COVER SHEET

1 1 5 A P R E W A R

S.E.C. Registration Number

A T L A S C O N S O L I D A T E D M I N I N G

A N D D E V E L O P M E N T C O R P O R A T I O N

(Company's Full Name)

9 F Q U A D A L P H A C E N T R U M

1 2 5 P I O N E E R S T R E E T M A N D A L U Y O N G

(Business Address: No. Street City /Town / Province)

Contact Person	Company Telephone Number
Carmen-Rose A. Basallo-Estampador	**(632) 584-9788**

Fiscal Year (Month)	Fiscal Year (Day)	FORM TYPE	Annual Meeting (Month)	Annual Meeting (Day)
1 2	3 1	D e f i n i t i v e I S		

Secondary LicenseType, If Applicable: **N/A**

Annual Meeting: **last Wednesday of April**

Dept. Requiring this Doc.	Amended Articles Number/Section
S E C	IV

Total Amount of Borrowings

Total No. of Stockholders	Domestic	Foreign
21,164	₱924.70 million	$368.67 million

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

Remarks = pls. use black ink for scanning purposes

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION

INFORMATION STATEMENT
SEC FORM 20-IS
Pursuant to Section 17.1(b) of the Securities Regulation Code

Atlas Consolidated Mining & Development Corporation
9th Floor, Quad Alpha Centrum, 125 Pioneer Street,
Mandaluyong City 1554 Philippines
Trunk Line: +632 584-9788 Fax : +632 635-4495
Email: info@atlasphilippines.com
Web: www.atlasphilippines.com

NOTICE OF ANNUAL GENERAL MEETING OF STOCKHOLDERS

TO OUR STOCKHOLDERS:

The Annual General Meeting ("Meeting") of the stockholders of **ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION** ("Atlas") will be held at the EDSA Shangri-La Hotel in Mandaluyong City on 24 April 2013, Wednesday, at 9:30 a.m. with the following agenda:

I. Election of Directors
II. Approval of 2012 Audited Financial Statements
III. Presentation of Management's report to the Stockholders
IV. Approval of the minutes of the Annual General Stockholders' Meeting held on 22 August 2012
V. Ratification of acts and resolutions of the Board of Directors and Management
VI. Appointment of External Auditors
VII. Other Matters

The Atlas Board of Directors has fixed 5 March 2013 as the record date for the determination of the list of stockholders who are entitled to receive notice of and to vote at the Meeting. The list will be available for inspection thirty (30) calendar days prior to the date of the Meeting at the principal office of Atlas located at the 9th Floor, Quad Alpha Centrum,125 Pioneer Street, Mandaluyong City, Philippines 1554 ("Office").

Stockholders who cannot attend the Meeting in person but wish to be represented thereat should deliver their proxies – in the form to be sent on or before 1 April 2013 – to the Office not later than 5:00 p.m. on 19 April 2013. All proxies received will be validated on 22 April 2013. The submission of a proxy will not affect your right to vote in person should you decide to attend the Meeting.

Please bring proper identification card/s to facilitate registration which will start at 8:30 a.m.

CARMEN-ROSE A. BASALLO-ESTAMPADOR
Assistant Corporate Secretary14March 2013

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b) OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
   [ ] Preliminary Information Statement
   [X] Definitive Information Statement

2. Name of Registrant as specified in its charter
   ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION

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

4. SEC Identification Number **115 Pre War**

5. BIR Tax Identification Code **000-154-572-000-VAT**

6. **Quad Alpha Centrum, Pioneer Street, Mandaluyong City** **1554**
   Address of principal office Postal Code

7. Registrant's telephone number **(63 2) 584-9788 / (63 2) 632-7847**

8. **24 April 2013, 9:30 A.M., EDSA Shangri-La Hotel, Mandaluyong City**
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **1 April 2013**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding as of record date
Common Stock, PhP 8.00 par value	**2,075,151,773**

11. Are any or all of registrant's securities listed on a Stock Exchange?

Yes __/__ No ____

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Philippine Stock Exchange, Inc. – Common Stock

<u>PART I</u>
Information required in Information Statement

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting (the "Meeting")

(a) Date : 24 April 2013
Time : 9:30 A.M.
Place: EDSA Shangri-La Hotel

- Complete mailing address of the Company:

  9th Floor Quad Alpha Centrum, 125 Pioneer Street,
  Mandaluyong City, Metro Manila 1554

(b) Approximate date on which the Information Statement is first to be sent or given to security holders: 1 April 2013

Item 2. Dissenter's right of appraisal

There is no action to be presented for approval with respect to which stockholders may exercise their appraisal rights under Title X of the Corporation Code of the Philippines.

Any stockholder who shall oppose and vote against any action with respect to which it/he/she may invoke its/his/her appraisal right under Title X of the Corporation Code of the Philippines may exercise such right according to the following procedure:

<u>Section 81. Instances of appraisal right.</u> – Any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of his shares in the following instances:

1. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;

2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Code; and

3. In case of merger or consolidation.

<u>Section 82. How right is exercised. –</u> The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares: Provided, That failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or affected, the corporation shall pay to such stockholder, upon surrender of the certificate or certificates of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation, and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: Provided, That no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment: and Provided, further, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

<u>Section 83. Effect of demand and termination of right.</u> – From the time of demand for payment of the fair value of a stockholder's shares until either the abandonment of the corporate action involved or the purchase of the said shares by the corporation, all rights accruing to such shares, including voting and dividend rights, shall be suspended in accordance with the provisions of this Code, except the right of such stockholder to receive payment of the fair value thereof: Provided, That if the dissenting stockholder is not paid the value of his shares within 30 days after the award, his voting and dividend rights shall immediately be restored.

<u>Section 84. When right to payment ceases. -</u> No demand for payment under this Title may be withdrawn unless the corporation consents thereto. If, however, such demand for payment is withdrawn with the consent of the corporation, or if the proposed corporate action is abandoned or rescinded by the corporation or disapproved by the Securities and Exchange Commission where such approval is necessary, or if the Securities and Exchange Commission determines that such stockholder is not entitled to the appraisal right, then the right of said stockholder to be paid the fair value of his shares shall cease, his status as a stockholder shall thereupon be restored, and all dividend distributions which would have accrued on his shares shall be paid to him.

<u>Section 85. Who bears costs of appraisal.</u> – The costs and expenses of appraisal shall be borne by the corporation, unless the fair value ascertained by the

appraisers is approximately the same as the price which the corporation may have offered to pay the stockholder, in which case they shall be borne by the latter. In the case of an action to recover such fair value, all costs and expenses shall be assessed against the corporation, unless the refusal of the stockholder to receive payment was unjustified.

Section 86. Notation on certificates; rights of transferee. – Within ten (10) days after demanding payment for his shares, a dissenting stockholder shall submit the certificates of stock representing his shares to the corporation for notation thereon that such shares are dissenting shares. His failure to do so shall, at the option of the corporation, terminate his rights under this Title. If shares represented by the certificates bearing such notation are transferred, and the certificates consequently canceled, the rights of the transferor as a dissenting stockholder under this Title shall cease and the transferee shall have all the rights of a regular stockholder; and all dividend distributions which would have accrued on such shares shall be paid to the transferee.

Item 3. Interest of certain persons in or opposition to matters to be acted upon

a) No person who (i) has been a director or executive officer of the Company at any time since the beginning of the last fiscal year, (ii) is a nominee for election as a director or officer of the Company, or (iii) is an associate of the foregoing persons, has substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than, in the case of the persons described in the preceding clause (ii), election to office.

   The nominees for election as directors of the Company will not be receiving any extra or special benefit by reason of the matters to be acted upon at the Meeting other than what may be shared on a *pro rata* basis by all holders of the Company's common shares of stock.

b) No incumbent director of the Company has given notice of his intention to oppose the actions/motions and/or matters to be taken up at the Meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting securities and principal holders thereof

a) On 5 March 2013 (the "Record Date"), the Company had **2,075,151,773** issued and outstanding common shares with a par value of Eight Pesos (PhP8.00) per share. Each common share entitles the holder to one vote.

b) Only stockholders of record as of the close of business on the Record Date are entitled to receive notice of and to vote at the Meeting. A holder of common shares who is entitled to vote at the Meeting shall have the right to vote in person or by proxy such number of shares registered in its/his/her name in the stock and transfer books of the Company as of the Record Date.

c) With respect to the election of directors –

1. Each stockholder shall have the right to cumulate its/his/her shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of shares registered in its/his/her name shall equal, or it/he/she may distribute them on the same cumulative voting principle among as many nominees as it/he/she shall see fit; *provided*, that the aggregate number of votes cast by a stockholder shall not exceed the number of shares registered in its/his/her name multiplied by the number of directors to be elected.

2. There is no condition precedent to the exercise of a stockholder's right to cumulative voting.

3. The Company is not soliciting discretionary authority to cumulate votes.

d) Security ownership of certain owners and management

1. *Security ownership of record/beneficial owners of more than 5% of the Company's voting securities (As of the Record Date)*

Title or Class of Shares	**Name & Address of Record Owner and Relationship with the Company**	**Name of Beneficial Owner and Relationship with Record Owner**	**Citizenship**	**Holdings**	**%**
Common	SM INVESTMENTS CORPORATION 10th Floor, One E-Com Center, Mall of Asia Complex, CBP-1A Pasay City - Not related to the Company except as stockholder * Mr. Hans T. Sy	Record and beneficial owner	Filipino	598,530,491	28.84%

	and/or Mr. Harley T. Sy and/or Ms. Virginia A. Yap have been appointed as proxy to represent and vote for the shares of SM Investments Corporation at the Meeting				
Common	ALAKOR CORPORATION Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City - Not related to the Company except as stockholder * Mr. Alfredo C. Ramos has been appointed as proxy to represent and vote for the shares of Alakor Corporation at the Meeting	Record and beneficial owner	Filipino	358,854,961	17.29%
Common	ANGLO PHILIPPINE HOLDINGS CORPORATION Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City - Not related to the Company except as stockholder * Mr. Alfredo C. Ramos has been appointed as proxy to represent and vote for the shares of Anglo Philippine Holdings Corporation at the Meeting	Record and beneficial owner	Filipino	171,450,500	8.26%

- The Company has no information as to person/s holding 5% or more of the Company's securities which are held under a voting trust or similar agreement.

2. Security ownership of management (As of the Record Date)

Title of Class	Name of Directors / Officers	No. of Shares Held	Citizenship	Percent (%)	Nature of Ownership
Common	Alfredo C. Ramos	464,223,561	Filipino	22.3800	Record and Beneficial Owner
Common	Frederic C. DyBuncio	1,001	Filipino	0.0000	Beneficial Owner
Common	Martin C. Buckingham	24,753,301	British	1.1933	Beneficial Owner
Common	Isidro A. Consunji	95,991,305	Filipino	4.6275	Beneficial Owner
Common	Adrian Paulino S. Ramos	5,941,910	Filipino	0.2864	Beneficial Owner
Common	Gerard Anton S. Ramos	8,151,000	Filipino	0.3929	Beneficial Owner
Common	Jose T. Sio	1,001	Filipino	0.0000	Beneficial Owner
Common	Fulgencio S. Factoran Jr.	110,000	Filipino	0.0000	Beneficial Owner
Common	Richard J. Gordon	1	Filipino	0.0000	Beneficial Owner
Common	Alfredo R. Rosal Jr.	1	Filipino	0.0000	Beneficial Owner
Common	Laurito E. Serrano	2,000	Filipino	0.0001	Beneficial Owner
Common	Noel T. Del Castillo	150,000	Filipino	0.0000	Beneficial Owner
Common	Roderico V. Puno	0	Filipino	0.0000	N/A
Common	Fernando A. Rimando	0	Filipino	0.0000	N/A
Common	Carmen-Rose A. Basallo-Estampador	5,000	Filipino	0.0000	N/A
	All Directors and Officers as a Group	599,328,081		28.8804	

e) Changes in control

There has been no change in the control of the Company since the election on 9 November 2011 of the nominees of SM Investments Corporation to fill four of the eight seats on the Board of Directors of the Company that are not reserved for independent directors.

Item 5. Directors and Executive Officers

a) The Company's Board of Directors is composed of eleven (11) members. The directors are elected by the stockholders at the Annual General Stockholders' Meeting (AGSM) to hold office until removed or replaced by a duly-elected and qualified candidate.

The incumbent directors of the Company are:

ALFREDO C. RAMOS	FREDERIC C. DYBUNCIO
ADRIAN PAULINO S. RAMOS	MARTIN C. BUCKINGHAM
GERARD ANTON S. RAMOS	ISIDRO A. CONSUNJI

JOSE T. SIO	FULGENCIO S. FACTORAN Jr.
RICHARD J. GORDON	ALFREDO R. ROSAL Jr.
LAURITO E. SERRANO	

b) The principal officers of the Company are appointed/elected annually by the Board of Directors during its organizational meeting following the 22 August 2012 AGSM, each to hold office until removed or replaced by a duly-elected/appointed and qualified candidate.

The incumbent principal officers of the Company are:

ALFREDO C. RAMOS	-	Chairman and President
FREDERIC C. DYBUNCIO	-	Vice-Chairman
ADRIAN PAULINO S. RAMOS	-	Executive Vice-President
MARTIN C. BUCKINGHAM	-	Executive Vice-President
RODERICO V. PUNO	-	Corporate Secretary
NOEL T. DEL CASTILLO	-	Treasurer
FERNANDO A. RIMANDO	-	Vice-President-Chief Financial Officer
CARMEN-ROSE A. BASALLO-ESTAMPADOR	-	Compliance Officer/Assistant Corporate Secretary/Assistant Vice-President –Legal Affairs, Compliance and Corporate Governance

c) Other than those between Mr. Alfredo C. Ramos and his sons Mr. Adrian Paulino S. Ramos and Mr. Gerard Anton S. Ramos, there are no immediate family relationships among the directors and officers listed above.

d) The Company has no significant employees and is not aware of any legal proceeding of the nature required to be disclosed under Part IV, paragraph (A), (4) of SRC Rule 12, Annex C with respect to directors and executive officers.

e) The Company believes that the incumbent independent directors, Atty. Fulgencio S. Factoran Jr., Atty. Richard J. Gordon, Atty. Alfredo R. Rosal Jr., and Mr. Laurito E. Serrano continue to qualify as such pursuant to SRC Rule 38. To the best of the Company's knowledge, Attys. Factoran, Gordon, and Rosal, and Mr. Serrano have always possessed the qualifications and none of the disqualifications for the position of independent director.

f) Details of persons who have been nominated to become directors and/or officers of the Company:

Office/s	Name of Nominee	Citizenship	Age	Footnote Legends
Chairman of the Board of Directors/ President	Alfredo C. Ramos	Filipino	69	(a)
Vice-Chairman of the Board of Directors	Frederic C. DyBuncio	Filipino	53	(b)
Director/Executive Vice-President	Martin C. Buckingham	British	61	(c)
Director/Executive Vice-President	Adrian Paulino S. Ramos	Filipino	34	(d)
Director	Isidro A. Consunji	Filipino	64	(e)
Director	Gerard Anton S. Ramos	Filipino	38	(f)
Director	Jose T. Sio	Filipino	73	(g)
Independent Director	Fulgencio S. Factoran Jr.	Filipino	69	(h)
Independent Director	Richard J. Gordon	Filipino	67	(i)
Independent Director	Alfredo R. Rosal, Jr.	Filipino	65	(j)
Independent Director	Laurito E. Serrano	Filipino	52	(k)
Corporate Secretary	Roderico V. Puno	Filipino	49	
Treasurer	Leila P. Cabanes	Filipino	34	
Vice-President-Chief Financial Officer	Fernando A. Rimando	Filipino	46	
Compliance Officer/Assistant Corporate Secretary/Assistant Vice-President – Legal Affairs, Compliance and Corporate Governance	Carmen-Rose A. Basallo-Estampador	Filipino	35	

(a) - Elected as Chairman of the Board of Directors and President on 22 August 2012; nominee of Alakor Corporation (“Alakor”)
(b) - Elected as Director on 22 August 2012; nominee of SM Investments Corporation (“SMIC”)
(c) - Elected as Director and Executive Vice-President on 22 August 2012; nominee of Alakor
(d) - Elected as Director and Vice-President on 22 August 2012; nominee of Alakor
(e) - Elected as Director on 22 August 2012; nominee of SMIC
(f) - Elected as Director on 22 August 2012; nominee of Alakor
(g) - Elected as Director on 22 August 2012; nominee of SMIC
(h) - Elected as Independent Director on 22 August 2012; nominee of Alakor and SMIC
(i) - Elected as Independent Director on 22 August 2012; nominee of Alakor
(j) - Elected as Independent Director on 22 August 2012; nominee of Alakor
(k) - Elected as Independent Director on 22 August 2012; Nominee of SMIC

- *Profiles of nominees*

ALFREDO C. RAMOS

- Director of the Company since 1989
- President/Chairman of the Board of Directors of the Company since 2 April 2003

- Mr. Ramos is concurrently the incumbent President/Chairman of the Boards of Directors of Carmen Copper Corporation, Berong Nickel Corporation, Alakor Corporation, National Book Store, Inc., Anglo Philippine Holdings Corporation, The Philodrill Corporation, Vulcan Industrial and Mining Corporation, and United Paragon Mining Corporation. He has held these positions over the last five years.
- He obtained his bachelor's degree from the Ateneo de Manila University in 1963.

