, Bunga,
Bulongan, Pandong Bato,
Bagakay, Cantabaco, Loay
and Don Andres Soriano



We provide assistance
in maintaining the
nursery and monitoring
sapling growth





Community Tree Growing

During Arbor Day, we mobilize volunteers from our host communities to join us in a tree planting activity in mined out areas. Since starting this annual tradition in 2006, we have planted 15,790 trees and mobilized 1,558 volunteers from barangays, schools and institutions.

Linis Estero Program

In partnership with the Mines and Geosciences Bureau, we engage our communities in cleaning the water ways in our host barangays to avoid clogging and mitigate flooding. Since the program's launch in 2015, we have cleaned out 4.7 tons of waste and mobilized 679 volunteers.



15,790
trees planted
since 2006



1,558
people mobilized
from barangays,
schools and other
institutions



4.7
tons of waste
collected



679
volunteers



BUILDING
SELF-RELIANT
COMMUNITIES





Our Journey Towards Sustainable Development

Carmen Copper Communities is our Social Development and Management Program brand, launched this year. In place of our corporate logo, we embarked on a community campaign that embodies our principle that responsible stewardship is a shared commitment. Carmen Copper Communities embraces every member of our host communities, communicating that a strong web of social capital is woven together by each and every Toledano.



Education

Scholarship Program



School Building Program



CARMEN COPPER COMMUNITIES

Education. Healthcare. Livelihood.
Cultural Heritage. Disaster Response.



Healthcare

Community Health
Center Program



Medical Equipment





Livelihood

Community Orchard



Integrated Farm



Cultural Heritage

Carmen Copper Heritage Center



Disaster Response

Relief Operations



Emergency Response



Education | The Tool to Change Our World



At Carmen Copper, we believe that education creates a generational shared value for our communities.



219
high school scholars

86
college scholars including

9
scholar graduates



467
technical-vocational scholars



8
scholar graduates passed the licensure exam



66
classrooms built and repaired

11
school buildings built and repaired

6
covered courts built



2,818
students served by computer room at Don Andres Soriano National High School



15,336
pupil recipients of love bags



14
recipients of Carmen Copper Leadership Excellence Award



61
participants in essay writing contest



155
participants in journalism workshop

*Data to date

Scholarship Program

To strengthen our commitment to help mold the youth of Toledo, we increased our investment in scholarship grants.

high school and college scholars



305 | 103
2018 | 2017

technical-vocational scholars



147
2017

School Building Program

In support of every child's right to a good education, we upgraded our school building program to include furniture such as student arm chairs, teacher's tables, blackboards, electric fans and washrooms.

classrooms built and repaired



34 | 32
2018 | 2017

school buildings built and repaired



5 | 6
2018 | 2017

Realizing Potential



Defying Poverty

When Angielica Engcoy's mother died in 2004, her home began to crumble. She and her siblings were sent to relatives because her father, then a construction worker with meager income, could no longer support his five children. With no money to afford a college degree, she was told she would be better off working as a maid or nanny than become a jobless high school graduate.

But Angielica believed she was destined for something more. She availed of the Carmen Copper Scholarship Program and she worked hard to get to where she is today.

During college, she was reunited with her siblings and father who had started earning enough to support the family. Things are finally falling into place.



On to a Promising Future

Joryl Mananay never experienced the love of a father. His father abandoned him before he was born. To raise him, his mother worked as house help in the metropolis leaving the young Joryl in the care of his grandparents.

This tough life has shaped the hardworking and eager Joryl who was determined to graduate college, get a decent job and take care of his family. He found his opportunity with the Carmen Copper Scholarship Program which took care of his college expenses all the way to his board exam fees.

When he passed the Mining Engineering Licensure Examination, he knew his dream of a better life was within reach.



The Love that Spreads Happiness

To motivate children to go to school, we gifted over 15,000 pupils in elementary schools in Toledo City with bags and school supplies.

The Love Bag Project spread happiness among students in 26 public elementary schools including those in the hinterlands of Toledo. It was launched in August 2018 at Himatugan Elementary School in Barangay General Climaco, more than an hour's ride from the mine site and another two hour trek over large boulders and river waters. The team had to cross rivers more than 11 times to reach the school on top of a steep hill in Sitio Himatugan.

The journey was arduous but fulfilling. The team's visit to this far-flung school made the children so happy since most of them had only ever received recycled paper pads, pens and notebooks every year for their elementary school needs.

