

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE  
SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended: **30 June 2018**

2. Commission Identification No. **PW0000115A**

3. BIR Tax Identification No. **000-154-572**

4. Exact name of issuer as specified in its charter:

**ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION**

5. Province, country or other jurisdiction of incorporation or organization: **Philippines**

6. Industry Classification Code

(SEC Use Only)

7. Address of registrant's principal office:

**5F Five E-com Center, Palm Coast Avenue cor. Pacific Drive  
Mall of Asia Complex, Pasay City**

Postal Code

**1300**

8. Issuer's telephone number, including area code:  
**(632) 4030813 local 25001**

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

8. Securities registered pursuant to Section 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class

Number of shares of common  
stock outstanding and amount  
of debt outstanding

**Common Stock, PHP1 par value**

**3,559,532,774**

9. Are any or all of the securities listed on a Stock Exchange?

Yes  No

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

**Philippine Stock Exchange**

**Common Stock**

10. Indicate by check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 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

## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

The following financial statements are integrally appended hereto and form part of this report:

- Annex A - Unaudited Consolidated Statements of Financial Position
- Annex B - Unaudited Consolidated Statements of Comprehensive Income
- Annex C - Unaudited Consolidated Statements of Changes in Stockholders' Equity
- Annex D - Unaudited Consolidated Statements of Cash Flows

### Item 2. Management Discussion and Analysis

#### A. Results of Operations and Changes in Financial Condition

The table below shows the consolidated results of operations of Atlas Consolidated Mining and Development Corporation ("AT" or the "Parent Company") and its subsidiaries (collectively, the "Group") for the six-month period ending 30 June 2018 and 2017:

<i>(amounts in PHP millions)</i>	<b>30-Jun-2018</b>	<b>30-Jun-2017</b>	<b>% Change</b>
Consolidated net income/(loss)	(221)	(573)	-61%
Consolidated income/(loss) from operations	635	(153)	-516%
Consolidated gross revenues	7,606	5,179	47%
Costs and operating expenses	6,528	4,906	33%
Net income/(loss) attributable to Equity holders of the parent	(221)	(573)	-61%

AT reported a lower consolidated net loss of PHP221 million as revenues grew by 47% to PHP7.60 billion on the strength of higher shipment volume and higher metal prices.

Increased shipment volume pushed copper metal content higher by 15% from 36.83 million pounds to 42.47 million pounds. Gold content increased by 60% from 8,365 ounces to 13,380 ounces. AT further realized greater value from its shipments with higher realized metal prices. The commodities market remained strong lifting the average realized copper price higher by 20% from USD2.60/lb to USD3.12/lb and the average realized gold price higher by 6% from USD1,241/oz to USD1,314/oz.

Carmen Copper Corporation ("CCC"), AT's wholly-owned subsidiary, increased its milling tonnage by 18% year-on-year from 6.47 million tons of ore to 7.67 million tons of ore. This resulted in an 8% improvement in copper metal production from 36.62 million pounds in 2017 to 39.55 million pounds in 2018. Gold production also improved year-on-year by 43% from 9,302 ounces to 13,333 ounces.

With higher production and shipment volume, total *Costs and operating expenses* increased by 33%. Similarly, *Cost of sales* and *Depletion of mining rights* increased by 44% and 22%, respectively. *Operating expenses* dropped by 10% due to one-off cost related to refinancing of debts in 2017.

During the first half of 2018, *Equity in net income of associates* improved to PHP99 million from PHP11 million loss ending June 2017. This represents the Parent Company's share in the results of operations of Berong Nickel Corporation (BNC).

*Finance charges* (15% of gross revenues) increased by 32% due to the amortization of debt issue cost recognized in accordance with the use of the effective interest accounting method on new loans.

USD:PHP Exchange rate closed at USD1.00:PHP53.34 as at 30 June 2018 versus USD1.00:PHP49.93 as at 31 December 2017. This triggered the recognition of *Foreign exchange loss-net* of PHP233 million primarily from the restatement of PHP-denominated bank placements, loans and other payables.

*Mark-to-market gain on derivatives-net* of PHP304 million represents the accounting valuation of commodity swap agreements and provisional pricing contracts.

*Interest Income* of PHP18 million accounts for the interest earned on cash in bank and time deposits.

*Other income (charges)-net* of PHP79 million consists mainly of sale of scrap materials during the period and asset impairment provision of PHP97 million.

*Provision for Income Tax* for the period of PHP95 million consists of the minimum corporate income tax. *Deferred Income Tax* of PHP278 million resulted from future tax benefit recognized on Net Operating Loss Carry-Over (NOLCO), Minimum-Corporate Income Tax (MCIT) and forex losses on foreign currency denominated loans.