FREDERIC C. DYBUNCIO

- Director/ Vice Chairman of the Board of Directors of the Company since 12 August 2011

- Mr. DyBuncio is concurrently a Senior Vice President of SM Investments Corporation and a director of Carmen Copper Corporation. Prior to holding these posts, he was a career banker who spent over 20 years with JPMorgan Chase and its predecessor institutions. During his stint in the banking industry, he was assigned to various managerial/executive positions where he gained substantial professional experience in the areas of credit, relationship management and origination, investment banking, capital markets, and general management. He has worked and lived in several major cities including New York, Seoul, Bangkok, Hong Kong and Manila.
- He obtained his undergraduate degree in Business Management from the Ateneo de Manila University, and his master's degree in Business Administration from the Asian Institute of Management.

MARTIN C. BUCKINGHAM

- Director of the Company since 4 December 4 1996
- Executive Vice-President of the Company since 22 July 2002

- Mr. Buckingham is concurrently a director of Carmen Copper Corporation and Berong Nickel Corporation. He has held these positions over the last five years.

❖ He obtained his law degree from Cambridge University (United Kingdom).

ADRIAN PAULINO S. RAMOS

- Director of the Company since 18 July 2007
- Vice-President of the Company since 15 September 2006

❖ Mr. A.P.S. Ramos is concurrently holding the following positions (which he has held over the last five years):
  - Vice-President of Carmen Copper Corporation and Alakor Corporation
  - Director of Carmen Copper Corporation, Berong Nickel Corporation, Anglo Philippine Holdings Corporation, The Philodrill Corporation, United Paragon Mining Corporation, and Zenith Holdings Corporation

❖ He obtained his undergraduate degree in Business Management (Cum Laude) from the Ateneo de Manila University in 1999, and his master's degree in Business Administration (With Distinction) from Northwestern University's Kellogg School of Management in 2005.

ISIDRO A. CONSUNJI

- Director of the Company since 20 April 2012

❖ Mr. Consunji is concurrently the Chief Executive Officer of Semirara Mining Corporation and DMCI Holdings, Inc., and a director of Carmen Copper Corporation. He has held these positions over the last five years.

❖ He obtained his undergraduate degree in Civil Engineering from the University of the Philippines, and his master's degree in Business Administration from the Asian Institute of Management.

GERARD ANTON S. RAMOS

- Director of the Company since 18 July 2007

❖ Mr. G.A.S. Ramos is concurrently holding the following positions (which he has held over the last five years):
  - Vice-President of Alakor Corporation
  - Assistant to the Vice-President of National Book Store, Inc.
  - Assistant Treasurer of Alakor Securities Corporation
  - Director of Zenith Holdings Corporation

  He is also an incumbent director of Carmen Copper Corporation.

❖ He obtained his bachelor's degree in Business Management from the Ateneo de Manila University in 1996.

JOSE T. SIO

- Director of the Company since 12 August 2011

❖ Mr. Sio is concurrently the Executive Vice-President and Chief Financial Officer of SM Investments Corporation which is the holding company of the SM Group. He is also currently a director of SM Keppel Land, Manila North Tollways Corporation, Belle Corporation, China Banking Corporation, and Carmen Copper Corporation, and an adviser to the Board of Directors of Banco De Oro Unibank, Inc. Before joining the SM Group, he was a senior partner at SGV & Co.

❖ He obtained his bachelor's degree in Accountancy from the University of San Agustin in Iloilo City, and his master's degree in Business Administration from New York University.

❖ Awards and citations:

  - 1997 – Recognized as one of the CFO Superstars for 1997 by Global Finance (an American publication)
  - 2000 – Recognized as one of the best international finance executives in *"The Asia 500: Leaders of the New Century"* which was published by Baron's Who's Who (Irvine, California)
  - 2009 – Awarded as CFO of the Year by ING Bank N.V. (Manila) and Financial Executives Institute of the Philippines
  - 2010 – Awarded as CFO of the Year by The Asset (a Hong Kong-based financial magazine) during The Triple A Corporate Achievement Awards
  - 2011 – Awarded as Best CFO at the Finance Asia Awards

FULGENCIO S. FACTORAN Jr.

- Director of the Company since 28 February 2012

❖ Atty. Factoran is the managing partner at the law office of Factoran and Associates. He is concurrently an independent director of Nickel Asia Corporation.He served as Secretary of the Department of Environment and Natural Resources during the term of President Corazon Aquino.

❖ He obtained his Bachelor of Laws degree from the University of the Philippines (Cum Laude; Valedictorian), 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 the Company.

RICHARD J. GORDON

- Independent Director of the Company since 5 April 2011

- ❖ Atty. Gordon served as a member of the House of Senate of the 13th and 14th Congresses of the Philippines. Prior to his election as a senator in 2004, he held the post of Secretary of the Department of Tourism for three years beginning January 2001. He is the founding Chairman of the Subic Bay Metropolitan Authority and is currently the Chairman and CEO of the Philippine Red Cross.
- ❖ He obtained his undergraduate degree in History and Government from the Ateneo de Manila University, and his Bachelor of Laws degree from the University of the Philippines.

ALFREDO R. ROSAL JR.

- Independent Director of the Company since 31 March 2003

- ❖ Atty. Rosal is the Managing Partner of the law office of Rosal and Valera. As a legal professional, he rendered services as general counsel to various local and foreign investment companies. He also served as President of the Natural Resources Development Corporation and Bukidnon Forest, Inc.
- ❖ He obtained his Bachelor of Laws degree from the San Beda College of Law, and his master's degree in Business Administration from the University of the Philippines.
- ❖ The law office of Rosal and Valera does not act as legal counsel of the Company.

LAURITO E. SERRANO

- Independent Director of the Company since 22 August 2012

- ❖ Mr. Serrano is currently a senior financial adviser of the Fil-Estate Group of Companies. He is a former partner at SGV & Co. where he was part of the Corporate Finance Consulting Group. His professional experience which span over 25 years cover, among others, audit services, project development, public debt/equity offerings, business acquisitions, investment promotion, transaction structuring, and other similar financial advisory services.
- ❖ He is a Certified Public Accountant with a master's degree in Business Administration from the Harvard Business School (Harvard University, Boston, Massachusetts).

RODERICO V. PUNO

- Corporate Secretary of the Company since 15 September 2006

- ❖ Atty. Puno is a senior partner at the law office of Puno and Puno. He is concurrently the corporate secretary of Carmen Copper Corporation, BDO Private Bank, Inc., BDO Securities, Inc., and Rustan Supercenter, Inc.; a director of Global Business Power Holdings Corporation; and the president of American E-Discovery Resources, Inc.
- ❖ He obtained his Bachelor of Laws degree from the Ateneo de Manila University.
- ❖ Citations:
  - Recognized by the Chambers Global and International Financial Law Review as one of the leading Philippine Lawyers in Business Law

LEILA P. CABANES

- Nominee for Treasurer

- ❖ Ms. Cabanes has more than a decade of experience in the local banking industry where she specialized in trust banking and fund management.
- ❖ She obtained her undergraduate degree in Applied Economics and her master's degree in Business Administration from the De La Salle University.

FERNANDO A. RIMANDO

- Chief Financial Officer of the Company since 12 September 2012

- ❖ Mr. Rimando is concurrently the Chief Financial Officer of Carmen Copper Corporation.
- ❖ He has more than 25 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. He obtained his bachelor's degree in accountancy from Saint Louis University.

CARMEN ROSE A. BASALLO-ESTAMPADOR

- Assistant Corporate Secretary and legal counsel of the Company since 15 September 2006
- Compliance Officer of the Company since 9 November 2011
- Assistant Vice-President (AVP) of the Company (for Legal Affairs, Compliance, and Corporate Governance) since 1 July 2012

- ❖ Atty. Basallo-Estampador is concurrently the Assistant Corporate Secretary and the AVP for Legal Affairs and Compliance of Carmen Copper Corporation. She served as corporate secretary of Berong Nickel Corporation from April

2007 to March 2011. Prior to joining the Company, she worked as a tax and corporate attorney for the Manila office of the accounting firm KPMG.

❖ She obtained her undergraduate degree in Economics and her Bachelor of Laws degree from the University of the Philippines.

➢ *Representations regarding the nominees*

- The above nominees were selected through the nomination process determined and implemented by the Company's Nomination Committee pursuant to the Company's By-Laws and Manual of Corporate Governance and in accordance with applicable laws and regulations. The incumbent members of the Nomination Committee are Mr. Alfredo C. Ramos (Chairman), Mr. Frederic C. DyBuncio, and Atty. Alfredo R. Rosal Jr.

- The nominees for election to the seats reserved for independent directors were nominated by the following shareholders:

Name of Nominee	Nominating Shareholder
Atty. Fulgencio S. Factoran Jr.	Alakor Corporation and SM Investments Corporation
Atty. Richard J. Gordon	Alakor Corporation
Atty. Alfredo R. Rosal Jr.	Alakor Corporation
Mr. Laurito E. Serrano	SM Investments Corporation

- Mr. Serrano has no existing relationship or affiliation with Alakor Corporation, SM Investments Corporation, or the Company.

- Attys. Factoran Jr, Gordon, and Rosal Jr. have no existing relationship or affiliation with the Company other than that created by virtue of their election as the Company's independent directors.

- Attys. Factoran Jr, Gordon, and Rosal Jr. have no existing relationship or affiliation with Alakor Corporation or SM Investments Corporation.

g) Related-party transactions

As disclosed in the Notes to the 2012 Audited Consolidated Financial Statements of the Company and its subsidiaries:

> *Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Group[1], including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant*

[1] "Group" refers to the Company and its subsidiaries.

influence over the enterprise, key management personnel, including directors and officers of the Group 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 consolidated statements of financial position include the following amounts resulting from the various transactions with related parties:

	Nature of relationship	**2012**	2011
Receivable from related parties:			
Alakor	Stockholder	**₱31,481**	₱33,219
TMC	Related party	**2,150**	
CCC	Subsidiary/Associate	**–**	–
		₱33,631	₱33,219
Payable to related parties:			
TMC	Related party	**₱321,338**	₱458,453
Alakor	Stockholder	**3,016****	–
The Philodrill Corporation	Related party	**–**	73,247
CCC	Subsidiary/Associate	**–**	–
		₱324,354**	₱531,700

**There were no sales and purchases to or from related parties as of December 31, 2012 and 2011.*
***A portion of the payable to Alakor amounting to ₱21,986 that was accrued in 2010 as interest payable (see Note 17a) is presented on the consolidated statements of financial position as part of Accounts payable and accrued expenses.*

The outstanding balances of receivable from related parties consist mainly of receivables to cover for administrative and operating expenses. These amounts are non-interest bearing and are due and demandable to be paid when sufficient funds are available.

Receivable from officers and employees as of December 31, 2012 and 2011 amounting to PhP30,539 and PhP19,938, respectively, pertain to the receivable extended by the Group to its officers and employees and unliquidated advances used in the Group's operations. These receivables from officers and employees are due and demandable.

h) No director has resigned or declined to stand for re-election to the Company's Board of Directors since the date of the last annual meeting of stockholders because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

Item 6. Compensation of directors and executive officers

a) Aggregate cash compensation paid during the last two fiscal years and to be paid during the current fiscal year to the five (5) most highly compensated officers and to all other officers as a group:

Name and Position		**Aggregate annual cash compensation (PhP)**		
Alfredo C. Ramos	-- President	Salaries	Other compensation	Bonuses

Martin C. Buckingham -- Executive Vice-President & CFO	2010	10,111,222	-0-	850,102
	2011	10,193,722	-0-	850,102
	2012	24,229,812	-0-	2,019,151
Adrian Paulino S. Ramos -- Vice-President				
Fernando A. Rimando -- Chief Financial Officer				
Rene G. De Ocampo – VP for Human Resources				
All other officers as a group	2010	1,600,000	-0-	130,000
	2011	696,000	-0-	58,000
	2012	12,420,000	-0-	1,035,00

* For 2013, the estimated aggregate cash compensation to be paid (i) to the four most highly compensated officers amounts to PhP28,222,514, and (ii) to all officers as a group amounts to PhP21,465,500.

b) Compensation of directors

In 2011, the Company began paying its directors a *per diem* of PhP10,000.00 for every meeting attended.

c) Stock Options

On 18 July 2007, the Company's stockholders approved a Comprehensive Stock Option Plan (CSOP) covering directors, officers, managers and key consultants of the Company and its significant subsidiaries. The salient terms and features of the CSOP are as follows:

i. *Number of underlying shares*: 50,000,000 common shares to be taken out of the unissued portion of the Company's authorized capital stock; 25,000,000 of the shares have already been earmarked for the first-tranche optionees comprising the Company's directors and officers

ii. *Option Period*: Three years from the date the stock option is awarded to the optionees (The award date for the first-tranche optionees is 14 July 2011)

iii. *Vesting Period*: Subscription rights covering 1/3 of the shares of stock underlying the stock option award will vest during each year of the three-year option period

iv. *Exercise Price*: PhP10.00 per share (Market Price on 31 December 2012 is PhP18.70 per share)

The following table shows the extent of the stock option award under the CSOP to the four (4) most highly compensated officers of the Company and to all other directors and officers of the Company collectively:

Name	***Position***	***No. of Shares***
Alfredo C. Ramos	Chairman and President	4,385,970
Martin C. Buckingham	Executive Vice-President and Director	3,508,770
Adrian Paulino S. Ramos	Executive Vice-President	2,631,570
Other officers and directors as a group		3,491,236
TOTAL		**14,017,546**

In 2012, qualified employees who were previously granted stock option awards exercised their subscription rights with respect to a total of 2,215,788 shares of stock of the Company for which a total subscription price of PhP22,158,000.00 was paid.

Item 7. Independent public accountants

a) SYCIP GORRES VELAYO & COMPANY ("SGV"), with business address at 6760 Ayala Avenue, Makati City, is recommended to stockholders for appointment as independent accountant/external auditor of the Company for the current fiscal year. SGV was the Company's independent accountant/external auditor for fiscal year 2012.

b) The representatives of SGV are expected to be present at the Meeting and they will have the opportunity to make a statement if they desire to do so to respond to questions raised whenever appropriate or necessary.

c) SGV has been the Company's independent accountant since 1958. No independent accountant engaged by the Company has resigned, or has declined to stand for re-election, or was dismissed, and the Company has engaged no new independent accountant.

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

e) SGV's current certifying partner for the Company is Mr. John C. Ong who took over from Mr. Martin C. Guantes in 2009. The Company has always faithfully complied with the five-year rotation requirement with respect to its external auditor's certifying partner.

f) The incumbent members of the Company's Audit Committee are Mr. Laurito E. Serrano (Chairman), Atty. Alfredo R. Rosal Jr. (Deputy Chairman), Mr. Frederic C. DyBuncio, and Mr. Gerard Anton S. Ramos.