Healthcare | Comfort in Times of Need



We promote health and wellness in our communities. The Carmen Copper Hospital maintains its level 1 status and continues to serve employees' families and dependents who are mostly from Toledo City.



6,455

patients served in medical missions to date

357

patients in 2018



18

ambulances donated with

17,879

patients served to date



441,569

children served under the school-based feeding program to date



20,156

patients served through Doktor to the Barangay Program to date



2,033

children served in

26

elementary schools

1

day care

1

foundation in 2018

Community Health Center Program

We expanded our Community Health Center Program to include facilities and basic equipment whenever we refurbish or build health facilities such as birthing centers, barangay centers and other clinics.



Barangay Cantabaco Birthing Center

To provide quality health services to the community, Carmen Copper built a two-storey Health and Birthing Center in Barangay Cantabaco, Toledo City. The goal was to better address the growing health care demand of mothers and their babies for maternity and child care.

The first floor is a dedicated birthing facility with a delivery room, a clean-up and sterilization room, a ward, a consultation and treatment room, a scrub area, a comfort room and a waiting area. The second floor serves as the health center with two consultation rooms, a store room, a comfort room and a waiting area.

Ensuring a healthy community is part of Carmen Copper Communities' commitment under its Community Health Center Program. With their health assured, people can then focus more on family and being self-sufficient.



Livelihood | Blessing from the Work of our Hands



We promote the value of hard work by organizing local farmers into an integrated farm project. Launched in 2017, our objective was to create a sustainable farm serving as a prepared environment for fostering community relations and a shared economy for all.



2,400
number of farmers engaged
in the cooperative



18
vegetable
types planted



300,000
kilos harvested
worth PHP2mn



5,800
kilos of banana
(lakatan)