### **Changes in Financial Condition**

The succeeding discussions pertain to the consolidated financial condition of the Group as of 30 June 2018 vis-à-vis that as of 30 June 2017 as follows:

*Cash and cash equivalents* increased due to the collection of trade receivables and reclassification of time deposits from short-term investments for those with maturity dates of three months or less at the time of purchase. Likewise, *Short-term investments* decreased by 98% resulting from the aforementioned reclassification. *Receivable-net* consists mostly of receivables from trade customers and receivables from associates. *Inventories* dropped by 12% due to higher sales of copper concentrates. *Prepayments and other current assets* increased by 153% composed of advances to suppliers and creditable withholding tax from trade sales.

Movement in *Intangible assets* of PHP90 million pertains to depletion of mining rights during the semester. *Property, plant and equipment-net* increased by 5% due to incurrence of mine development costs and acquisition of machineries and equipment used in operations. *Deferred tax assets* increased as a result of the net increase in NOLCO and MCIT. *Other noncurrent assets* consist mainly of input VAT from importations.

*Investment in Associate* pertains to AT's ownership over BNC, TMMI, URHI, UNC and NRHI (the "Nickel Corporations"). It increased by 52% representing its share in the net income in Nickel Corporation's operations of PHP99 million.

The decrease of 7% in *Accounts Payable and accrued liabilities* was due to settlement of advances from buyers, payment of interest and supplier invoices. The increase in *Current portion of long-term debt* was due to rollover of loans with shorter maturity dates and availment of additional loans. *Income tax payable* pertains to the minimum corporate income tax for the first half of 2018. *Derivative liabilities* from commodity swap transactions were NIL as of the second quarter.

*Long-term debt* (31% of total assets) increased due to new loans availed from banks. *Retirement benefits liability* increased by 12% due to accrual of pension cost. *Liability for mine rehabilitation* increased by 9% due to accretion of asset retirement obligation. *Deferred income tax liabilities* consist of the tax impact of temporary differences which are not taxable in the current year.

Movement in *Retained Earnings* pertains to the net loss ending June 2018 amounting to PHP221 million. *Foreign currency translation reserve* relates to the impact of changes in foreign exchange rates.

### Material Plans, Trends, Events or Uncertainties

- *Shareholders' approval and confirmation:* In 2017, AT's Shareholders approved and confirmed the: (i) Increase in the authorized capital stock (ACS) and consequent amendment to article VII of AT's Articles of Incorporation (AOI), (ii) Share issue of up to 25% of the 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 SEC approved the aggregate increase in AT's ACS from PHP3 billion to PHP8.89 billion divided into 8.89 billion common shares, with a par value of PHP1.00 per share in November 2017.
- *Refinancing Program:* 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. The refinancing program also covered the conversion of the Shareholders' advances to AT of PHP8.7 billion as loans of CCC, subordinated to the existing loans of CCC.

### Key Performance Indicators

The key performance indicators of the Group are shown below:

	30-Jun-2018	31-Dec-2017
<b>Current/Liquidity Ratio</b>		
Current Ratio	0.54:1	0.44:1
<b>Solvency Ratios</b>		
Debt-to-Equity	1.22:1	1.09:1
Debt-to-Assets	0.53:1	0.51:1
Asset-to-Equity	2.29:1	2.14:1
Interest Rate Coverage	0.65:1	0.02:1
<b>Profitability Ratios</b>		
Return on Equity	-0.64%	-5.62%
Return on Sales	-3.09%	-17.78%
Return on Assets (Fixed Assets)	-0.58%	-5.35%

- a. Current Ratio  $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
- b. Debt-to-Equity  $\frac{\text{Total Liabilities}}{\text{Total Stockholders' Equity Attributable to Equity Holders of Parent Company}}$
- c. Debt-to-Assets  $\frac{\text{Total Liabilities}}{\text{Total Assets}}$
- d. Asset-to-Equity  $\frac{\text{Total Assets}}{\text{Total Stockholders' Equity Attributable to Equity Holders of Parent Company}}$
- e. Interest Rate Coverage  $\frac{\text{Earnings Before Income Tax}}{\text{Interest Expense}}$
- f. Return on Equity  $\frac{\text{Net Income Attributable to Equity Holders of Parent Company as of the Quarter}}{\text{Average Total Stockholders' Equity Attributable to Equity Holders of Parent Company}}$

g. Return on Sales	<u>Consolidated Net Income as of the Quarter</u> Total Consolidated Net Revenues as of the Quarter
h. Return on Assets (Fixed Assets)	<u>Net Income Attributable to Equity Holders of Parent</u> Average Fixed Assets-Net

## B. Liquidity and Capital Resources

The Group's consolidated cash flow as of 30 June 2018 is summarized below:

<i>(in PHP millions)</i>	<b>Amount</b>
Net cash flow provided by operating activities	37
Net cash flows used in investing activities	(4,084)
Net cash flows provided by financing activities	4,754
Net decrease in cash and cash equivalents	2,058

The Group is not required to present a segment report.