Item 8. Compensation Plans

No action respecting any plan pursuant to which cash or non-cash compensation may be paid or distributed shall be presented for approval.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Issuance of securities

No action involving the issuance of the Company's securities shall be presented for approval.

Item 10. Modification or Exchange of Securities

No action involving the modification or exchange of the Company's securities shall be presented for approval.

Item 11. Financial and other information

No action involving Items 9 and 10 above will be presented for approval. Nonetheless, we have presented in the accompanying management report (Part III) the information required under this Item 11.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action involving any of the following shall be presented for approval:

a) the merger or consolidation of the Company into or with any other person, or of any other person into or with the Company;
b) the acquisition by the Company or any of its security holders of securities of another person;
c) the acquisition by the Company of any other going business or of the assets thereof;
d) the sale or other transfer of all or any substantial part of the assets of the Company; or
e) the liquidation or dissolution of the Company

Item 13. Acquisition or Disposition of Property

No action involving the acquisition by the Company of any property/the disposition by the Company of any of its properties shall be presented for approval.

Item 14. Restatement of Accounts

No action involving the restatement of the Company's asset, capital or surplus account shall be presented for approval.

D. OTHER MATTERS

Item 15. Action with respect to reports

The following reports/minutes/matters shall be submitted to the stockholders for approval/ratification:

a. Minutes of the Annual General Meeting of Stockholders held on 22 August 2012
b. Audited Financial Statements and Annual Report for the year ended 31 December 2012
c. Acts and resolutions of the Board of Directors and Management during the period beginning 22 August 2012 and ending on the date of the Meeting
d. Appointment of SGV&Co. as independent accountant/external auditor for fiscal year 2013

With respect to item (a) above, any action on the part of the stockholders will not constitute approval or disapproval of the matters referred to in the minutes as the same are deemed to have already been approved.

The following were approved during the 22 August 2012 Annual General Stockholders' Meeting:

1) Audited Financial Statements for the fiscal year ended 31 December 2011
2) Minutes of the Annual General Stockholders' Meeting held on 9 November 2011
3) Acts and resolutions of the Board of Directors and Management during the period between 9 November 2011 and 22 August 2012

As to item (c), the only material corporate action approved by the Company's Board of Directors during the period beginning 22 August 2012 and ending on the date of this information statement[2] was the payment of cash dividends in the amount of PhP0.25 per share of the Company's capital stock to stockholders of record as of 22 March 2013.

[2] Any material action to be taken by the Company's Board of Directors during the period between the date of this information statement and the date of the Meeting shall be presented for ratification at the Meeting.

Copies of the minutes of the 22 August 2012 Annual General Meeting of Stockholders and the 2012 audited financial statements of the Company will be available at the venue and may be reviewed by the stockholders attending the Meeting.

The affirmative vote of a majority of the votes cast shall be necessary for the approval of items (a), (b), (c), and (d) above.

Item 16. Matters Not Required to be Submitted

The Company will not present any matter that does not require the vote of stockholders.

Item 17. Amendment of Charter

No action involving the amendment of the Company's charter shall be presented for approval.

Item 18. Other proposed actions

Not applicable.

Item 19. Voting procedures

a) The approval of the matters to be submitted to the stockholders shall require the affirmative vote of stockholders representing a majority of the outstanding capital stock of the Company.

b) Except as to the election of directors, the manner of voting shall be non-cumulative. Unless required by law or demanded by a stockholder present or represented at the Meeting and entitled to vote thereat, voting need not be by ballot.

c) All votes cast shall be counted under the supervision and control of the Corporate Secretary and/or the Assistant Corporate Secretary.

PART II
Information required in proxy form

Please see accompanying proxy form.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Mandaluyong on 22 March 2013.

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION

By:

CARMEN-ROSE A. BASALLO-ESTAMPADOR
Assistant Corporate Secretary

PROXY

This solicitation is being made by ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION (the "Company").

The proxy contained herein will serve to constitute and appoint:

The incumbent Chairman of the Board of Directors of the Company, or in his absence, the Chairman of the 24 April 2013 Annual General Meeting of the Stockholders of the Company

as proxy to represent you and to vote all the shares registered in your name in the records of the Company and/or such shares as you are authorized to represent and vote in your capacity as administrator, executor or attorney-in-fact at the Annual General Meeting of the Company's Stockholders on 24 April 2013 (the "Meeting"), and any adjournment thereof, as fully to all intents and purposes as you might do if present and acting in person, thus, ratifying and confirming all that the proxy shall lawfully do or cause to be done by virtue of these presents.

The proxy form contained herein shall be accomplished according to the instructions herein written in *italicized font*. In case you fail to indicate your vote on the items specified below, you shall be deemed to have granted discretionary authority upon the proxy to act on such items in accordance with the recommendation of the management of the Company, provided, that this proxy form has been properly executed.

The duly-executed proxy should be delivered to the Corporate Secretary or the Assistant Corporate Secretary at the principal office of the Company located at the 9th Floor Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City, Metro Manila, Philippines not later than 5:00 p.m. on 19 April 2013.

In the case of a corporation, the proxy may be issued in the form of a board resolution clearly stating the vote of the corporation with respect to the matters requiring action or approval as stated herein. Alternatively, the corporation issuing the proxy may execute this proxy form through a representative appointed *via* a board resolution. The pertinent board resolution must be contained in and attested through a Secretary's Certificate, which in the latter case should accompany the duly-accomplished proxy form.

The following are the matters to be acted upon at the Meeting. Please indicate how you intend for the proxy to vote on your behalf based on the instructions provided below.

INSTRUCTION: *Indicate choice with an "X" mark in the appropriate box.*

	APPROVE/ RATIFY	DISAPPROVE	ABSTAIN
1. Minutes of the Annual General Meeting of Stockholders held on 22 August 2012			
2. Audited Financial Statements and Annual Report for fiscal year 2012			
3. Acts and Resolutions of the Board of Directors and Management during the period beginning on 22 August 2012 (date of the last annual meeting) and ending on 24 April 2013			
4. Appointment of SGV & Co. as External Auditors for fiscal year 2013			

Management recommends a vote FOR the approval/ratification of the above items.

The following are the names of the persons who have been nominated for election to the Company's Board of Directors for the year 2013-2014. Please indicate how you intend for the proxy to vote on your behalf based on the instructions provided below:

INSTRUCTION: Indicate choice with an "X" mark in the appropriate space.

Name	Vote For	Withhold Vote
Alfredo C. Ramos		
Frederic C. DyBuncio		
Martin C. Buckingham		
Isidro A. Consunji		
Adrian Paulino S. Ramos		
Gerard Anton S. Ramos		
Jose T. Sio		
Fulgencio S. Factoran Jr.		
Richard J. Gordon		
Alfredo R. Rosal Jr.		
Laurito E. Serrano		

IT IS HEREBY UNDERSTOOD THAT WITH RESPECT TO MATTERS/NOMINEES FOR WHICH THE CHOSEN ACTION WAS NOT INDICATED OR SPECIFIED

PURSUANT TO THE ABOVE INSTRUCTIONS, THE PROXY SHALL CAST YOUR VOTE IN SUCH MANNER AS HE SHALL DEEM APPROPRIATE BASED ON THE RECOMMENDATION OF MANAGEMENT.

The completion, execution and submission of this proxy form shall likewise confer discretionary authority upon the proxy to vote on the following matters as he deems appropriate:

1. Matters that are to be presented at the Meeting but which are not known to the Company before the solicitation;
2. Election of any person to any office for which a bona fide nominee is named above and such nominee is unable to serve or, for good cause, will not serve; and
3. All matters incident to the conduct of the Meeting.

As of the date of this solicitation, the Company does not know of any other matter that will be brought before the stockholders for a vote at the Meeting.

Validation of proxies shall be held on 22 April 2013 at the Company's principal office at the 9th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City, Metro Manila, Philippines 1550 under the supervision and control of the Corporate Secretary and/or the Assistant Corporate Secretary.

REVOCABILITY OF PROXY

Unless earlier withdrawn through a written notice delivered to the Corporate Secretary or the Assistant Corporate Secretary at least five (5) calendar days before the date of the Meeting, this proxy shall be valid and effective for and during the Meeting and any adjournment thereof, but only for such Meeting and its adjournment. A proxy that revokes a previously-issued proxy shall not be allowed to vote unless it has passed the proxy validation process described herein.

PERSON MAKING THE SOLICITATION

The solicitation is being made by the Company. In addition to the solicitation of proxies by mail, officers and employees of the Company, without extra compensation, may solicit proxies personally or by telephone. The cost of solicitation which is estimated to reach PhP80,000.00 will be borne by the Company.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No person who (i) has been a director or executive officer of the Company at any time since the beginning of the last fiscal year, (ii) is a nominee for election as a director or officer of the Company, or (iii) is an associate of the foregoing persons, has substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon other than, in the case of the persons described in the preceding clause (ii), election to office.

The nominees for election as directors of the Company will not be receiving any extra or special benefit by reason of the matters to be acted upon at the Meeting other than what may be shared on a *pro rata* basis by all holders of the Company's common shares of stock.

IN WITNESS WHEREOF, I have hereunto signed these presents this ____________________ in ___________________.

____
Signature over printed name
of Stockholder/Authorized Representative

____
Number of Shares
Owned or Represented

____
Date

PART III
Management Report

I. BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

(1) Business Development

Atlas Consolidated Mining & Development Corporation ("Atlas") 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.

Atlas has never been involved in a bankruptcy, receivership, or any similar proceeding. During the past three (3) years, Atlas 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, except for its acquisition of an additional 45.54% equity interest in its subsidiary Carmen Copper Corporation.

- *Significant Subsidiary*

Carmen Copper Corporation ("CCC") is the only significant subsidiary[3] of Atlas.

CCC was incorporated under Philippine law on 16 September 2004. CCC has never been involved in in a bankruptcy, receivership, or any similar proceeding. During the past three (3) years, 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.

Atlas owns one hundred per cent (100%) of the outstanding capital stock of CCC.

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[3] *Under Part I, 1(B) of Rule 68 of the amended rules and regulations implementing the Securities Regulation Code, "Significant Subsidiary" means a subsidiary, including its subsidiaries, which meet any of the following conditions:*
(a) The corporation's and its other subsidiaries' investments in and advances to the subsidiary exceed ten per cent (10%) of the total assets of the corporation and its subsidiaries as of the end of the most recently completed fiscal year; or
(b) The corporation's and its other subsidiaries' proportionate share of the total assets (after inter-company eliminations) of the subsidiary exceeds ten per cent (10%) of the total assets of the corporation and its subsidiaries as of the end of the most recently completed fiscal year; or
(c) The corporation's and its other subsidiaries' equity in the income from continuing operations before income taxes exceeds ten per cent (10%) of such income of the corporation and its subsidiaries consolidated for the most recently completed fiscal year.

(2) Business of Atlas and CCC

Atlas, through CCC as operating subsidiary, is engaged in metallic mining and mineral exploration and development. CCC, as the operator of Atlas's copper mines in the City of Toledo, Province of Cebu (the "Toledo 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 per cent (100%) of its copper production. Since the resumption of commercial mining operations at the Toledo copper mine in 2008, CCC has been shipping its copper concentrate output to smelters in China and South Korea pursuant to offtake agreements with MRI Trading AG ("MRI").

While a substantial portion of the offtake agreements respecting the sale of CCC's copper production in 2012 were entered into with MRI on account of MRI's ability to provide the most favorable terms and facilities, CCC is not dependent upon a single counterparty.

CCC has an existing long-term electrical power purchase agreement with Toledo Power Company which is the principal supplier of the electrical power required for CCC's mining operations. The fuel requirements of CCC are principally provided by Pilipinas Shell Petroleum Corporation under the terms of a supply agreement that expires in 2015.

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

CCC is not dependent upon the registration of, or any agreement respecting intellectual property rights for the conduct of its operations.

Except to the extent that CCC is required to obtain an export permit from the Mines and Geosciences Bureau for the shipment of its copper concentrate production to purchasers off-shore, 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 commodity price risks, CCC enters into price fixing arrangements with offtakers that are covered by the terms of the offtake agreements respecting CCC's sale of copper, and gold and silver by-products to MRI. Under such arrangements, the selling price is to be computed based on the average of the prices quoted at the London Metal Exchange over the stipulated quotational period, unless MRI exercises its option to fix the price in advance of the quotational period by agreement with CCC.

CCC's operating rights with respect to the Toledo Copper Mine are derived from and are governed by its 5 May 2006 Operating Agreement with Atlas. The underlying mining rights pertaining to the areas spanned by the Toledo Copper Mine, on the other hand, are covered by valid and existing Mineral Production and Sharing Agreements (MPSA) between Atlas and the government of the Philippines, or by pending MPSA applications in the name of Atlas and/or individual claim owners having effective and enforceable operating agreements with Atlas.

While there have been news reports regarding the government's review of certain proposed fiscal policies which may result in an increase in the rate of excise taxes imposed upon the extraction of metallic minerals, no definitive legislation, regulation, or order has been promulgated in pursuit of such end. An 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.

Atlas has forty seven employees, of whom fourteen are managerial or confidential, twenty two are professional/technical while 11 are rank and file. CCC, on the other hand, has approximately three thousand three hundred employees. Around two thousand seven hundred of such employees are rank and file and are members of the certified rank-and-file union that has an existing Collective Bargaining Agreement (the "CBA") with CCC. The CBA that was executed in October 2012 will expire in October 2017.

Neither Atlas nor CCC anticipates any material change in the number of its employees in 2013.

There has not been any labor dispute in the last three years.

CCC is compliant with applicable environmental laws, regulations, and orders. In 2011, it obtained Environmental Compliance Certificates covering its mine waste dump expansion project and the construction of a decant water system for the tailings disposal facility located at the Biga pit. It has also completed reforestation of around fifty four hectares of barren waste dump land within the Biga-Lusong area.

The law requires CCC to establish and maintain trust funds held in government banks to ensure its undertaking of mandatory environmental protection programs.

Details relevant to the foregoing discussion are provided in the notes to the consolidated financial statements (the "Notes to FS") of Atlas and its subsidiaries (the "Atlas Group") which are integrally appended to this report.

ITEM 2. PROPERTIES

The Atlas Group owns and/or holds operating rights to several mining claims. These mining rights are covered by MPSA, MPSA applications, or Exploration Permit Applications (EPA).

The tables below present the relevant details pertaining to the Atlas Group's properties.

A. LAND, MACHINERIES AND EQUIPMENT

The carrying value of the property, plant and equipment mortgaged as collaterals for various borrowings of ACMDC and CCC amounted to PhP16,882.2 million and PhP13,836.3 million as of December 31, 2012 and 2011, respectively.