1,500
kilos of
guyabano



4,400
kilos of
string beans



3,200
kilos of
cucumber



2,100
kilos of
eggplant



8,200
kilos of cardava



1,950
kilos of
hot pepper



6,150
kilos of
Baguio beans



3,800
kilos of
ampalaya



5,400
kilos of
ginger



2,000
kilos of
sweet corn



1,100
kilos of okra



800
kilos of
peanuts



4,500
kilos of sweet
potato



10,200
kilos of assorted
vegetables



49
swine sold



48,000
kilos of waste
turned to fertilizer



474
livestock



125,010
eggs harvested

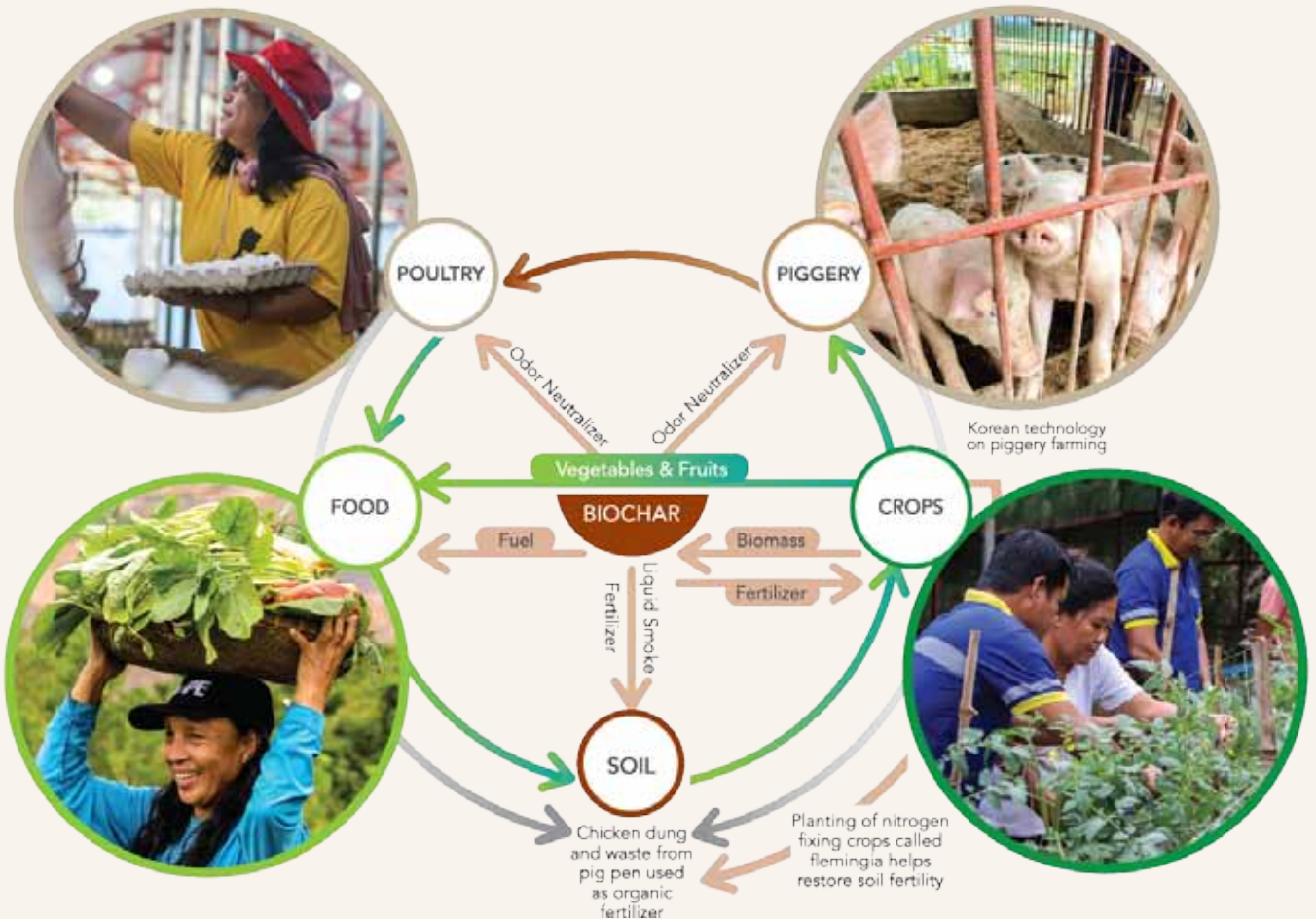
*Data to date

Community Orchard

We allocated 2 hectares for the Pandong Bato Farmers Association in Barangay Media Once. This land is dedicated to fruit bearing trees such as banana and guyabano as well as vegetables like cucumber, string beans, ampalaya, eggplant, sweet corn, okra, peanuts, sweet potato and ginger. Since 2008, our farmers have harvested more than 300,000 kilos of fruits and vegetables. They sell their produce at Carmen Copper during our monthly *Tabo sa Mina* event and at public markets in Barangay Don Andres Soriano and in Toledo, Talisay and Cebu. This has earned the association more than PHP2 million to date.



Copper Mines Agro Venture Organization (CMAVO) Integrated Farm Sustainability Concept



PRESERVING
THE HERITAGE
OF RESPONSIBLE
MINING





Carmen Copper Heritage Center

Inaugurated on September 19, 2018, the Carmen Copper Heritage Center is the first copper mining museum in Southeast Asia. It serves as a treasure chest of memories, milestones and legacies of the people of Toledo who built Carmen Copper into what it is today. In honor of their commitment to the mining industry and the City of Toledo, the Carmen Copper Heritage Center showcases the colorful journey of the men and women of Toledo.



CARMEN COPPER
CARMEN COPPER
HERITAGE CENTER
HERITAGE CENTER





01
HISTORICAL
GALLERY

What is being accomplished by you, our engineers and work force, is a most impressive example of large-scale coordinated effort being carried out successfully. You are all deserving of praise and commendation.

Don Andres Soriano, Sr.

Founder, Atlas Consolidated Mining and Development Corporation







The Historical Gallery traces the colorful journey of Atlas Mining from its beginning as a small mine in 1953 to what it is today. An array of memorabilia donated by employees and an exhibition of various objects from the early years brings back memories of the good old days.





The Art Gallery exhibits the impact of Don Andres Soriano's and Atlas Mining's legacy in the hearts of the people of Toledo. Today, Carmen Copper, like its forerunners, is committed to its role as a responsible steward of nature and to preserving the hopes and dreams of the communities it serves.



02
ART
GALLERY



The Outdoor Gallery showcases some of the heavy and massive equipment used in copper extraction. It features the Haulpack, a multi-million peso 100-tonner metallic monster that transports thousands of tons of copper ore each day. Also displayed is probably the world's smallest bulldozer made at the mine by the Machinery Division some three decades ago as well as a scale model of the head frame or A-lift with a passenger cage that can accommodate 200 miners going to the mine underground all at once.