Except as already reported herein, there is no material event occurring subsequent to the close of the second quarter of 2018 that should be disclosed in this report.

The Group has no significant seasonality or cyclical in its business operations that will have a material effect on its financial condition or results of operations.

The Group is not aware of (i) any uncertainties, trends, events or seasonal aspects that will significantly influence its liquidity or financial condition or the results of its operations; (ii) any high-probability event that will trigger direct or contingent financial obligation that is material to the Group; or (iii) any material off-balance sheet transactions that occurred as of the second quarter of 2018.

## C. Financial Risk Management Objectives and Policies

The Group's main financial instruments are cash and cash equivalents, short-term investments, AFS financial asset, payable to related parties, long-term debts and other interest-bearing liabilities, and derivative assets and liabilities. It has various other financial assets and liabilities such as receivables, and accounts payable and accrued liabilities which arise from the Group's operations.

The main risks arising from the Group's financial instruments are foreign currency risk, commodity price risk, credit risk, and liquidity risk. The Board Risk Oversight Committee (BROC) of the Board of Directors of AT reviews and guides the adoption of relevant policies for managing each of these risks described onto the succeeding paragraphs.

*(All figures are in PHP thousands)*

### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group has foreign currency risk arising from its cash in banks, short-term investments, receivables, derivative assets, bank loans, accounts payable and accrued liabilities except, long-term debt and derivative liabilities. To mitigate the risk of incurring foreign exchange losses, foreign currency holdings are matched against the potential need for foreign currency in financing equity investments and new projects. The Group also uses foreign currency forwards to hedge its risk exposures.

As at 30 June 2018 and 31 December 2017, foreign currency-denominated assets and liabilities are as follows:

	30-Jun-2018		31-Dec-2017			
	Original Currency	Peso Equivalent	Original Currency	Peso Equivalent		
<b>Assets</b>						
Cash and cash equivalents*	US\$	17,986	959,386	US\$	18,854	941,371
	JP¥	1,314	631	JP¥	2,885	1,276
	GB£	139	9,809	GB£	139	9,239
Short-term investments	US\$	0	0	US\$	15,899	793,841
Receivables	US\$	15,395	821,145	US\$	8,602	429,487
Derivative assets	US\$	476	25,371	US\$	1,131	56,482
	US\$	33,856	1,805,902	US\$	44,486	2,221,181
	GB£	139	9,809	GB£	139	9,239
	JP¥	1,314	631	JP¥	2,885	1,276
<b>Liabilities</b>						
Accounts payable and accrued expenses	US\$	44,863	2,393,015	US\$	40,742	2,034,259
	JP¥	49,477	22,999	JP¥	49,374	21,838
	AU\$	93	3,675	AU\$	143	5,578
	EU€	11	600	EU€	10	590
Long-term debt	US\$	604,427	32,240,153	US\$	545,021	27,212,916
Derivative liabilities	US\$	-	-	US\$	14,862	742,043
	US\$	649,291	34,633,168	US\$	600,625	29,989,218
	JP¥	49,477	22,999	JP¥	49,374	21,838
	AU\$	93	3,675	AU\$	143	5,578
	EU€	11	600	EU€	10	590
Net Liabilities in US\$	US\$	615,434	32,827,266	US\$	556,139	27,768,037
Net Assets in GB£	GB£	139	9,809	GB£	139	9,239
Net Liabilities in AU\$	AU\$	93	3,675	AU\$	143	5,578
Net Liabilities in JP¥	JP¥	48,163	22,368	JP¥	46,489	20,562
Net Liabilities in EU€	EU€	11	600	EU€	10	590

\*Excluding cash on hand

As at 30 June 2018 and 31 December 2017, foreign exchange closing rates used in converting foreign currency-denominated assets and liabilities are as follows:

Currency	30-Jun-2018	31-Dec-2017
US\$	53.34	49.93
AU\$	39.52	38.91
JP¥	0.48	0.44
EU€	62.36	59.61
GB£	70.50	67.12

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

### 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 as follows:

30-Jun-2018		
Change in Copper Prices	Effect on Income before Income Tax	
Increase by 10%	PHP	713,418
Decrease by 10%	PHP	(713,418)

  

31-Dec-2017		
Change in Copper Prices	Effect on Income before Income Tax	
Increase by 10%	PHP	1,038,835
Decrease by 10%	PHP	(1,038,835)

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

### Equity Price Risk

Equity price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to equity price risk because of its investment in shares of stock of an entity listed in the local stock exchange which is classified as AFS financial asset. Management believes that the fluctuation in the fair value of AFS financial assets will not have a significant effect on the consolidated financial statements.