B. CEBU

i) APPROVED MPSAs

MPSA NUMBER	Location	Mortgage, Lien or Encumbrance	AREA COVERED (in hectares)			DATE OF APPROVAL	WORK PERFORMED
			Owned by ACMDC	Under Operating Agreement	Total Area		
1. MPSA-210-2005-VII	Toledo City, Cebu	none	119.1663	115.1212	234.2875	April 28, 2005	This MPSA covers the Carmen ore body where open pit mine development works are in progress
2. MPSA-264-2008-VII	Toledo City, Cebu	none	546.2330	101.7829	648.0159	July 9, 2008	This MPSA covers the Lutopan ore body which CCC has been mining for commercial production since 2008 based on the work program approved by the Mines and Geosciences Bureau (MGB)
3. MPSA-307-2009-VII	Toledo City, Cebu	none	1,274.1270	-	1,274.1270	December 23, 2009	Exploration activities in the area covered by this MPSA are in progress
Sub-total =			**1,939.5263**	**216.9041**	**2,156.4304**		

ii) PENDING MPSA APPLICATIONS

MPSA APPLICATION NUMBER	Location	Mortgage, Lien or Encumbrance	AREA (in hectares) Owned by ACMDC	Under Operating Agreement	Total Area	STATUS OF APPLICATION	WORK PERFORMED
1. APSA-000013VII	Toledo City, Cebu	none	287.6172	-	287.6172	Application documents are still under evaluation by the MGB Central Office	For exploration upon approval of APSA
2. APSA-000042VII	Toledo City, Cebu	none	252.3926	-	252.3926	Application documents are still under evaluation by the MGB Central Office	For exploration upon approval of APSA
3. APSA-000044VII	Toledo City, Cebu	none	236.2024	295.9382	532.1406	Application documents are still under evaluation by the MGB Central Office	For exploration upon approval of APSA
4. APSA-000045VII	Toledo City, Cebu	none	-	2,552.0993	2,552.0993	Application documents are still under evaluation by the MGB Central Office	For exploration upon approval of APSA
5. APSA-000046VII	Toledo City, Cebu	none	1,038.8948	653.9947	1,692.8895	Application documents are still under evaluation by the MGB Central Office	For exploration upon approval of APSA
6. APSA-000196VII	Toledo City, Cebu	none	-	764.7666	764.7666	Application documents are still under evaluation by the MGB Central Office	For exploration upon approval of APSA
Sub-total =			**1,815.1070**	**4,266.7988**	**6,081.9058**		

iii) EXPLORATION PERMIT APPLICATION

EXPL. PERMIT APPLICATION NUMBER	Location	Mortgage, Lien or Encumbrance	AREA (in hectares) Owned by ACMDC	Under Operating Agreement	Total Area	STATUS OF APPLICATION	WORK PERFORMED
1. EXPA-000083-VII	Toledo City, Cebu	none	323.5254	-	323.5254	Application documents are still under evaluation by the MGB Central Office	For exploration upon approval of APSA
Sub-total =			**323.5254**	**-**	**323.5254**		

TOTAL CEBU =			4,078.1587	4,483.7029	8,561.8616		

C. AGUSAN DEL SUR/SURIGAO DEL SUR

EXPLORATION PERMIT APPLICATION NUMBER			AREA (in hectares)			STATUS OF APPLICATION	WORK PERFORMED
	Location	Mortgage, Lien or Encumbrance	Owned by ACMDC	Under Operating Agreement	Total Area		
1. EPA-000073-XIII (02-02-05)	Agusan del Sur / Surigao del Sur	none	3,658.1616	210.6984	3,868.8600	Application documents are still under evaluation by the MGB Central Office	For exploration upon approval of APSA
TOTAL AGUSAN / SURIGAO DEL SUR =			**3,658.1616**	**210.6984**	**3,868.8600**		

D. PALAWAN

i) APPROVED MPSA

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

ii) MPSA APPLICATION

MPSA APPLICATION NUMBER			AREA (in hectares)			STATUS	WORK PERFORMED
	Location	Mortgage, Lien or Encumbrance	Owned by ACMDC	Under Operating Agreement	Total Area		
1. AMA-IVB-038(Amd) (APSA00369 IV)	Palawan	none	-	1,062.0000	1,062.0000	Application documents are still under evaluation by the MGB Regional Office	
3. AMA-IVB-147(Amd)	Palawan	none	-	2,493.0000	2,493.0000	Application documents are still under evaluation by the MGB Regional	

						Office	
Sub-total =			**-**	**3.555.0000**	**3,555.0000**		

iii) EXPLORATION PERMIT APPLICATION

EXPLORATION PERMIT APPLICATION NUMBER	Location	Mortgage, Lien or Encumbrance	AREA (in hectares)			STATUS	WORK PERFORMED
			Owned by ACMDC	Under Operating Agreement	Total Area		
1. EPA-IVB-011	Palawan	none	-	16,130.4400	16,130.4400	Application documents are still under evaluation by the MGB Regional Office	For exploration upon approval of APSA
2. EPA-IVB-058	Palawan	none	970.0000	-	970.0000	Application documents are still under evaluation by the MGB Regional Office	For exploration upon approval of APSA
3. EPA-IVB-060	Palawan	none	540.0000	5,466.2352	6,006.2352	Application documents are still under evaluation by the MGB Regional Office	For exploration upon approval of APSA
4. EPA-IVB-061	Palawan	none	810.0000	-	810.0000	Application documents are still under evaluation by the MGB Regional Office	For exploration upon approval of APSA
Sub-total =			**2,320.0000**	**21,596.6752**	**23,916.6752**		
TOTAL PALAWAN =			**2,320.0000**	**25,439.6752**	**27,759.6752**		

TOTAL PHILIPPINES=	**10,056.3203**	**30,134.0765**	**40,190.3968**

ITEM 3. LEGAL PROCEEDINGS

Petition for Review before the Court of Tax Appeals: Revocation of tax ruling issued in favor of Atlas

Atlas Consolidated Mining and Development Corporation vs. Atty. Kim S. Jacinto-Henares, in her Capacity as the Commissioner of Internal Revenue, et al.
CTA Case No. 8150, Court of Tax Appeals

This case involves a Petition for Review with Application for Temporary Restraining Order and/or Writ of Preliminary Injunction and Motion for Suspension of Collection of Tax filed by Atlas against Atty. Kim S. Jacinto-Henares, in her capacity as the Commissioner of Internal Revenue, and Melquiades A. Cancela, in his capacity as the OIC-Revenue District Officer of Revenue District No. 70, Masbate City (the "Respondents"), with the Court of Tax Appeals ("CTA").

On 29 February 2000, the Bureau of Internal Revenue ("BIR") Revenue Region No. 10 issued against the Corporation assessment notices for deficiency excise taxes for the taxable years 1991 to 1993 amounting to Php197,595,158.77. On 24 May 2000, Atlas received a Formal Letter of Demand from the BIR Revenue Region No. 10 requesting Atlas to settle its deficiency excise taxes. The assessments became final and executory on 23 June 2000.

On 21 November 2006, Atlas requested the BIR to confirm that the period to collect the Atlas's's deficiency excise taxes had already prescribed. On 15 December 2006, the BIR issued BIR Ruling No. DA-722-2006 (the "Ruling") confirming that the period to collect the alleged deficiency excise taxes of Atlas had already prescribed.

On 24 November 2008, the Regional Director of BIR Revenue Region Office No. 10 requested the BIR to revoke the Ruling. On 13 July 2010, the Commissioner of Internal Revenue issued a Memorandum Letter revoking the Ruling due to the alleged misrepresentation of facts by Atlas. The Memorandum Letter was circularized on 10 August 2010 through Revenue Memorandum Circular No. 67-2010.

In a demand letter dated 11 August 2010, the Respondent Revenue District Officer demanded the payment of the deficiency excise taxes from Atlas. Should no payment be made within ten days from receipt thereof, the demand letter stated that it likewise serves as a Formal Notice of Warrant of Distraint and/or Levy and Garnishment with Notices of Tax Lien on all the properties of Atlas.

Hence, on 17 August 2010, Atlas instituted the Petition for Review with Application for Temporary Restraining Order and/or Writ of Preliminary Injunction and Motion for Suspension of Collection of Tax in the CTA. On 14 October 2010, the CTA issued a Resolution granting Atlas's Motion for Suspension of Collection of Tax and ordered the Respondents to hold in abeyance the collection of the alleged deficiency excise tax assessed in the amount of Php197,595,158.77. Atlas posted a bond in the amount of Php296,392,738.06.

On 17 February 2011, the Pre-Trial Conference for the case was conducted. After presenting its witness, Mr. Jesus C. Valledor, Jr., Atlas filed its Formal Offer of Documentary Evidence on 5 September 2011.

After Respondents presented their witnesses, Revenue Officer Reynaldo S. Negro and Revenue District Officer Melquidaes Cancela, they filed their Formal Offer of Evidence on 1 June 2012.

Atlas filed its Comment to Respondents' Formal Offer of Evidence. Thereafter, the CTA issued a Resolution dated 1 July 2012 admitting Respondents' Exhibits except for Exhibits 1, 4, 6, and 7.

On 2 August 2012, Respondents filed an Omnibus Motion for Reconsideration for the admission of Exhibits 1, 4, 6, and 7 and requested that a Commissioner's Hearing be set for the presentation of the same. Atlas filed an Opposition to the Omnibus Motion on 24 August 2012.

In a Resolution dated 1 October 2012, the CTA granted the motion of Respondents to set a Commissioner's Hearing for the presentation of Exhibits 1, 4, 6, and 7, and held in abeyance the resolution of Respondents' motion for admission of the said exhibits.

The Commissioner's Hearings were held on 23 October 2012 and on 20 November 2012 wherein Respondents presented Exhibits 1 and 7, respectively.

On 27 November 2012, Respondents filed their Supplemental Formal Offer of Evidence. On 19 December 2012, the CTA issued a Resolution admitting only Exhibits 1 and 7 and affirming its previous resolution to deny admission of Exhibits 4 and 6 for failure of Respondents to identify the same during trial.

Atlas will file a Motion for Reconsideration with respect to the 19 December 2012 Resolution of the CTA.

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

On 22 August 2012, the stockholders of Atlas convened for their annual general meeting for the year 2012.

At such meeting –

A. The following matters were submitted for the approval of the stockholders and were consequently approved by a unanimous vote of the stockholders present/represented:

1) Audited Financial Statements for the fiscal year ended 31 December 2011
2) Minutes of the Annual General Stockholders' Meeting held on 9 November 2011
3) Acts and resolutions of the Board of Directors and Management during the period between 9 November 2011 and 22 August 2012

B. The following were elected to the Board of Directors of Atlas:

ALFREDO C. RAMOS (Chairman)
ADRIAN PAULINO S. RAMOS
GERARD ANTON S. RAMOS
JOSE T. SIO
RICHARD J. GORDON
LAURITO E. SERRANO
FREDERIC C. DYBUNCIO (Vice-Chairman)
MARTIN C. BUCKINGHAM
ISIDRO A. CONSUNJI
FULGENCIO S. FACTORAN Jr.
ALFREDO R. ROSAL Jr.

II. OPERATIONAL AND FINANCIAL INFORMATION

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

(1) Market Information

Atlas's common shares of stock are traded on the Philippine Stock Exchange (PSE).

The table below provides the details on the trading price range of Atlas shares of stock for each calendar quarter of the last two (2) fiscal years:

Period	2012 (in PhP per share)		2011 (in PhP per share)	
	High	Low	High	Low
First Quarter	19.82	16.84	18.00	14.50
Second Quarter	19.66	17.14	20.85	14.96
Third Quarter	18.04	16.80	25.20	14.70
Fourth Quarter	19.50	17.02	19.70	14.50

The closing price of Atlas shares of stock on 22 March 2013 as quoted by the PSE is PhP22.00 per share.

(2) Holders

As of 28 February 2013, there were a total of 21,141 individuals/entities holding Atlas shares of stock.

The Top 20 stockholders of Atlas as of 28 February 2013 were:

No.	**Name**	**No. of Shares Held**	**% of Ownership**
1	PCD Nominee Corporation	758,203,683	36.54%
2	SM Investments Corporation	598,530,491	28.84%
3	Alakor Corporation	358,854,961	17.29%
4	Anglo Philippine Holdings Corporation	171,450,500	8.26%
5	PCD Nominee Corporation (Non-Filipino)	113,965,551	5.49%
6	Alfredo C. Ramos	10,000,100	0.48%
7	National Book Store Inc.	9,203,407	0.44%
8	The Bank of Nova Scotia	4,425,254	0.21%
9	Bank of Nova Scotia	2,950,169	0.14%
10	Merrill Lynch, Pierce Fenner & Smith Safekeeping	2,138,244	0.10%
11	Globalfund Holdings, Inc.	1,787,000	0.09%
12	Metropolitan Bank And Trust Company	1,701,281	0.08%
13	Mitsubishi Metal Corporation	1,680,000	0.08%
14	National Financial Services, Inc.	1,474,233	0.07%
15	First Clearing, LLC	1,160,817	0.06%
16	Lucio W. Yan &/Or Clara Yan	1,100,000	0.05%
17	Toledo City Government	1,000,000	0.05%
18	Asian Oceanic Holdings Phils. Inc.	972,501	0.05%
19	Donald R. Osborn	945,677	0.05%
20	William Ragos Enrile II	900,000	0.04%
	TOTAL	**2,042,443,869**	**98.42%**

(3) Dividends

On 8 March 2013, the Board of Directors of Atlas approved the declaration of cash dividends in the amount of PhP0.25 per share of its capital stock. The cash dividend will be payable on 19 April 2013 to stockholders of record as of 22 March 2013.

(4) Recent sales of unregistered or exempt securities, including recent issuance of securities constituting an exempt transaction

The table below provides the details of the issuances of Atlas shares of stock during the last two[4] fiscal years:

Purchaser	Number of Shares Purchased	Date/s of Issuance of Shares	Consideration/Price per share	Basis of Exemption under the Securities Regulation Code
2011				
Abacus Securities Corporation	30,300,000	January 2011	Cash/PhP10.00	Section 10.1 (k) (notice of exemption was filed within ten days from the issuance of the shares)
Alakor Corporation	117,050,000	July 2011	Debt-to-Equity Conversion/PhP10.00	Section 10.1 (k) (notice of exemption was filed within ten days from the issuance of the shares)
Anglo Philippine Holdings, Inc.	50,450,500	July 2011	Debt-to-Equity Conversion/PhP10.00	Section 10.1 (k) (notice of exemption was filed within ten days from the issuance of the shares)
SM Investments Corporation	316,242,331	August 2011	Cash/PhP19.56	Section 10.1 (i) (notice of exemption is not required)
Zenith Holdings Corporation	111,196,319	August 2011	Cash/PhP19.56	Section 10.1 (i) (notice of

4 Atlas did not offer any of its securities for sale in 2009.

				exemption is not required)
2012				
Spinnaker	35,000,000	March 2012	Cash/PhP10	----
SM Investments Corporation	273,098,160	July 2012	Cash/PhP20.11	Section 10.1 (i) (notice of exemption is not required)
Optionees under the Comprehensive Stock Option Plan	2,215,788	Various dates	Cash/PhP10.00	Exempted from registration by the SEC

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

Please see the supplementary schedules that are integrally appended hereto containing horizontal and vertical analyses of balance sheet and income statement accounts.

The table below shows the changes in the financial position of the Atlas Group over the last three fiscal years:

PhP ('000)	**2012**	**2011**	**2010**
Retained Earnings/(Capital Deficiency)	18,434,748	2,431,361	(12,584,614)

On 6 July 2012, the SEC approved Atlas's application for equity restructuring through the application of its additional paid-in capital to wipe out its accumulated deficit as of 31 December 2011.

The reversal in the financial position of the Atlas Group in 2011 was brought about (i) by the strong performance of CCC which posted a net income of PhP2.5 billion, and (ii) by the gain resulting from the recognition of the fair value of Atlas's previously held interest in CCC.
The table below shows the results of operations of the Atlas Group over the last three fiscal years:

PhP ('000)	**2012**	**2011**	**2010**
Total Comprehensive	3,434,765	15,073,429	(847,171)

Income (Loss)			

The consolidated comprehensive income in 2012 was driven mainly by higher levels of production and lower operating costs that offset lower copper prices.

Appreciation of the Philippine Peso against the US dollar turned out to be favorable in 2012 as Atlas booked a net unrealized foreign exchange gain of PhP593 million. The discharge of a long-outstanding liability amounting to PhP438 million, the accrual of interest income of PhP232 million, and the turnaround in the nickel mining operations of Berong Nickel Corporation boosted the 2012 financial performance of the Atlas Group.

The significant improvement in the operating results that was achieved in 2011 was due largely to (i) more robust copper prices in the global market, and (ii) increased productivity. Atlas reported a one-time gain of PhP14 billion with the recognition of the fair value gain resulting from its acquisition of the minority equity interest in CCC.

The losses incurred in 2010 were primarily attributable (i) to the decline in the price of copper as a result of the financial crisis, and (ii) to the inability of CCC to optimize production.

The operating and financial performance of the Atlas Group is expected to further strengthen in the coming years in view of optimistic projections on commodity prices and the intended expansion of CCC's production capacity. This, however, may be affected by (i) movements in the prices of key production components such as fuel, power, and labor; (ii) volatility in global macroeconomic conditions; and (iii) abrupt changes in the regulatory environment.