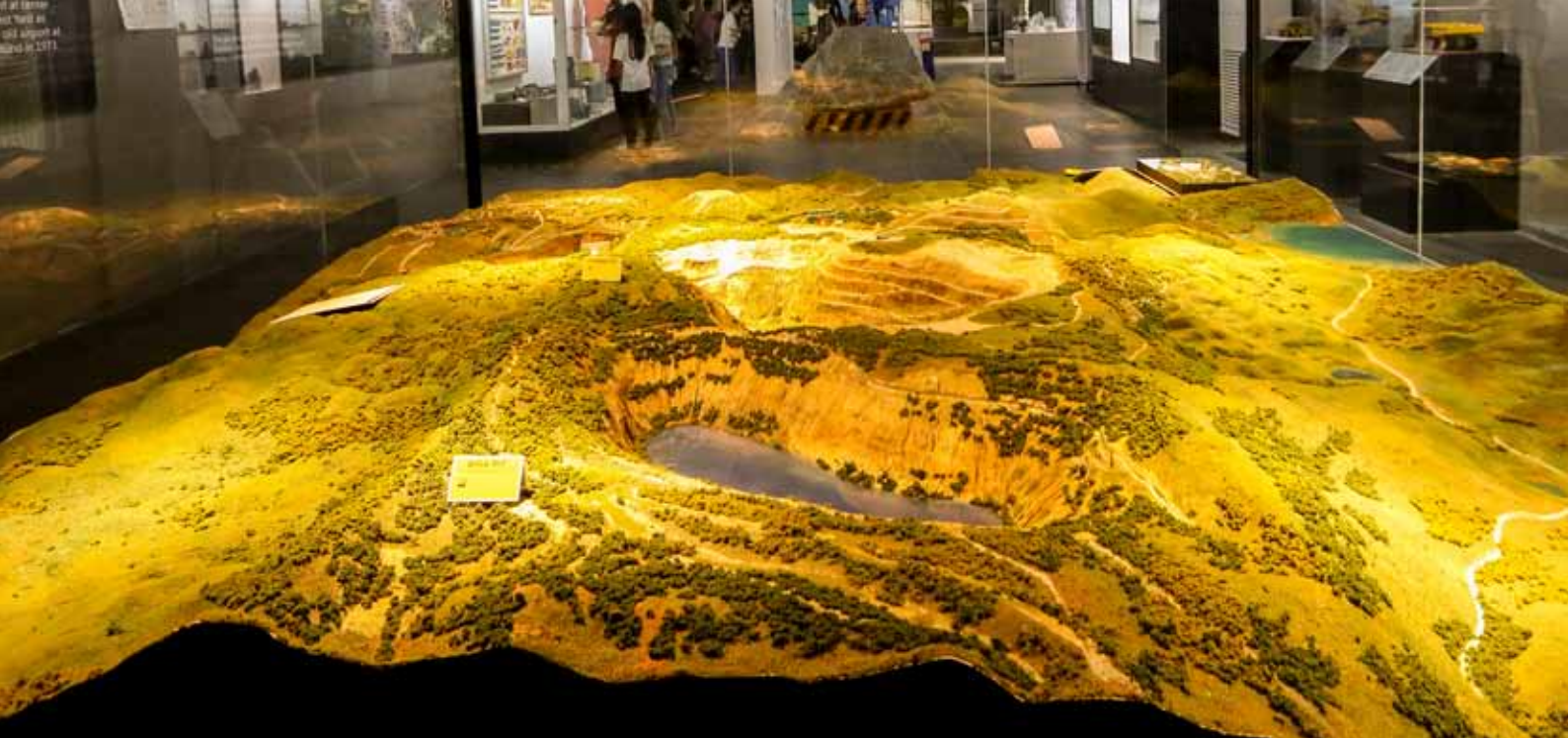


04
COPPER
SCIENCE
GALLERY



Found in the Copper Science Gallery is a diorama that depicts in detail the mine camp as it looks today. Guests are given a walk-through of the process of extracting ore from the earth and how the mineral is processed for use as a raw material in the production of copper products.





Specific operational facilities can be highlighted with a simple flick of a switch and clever use of lights. Guests can also have a glimpse of the tunnels that once hummed with life 400 meters down.