### Credit risk

Credit risk refers to the potential loss arising from failure by counterparties to fulfill their obligations, as and when these fall due. It is inherent to the business as potential losses may arise due to the failure of its customers and counterparties to fulfill their obligations on maturity dates or due to adverse market conditions.

The Group's financial assets which are exposed to credit risk include its cash in banks, trade receivables, interest receivables, AFS financial asset, derivative asset, receivables from related parties and short-term investments with a maximum exposure equal to the carrying amount of these assets.

With respect to its cash in banks, short-term investments, receivables, derivative assets, bank loans, accounts payable and accrued liabilities except, long-term debt and derivative liabilities, credit risk is mitigated by the short-term and/or liquid nature of its cash investments placed with financial institutions of high credit standing.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the consolidated statements of financial position.

The following table summarizes the gross maximum exposure to credit risk for the components of the consolidated statements of financial position. The maximum exposure is shown gross, before the effect of mitigation through use of master netting and collateral agreements.

	30-Jun-2018	31-Dec-2017
Cash and cash equivalents*	3,430,162	1,371,678
Short-term investments	15,114	793,841
Trade receivables	715,608	289,883
Interest receivables	2,285	2,244
Nontrade receivables	79,817	75,344
AFS financial assets	4,326	4,326
Derivative Assets	25,371	56,482
	<b>4,272,683</b>	<b>2,593,798</b>

\* Excluding Cash on Hand

### Credit quality per class of financial assets

The table below shows the credit quality by class of assets for the Group's financial asset based on credit rating system:

#### 30 June 2018

	Neither past due nor impaired High grade	Past due but not impaired	Impaired	Total
Cash and cash equivalents*	3,430,162	-	-	3,430,162
Short-term investments	15,114	-	-	15,114
Trade receivables	715,608	-	-	715,608
Interest receivables	2,285	-	-	2,285
Nontrade receivables	-	79,817	-	79,817
AFS financial assets	-	-	4,326	4,326
Derivative Assets	25,371	-	-	25,371
<b>TOTAL</b>	<b>4,188,540</b>	<b>79,817</b>	<b>4,326</b>	<b>4,272,683</b>

\* Excluding Cash on Hand

#### 31 December 2017

	Neither past due nor impaired High grade	Past due but not impaired	Impaired	Total
Cash and cash equivalents*	1,371,678	-	-	1,371,678
Short-term investments	793,841	-	-	793,841
Trade receivables	289,883	-	-	289,883
Interest receivables	-	2,244	-	2,244
Nontrade receivables	-	75,344	-	75,344
AFS financial assets	-	-	4,326	4,326
Derivative Assets	56,482	-	-	56,482
<b>TOTAL</b>	<b>2,511,884</b>	<b>77,588</b>	<b>4,326</b>	<b>2,593,798</b>

\* Excluding Cash on Hand



The credit quality of the financial assets was determined as follows:

- Cash and cash equivalents, short-term investments and related interest receivables are assessed as high-grade since these are deposited in reputable banks, which have a low probability of insolvency.
- Trade receivables, which pertain mainly to receivables from sale of copper and other precious metals, are assessed as high-grade. These are assessed based on past collection experience of full settlement within two months after invoice date with no history of default.
- Nontrade receivables, which pertain mainly to receivables from contractors and suppliers, are already past due but not impaired.
- Advances to officers and employees, which pertain mainly to the unliquidated advances used in the Group's operations, consists of standard grade, substandard grade and past due but not impaired accounts.
- Quoted equity instruments are assessed as impaired since the Company has unable to establish its ownership on these investments.
- Derivative asset, which pertains to provisional pricing and commodity swap transactions, is assessed as high grade since this contains insignificant risk of default based on historical experience of the Group.

The above high grade credit quality financial assets pertain to financial assets with insignificant risk of default based on historical experience.