Performance Indicators

The following table shows the key performance indicators of Atlas and its majority-owned significant subsidiary for 2012,2011 and 2010:

Consolidated						
Particulars		**12/31/2012**		**12/31/2011**		**12/31/2010**
Current ratio		2.03:1		0.29:1		0.66:1
Debt to equity		0.63:1		0.86:1		4.11:1
Return on equity		9.31%		57.54%		(26.20%)
Return on assets		5.67%		30.85%		(4.29%)
Net profit margin		22.69%		314.45%		(9.20%)
CARMEN COPPER CORPORATION						
Particulars		**12/31/2012**		12/31/2011		**12/31/2010**

Current ratio		1.83:1		0.44:1		0.65:1
Debt to equity		1.66:1		1.27:1		1.93:1
Return on equity		46.21%		30.99%		11.84%
Return on assets		17.39%		13.67%		4.04%
Net profit margin		24.55%		22.06%		8.13%

- Current ratio is derived by dividing current assets by current liabilities.
- Debt-to -equity ratio is determined by dividing total liabilities by total capital equity.
- Return-on-equity ratio is derived by dividing net income for the period by the total capital equity.
- Return on assets is computed by dividing net income by total assets.
- Net profit margin is derived by dividing net income by net revenues.

Liquidity and Capital Resources

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

- Net cash flow from operating activities - PhP 3,553
- Net cash flows used in investing activities - PhP (10,280)
- Net cash flows from financing activities - PhP 7,155
- Net increase in cash and cash equivalents - PhP 300

Increase in cash from operating activities was a result of higher production rates and restrained costs and expenses.

Net cash used in investing activities was a result of the increased acquisition of property, plant and equipment and placement in short-term investments.

Net cash from financing activities arose from (i) the issuance of USD300 million bond (ii) the issuance of Atlas shares of stock to SM Investments Corporation and Spinnaker.

Net increase in cash and cash equivalents was predominantly due to the issuance of bond payable and significant increase in the revenues of CCC.

2011 Material Events

In July 2011, Atlas raised capital to fund its acquisition of the entire equity interest of CASOP Atlas B.V. and CASOP Atlas Corporation in CCC that resulted in its ownership of 100% of CCC's outstanding capital stock. The financing exercise involved the private placement of SM Investments Corporation which covered its purchase of 316,242,331 Atlas shares of stock at the aggregate price of PhP6.19 billion.

On 16 March 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 (5) years and five (5) days (the "Notes"). The Notes, which were issued at a price equivalent to 98.95% of face value, will pay interest semi-annually at the rate of 6.5% per annum and will carry a yield to maturity of 6.75%. The net proceeds from the issuance of the Notes are intended (i) to refinance certain existing indebtedness of CCC, (ii) to fund CCC's capital and project expenditures, (iii) to enable Atlas to refinance a portion of its existing indebtedness in respect of which CCC has provided a suretyship, and (iv) to fund other general corporate purposes.

Apart from availments under financing arrangements that may be entered into in the ordinary course of business, there are no events that are expected to trigger the incurrence by Atlas or CCC of any material direct/indirect financial obligation.

Atlas and CCC have no material off-balance sheet transactions or arrangements with unconsolidated entities or other persons created during the period subject of this report.

In 2011, CCC had capital expenditure commitments amounting to PhP709.3 million.

There were no seasonal events during the period subject of this report that materially affected the financial condition or the results of operations of Atlas and CCC.

ITEM 7. FINANCIAL STATEMENTS

Atlas's parent audited balance sheet for 2012 reflected retained earnings available for dividend declaration. The 2012 audited consolidated financial statements of the Atlas Group are incorporated herein by reference

ITEM 8. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

External Audit Fees and Services

- *Audit, Audit-Related, and Tax Fees*

The table below shows the aggregate amounts paid by the Atlas Group to SGV and Co. in 2012 and 2011 (i) for audit work pertaining to the annual financial statements of the Atlas Group, (ii) for services pertaining to the conduct of review with respect to

CCC's tax compliance, and (iii) for other related services involving the examination of Atlas's or CCC's books of account:

Particulars		**2012**		**2011**
Audit fees	PhP	4,374,409	PhP	3,805,000
Agreed-upon procedures		110,000		90,000
Tax compliance review		396,000		700,000
TOTAL	PhP	4,880,409	PhP	4,595,000

- *Other Fees*

Except as described above, SGV and Co. did not perform any other service for the benefit of the Atlas Group in 2012 and 2011.

- *Approval by the Audit Committee of Audit Services*

Prior to the formal engagement of SGV and Co., the Audit Committee evaluates the terms of the engagement agreement to determine whether the fees to be charged are commensurate with the scope of the services to be performed.

Changes in and Disagreements with Accountants On Accounting and Financial Disclosures

SGV and Co. has been Atlas's independent accountant since 1958. No independent accountant engaged by Atlas has resigned, or has declined to stand for re-election, or was dismissed.

Atlas did not have any disagreement on accounting and financial disclosures with SGV and Co. during the last two fiscal years.

III. CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

Atlas's Board of Directors is composed of eleven (11) members. The directors are elected by the stockholders at the Annual General Stockholders' Meeting (AGSM) to hold office until removed or replaced by a duly-elected and qualified candidate.

The incumbent directors of Atlas are:

ALFREDO C. RAMOS	FREDERIC C. DYBUNCIO
ADRIAN PAULINO S. RAMOS	MARTIN C. BUCKINGHAM

GERARD ANTON S. RAMOS	ISIDRO A. CONSUNJI
JOSE T. SIO	FULGENCIO S. FACTORAN Jr.
RICHARD J. GORDON	ALFREDO R. ROSAL Jr.
LAURITO E. SERRANO	

The principal officers of the Atlas are appointed/elected annually by the Board of Directors during its organizational meeting following the AGSM, each to hold office until removed or replaced by a duly-elected/appointed and qualified candidate.

The incumbent principal officers of Atlas are:

ALFREDO C. RAMOS	-	Chairman and President
FREDERIC C. DYBUNCIO	-	Vice-Chairman
ADRIAN PAULINO S. RAMOS	-	Executive Vice-President
MARTIN C. BUCKINGHAM	-	Executive Vice-President
RODERICO V. PUNO	-	Corporate Secretary
NOEL T. DEL CASTILLO	-	Treasurer
FERNANDO A. RIMANDO	-	Chief Financial Officer
CARMEN-ROSE A. BASALLO-ESTAMPADOR	-	Compliance Officer/Assistant Corporate Secretary/Assistant Vice-President –Legal Affairs, Compliance and Corporate Governance

Other than those between Mr. Alfredo C. Ramos and his sons Mr. Adrian Paulino S. Ramos and Mr. Gerard Anton S. Ramos, there are no immediate family relationships among the directors and officers listed above.

Atlas has no significant employees and is not aware of any legal proceeding of the nature required to be disclosed under Part IV, paragraph (A), (4) of SRC Rule 12, Annex C with respect to directors and executive officers.

Profile of Atlas's directors and officers

Office/s	Name of Nominee	Citizenship	Age	Footnote Legends
Chairman of the Board of Directors/ President	Alfredo C. Ramos	Filipino	69	(a)
Vice-Chairman of the Board of Directors	Frederic C. DyBuncio	Filipino	53	(b)
Director/ExecutiveVice-President	Martin C. Buckingham	British	61	(c)
Director/Executive Vice-President	Adrian Paulino S. Ramos	Filipino	34	(d)

Director	Isidro A. Consunji	Filipino	64	(e)
Director	Gerard Anton S. Ramos	Filipino	39	(f)
Director	Jose T. Sio	Filipino	73	(g)
Independent Director	Fulgencio S. Factoran Jr.	Filipino	69	(h)
Independent Director	Richard J. Gordon	Filipino	67	(i)
Independent Director	Alfredo R. Rosal, Jr.	Filipino	65	(j)
Independent Director	Laurito E. Serrano	Filipino	52	(k)
Corporate Secretary	Roderico V. Puno	Filipino	49	
Treasurer	Noel T. del Castillo	Filipino	75	
Chief Financial Officer	Fernando A. Rimando	Filipino	48	
Compliance Officer/Assistant Corporate Secretary/Assistant Vice-President – Legal Affairs, Compliance and Corporate Governance	Carmen-Rose A. Basallo-Estampador	Filipino	35	

(a) - Elected as Chairman of the Board of Directors and President on 22 August 2012; nominee of Alakor Corporation (“Alakor”)
(b) - Elected as Director on 22 August 2012; nominee of SM Investments Corporation (“SMIC”)
(c) - Elected as Director and Executive Vice-President on 22 August 2012; nominee of Alakor
(d) - Elected as Director and Vice-President on 22 August 2012; nominee of Alakor
(e) - Elected as Director on 22 August 2012; nominee of SMIC
(f) - Elected as Director on 22 August 2012; nominee of Alakor
(g) - Elected as Director on 22 August 2012; nominee of SMIC
(h) - Elected as Independent Director on 22 August 2012; nominee of Alakor and SMIC
(i) - Elected as Independent Director on 22 August 2012; nominee of Alakor
(j) - Elected as Independent Director on 22 August 2012; nominee of Alakor
(k) - Elected as Independent Director on 22 August 2012; Nominee of SMIC

ALFREDO C. RAMOS

- Director of the Atlas since 1989
- President/Chairman of the Board of Directors of Atlas since 2 April 2003

- ❖ Mr. Ramos is concurrently the incumbent President/Chairman of the Boards of Directors of Carmen Copper Corporation, Berong Nickel Corporation, Alakor Corporation, National Book Store, Inc., Anglo Philippine Holdings Corporation, The Philodrill Corporation, Vulcan Industrial and Mining Corporation, and United Paragon Mining Corporation. He has held these positions over the last five years.
- ❖ He obtained his bachelor’s degree from the Ateneo de Manila University in 1963.

FREDERIC C. DYBUNCIO

- Director/ Vice Chairman of the Board of Directors of Atlas since 12 August 2011

❖ Mr. DyBuncio is concurrently a Senior Vice President of SM Investments Corporation and a director of Carmen Copper Corporation. Prior to holding these posts, he was a career banker who spent over 20 years with JPMorgan Chase and its predecessor institutions. During his stint in the banking industry, he was assigned to various managerial/executive positions where he gained substantial professional experience in the areas of credit, relationship management and origination, investment banking, capital markets, and general management. He has worked and lived in several major cities including New York, Seoul, Bangkok, Hong Kong and Manila.

❖ He obtained his undergraduate degree in Business Management from the Ateneo de Manila University, and his master's degree in Business Administration from the Asian Institute of Management.

MARTIN C. BUCKINGHAM

- Director of Atlas since 4 December 4 1996
- Executive Vice-President of Atlas since 22 July 2002

❖ Mr. Buckingham is concurrently a director of Carmen Copper Corporation and Berong Nickel Corporation. He has held these positions over the last five years.

❖ He obtained his law degree from Cambridge University (United Kingdom).

ADRIAN PAULINO S. RAMOS

- Director of Atlas since 18 July 2007
- Vice-President of Atlas since 15 September 2006

❖ Mr. A.P.S. Ramos is concurrently holding the following positions (which he has held over the last five years):
  - Vice-President of Carmen Copper Corporation and Alakor Corporation
  - Director of Carmen Copper Corporation, Berong Nickel Corporation, Anglo Philippine Holdings Corporation, The Philodrill Corporation, United Paragon Mining Corporation, and Zenith Holdings Corporation

❖ He obtained his undergraduate degree in Business Management (Cum Laude) from the Ateneo de Manila University in 1999, and his master's degree in Business Administration (With Distinction) from Northwestern University's Kellogg School of Management in 2005.

ISIDRO A. CONSUNJI

- Director of Atlas since 20 April 2012

❖ Mr. Consunji is concurrently the Chief Executive Officer of Semirara Mining Corporation and DMCI Holdings, Inc., and a director of Carmen Copper Corporation. He has held these positions over the last five years.
❖ He obtained his undergraduate degree in Civil Engineering from the University of the Philippines, and his master's degree in Business Administration from the Asian Institute of Management.

GERARD ANTON S. RAMOS

- Director of Atlas since 18 July 2007

❖ Mr. G.A.S. Ramos is concurrently holding the following positions (which he has held over the last five years):
  - Vice-President of Alakor Corporation
  - Assistant to the Vice-President of National Book Store, Inc.
  - Assistant Treasurer of Alakor Securities Corporation
  - Director of Zenith Holdings Corporation

  He is also an incumbent director of Carmen Copper Corporation.
❖ He obtained his bachelor's degree in Business Management from the Ateneo de Manila University in 1996.

JOSE T. SIO

- Director of Atlas since 12 August 2011

❖ Mr. Sio is concurrently the Executive Vice-President and Chief Financial Officer of SM Investments Corporation which is the holding company of the SM Group. He is also currently a director of SM Keppel Land, Manila North Tollways Corporation, Belle Corporation, China Banking Corporation, and Carmen Copper Corporation, and an adviser to the Board of Directors of Banco De Oro Unibank, Inc. Before joining the SM Group, he was a senior partner at SGV & Co.
❖ He obtained his bachelor's degree in Accountancy from the University of San Agustin in Iloilo City, and his master's degree in Business Administration from New York University.
❖ Awards and citations:

  - 1997 – Recognized as one of the CFO Superstars for 1997 by Global Finance (an American publication)

- 2000 – Recognized as one of the best international finance executives in *“The Asia 500: Leaders of the New Century”* which was published by Baron’s Who’s Who (Irvine, California)
- 2009 – Awarded as CFO of the Year by ING Bank N.V. (Manila) and Financial Executives Institute of the Philippines
- 2010 – Awarded as CFO of the Year by The Asset (a Hong Kong-based financial magazine) during The Triple A Corporate Achievement Awards
- 2011 – Awarded as Best CFO at the Finance Asia Awards

FULGENCIO S. FACTORAN Jr.

- Director of Atlas since 28 February 2012

❖ Atty. Factoran is the managing partner at the law office of Factoran and Associates. He is concurrently an independent director of Nickel Asia Corporation and a director of BDO Leasing and Finance Corporation. He served as Secretary of the Department of Environment and Natural Resources during the term of President Corazon Aquino.

❖ He obtained his Bachelor of Laws degree from the University of the Philippines (Cum Laude; Valedictorian), 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 the Company.

RICHARD J. GORDON

- Independent Director of the Company since 5 April 2011

❖ Atty. Gordon served as a member of the House of Senate of the 13th and 14th Congresses of the Philippines. Prior to his election as a senator in 2004, he held the post of Secretary of the Department of Tourism for three years beginning January 2001. He is the founding Chairman of the Subic Bay Metropolitan Authority and is currently the Chairman and CEO of the Philippine Red Cross.

❖ He obtained his undergraduate degree in History and Government from the Ateneo de Manila University, and his Bachelor of Laws degree from the University of the Philippines-College of Law.

ALFREDO R. ROSAL JR.

- Independent Director of Atlas since 31 March 2003

❖ Atty. Rosal is the Managing Partner of the law office of Rosal and Valera. As a legal professional, he rendered services as general counsel to various local and foreign investment companies. He also served as President of the Natural Resources Development Corporation and Bukidnon Forest, Inc.

- He obtained his Bachelor of Laws degree from the San Beda College of Law, and his master's degree in Business Administration from the University of the Philippines.
- The law office of Rosal and Valera does not act as legal counsel of the Company.

LAURITO E. SERRANO

- Independent Director of Atlas since 22 August 2012

- Mr. Serrano is currently a senior financial adviser of the Fil-Estate Group of Companies. He is a former partner at SGV & Co. where he was part of the Corporate Finance Consulting Group. His professional experience which span over 25 years cover, among others, audit services, project development, public debt/equity offerings, business acquisitions, investment promotion, transaction structuring, and other similar financial advisory services.
- He is a certified public accountant with a master's degree in Business Administration from the Harvard Business School (Harvard University, Boston, Massachusetts).

RODERICO V. PUNO

- Corporate Secretary of Atlas since 15 September 2006

- Atty. Puno is a senior partner at the law office of Puno and Puno. He is concurrently the corporate secretary of Carmen Copper Corporation, BDO Private Bank, Inc., BDO Securities, Inc., and Rustan Supercenter, Inc.; a director of Global Business Power Holdings Corporation; and the president of American E-Discovery Resources, Inc.
- He obtained his Bachelor of Laws degree from the Ateneo de Manila University-College of Law.
- Citations:
  - Recognized by the Chambers Global and International Financial Law Review as one of the leading Philippine Lawyers in Business Law

NOEL T. DEL CASTILLO

- Treasurer of Atlas since 22 July 2002

- Mr. del Castillo is concurrently the treasurer of Carmen Copper Corporation and the corporate secretary of Berong Nickel Corporation. He served as director of the Company from 2002 to 2008.