05
DOÑA CARMEN'S
SOUVENIR SHOP AND
THE MINER'S CAFÉ

Named after the late wife of Don Andres Soriano, Doña Carmen's Souvenir Shop features products that are inspired by Filipino cultural heritage especially of the Visayas and attuned with today's lifestyle trends while the Miner's Café is a great stop for refreshments after an enriching tour at the Museum.





SAFETY IS MINE

SAFETY FIRST

CULTIVATING
OUR
CORPORATE
CULTURE



Commitment, Competence and Cooperation

At Carmen Copper, we build long-term relationships with our people. We take each individual's unique talents and create synergies as a team. Our work is our blessing and we are grateful for this gift. Everything that we do, we do well.

Total employees



2,371 | 2,468
2018 | 2017

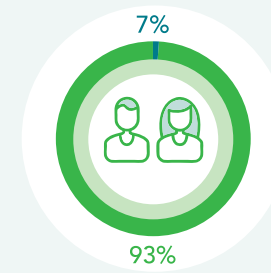
New Hires



69 | 94
2018 | 2017

3% | 4%
hiring rate

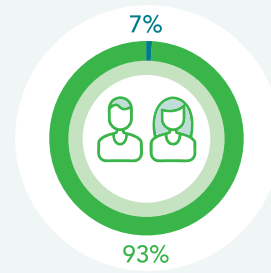
Breakdown by gender



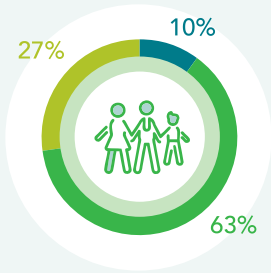
2018 | 2017

● Male | 2,194 | 2,288

● Female | 177 | 180



Breakdown by age group



2018 | 2017

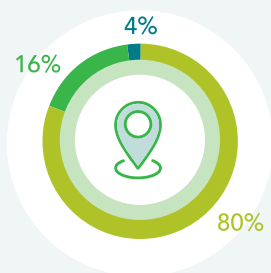
● Below 30 years old | 234 | 244

● 30-50 years old | 1,491 | 1,563

● Over 50 years old | 646 | 661



Breakdown by residency

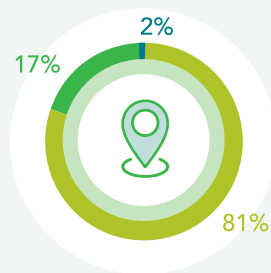


2018 | 2017

● Toledanos | 1,905 | 1,992

● from within Cebu province (outside Toledo) | 382 | 412

● from outside Cebu province | 84 | 64



No. of employees covered in collective bargaining 102-41



1,458 | 1,408
2018 | 2017

62% | 57%

Employee Turnover



127
2018

5%
turnover rate

*2017 figures were recalculated to include employee count of Atlas Mining 102-48

"Be the best in whatever you do. Perform your role and duties and the tasks entrusted to you and do it excellently. We can choose to comply but we can also innovate. We can be like the others but we can also be extraordinarily different. What can a little more push do? The possibilities are endless."

Roy O. Deveraturda
President and CEO





Competence

Excellence is our Signature at Work

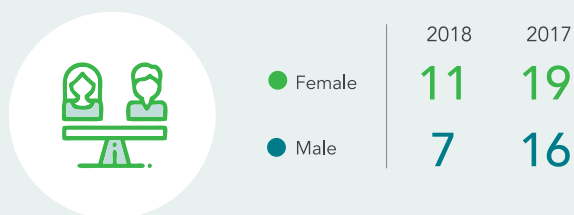
We value our people and ensure that their talents are continuously upgraded through training and on-the-job application. Our objective is to provide a long-term career plan for each of our employees. We do not limit mastery of skills to just one generation but we encourage multiple generations to grow in competence and confidence.



Average training hours per employee, in number of hours



Average training hours per employee by gender, in number of hours



*2017 figures were recalculated to include employee count of Atlas Mining 102-48



Florentino Marco S. Miranda
General Superintendent, Milling Operations

Marco, 28, joined Carmen Copper as a project shift metallurgist in 2013 and was promoted to the rank of general superintendent in just 5 years.

Despite being a board topnotcher, Marco admits that it wasn't easy for him to reach this far in his career. However, his passion for excellence and drive for results inspired him to strive harder to reach his targets.

With his leadership and initiative, Marco has made impactful changes in the milling operations. Under his watch, milling process efficiency has increased significantly leading to better copper and gold recovery.