### 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 summarize the maturity profile of the financial liabilities of the Group, as well as financial assets considered by management as part of its liquidity risk management based on remaining undiscounted contractual obligations:

	On Demand	Within one year	1 to <3 Years	> 3 years	Total
<b>30-Jun-2018</b>					
Cash and cash equivalents*	3,430,162	-	-	-	3,430,162
Short-term investments	15,114	-	-	-	15,114
Trade receivables	-	715,608	-	-	715,608
Nontrade receivables	-	79,817	-	-	79,817
Interest receivable	-	2,285	-	-	2,285
AFS financial assets	-	-	-	4,326	4,326
Derivative Assets	25,371	-	-	-	25,371
	<b>3,470,648</b>	<b>797,710</b>	<b>-</b>	<b>4,326</b>	<b>4,272,683</b>
Accounts payable and accrued liabilities**	-	2,455,373	-	-	2,455,373
Long-term debt and other interest-bearing liabilities	-	9,751,547	488,057	23,800,429	34,040,033
	-	<b>12,206,921</b>	<b>488,057</b>	<b>23,800,429</b>	<b>36,495,406</b>
	<b>3,470,648</b>	<b>(11,409,211)</b>	<b>(488,057)</b>	<b>(23,796,103)</b>	<b>(32,222,723)</b>

\*Excluding Cash on Hand

\*\*Excluding Government Payables

31-Dec-2017	On Demand	Within one year	1 to <3 Years	> 3 years	Total
Cash and cash equivalents*	1,371,678	-	-	-	1,371,678
Short-term investments	793,841	-	-	-	793,841
Trade Receivables	289,883	-	-	-	289,883
Nontrade Receivables	-	75,344	-	-	75,344
Interest Receivables	-	2,244	-	-	2,244
Derivative assets	56,482	-	-	-	56,482
AFS financial assets	-	-	-	4,326	4,326
	<b>2,511,884</b>	<b>77,588</b>	<b>-</b>	<b>4,326</b>	<b>2,593,798</b>
Accounts payable and accrued liabilities**	-	2,766,930	-	-	2,766,930
Long-term debt and other interest-bearing liabilities	-	6,848,387	22,437,903	-	29,286,290
Derivative liabilities	-	742,043	-	-	742,043
	<b>-</b>	<b>10,357,360</b>	<b>22,437,903</b>	<b>-</b>	<b>32,795,263</b>
	<b>2,511,884</b>	<b>(10,279,772)</b>	<b>(22,437,903)</b>	<b>4,326</b>	<b>(30,201,465)</b>

\*Excluding Cash on Hand

\*\*Excluding Government Payables

### Financial instruments

The following table shows the carrying values and fair values of the Group's financial instruments, whose carrying values do not approximate their fair values:

	Carrying Values		Fair Values	
	30-Jun-2018	31-Dec-2017	30-Jun-2018	31-Dec-2017
<b>Other Financial Liabilities</b>				
<i>Long-term debt and other interest-bearing liabilities:</i>				
BDO Unibank	15,648,426	14,427,427	21,575,437	20,196,130
SMIC	6,985,996	6,472,570	9,613,367	9,341,764
BDO Leasing	818,823	1,179,371	967,572	1,156,344
APHC	646,949	576,897	786,971	750,286
Alakor Corporation	153,489	142,209	193,992	184,949
LBP Leasing	34,803	-	41,995	-
	<b>24,288,485</b>	<b>22,798,474</b>	<b>33,179,334</b>	<b>31,629,473</b>

The carrying amounts of cash and cash equivalents, short-term investments, and trade and interest receivables approximate their fair value due to the relatively short-term maturities of these financial instruments. The fair value of quoted equity instrument is determined by reference to market bid quotes at the end of the reporting period. AFS financial asset is carried at fair value.

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

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

other interest-bearing liabilities, except for the Bonds Payable whose fair value is determined by reference to market prices at the end of the period.

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

The Group uses the following hierarchy in determining and disclosing the fair value by valuation technique:

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

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

<b>30-Jun-2018</b>	Level 1	Level 2	Level 3	Total
<i>Assets measured at fair value :</i>				
Derivative assets	-	25,371	-	25,371
<i>Liability measured at fair value:</i>				
Derivative liabilities	-	-	-	-
<i>Liability for which fair values are disclosed:</i>				
Long-term debt and other interest-bearing liabilities	-	-	(33,179,334)	(33,179,334)
<b>Total</b>	-	-	<b>(33,179,334)</b>	<b>(33,179,334)</b>
<b>31-Dec-2017</b>	Level 1	Level 2	Level 3	Total
<i>Assets measured at fair value :</i>				
Derivative assets	-	56,482	-	56,482
<i>Liability measured at fair value:</i>				
Derivative liabilities	-	(742,043)	-	(742,043)
<i>Liability for which fair values are disclosed:</i>				
Long-term debt and other interest-bearing liabilities	-	-	(31,629,473)	(31,629,473)
<b>Total</b>	-	<b>(742,043)</b>	<b>(31,629,473)</b>	<b>(32,371,516)</b>

There were no transfers between levels of fair value measurement as of 30 June 2018 and 31 December 2017.