- ❖ He is a Certified Public Accountant and a licensed Real Estate Broker. He completed the academic requirements for a master's degree in business administration at the Ateneo de Manila University.

FERNANDO A. RIMANDO

- Chief Financial Officer of Atlas since 1 September 2012

- ❖ Mr. Rimando is concurrently the Chief Financial Officer of Carmen Copper Corporation.
- ❖ He has more than 25 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. He obtained his bachelor’s degree in accountancy from Saint Louis University.

CARMEN ROSE A. BASALLO-ESTAMPADOR

- Assistant Corporate Secretary and legal counsel of the Company since 15 September 2006
- Compliance Officer of the Company since 9 November 2011
- Assistant Vice-President (AVP) of the Company (for Legal Affairs, Compliance, and Corporate Governance) since 1 July 2012

- ❖ Atty. Basallo-Estampador is concurrently the Assistant Corporate Secretary and the AVP for Legal Affairs and Compliance of Carmen Copper Corporation. She served as corporate secretary of Berong Nickel Corporation from April 2007 to March 2011. Prior to joining the Company, she worked as a tax and corporate attorney for the Manila office of the accounting firm KPMG.
- ❖ She obtained her undergraduate degree in Economics and her Bachelor of Laws degree from the University of the Philippines.

ITEM 10. EXECUTIVE COMPENSATION

Compensation of Officers

Aggregate cash compensation paid during the last two fiscal years and to be paid during the current fiscal year to the five (5) most highly compensated officers and to all other officers as a group:

Name and Position		Aggregate annual cash compensation (PhP)
Alfredo C. Ramos	-- President	Other

		Salaries	compensation	Bonuses
Martin C. Buckingham -- Executive Vice-President & CFO	2010	10,111,222	-0-	850,102
	2011	10,193,722	-0-	850,102
	2012	24,229,812	-0-	2,019,151
Adrian Paulino S. Ramos -- Vice-President				
Fernando A. Rimando -- Chief Financial Officer				
Rene G. De Ocampo – VP for Human Resources				
All other officers as a group	2010	1,600,000	-0-	130,000
	2011	696,000	-0-	58,000
	2012	12,420,000	-0-	1,035,00

* For 2013, the estimated aggregate cash compensation to be paid (i) to the four most highly compensated officers amounts to PhP28,222,514, and (ii) to all officers as a group amounts to PhP21,465,500.

Compensation of Directors

In 2011, the Company began paying its directors a *per diem* of PhP10,000.00 for every meeting attended.

Stock Options

On 18 July 2007, Atlas's stockholders approved a Comprehensive Stock Option Plan (CSOP) covering directors, officers, managers and key consultants of Atlas and its significant subsidiaries. The salient terms and features of the CSOP are as follows:

v. Number of underlying shares: 50,000,000 common shares to be taken out of the unissued portion of Atlas's's authorized capital stock; 25,000,000 of the shares have already been earmarked for the first-tranche optionees comprising of Atlas's directors and officers

vi. Option Period: Three years from the date the stock option is awarded to the optionees (The award date for the first-tranche optionees is 14 July 2011)

vii. Vesting Period: Subscription rights covering 1/3 of the shares of stock underlying the stock option award will vest during each year of the three-year option period

viii. Exercise Price: PhP10.00 per share (Market Price on 14 July 2011 is PhP23.25 per share)

The following table shows the extent of the stock option award under the CSOP to the four (4) most highly compensated officers of the Company and to all other directors and officers of the Company collectively:

Name	***Position***	***No. of Shares***
Alfredo C. Ramos	Chairman and President	4,385,970
Martin C. Buckingham	Executive Vice-President and Director	3,508,770
Adrian Paulino S. Ramos	Executive Vice-President	2,631,570
Other officers and directors as a group		3,491,236
TOTAL		**14,017,546**

In 2012, qualified employees who were previously granted stock option awards exercised their subscription rights with respect to a total of 2,215,788 shares of stock of Atlas for which a total subscription price of PhP22,158,000 was paid.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security ownership of record/beneficial owners of more than 5% of Atlas's voting securities

Title or Class of Shares	**Name & Address of Record Owner and Relationship with the Company**	**Name of Beneficial Owner and Relationship with Record Owner**	**Citizenship**	**Holdings**	**%**
Common	SM INVESTMENTS CORPORATION 10th Floor, One E-Com Center, Mall of Asia Complex, CBP-1A Pasay City - Not related to the Company except as stockholder * Mr. Hans T. Sy	Record and beneficial owner	Filipino	598,530,491	28.85%

	and/or Mr. Harley T. Sy and/or Ms. Virginia A. Yap have been appointed as proxy to represent and vote for the shares of SM Investments Corporation at the Meeting				
Common	ALAKOR CORPORATION Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City - Not related to the Company except as stockholder * Mr. Alfredo C. Ramos has been appointed as proxy to represent and vote for the shares of Alakor Corporation at the Meeting	Record and beneficial owner	Filipino	358,854,961	17.30%
Common	ANGLO PHILIPPINE HOLDINGS CORPORATION Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City - Not related to the Company except as stockholder * Mr. Alfredo C. Ramos has been appointed as proxy to represent and vote for the shares of Anglo Philippine Holdings Corporation at the Meeting	Record and beneficial owner	Filipino	171,450,500	8.27%

Security ownership of management

Title of Class	Name of Directors / Officers	No. of Shares Held	Citizenship	Percent (%)	Nature of Ownership
Common	Alfredo C. Ramos	464,223,561	Filipino	22.3800	Record and Beneficial Owner
Common	Frederic C. DyBuncio	1,001	Filipino	0.0000	Beneficial Owner
Common	Martin C. Buckingham	24,753,301	British	1.1933	Beneficial Owner
Common	Isidro A. Consunji	95,991,305	Filipino	4.6275	Beneficial Owner
Common	Adrian Paulino S. Ramos	5,941,910	Filipino	0.2864	Beneficial Owner
Common	Gerard Anton S. Ramos	8,151,000	Filipino	0.3929	Beneficial Owner
Common	Jose T. Sio	1,001	Filipino	0.0000	Beneficial Owner
Common	Fulgencio S. Factoran Jr.	110,000	Filipino	0.0000	Beneficial Owner
Common	Richard J. Gordon	1	Filipino	0.0000	Beneficial Owner
Common	Alfredo R. Rosal Jr.	1	Filipino	0.0000	Beneficial Owner
Common	Laurito E. Serrano	2,000	Filipino	0.0001	Beneficial Owner
Common	Noel T. Del Castillo	150,000	Filipino	0.0000	Beneficial Owner
Common	Roderico V. Puno	0	Filipino	0.0000	N/A
Common	Fernando A. Rimando	0	Filipino	0.0000	N/A
Common	Carmen-Rose A. Basallo-Estampador	0	Filipino	0.0000	N/A
	All Directors and Officers as a Group	599,328,081		28.8804	

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

As disclosed in the Notes to the 2012 Audited Consolidated Financial Statements of the Company and its subsidiaries:

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Group[5], including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group 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 consolidated statements of financial position include the following amounts resulting from the various transactions with related parties:

	Nature of relationship	**2012**	2011
Receivable from related parties:			
Alakor	Stockholder	**₱31,481**	₱33,219
TMC	Related party	**2,150**	
CCC	Subsidiary/Associate	**–**	–
		₱33,631	₱33,219
Payable to related parties:			
TMC	Related party	**₱321,338**	₱458,453

[5] "Group" refers to the Company and its subsidiaries.

Alakor	Stockholder	**3,016****	–
The Philodrill Corporation	Related party	**–**	73,247
CCC	Subsidiary/Associate	**–**	–
		₱324,354**	₱531,700

**There were no sales and purchases to or from related parties as of December 31, 2012 and 2011.*
***A portion of the payable to Alakor amounting to ₱21,986 that was accrued in 2010 as interest payable (see Note 17a) is presented on the consolidated statements of financial position as part of Accounts payable and accrued expenses.*

The outstanding balances of receivable from related parties consist mainly of receivables to cover for administrative and operating expenses. These amounts are non-interest bearing and are due and demandable to be paid when sufficient funds are available.

Receivable from officers and employees as of December 31, 2012 and 2011 amounting to PhP30,539 and PhP19,938, respectively, pertain to the receivable extended by the Group to its officers and employees and unliquidated advances used in the Group's operations. These receivables from officers and employees are due and demandable.

IV. CORPORATE GOVERNANCE

ITEM 13. CORPORATE GOVERNANCE

The evaluation system adopted by Atlas is based primarily on the SEC's Corporate Governance Scorecard and the PSE's disclosure survey on compliance with its corporate governance guidelines. Current pronouncements and / or rulings by regulatory bodies with regard to leading practices on good corporate governance are adopted / incorporated in Atlas's Manual on Corporate Governance (the "Manual") to ensure full compliance therewith.

Atlas has not deviated from the Manual and is in the process of implementing its governance enhancement program which involves the establishment of stronger risk management, internal audit, and compliance structures and systems.

DISTRIBUTION OF ANNUAL REPORT TO REGISTERED SHAREHOLDERS

A copy of the Company's Annual Report on SEC Form 17-A will be provided without charge to registered stockholders upon written request addressed to:

THE OFFICE OF THE CORPORATE SECRETARY
9th Floor, Quad Alpha Centrum
125 Pioneer Street, Mandaluyong City
Metro Manila, Philippines 1550

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

I CONSOLIDATED FINANCIAL STATEMENTS

II SUPPLEMENTARY SCHEDULES

ATLAS MINING

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **ATLAS CONSOLIDATED MINING & DEVELOPMENT CORPORATION** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2012 and 2011, including additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined 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 examination.

Alfredo C. Ramos 3/14
Chairman of the Board and President

Adrian Paulino S. Ramos
Executive Vice President

Fernando A. Rimando
Chief Financial Officer

SUBSCRIBED AND SWORN to before this ___ day of ___ 14 MAR 2013 affiants exhibiting to me their Tax Identification Numbers, as follows:

Name	**TIN**
Alfredo C. Ramos	132-017-513
Adrian Paulino S. Ramos	188-355-989
Fernando A. Rimando	101-647-461

JOVEN GOÑEZ SEVILLANO
NOTARY PUBLIC
COMMISSION NO. 0285-13 UNTIL DECEMBER 31, 2014
ROLL NO. 53970
IBP LIFETIME NO. 011302 RIZAL
PTR NO. 1619590; 1-2-13; MANDALUYONG
MCLE COMPLIANCE NO. III 0017001, JUNE 2, 2010
METRO MART COMPLEX, MANDALUYONG CITY

Document no. 297
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Book no. VIII
Series of 2013

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Philippines

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www.sgv.com.ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Atlas Consolidated Mining and Development Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011 and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Atlas Consolidated Mining and Development Corporation and Subsidiaries as at December 31, 2012 and 2011, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2012 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

John Nai Peng C. Ong

John Nai Peng C. Ong
Partner
CPA Certificate No. 85588
SEC Accreditation No. 0327-AR-2 (Group A),
March 29, 2012, valid until March 28, 2015
Tax Identification No. 103-093-301
BIR Accreditation No. 08-001998-57-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3670008, January 2, 2013, Makati City

March 8, 2013

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands, Except Par Value Per Share)

	December 31	
	2012	2011 As restated (see Note 11)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱654,788**	₱354,458
Short-term investments (Note 17)	**4,982,395**	864,585
Receivables (Note 5)	**1,582,993**	563,231
Inventories (Note 7)	**1,032,056**	1,111,241
Derivative assets (Note 6)	**–**	477,573
Other current assets (Note 8)	**1,169,119**	497,691
Total Current Assets	**9,421,351**	3,868,779
Noncurrent Assets		
Goodwill (Notes 11 and 12)	**19,026,119**	19,026,119
Property, plant and equipment (Note 10):		
At cost	**17,935,263**	13,849,281
At revalued amount	**315,558**	315,558
Mining rights (Note 11)	**9,491,916**	9,821,424
Deferred tax assets (Note 25)	**43,019**	86,963
Available-for-sale (AFS) financial assets (Note 13)	**4,896**	4,927
Derivative assets (Note 6)	**–**	221,395
Other noncurrent assets (Note 14)	**1,674,444**	1,478,154
Total Noncurrent Assets	**48,491,215**	44,803,821
TOTAL ASSETS	**₱57,912,566**	₱48,672,600

LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Note 15)	**₱–**	₱5,341,800
Accounts payable and accrued liabilities (Note 16)	**2,714,537**	3,100,386
Current portion of long-term debt and other interest-bearing liabilities (Note 17)	**1,585,243**	4,298,353
Income tax payable (Note 25)	**14,648**	323
Payable to related parties (Note 23)	**324,354**	531,700
Derivative liabilities (Note 6)	**7,590**	18,929
Total Current Liabilities	**4,646,372**	13,291,491
Noncurrent Liabilities		
Long-term debt and other interest-bearing liabilities - net of current portion (Note 17)	**14,473,422**	5,856,671
Retirement benefits liability (Note 24)	**180,515**	121,974
Liability for mine rehabilitation cost (Note 18)	**112,749**	96,896
Deferred tax liabilities (Note 25)	**2,941,243**	3,046,910
Total Noncurrent Liabilities	**17,707,929**	9,122,451
Total Liabilities	**22,354,301**	22,413,942

(Forward)

	December 31	
	2012	2011 As restated (see Note 11)
Equity		
Capital stock - ₱8 par value in 2012 and ₱10 par value in 2011 (Note 19)	**₱16,594,936**	₱17,640,530
Additional paid-in capital (Note 19)	**3,554**	5,816,306
Revaluation increment on land (Note 10)	**218,559**	218,559
Unrealized gain on AFS financial assets (Note 13)	**2,160**	1,464
Deposits for future stock subscriptions (Note 19)	**–**	–
Retained earnings (Notes 12 and 19)	**18,434,748**	2,431,361
Attributable to equity holders of the Parent Company	**35,253,957**	26,108,220
Non-controlling interest	**304,308**	150,438
Equity	**35,558,265**	26,258,658
TOTAL LIABILITIES AND EQUITY	**₱57,912,566**	₱48,672,600

See accompanying Notes to Consolidated Financial Statements.