Today, Marco and his team continues to find innovative ways to reduce cost and increase efficiency towards a more sustainable mineral processing.



Dennis M. Mandia
Executive Vice President and COO

Dennis began his mining career in 1983 as an intern at Atlas Mining. He remembers his assignment as eye-opening when he was exposed to the strict management style of his superiors as applied to the highly technical process of mineral excavation.

Dennis took that demanding and results-oriented style with him to his assignments in other mines where he was given greater responsibilities and increasing leadership oversight with each new role. Over time, he developed a strong work ethic grounded in a self-imposed discipline that his work required.

In 2016, Dennis came full circle with his return to Carmen Copper to take charge of the mining operations. He was very hands-on from the start, making sure everyone understood his no-nonsense approach to achieving set targets and zero tolerance for excuses in getting work done. Dennis now influences a new generation of mining professionals and is working together with them to ensure the success of Carmen Copper Corporation.





Commitment Safety is our Daily Habit

Our systems uphold the highest standards of occupational health and safety as demonstrated by our TUV Rheinland certification on the British Standard for Occupational Health and Safety Assessment Series (BS OHSAS 18001:2007).

Safe man-hours recorded



Total Incidents



Severity rate



Incidence rate



Days lost due to accidents



Near misses



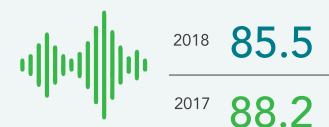
Safety trainings and orientations conducted



Safety trainings and orientations participants engaged



Average dBA noise level (DENR standard limit = 90dBA)



Minero Emergency Response Team in Action

Under the Chamber of Mines' Pusong Minero Campaign, Carmen Copper responds to calamities and disasters by sending aid in various forms. In the aftermath of a massive landslide that hit the City of Naga on September 20, 2018, the company sent its Minero Emergency Response (MER) Team to assist in search, rescue and retrieval operations.

Aside from search and rescue efforts, Carmen Copper's MER Team handed out goods and distributed drinking water to evacuees. They also provided relief assistance to the affected families. The mission lasted 17 days before authorities ordered the end of all search and retrieval efforts.

The City of Naga then issued a Resolution expressing profound gratitude and appreciation to Carmen Copper for dispatching a team of responders during a time of great need.



Charlito P. Selma Championing Safety

As a safety inspector, Charlito's role is all about being consistent and detail-oriented. He evaluates work areas and machine handling procedures, verifies proper employee training on machine use, performs spot checks for compliance to health and safety policies and reports violations for immediate rectification.

"At times, people are so occupied with their work that they fail to see potential dangers. It is my job to inspect every corner of the Carmen Concentrator everyday and ensure that employees are following safety procedures," Selma said.

For him, preventing an accident and seeing his fellow workers leave their stations unscathed is the ultimate reward of his job.



Cooperation Teamwork is our Way of Life

We streamlined our production value chain to increase individual and team productivity. To foster seamless team coordination, we outlined clear standards, process roles and delivery protocols. To develop team camaraderie, we launched fun group activities to reiterate the value of cooperation such as fun runs, basketball tournaments and *Pinoy* traditional games. As a company, we also hold regular town hall meetings led by our President to encourage open communication, transparency and accountability to one another.





Seamless Project Management through Teamwork

The Carmen Copper Heritage Center is a prime example of what can be achieved when teams collaborate toward a common goal. The process of setting up the center required a unique intersection of talents and departments that do not usually have a chance to work together. With defined work responsibilities, set deadlines, persons in charge and frequent coordination meetings, the Heritage Center is one of our case studies of project management best practices in action.



GOVERNANCE





Upholding Global Standards of Governance

At the heart of our governance systems and processes is the promotion of a culture of shared accountability to achieve stated goals as guided by a high level of ethical standards. We will continue to dialogue with our stakeholders in support of our goal to enhance shareholder value.

GOVERNANCE STRUCTURE

The Atlas Mining and the Carmen Copper Board of Directors is composed of 11 members. Pursuant to the Code of Corporate Governance, the Board has established five (5) committees, namely the Executive Committee, the Audit Committee, the Corporate Governance Committee, the Board Risk Oversight Committee and the Related Party Transaction Committee.