#### **D. Accounting Policies and Disclosures**

##### Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for land, which is carried at revalued amounts, and derivative financial instruments and AFS financial asset, which 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 (PFRS). Based on the economic substance of the underlying circumstances relevant to the Group, the functional currencies of the Parent Company, associates and subsidiaries is Philippine Peso, except for CCC whose functional currency is US\$.

#### Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) and improvements to PFRS which were effective beginning January 1, 2017. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise stated.

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)

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

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

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

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

As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2016.

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

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

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

#### *Effective beginning on or after January 1, 2018*

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

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

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

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

- PFRS 9, *Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9.

The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

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

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

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

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

- PFRS 15, *Revenue from Contracts with Customers*

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

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

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

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

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This

election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

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

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

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

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

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

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

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

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

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

**PART II – OTHER INFORMATION**

None

**SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION**  
Issuer



ADRIAN PAULINO S. RAMOS  
President



FERNANDO A. RIMANDO  
Vice President/Chief Finance Officer

Signed this 14<sup>th</sup> day of August 2018

ATLAS CONSOLIDATED MINING AND DEVELOPMENT  
CORPORATION AND SUBSIDIARIES  
UNAUDITED CONSOLIDATED BALANCE SHEETS  
AS OF 30 JUNE 2018  
(Pesos in Thousands, Except Par Value)

	Unaudited June 2018	Audited December 2017
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	3,432,447	1,374,801
Short-term investments	15,114	793,841
Receivable - net	876,723	484,118
Inventories - net	1,912,097	2,163,008
Prepayments and other current assets	1,586,175	627,689
<b>Total Current Assets</b>	<b>7,822,556</b>	<b>5,443,457</b>
<b>Noncurrent Assets</b>		
Intangible assets, net	27,117,612	27,207,762
Property, plant and equipment - net	39,356,306	37,400,268
Deferred tax assets	2,760,383	2,343,727
Other noncurrent assets	2,077,819	1,816,996
Investment in associate	289,510	190,665
<b>Total Noncurrent Assets</b>	<b>71,601,630</b>	<b>68,959,417</b>
<b>TOTAL ASSETS</b>	<b>79,424,186</b>	<b>74,402,874</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	2,698,052	2,903,635
Current portion of long-term debt	9,751,547	6,848,388
Income tax payable	97,479	29
Derivative liabilities	-	742,043
Other Current Liabilities	1,998,046	1,870,312
<b>Total Current Liabilities</b>	<b>14,545,123</b>	<b>12,364,406</b>
<b>Noncurrent Liabilities</b>		
Long-term debt – net of current portion	24,288,485	22,437,903
Retirement benefits liability	353,726	316,490
Liability for mine rehabilitation	60,938	55,849
Deferred income tax liabilities	2,809,979	2,837,022
<b>Total Noncurrent Liabilities</b>	<b>27,513,127</b>	<b>25,647,265</b>
<b>Total Liabilities</b>	<b>42,058,251</b>	<b>38,011,671</b>
<b>Stockholders' Equity</b>		
Capital stock	3,559,533	3,559,533
Additional paid in capital	19,650,936	19,650,936
Subscription Receivable	(4,841,801)	(4,841,801)
Revaluation increment in land	298,869	298,869
Net unrealized gains on AFS investment	4,861	4,861
Remeasurement gain on retirement	166,717	166,717
Foreign currency translation reserve	2,778,587	1,582,447
Retained earnings	15,771,501	15,992,908
Attributable to equity holders of the Parent Company	37,389,202	36,414,469
Minority interests	-	-
Treasury Shares	(23,267)	(23,267)
<b>Total Stockholders' Equity</b>	<b>37,365,935</b>	<b>36,391,203</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>79,424,186</b>	<b>74,402,874</b>



ATLAS CONSOLIDATED MINING AND DEVELOPMENT  
CORPORATION AND SUBSIDIARIES  
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME  
FOR THE PERIOD ENDED 30 JUNE 2018  
(Pesos in Thousands, Except Per Share Amounts)