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands, Except Per Share Amounts)

	Years Ended December 31		
	2012	2011 As restated (see Note 11)	2010
INCOME			
Revenue			
Copper (Note 6)	**₱13,412,754**	₱4,369,989	₱–
Gold (Note 6)	**905,560**	241,146	–
Beneficiated nickel ore and others (Note 32)	**1,221,649**	589,652	–
	15,539,963	5,200,787	–
Less smelting and related charges	**1,080,642**	425,535	14,004
	14,459,321	4,775,252	(14,004)
Fair Value Gain on Previously Held Interest (Note 11)	**–**	13,788,051	–
Equity in Net Earnings of an Associate (Note 11)	**–**	1,247,884	300,812
Other Income			
Foreign exchange gain	**1,966,512**	–	122,095
Gain on settlement of liability (Notes 16 and 23)	**519,548**	90,458	–
Interest income (Notes 4 and 17)	**213,753**	1,296	240
Realized gain on derivatives (Note 6)	**–**	218,094	–
Other income - net (Note 32)	**60,058**	277,627	259,613
	17,219,192	20,398,662	668,756
EXPENSES			
Costs and Expenses			
Mining and milling costs (Note 21)	**8,678,572**	3,395,225	–
General and administrative expenses (Note 22)	**1,476,891**	929,634	312,517
Mine products taxes (Note 21)	**307,266**	196,421	–
Other Charges			
Foreign exchange loss	**1,373,546**	199,113	–
Finance charges (Notes 15, 17 and 26)	**1,206,221**	237,103	387,750
Realized loss on derivatives (Note 6)	**437,608**	–	789,478
Depletion of mining rights (Note 11)	**329,508**	122,785	–
Unrealized loss on derivatives (Note 6)	**7,590**	351,485	–
Security fee (Note 15)	**–**	–	32,450
	13,817,202	5,431,766	1,522,195
INCOME (LOSS) BEFORE INCOME TAX	**3,401,990**	14,966,896	(853,439)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)	**(32,079)**	(106,533)	4,805
NET INCOME (LOSS)	**₱3,434,069**	₱15,073,429	(₱848,634)
Total net income (loss) attributable to:			
Equity holders of the Parent Company	**₱3,280,199**	₱15,015,975	(₱758,611)
Non-controlling interest	**153,870**	57,454	(90,023)
	₱3,434,069	₱15,073,429	(₱848,634)

	Years Ended December 31		
	2012	2011 As restated (see Note 11)	2010
OTHER COMPREHENSIVE INCOME (Note 13)	**₱696**	₱–	₱1,463
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱3,434,765**	₱15,073,429	(₱847,171)
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	**₱3,280,895**	₱15,015,975	(₱757,148)
Non-controlling interest	**153,870**	57,454	(90,023)
	₱3,434,765	₱15,073,429	(₱847,171)
EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (Note 28)			
Basic earnings (loss) per share	**₱1.6995**	₱10.7024	(₱0.7128)
Diluted earnings (loss) per share	**₱1.5475**	₱9.3189	(₱0.7128)

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, 2012, 2011 AND 2010

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company								
	Capital Stock	Additional Paid-in Capital (APIC)	Revaluation Increment on Land	Net Unrealized Gain on AFS Financial Assets	Deposits for Future Stock Subscriptions	Retained Earnings (Deficit)	Total	Non-controlling Interest	Total
BALANCES AT DECEMBER 31, 2010	₱11,388,139	₱830,666	₱218,559	₱1,464	₱3,028,293	(₱12,584,614)	₱2,882,507	₱92,984	₱2,975,491
Issuance of shares (Note 19)	6,252,391	4,985,640	–	–	(2,877,333)	–	8,360,698	–	8,360,698
Reversal of deposits for future stock subscriptions (Note 19)	–	–	–	–	(150,960)	–	(150,960)	–	(150,960)
Depletion of mining rights (Note 11)	–	–	–	–	–	–	–	–	–
Net income/total comprehensive income for the year	–	–	–	–	–	15,101,925	15,101,925	57,454	15,159,379
BALANCES AT DECEMBER 31, 2011, as previously reported	17,640,530	5,816,306	218,559	1,464	–	2,517,311	26,194,170	150,438	26,344,608
Effect of finalization of purchase price allocation (Note 11)	–	–	–	–	–	(85,950)	(85,950)	–	(85,950)
BALANCES AT DECEMBER 31, 2011, as restated	₱17,640,530	₱5,816,306	₱218,559	₱1,464	₱–	₱2,431,361	₱26,108,220	₱150,438	₱26,258,658
BALANCES AT DECEMBER 31, 2011, as restated	₱17,640,530	₱5,816,306	₱218,559	₱1,464	₱–	₱2,431,361	₱26,108,220	₱150,438	₱26,258,658
Issuance of shares (Note 19)	3,099,586	2,765,256	–	–	–	–	5,864,842	–	5,864,842
Equity restructuring (Note 19)	(4,145,180)	(8,578,008)	–	–	–	12,723,188	–	–	–
Net income/total comprehensive income for the year	–	–	–	696	–	3,280,199	3,280,895	153,870	3,434,765
BALANCES AT DECEMBER 31, 2012	₱16,594,936	₱3,554	₱218,559	₱2,160	₱–	₱18,434,748	₱35,253,957	₱304,308	₱35,558,265

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		
	2012	2011 As restated (see Note 11)	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱3,401,990**	₱14,966,896	(₱853,439)
Adjustments for:			
Depreciation and depletion (Notes 10 and 11)	**2,115,904**	621,791	57,131
Finance charge (Notes 26 and 34)	**1,206,221**	237,103	387,750
Net realized loss (gain) on derivatives (Note 6)	**430,018**	(218,094)	789,478
Retirement benefits costs (Notes 24)	**66,628**	25,807	1,924
Loss on asset write-down (see Note 10)	**20,552**	93,818	–
Impairment loss on:			
Input VAT (Note 14)	**–**	69,226	–
Receivables (Note 5)	**–**	1,688	770
Unrealized loss on derivatives (Note 6)	**7,590**	351,485	–
Net unrealized foreign exchange loss (gain)	**(592,964)**	119,144	(122,249)
Gain on settlement of liabilities (Note 16)	**(519,548)**	(90,458)	–
Interest income (Notes 4 and 17a)	**(213,753)**	(1,296)	–
Fair value gain on previously held interest (Note 11)	**–**	(13,788,051)	–
Equity in net loss in an associate	**–**	(1,247,884)	(300,812)
Change in accounting estimate for liability on mine rehabilitation cost (Note 18)	**–**	(417)	–
Share-based compensation expense (Note 20)	**–**	–	41,103
Security fee (Note 15)	**–**	–	32,450
Loss on disposals of property and equipment	**–**	–	327
Operating income before working capital changes	**5,922,638**	1,140,758	34,433
Decrease (increase) in:			
Receivables	**(873,919)**	959,696	(327,767)
Other current assets	**(777,621)**	519,653	114,605
Inventories	**79,185**	(275,368)	(1,472)
Derivative asset and liability	**250,021**	–	–
Increase in accounts payable and accrued liabilities	**(122,976)**	125,527	252,829
Net cash generated from operations	**4,477,328**	2,470,266	72,628
Interest received	**54,880**	1,296	–
Interest paid	**(956,075)**	(124,575)	(387,750)
Income taxes paid	**(15,319)**	(4,279)	(5,192)
Settlements and payments of retirement benefits (Note 24)	**(8,087)**	(4,042)	(716)
Net cash flows from (used in) operating activities	**3,552,727**	2,338,666	(321,030)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment (Note 10)	**(5,862,543)**	(2,524,389)	(1,427)
Short-term investments (Note 17)	**(4,339,832)**	(864,585)	–
Net cash outflow on step acquisition of a subsidiary (Note 2)	**–**	(14,054,342)	–
Proceeds of disposal of property, plant and equipment	**–**	–	600
Increase in other noncurrent assets	**(77,543)**	(34,486)	(47,853)
Net cash flows used in investing activities	**(10,279,918)**	(17,477,802)	(48,680)

(Forward)

	Years Ended December 31		
	2012	2011 As restated (see Note 11)	2010
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of loan and long-term debt (Note 17)	**₱11,993,727**	₱8,942,904	₱–
Issuance of shares (Note 19)	**372,158**	8,360,698	1,806,598
Payment of loans and long-term debt and other interest bearing liabilities (Notes 15 and 17)	**(5,003,726)**	(1,312,753)	(1,265,140)
Decrease in payable to related parties	**(207,346)**	(711,216)	(5,444)
Net cash flows from financing activities	**7,154,813**	15,279,633	536,014
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(127,292)**	(17,002)	(6,730)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**300,330**	123,495	159,574
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**354,458**	230,963	71,389
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱654,788**	₱354,458	₱230,963

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except 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 (ACMDC, 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. It also amended its charter to extend its corporate life up to March 2035.

The registered business address of the Parent Company is Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City.

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

The Parent Company's shares of stock are listed with the Philippine Stock Exchange (PSE).

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, 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 a wholly owned subsidiary, Atlas Exploration Inc. (AEI) to host, explore and develop copper, gold, nickel and other mineral exploration properties. AEI will also explore for other metalliferous and industrial minerals to increase and diversify the mineral holdings and portfolio of the Parent Company.

The Parent Company has effective control in nine (9) subsidiaries as of December 31, 2012 and 2011. These subsidiaries are engaged in or are registered to engage in mining, professional services, asset and equity acquisition and bulk water supply. 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 of such subsidiaries:

Subsidiaries	Nature of Business	Percentage of Ownership 2012	2011
Atlas Exploration, Inc. (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
AquAtlas, Inc. (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
Amosite Holdings, Inc. (AHI)	Incorporated in the Philippines on October 17, 2006 to hold assets for investment purposes.	**100.00**	100.00
Carmen Copper Corporation (CCC; see Note 11)	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
TMM Management, Inc. (TMMI)	Incorporated in the Philippines on September 28, 2004 to provide management, investment and technical advice to companies.	**60.00**	60.00
Ulugan Resources Holding, Inc. (URHI)	Incorporated in the Philippines on June 23, 2005 to deal in and with personal properties and securities of every kind and description of any government, municipality, political subdivision or agency, corporation, association or entity; exercising any and all interest in respect of any of such securities; and promoting, managing, and participating in and act as agent for the purchase and sale of any securities as may be allowed by law.	**70.00**	70.00
<u>Indirect subsidiaries of the Parent Company under URHI*:</u>			
Ulugan Nickel Corporation (UNC)	Incorporated in the Philippines on June 23, 2005 to explore, develop and mine the Ulugan mineral properties located in the province of Palawan.	**42.00**	42.00
Nickeline Resources Holdings, Inc. (NRHI)	Incorporated in the Philippines on August 15, 2005 to deal in and with any kind of shares and securities and to exercise all the rights, powers and privileges of ownership or interest in respect to them.	**42.00**	42.00
Berong Nickel Corporation (BNC)	Incorporated in the Philippines on September 27, 2004 to explore, develop and mine the Berong Mineral Properties located in the province of Palawan.	**25.20**	25.20

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

a. *Atlas Exploration, Inc.*
In 2012, AEI was engaged in preparatory 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 ₱3,658 in 2012 and had a capital deficiency of ₱102,105. AEI is considering the settlement of its outstanding debt to the Parent Company through a debt to equity conversion or merger.

b. *AquAtlas, Inc.*
In 2012, AI continued to explore and assess the feasibility of projects involving the bulk supply of potable water from ACMDC's Malubog Dam. AI incurred a net loss of ₱297 in 2012 and had a capital deficiency of ₱31,688. AI is considering the settlement of its outstanding debt to the Parent Company through a debt to equity conversion or merger.

c. *Carmen Copper Corporation*
On May 5, 2006, ACMDC entered into an Operating Agreement with CCC ("the Operating Agreement") respecting the terms of the assignment by ACMDC to CCC of operating rights over the Toledo mining complex, and the right to acquire certain fixed assets. The agreement may be terminated by ACMDC upon 30 days prior written notice. In February 2012, the BOD approved the waiver of its entitlement to receive from CCC, pursuant to the Operating Agreement, royalties due from operations in 2012 (see Note 33d).

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

On December 7, 2012, the CCC's Board of Directors (BOD) authorized the declaration of cash dividends out of the Company's retained earnings to stockholders of record as of December 31, 2011 amounting to ₱1,000,000. The dividend is unpaid as of December 31, 2012.

d. *Amosite Holdings, Inc.*
In May 2007, ACMDC, upon the authority granted by the BOD, purchased from Anscor Property Holdings, Inc. (APHI) 75,000 common shares in AHI which constitute 99.99% of AHI's outstanding capital stock. AHI is the owner of certain real properties that are used in the mining operations of CCC. On September 1, 2008, ACMDC subscribed to all of the remaining unissued shares of stock of AHI at the aggregate price of ₱2,499.

e. *Berong Nickel Corporation*
On February 12, 2010, the Mines and Geosciences Bureau (MGB) issued in favor of BNC an exploration permit designated as EP-002-2010-IVB (the "EP") which covers an area of approximately 1,069 hectares situated in the municipalities of Quezon and Aborlan in the province of Palawan. The EP is valid for an initial period of two (2) years reckoned from the date of issuance. Such period may be extended up to six (6) years.

After suspending mining operations on account of unfavorable market conditions, BNC re-opened its nickel mine for commercial production in May 2011, and entered into an agreement for the sale of its nickel laterite to Shaanxi Energy Metals and Mineral Resources Co. Ltd (Shaanxi) (see Note 32).

f. *TMM Management, Inc.*
In 2012, TMMI's service income and net income amounted to ₱28,534 and ₱1,087, respectively.

g. *Ulugan Resources Holding, Inc./Ulugan Nickel Corporation/Nickeline Resources Holdings, Inc.*
These Companies have not started commercial operations as of December 31, 2012.

Authorization for the Issuance of the Consolidated Financial Statements
The consolidated financial statements of ACMDC and its subsidiaries (the Group) were authorized for issue by the BOD on March 8, 2013.

2. Significant Accounting Policies and Financial Reporting Practices

Basis of Preparation
The consolidated financial statements have been prepared on a historical cost basis, except for land, which is carried at revalued amounts, derivative financial instruments and AFS financial assets, which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso (Peso), which is the Group's functional currency. All amounts are rounded off to the nearest thousand (₱000), except when otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as of December 31 of each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

Control is achieved when the Parent 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 Parent Company controls an investee if and only if the Parent 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 Parent Company's returns.

Subsidiaries are deconsolidated from the date on which control ceases.

Subsidiaries
Subsidiaries are entities over which the Parent Company has control or generally has an interest of more than one half of the voting rights of the entities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group or Parent Company directly or through the holding companies.

All intra-group balances, transactions, income and expenses, and profits and losses resulting from intra-group transactions that are recognized in assets are eliminated in full.

Non-controlling interest
Where the ownership of a subsidiary is less than 100%, and therefore a non-controlling interest exists, any losses of that subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences, recognized in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

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 through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised 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 profit or loss 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.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest 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 profit or loss.

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.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended PFRS and improvements to PFRS effective as of January 1, 2012. Except as otherwise indicated, the adoption of the following standards and amendments did not have any impact on the consolidated financial position or performance of the Group.

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* (Amendment)
  The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets* (Amendment)
  This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendments are effective for periods beginning on or after January 1, 2012. The Group does not have investment properties measured at fair value. The amendment has no impact on he Group's statement of financial position and financial performance.

Standards Issued but not yet Effective
Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

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

b. The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
c. The net amounts presented in the statement of financial position;
d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
   i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
   ii. Amounts related to financial collateral (including cash collateral); and
e. The net amount after deducting the amounts in (d) from the amounts in (c) above.

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

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The standard becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
  The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendments will be applied retrospectively and will result to the modification of the presentation of items of OCI.

- PAS 19, *Employee Benefits* (Revised)
  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments become effective for annual periods beginning on or after January 1, 2013. Once effective, the Group has to apply the amendments retroactively to the earliest period presented.

The Group reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Group obtained the services of an external actuary to compute the impact to the financial statements upon adoption of the standard. The effects are detailed below:

	As at December 31, 2012	As at January 1, 2012
Increase (decrease) in:		
Consolidated statement of financial position		
Retirement benefit liability	₱127,670	₱53,848
Deferred tax asset	38,301	16,154
Other comprehensive income	(79,479)	(70,537)
Retained earnings	(117,780)	(86,691)

	2012
Consolidated statement of comprehensive income	
Net benefit cost	(₱5,658)
Income tax expense	1,697
Profit for the year	3,960
Attributable to the owners of the Parent Company	3,960
Attributable to non-controlling interests	–

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 10, and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 will not have a significant impact on the separate financial statements of the entities in the Group. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 11, and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal costs (“stripping costs”) that are incurred in surface mining activity during the production phase of the mine (“production stripping costs”). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met (“stripping activity asset”). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. As of reporting date, the adoption will not have any significant impact on the consolidated financial statements since the accounting policy on stripping costs of the Group’s subsidiaries is aligned with this standard. This interpretation becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first phase on the replacement of PAS 39, *Financial Instruments: Recognition and Measurement* and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. Since the impact evaluation is ongoing, the Group has decided not to early adopt PFRS 9 for its consolidated financial statements. PFRS 9 is effective for annual periods beginning on or after January 1, 2015.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Annual Improvements to PFRSs (2009-2011 cycle)

- The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
  The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required.
  The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- *PAS 16, Property, Plant and Equipment - Classification of servicing equipment*
  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment will not have any significant impact on the Group's financial position or performance.

- *PAS 32, Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Group expects that this amendment will not have any impact on its financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment affects disclosures only and has no impact on the Group's financial position or performance.

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

Financial Instruments
Date of recognition
The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition and classification of financial instruments
Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those financial assets and liabilities at fair value through profit or loss (FVPL), includes transaction cost.