Atlas Mining and Carmen Copper Board of Directors

Alfredo C. Ramos	Chairman
Frederic C. DyBuncio	Vice Chairman
Adrian Paulino S. Ramos	Director and President (Atlas Mining)
Martin C. Buckingham	Director and Executive Vice President
Gerard Anton S. Ramos	Director
Isidro A. Consunji	Director
Jose T. Sio	Director
Roy O. Deveraturda	Director and President (Carmen Copper)
Fulgencio S. Factoran, Jr.	Independent Director
Jay Y. Yuvallos	Director
Emilio S. De Quiros, Jr.	Independent Director (Atlas Mining)
Laurito E. Serrano	Independent Director

Policies

Precautionary Principle

We commit to the search for innovative and eco-friendly solutions within standards to help ensure longer product life, thus minimizing our need for fresh raw materials.

Vendor Selection

We practice a rigorous vendor accreditation and selection process. Whenever possible, we source most of our goods and services locally.

Code of Conduct

We prescribe to a uniform code of conduct in all our transactions and communicate the same to all our vendors, suppliers, contractors and business partners.

To view our policies, go to www.atlasmining.com.ph/corporate-governance/policies.

Restatement 102-48

To improve the quality of our internal sustainability reporting, we reviewed our alignment to global reporting standards and frameworks which resulted in the restatement of previously reported information. Responsible Stewardship, our 2017 Sustainability Report, was our first sustainability report which follows the GRI Standards and provides an alignment of our programs to the UN SDGs. Our previous sustainability reports covering the periods 2012, 2013, and 2014 were published containing GRI-referenced disclosures only. Hence, our 2018 Sustainability Report, Delivering Sustained Value Through Responsible Stewardship, is our second sustainability report aligned to GRI Standards and the UN SDGs.

GRI CONTENT INDEX 102-55

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.



GRI Standard	Disclosure		Page number(s), direct answer and/or URLs	Reason for Omission
GRI 101: Foundation 2016				
General Disclosures				
GRI 102: General Disclosures 2016	Organizational Profile			
	102-1	Name of the organization	Inside front cover	
	102-2	Activities, brands, products, and services	2	
	102-3	Location of headquarters	Inside back cover	
	102-4	Location of operations	2	
	102-5	Ownership and legal form	Inside front cover	
	102-6	Markets served	2	
	102-7	Scale of the organization	2, 6-7	
	102-8	Information on employees and other workers	46	
	102-9	Supply chain	6-7, 56	
	102-10	Significant changes to the organization and its supply chain	None to report	
	102-11	Precautionary Principle or approach	56	
	102-12	External initiatives	Inside front cover, 8-10	
	102-13	Membership of associations	Inside back cover	
	Strategy			
	102-14	Statement from senior decision-maker	4-5	
	Ethics and Integrity			
	102-16	Values, principles, standards, and norms of behavior	1, 56	
	Governance			
	102-18	Governance structure	56	
	Stakeholder Engagement			
	102-40	List of stakeholder groups	13	
	102-41	Collective bargaining agreements	46	
	102-42	Identifying and selecting stakeholders	13	
	102-43	Approach to stakeholder engagement	13	
	102-44	Key topics and concerns raised	13	
	Reporting Practice			
	102-45	Entities included in the consolidated financial statements	Carmen Copper only	
	102-46	Defining report content and topic Boundaries	11	
	102-47	List of material topics	11	
	102-48	Restatements of information	16, 46, 48, 56	
	102-49	Changes in reporting	Inside front cover	
102-50	Reporting period	Inside front cover		
102-51	Date of most recent report	2017 (published in 2018)		
102-52	Reporting cycle	Annual		
102-53	Contact point for questions regarding the report	Inside back cover		
102-54	Claims of reporting in accordance with the GRI Standards	Inside front cover		
102-55	GRI Content Index	57-58		
102-56	External assurance	Not applicable		
Material Topics				
Economic Performance				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	11	
	103-2	The management approach and its components	10-13	
	103-3	Evaluation of the management approach	10-13	
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	2	
Indirect Economic Impacts				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	11	
	103-2	The management approach and its components	10-13	
	103-3	Evaluation of the management approach	10-13	
GRI 203: Indirect Economic Impacts 2016	203-2	Significant indirect economic impacts	8-9, 22-43	
Procurement Practices				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	11	
	103-2	The management approach and its components	10-13	
	103-3	Evaluation of the management approach	10-13	
GRI 203: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	6-7	