	For the Three Months Ended		For the Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
<b>REVENUES</b>				
Copper	3,078,965	2,096,238	6,698,272	4,637,193
Gold	425,327	269,250	907,172	525,079
Silver	692	-	779	-
Magnetite	-	-	-	17,018
	<b>3,504,984</b>	<b>2,365,488</b>	<b>7,606,224</b>	<b>5,179,290</b>
Marketing charges	(203,838)	(198,740)	(443,239)	(426,247)
	<b>3,301,147</b>	<b>2,166,748</b>	<b>7,162,985</b>	<b>4,753,042</b>
<b>COSTS AND OPERATING EXPENSES</b>				
Cost of sales	(2,642,499)	(1,808,504)	(5,562,127)	(3,863,877)
Operating expenses	(389,453)	(547,081)	(875,471)	(967,898)
Depletion of mining rights	(43,681)	(37,938)	(90,150)	(73,908)
	<b>(3,075,633)</b>	<b>(2,393,523)</b>	<b>(6,527,748)</b>	<b>(4,905,683)</b>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<b>225,514</b>	<b>(226,775)</b>	<b>635,237</b>	<b>(152,640)</b>
<b>OTHER INCOME (CHARGES)</b>				
Share in net income from associates	73,929	3,802	98,844	(11,186)
Finance charges	(603,209)	(373,339)	(1,148,422)	(869,711)
Foreign exchange gain (loss)-net	(88,658)	5,637	(232,595)	67,905
Mark to Market gain/(loss) on Derivatives-net	(21,992)	(71,010)	303,967	(19,984)
Interest income	8,735	8,643	17,726	19,692
Other income (charges)-net	(85,827)	14,283	(78,969)	(4,670)
	<b>(717,022)</b>	<b>(411,985)</b>	<b>(1,039,450)</b>	<b>(817,953)</b>
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>(491,508)</b>	<b>(638,760)</b>	<b>(404,214)</b>	<b>(970,593)</b>
<b>BENEFIT FROM (PROVISION FOR) INCOME TAX</b>				
Current	(72,670)	(5,758)	(95,118)	(18,020)
Deferred	(131,876)	282,849	277,925	416,023
	<b>(696,054)</b>	<b>(361,669)</b>	<b>(221,406)</b>	<b>(572,591)</b>
<b>NET INCOME (LOSS)</b>	<b>(696,054)</b>	<b>(361,669)</b>	<b>(221,406)</b>	<b>(572,591)</b>
<b>Net income (loss) attributable to:</b>				
Equity holders of the parent	(696,054)	(361,669)	(221,406)	(572,591)
Minority interests	-	-	-	-
	<b>(696,054)</b>	<b>(361,669)</b>	<b>(221,406)</b>	<b>(572,591)</b>
<b>DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO PARENT COMPANY</b>			<b>(0.06)</b>	<b>(0.23)</b>
<i>Based on weighted average number of common shares outstanding</i>			<b>3,631,651</b>	<b>2,492,088</b>

ATLAS CONSOLIDATED MINING AND DEVELOPMENT  
CORPORATION AND SUBSIDIARIES  
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2018 and 2017  
(Pesos in Thousands)

	Capital Stock	Additional Paid -in Capital	Deposit for future stock subscription	Subscription Receivable	Revaluation Increment on Land	Unrealized Gain on AFS financial asset	Remeasurement gain (loss) on Retirement Plan	Cumulative Translation Adjustments	Retained Earnings	Treasury shares held by a Subsidiary	Total
Balance at January 1, 2017	2,087,033	14,686,962	-	-	298,869	4,861	178,868	1,475,910	17,960,856	(23,267)	36,670,092
Net Loss									(572,591)		(572,591)
Deposit for future stock subscription			343,750								343,750
Cumulative translation adjustment								325,480			325,480
<b>Balance at June 30, 2017</b>	<b>2,087,033</b>	<b>14,686,962</b>	<b>343,750</b>	<b>-</b>	<b>298,869</b>	<b>4,861</b>	<b>178,868</b>	<b>1,801,390</b>	<b>17,388,265</b>	<b>(23,267)</b>	<b>36,766,731</b>
Balance at January 1, 2018	3,559,533	19,650,936	-	(4,841,801)	298,869	4,861	166,717	1,582,447	15,992,908	(23,267)	36,391,203
Net Loss									(221,407)		(221,407)
Cumulative translation adjustment								1,196,140			1,196,140
<b>Balance at June 30, 2018</b>	<b>3,559,533</b>	<b>19,650,936</b>	<b>-</b>	<b>(4,841,801)</b>	<b>298,869</b>	<b>4,861</b>	<b>166,717</b>	<b>2,778,587</b>	<b>15,771,501</b>	<b>(23,267)</b>	<b>37,365,935</b>

ATLAS CONSOLIDATED MINING AND DEVELOPMENT  
CORPORATION AND SUBSIDIARIES  
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE PERIOD ENDED 30 JUNE 2018 and 2017  
(Pesos in Thousands)

	For the Three Months Ended		For the Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax	(491,508)	(222,738)	(404,214)	(554,570)
Adjustments for:				
Interest expense	603,209	399,399	1,148,422	844,308
Depreciation and depletion	890,722	607,203	1,860,017	1,299,240
Realized mark-to-market gain (loss) on derivative assets (liabilities) - net	21,992	71,010	(303,967)	19,984
Unrealized foreign exchange losses (gains) - net	88,658	16,997	232,595	(45,271)
Unrealized losses (gains) on AFS	-	(41)	-	(100)
Provision on asset impairment	96,823	-	96,823	-
Provision for mine rehabilitation	1,967	961	5,089	2,072
Retirement benefit cost	-	2,385	-	9,983
Interest income	(8,735)	(8,643)	(17,726)	(19,692)
Share in net income from associates	(73,929)	(3,802)	(98,844)	11,186
Operating income before working capital changes	1,129,198	862,731	2,518,197	1,567,139
Decrease (increase) in:				
Short-term investments	2,339,626	21,214	785,184	8,194
Receivable - net	(87,484)	290,904	(482,356)	162,969
Derivative assets	(25,371)	-	31,111	-
Inventories - net	(18,903)	(103,021)	250,911	(40,290)
Prepayments and other current assets	(855,535)	(101,815)	(989,596)	(113,088)
Increase (decrease) in:				
Accounts payable and accrued liabilities	167,205	365,614	(205,583)	205,391
Other Current Liabilities	-	-	127,734	-
Derivative liabilities	(190,794)	603	(742,043)	866
Deferred tax liabilities	(62,268)	(433,066)	(165,775)	(36,146)
Retirement benefits payable	14,213	(610)	37,236	(610)
Income tax payable	74,815	(14,580)	97,479	(14,346)
<b>Cash from operations</b>	<b>2,484,701</b>	<b>887,976</b>	<b>1,262,498</b>	<b>1,740,079</b>
Interest received	8,735	8,643	17,726	19,692
Dividends Declared	-	-	-	-
Interest paid	(603,209)	(399,399)	(1,148,422)	(844,308)
Income taxes paid	(72,699)	(18,029)	(95,147)	(18,029)
Retirement benefits paid	-	-	-	-
<b>Net cash provided by (used in) operating activities</b>	<b>1,817,529</b>	<b>479,191</b>	<b>36,654</b>	<b>897,435</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Decrease (increase) in:				
Other noncurrent assets	(160,785)	(25,512)	(260,824)	329,669
Additions to property, plant and equipment	(1,462,690)	(1,056,380)	(3,822,729)	(2,314,458)
<b>Net cash used in investing activities</b>	<b>(1,623,475)</b>	<b>(1,081,892)</b>	<b>(4,083,553)</b>	<b>(1,984,789)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Issuance of shares of stock	-	-	-	343,750
Loans proceeds (payment)	1,031,475	126,502	4,753,742	695,520
<b>Net cash provided by financing activities</b>	<b>1,031,475</b>	<b>126,502</b>	<b>4,753,742</b>	<b>1,039,270</b>
<b>EFFECT OF EXCHANGE RATE CHANGES</b>	<b>329,350</b>	<b>135,740</b>	<b>1,350,803</b>	<b>359,743</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>1,554,880</b>	<b>(340,459)</b>	<b>2,057,647</b>	<b>311,659</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>			<b>1,374,801</b>	<b>2,418,869</b>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>			<b>3,432,447</b>	<b>2,730,527</b>

ATLAS CONSOLIDATED MINING AND DEVELOPMENT  
CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED AGING SCHEDULE OF ACCOUNTS RECEIVABLE

FOR THE PERIOD ENDED 30 JUNE 2018

(Pesos in Thousands)

Type of Accounts Receivable	Total	Current	31 - 90 Days	91 - 120 Days	Over 121 Days
Trade Receivable					
Various trade receivable	715,608	568,111	147,497	-	-
Non-Trade Receivables					
Deposits and advances	-	-	-	-	-
Scrap	-	-	-	-	-
With court cases	13,254	-	-	-	13,254
Others	180,610	6,087	1,822	874	171,827
Allowance for Doubtful Accounts	(32,748)	-	-	-	(32,748)
<b>Accounts Receivable - Net</b>	<b>876,723</b>	<b>574,198</b>	<b>149,318</b>	<b>874</b>	<b>152,333</b>

Type of Receivable	Nature/Description of Receivable	Collection Period
Various trade receivable	Sale of copper concentrates, gold, magnetite, and nickel	
Deposits & Advances	Deposits on rentals	
Scrap	Sale of excess and scrap materials	
With Court Cases	Various claims	
Others	Non-trade receivables, advances to employees and others	
<b>Normal Operating Cycle</b>	Calendar year	