GRI CONTENT INDEX 102-55

GRI Standard	Disclosure		Page number(s), direct answer and/or URLs	Reason for Omission
Energy				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	11	
	103-2	The management approach and its components	10-13, 15-16	
	103-3	Evaluation of the management approach	10-13, 15-16	
GRI 302: Energy 2016	302-1	Energy consumption within the organization	16	
Water				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	11	
	103-2	The management approach and its components	10-13, 15, 17	
	103-3	Evaluation of the management approach	10-13, 15, 17	
GRI 303: Water 2016	303-1	Water withdrawal by source	17	
Biodiversity				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	11	
	103-2	The management approach and its components	10-13, 15, 19-21	
	103-3	Evaluation of the management approach	10-13, 15, 19-21	
	304-3	Habitats protected or restored	19-21	
Emissions				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	11	
	103-2	The management approach and its components	10-13, 15-16	
	103-3	Evaluation of the management approach	10-13, 15-16	
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	16	
	305-2	Energy indirect (Scope 2) GHG emissions	16	
	305-3	Other indirect (Scope 3) GHG emissions	16	
	305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	16	
Effluents and Waste				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	11	
	103-2	The management approach and its components	10-13, 15, 17	
	103-3	Evaluation of the management approach	10-13, 15, 17	
GRI 306: Effluents and Waste 2016	306-2	Waste by type and disposal method	17	
Environmental Compliance				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	11	
	103-2	The management approach and its components	10-13, 15	
	103-3	Evaluation of the management approach	10-13, 15	
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	None to report	
Employment				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	11	
	103-2	The management approach and its components	10-13, 45	
	103-3	Evaluation of the management approach	10-13, 45	
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	46	
Occupational Health and Safety				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	11	
	103-2	The management approach and its components	10-13, 50-51	
	103-3	Evaluation of the management approach	10-13, 50-51	
GRI 403: Occupational Health and Safety 2016	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	50	
Training and Education				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	11	
	103-2	The management approach and its components	10-13, 45, 48	
	103-3	Evaluation of the management approach	10-13, 45, 48	
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	48	
Local Communities				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its Boundary	11	
	103-2	The management approach and its components	10-13, 23-25	
	103-3	Evaluation of the management approach	10-13, 23-25	
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments and development programs	26-43	

AWARDS AND CITATIONS

PMIEA

Presidential Mineral Industry and Environmental Award
Platinum Achievement (2018)

Presidential Mineral Industry and Environmental Award
Titanium Achievement (2017)

GAWAD TUGAS

Gawad Tugas for Responsible Mining (2018, 2015)

Gawad Tugas for Forest Protection and Management (2017)

BEST MINING FOREST AWARD

Best Mining Forest
2nd runner up (2016, 2014, 2012)

Best Mining Forest
1st runner up (2015, 2013, 2011)

Best Mining Forest
Champion (2010)

OTHER AWARDS AND CITATIONS

Silver Anvil Award for 2017 Sustainability Report
Public Relations Society of the Philippines (2018)

Recognition for Support to Education
DepEd Division of Toledo City (2018)

Recognition for Support to Education and Disaster Response
DepEd Division of Surigao del Norte (2018)

Commendation for Contribution to the Peace and Order and Socio-Economic Programs in Visayas
Office of the Presidential Assistant for the Visayas (2018)

Special Recognition for Support to Persons Deprived of Liberty
Bureau of Jail Management and Penology (2018)

Outstanding Grievance Machinery for Industrial Peace
National Conciliation and Mediation Board (2017)

Platinum Award
Philippine Red Cross Blood Services (2017)

Best National Greening Program Implementor in Region 7
Department of Environment and Natural Resources, Region 7 (2013)

MEMBERSHIP IN ASSOCIATIONS

Chamber of Mines of the Philippines

Philippine Mine Safety and Environment Association

Philippine Extractive Industries Transparency Initiative

COMPANY HEADQUARTERS

Carmen Copper Corporation

Barangay Don Andres Soriano
Toledo City, Cebu 6038 Philippines
Contact: +6332.888.1200
www.atlasmining.com.ph/about-us/carmen-copper-corporation

Atlas Consolidated Mining and Development Corporation

503-P Pacific Tower, 5th Floor, Five E-Com Center
Palm Coast Ave. corner Pacific Drive
Mall of Asia Complex, Pasay City 1300 Philippines
Contact: +632.403.0813 local 25001
www.atlasmining.com.ph



A subsidiary of Atlas Consolidated Mining
and Development Corporation