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

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

The Group has no financial assets classified as HTM investments as of December 31, 2012 and 2011.

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

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

each transaction, the Group determines the appropriate method of recognizing the amount of "Day 1" difference.

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

The Group's financial assets and liabilities at FVPL consist of derivative assets in 2011 and derivative liabilities in 2012 and 2011.

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. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets. As of December 31, 2012 and 2011, the Group's loans and receivables consist of "Cash and cash equivalents", "Short-term investments" and "Receivables".

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

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

The Group evaluated its AFS financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the HTM category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the AFS category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss 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 profit or loss.

The Group's AFS financial asset pertains to its investment in equity shares as of December 31, 2012 and 2011.

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

The Group's financial liabilities at FVPL pertain to the derivative liability in the consolidated statement of financial position in 2012 and 2011.

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

As of December 31, 2012 and 2011, other financial liabilities consist of "Loans payable", Accounts payable and accrued liabilities", "Payable to related parties" and "Long-term debt and other interest-bearing liabilities".

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

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

Loans and Receivables
The 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 effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the 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 they are assessed as uncollectible.

AFS financial assets
For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more and 'prolonged' as greater than 12 months for quoted equity securities. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized on that investment is removed from other comprehensive income and recognized in profit or loss.

Impairment losses on equity investments are not reversed through the profit or loss. Increases in the fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of 'interest income' in profit or loss. If subsequently, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

Financial liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognized in profit or loss.

Derivatives and Hedging

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

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

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

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

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

Fair value hedges

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

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

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

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

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

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

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

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

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized as at FVPL.

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 FVPL. Changes in fair values are included in profit or loss. The Group recognized bifurcated derivative assets and derivative liabilities arising from the provisionally priced commodity sales contracts as of December 31, 2012 and 2011.

Convertible Loans Payable and Long-term Debt
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 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 liability. The option is mark-to-market with subsequent gains and losses being recognized in profit or loss.

Issue costs are apportioned between the liability and equity components of the convertible bonds 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 effective interest rate 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 profit or loss in the period in which they are incurred.

Inventories
Mine products inventory, which consists of copper concentrates containing copper, gold and silver, and materials, fuels and supplies are valued at the lower of cost and net realizable value (NRV).

NRV for mine products is the selling price in the ordinary course of business, less the estimated costs of completion and costs of selling the final product. In the case of materials, fuels and supplies, NRV is the value of the inventories when sold at their condition at the reporting date. Cost is determined using the following methods:

Copper concentrates and Beneficiated nickel silicate ore
The cost of copper concentrate containing copper, gold and silver and beneficiated nickel ore or nickeliferous laterite ore are determined using the moving average mining and milling and comprise of materials and supplies, communication, light and waters, depreciation, depletion and amortization, personnel costs and other cost that are directly attributable in bringing the copper

concentrates and beneficiated nickel ore or nickeliferous laterite ore in its saleable condition. NRV for copper concentrates and beneficiated nickel ore or nickeliferous laterite ore is the fair value less cost to sell in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Materials and Supplies
Materials and supplies significantly consist of consumable bearing and grinding balls, coolant and lubricants for the concentrators, concentrator supplies like floatation regent to process the extracted ores, spare parts for concentrator machineries, crushers and conveyors, supplies such as diesel and gasoline fuels used by dump tracks and drilling machineries in extracting and transporting the ores and explosives, blasting and accessories for open pit mining. NRV is the value of the inventories when sold at their condition at the reporting date. Cost is determined using the weighted average method.

The Group determines the NRV of inventories at each end of the financial 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 statement of comprehensive income in the period the impairment 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.

Related Parties
Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group 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.

Input Value-Added Tax (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 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 its estimated NRV.

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

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

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

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

	Number of Years
Machinery and equipment	3 - 10
Buildings and improvements	5 - 25
Roadways and bridges	5 - 40
Transportation equipment	5 - 7
Furniture and fixtures	5

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

The estimated recoverable reserves, useful lives, and depreciation and depletion methods are reviewed periodically to ensure that the estimated recoverable reserves, periods and methods of depreciation and depletion are consistent with the expected pattern of economic benefits from the items of property, plant and equipment. Property, plant and equipment also include the estimated costs of rehabilitating the mine site, for which the 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 profit or loss in the year the asset is derecognized.

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

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

A portion of land is carried at revalued amount as determined by independent appraisers less impairment in value. The net appraisal increment resulting from the revaluation of land was 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 of property, plant and equipment, borrowing costs and other direct costs. Mine development costs, except for cost attributable to current operations, and construction in progress are not depreciated or depleted until such time as the relevant assets are completed and become available for use. Mine development costs attributed to operations are depleted using the units-of-production method based on estimated recoverable reserves in tonnes.

Construction in Progress
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 Mine Exploration Costs
Costs incurred during the start-up phase of a mine are expensed as incurred. Ongoing mining expenditures on producing properties are charged against earnings as incurred.

Expenditures for mine exploration work prior to drilling are charged to operations. When it has been established that a mineral deposit is commercially mineable and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized. Upon the start of commercial operations, such costs are transferred to “Mine and Mining Properties” under “Mine Development Costs”. Capitalized amounts may be written down if future cash flows, including potential sales proceeds related to the property, are projected to be less than the carrying value of the property. If no mineable ore body is discovered, capitalized acquisition costs are expensed in the period in which it is determined that the mineral property has no future economic value.

Major development expenditures incurred to expose the ore, increase production or extend the life of an existing mine are capitalized.

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

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 and if the benefit from the stripping activity will be realized in the current period. When the benefit is the improved access to ore, the Company shall recognize these costs as a deferred stripping costs. The deferred stripping cost 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 or revalued amount less depreciation or amortization and less impairment losses.

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 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 profit or loss.

Impairment of Nonfinancial Assets

Inventories

The Group determines the NRV of inventories at each end of the financial 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 statement of comprehensive income in the period the impairment 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.

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 (CGU) is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's CGU'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 CGU. 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 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 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, depreciation and amortization) had no impairment loss been recognized for that asset in prior periods.

Deferred Mine Exploration Costs
An impairment review is performed, either individually or at the CGU level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the financial period in which this is determined. 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.

Other Nonfinancial Assets
The Group provides allowance for impairment losses on other nonfinancial assets when they 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 Currency-denominated Transactions
Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the rate of exchange at the reporting date. Foreign currency gains or losses are recognized in the profit or loss.

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

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

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. there is a substantial change to the asset.

Operating Leases
Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b). Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in the Group's profit or loss on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized.

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 of the reporting date.

Deferred tax

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amount for financial reporting purpose. 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 carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and the carryforward benefits of excess MCIT and NOLCO can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences.

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

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred 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 each reporting date 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 as 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 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.

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

Deposits for Future Stock Subscriptions
Deposits for future stock subscriptions generally represent funds received by the Group, which it records as such with the view to applying the same as payment for future additional issuance of shares or increase in capital stock.

The Group classifies a contract to deliver its own equity instruments under equity as a "Deposit for Stock Subscription" from liabilities if and only if, all of the following elements are present as of end of the reporting period:

a. the unissued authorized capital stock of the Group is insufficient to cover the amount of shares indicated in the contract;
b. there is BOD's approval on the proposed increase in authorized capital stock;
c. there is stockholders' approval of said proposed increase; and
d. the application for the approval of the proposed increase has been filed with the SEC.

There must be a subscription agreement which, among other things, states that the Group is not contractually obliged to return the consideration received and that the Group is obliged to deliver a fixed number of its own shares of stock for a fixed amount of cash or property paid or to be paid by the contracting party.

Retained Earnings/Deficit
The amount included in retained earnings/deficit 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 they are paid. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

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.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty, as applicable. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements.

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

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

Sale of Beneficiated Nickel Silicate Ore
Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which coincides with the loading of the ores onto the buyer's vessel. Under the terms of the arrangements with customers, the Group bills the remaining 10% of the ores shipped based on the result of the assay agreed by both the Group and the customers. Where the assay tests are not yet available as at the end of the reporting date, the Group accrues for the remaining 10% of the revenue based on the amount of the initial billing made.

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

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

Expenses
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. Expenses are generally recognized in the consolidated statement of comprehensive income when the services are used or the expenses are incurred.

Business Segment
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 27.

Basic Earnings (Loss) Per Share
Basic earnings (loss) 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 (loss) 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 statement of comprehensive income, net of any reimbursement.

Provision for Mine Rehabilitation and Decommissioning
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 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 provision for mine rehabilitation and decommissioning, respectively, when they 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 financial 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 provision for mine rehabilitation and decommissioning, which would affect future financial results.

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

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

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

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS 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.

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.

Determination of functional currency
Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency has been determined to be the Philippine Peso. The Peso is the currency of the primary economic environment in which the Group operates. It is the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions of the Group.

Determination of control
The Parent 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. The Parent Company controls an entity if and only if the Parent Company has all of the following:
a. power over the entity;
b. exposure, or rights, to variable returns from its involvement with the entity; and
c. the ability to use its power over the entity to affect the amount of the Parent Company's returns.

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

Financial assets of the Group are classified into the following categories:

- Financial assets at FVPL
- Loans and receivables
- AFS financial assets

Financial liabilities of the Group, on the other hand, are classified into the following categories:

- Financial liabilities at FVPL
- Other financial liabilities

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

Operating Lease Commitments - Group as 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 asset does not transfer at the end of the lease term;
b. the Group has no option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
c. the lease term is not for the major part of the economic life of the asset even if title is 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 value of the leased asset.

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 metal in saleable form; and
- ability to sustain ongoing production of metal.

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

Units-of-production depreciation/depletion
Estimated recoverable reserves are used in determining the depreciation/depletion of mine specific assets. This results in a depreciation/depletion charge proportional to the depletion of the anticipated remaining mine life. Each item's life, which is assessed annually, has regard to both physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. The calculations require the use of estimates of future capital expenditure. The 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 2012 and 2011 are 3.36% and 2.91%, respectively. Average depletion rate used by BNC in 2012 and 2011 are 6.32% and 3.40%, respectively.

Determining Significant Influence in an Associate
The Group concluded that it has significant influence over the operating and financial policies of its associate due to the following:

- representation on the BOD;
- participation in policy-making processes, including participation in decisions about dividends and other distributions;
- material transactions between the investor and investee; and
- interchange of managerial personnel.
- participation in policy-making processes, including participation in decisions about dividends and other distributions;
- material transactions between the investor and investee; and
- interchange of managerial personnel.

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

Estimating fair value of financial assets and financial liabilities
PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of accounting judgment and estimates. While significant components of fair value measurement are determined using verifiable objective evidence (e.g., foreign exchange rates, interest rates, and volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and financial liabilities would directly affect net income (see Note 30).

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

Allowance for impairment of receivables amounted to ₱39,871 and ₱40,599 as of December 31, 2012 and 2011, respectively. Receivables, net of allowance for impairment losses, amounted to ₱1,582,993 and ₱563,231 as of December 31, 2012 and 2011, respectively (see Note 5).

Estimating decline in value of mine products inventory
Copper, Gold and Silver Concentrate
The NRV of mine products inventory is the estimated fair value less cost of selling final product in the ordinary course of business. The selling price estimation of mine products inventory is based on the LME, which also represents an active market for the product. CCC concurrently uses the prices as agreed with MRI Trading AG (MRI) and Philippine Associated Smelting and Refining Corporation (PASAR) 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.

Beneficiated Nickel Ore Reserves
Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and require complex geological judgment to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgment made in estimating the size and grade of the ore body. Changes in the reserve estimates may impact upon the carrying value of deferred mine exploration costs, property, plant and equipment, provision for mine rehabilitation and decommissioning, recognition of deferred tax assets, and depreciation and depletion charges.

Estimating allowance for obsolescence of materials and supplies inventory
The Group provides allowance for materials and supplies whenever utility of inventories becomes lower than cost due to damage, inventory losses, physical deterioration, obsolescence, changes in price levels or other causes. Materials and supplies inventory amounting to ₱324,024 and ₱333,173 as of December 31, 2012 and 2011, respectively, had been fully provided with an allowance for impairment.

Inventories at lower of cost and NRV, amounted to ₱1,032,056 and ₱1,111,241 as of December 31, 2012 and 2011, respectively (see Note 7).

Impairment of AFS financial assets
The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more and 'prolonged' as greater than 12 months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted securities. AFS financial assets amounted to ₱4,896 as of December 31, 2012 and ₱4,927 as of December 31, 2011 (see Note 13).

Estimating useful lives of property, plant and equipment except land
The useful lives of property, plant and equipment are estimated based on the period over which these assets are expected to be used. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible

that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. Any reduction in the estimated useful lives of property, plant and equipment would increase the Group's recorded costs and expenses and decrease noncurrent assets. There is no change in the estimated useful lives of items of property, plant and equipment in 2012 and 2011. The net book value of property, plant and equipment amounted to ₱17,935,263 and ₱13,849,281 as of December 31, 2012 and 2011, respectively (see Note 10).

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 of December 31, 2012, the fair value of the land amounted to ₱315,888 based on the latest valuation obtained in 2011 by ACMDC. The resulting increase in the valuation of land amounting to ₱218,559 is presented as "Revaluation increment on land", net of related deferred tax liability and cost amounting to ₱3,661 (see Note 10).

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 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's 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 exceeds their fair value. In 2012 and 2011, there was no impairment loss on the Group's deferred mine exploration costs (see Note 14).

Estimating impairment of property, plant and equipment and mining rights
PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the value of property, plant and equipment and mining rights, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, further requires the Group to make estimates and assumptions that can materially affect the Group's consolidated financial statements. Future events could cause the Group to conclude that the 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. The Group recognized provision for fixed asset write-down on specific machinery and equipment amounting to ₱20,552 and ₱93,818 in 2012 and 2011, respectively (see Note 10).

Estimating impairment of other nonfinancial assets
The Group determines whether its nonfinancial assets are impaired at least on an annual basis. This requires an estimation of recoverable amount, which is the higher of an asset's or cash-generating unit's fair value less cost to sell and value-in-use. Estimating the value-in-use requires the 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 of the reporting date. In determining this amount, the

Group considers the outcome of recent transactions for similar assets within the same industry. The Group recognized allowance for possible losses on input VAT amounting to ₱69,226 in 2011.

Estimating impairment of goodwill
The Group assess whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units to which the goodwill relates. Where recoverable amount of the CGU is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as of reporting date.

Management performed its initial annual impairment test as at December 31, 2012 and 2011. The recoverable amount of the CGU has been determined based on a value calculation using cash flow projections from financial budgets approved by Management covering the mine life of the CGU.

The calculation of value-in-use is most sensitive to the discount rate, projected capital expenditures, projected commodity prices and production output. Based on the management assessment, no impairment loss on goodwill needs to be recognized as of December 31, 2012 and 2011.

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

Valuation of financial assets and financial liabilities
The Group carries certain financial assets and financial liabilities (i.e., derivatives and AFS financial assets) at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, quoted security prices), the amount of changes in fair value would differ if the Group utilized a different valuation methodology. Any change in fair value of these financial assets and financial liabilities would affect the consolidated statement of comprehensive income. The carrying values and corresponding fair values of financial assets and financial liabilities as well as the manner in which fair values were determined are discussed in more detail in Note 30.

Estimating liability on mine rehabilitation costs
The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates 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

reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the consolidated statement of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognised 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 profit or loss. If the change in estimate results in an increase in the rehabilitation liability and therefore an addition to the carrying value of the asset, the entity is required to consider whether this is an indication of impairment of the asset as a whole and test for impairment in accordance with PAS 36. Also, rehabilitation obligations that arose as a result of the production phase of a mine should be expensed as incurred. Liability for mine rehabilitation recognized as of December 31, 2012 and 2011 amounted to ₱112,749 and ₱96,896, respectively (see Note 18).

Measurement of mine products sales
Mine products sales are provisionally priced such that these are not settled until predetermined future dates based on market prices at that time. Revenue on these sales are initially recognized based on shipment values calculated using the provisional metals prices, shipment weights and assays for metal content less 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 quotation period. Total mine product sales, net of smelting and related charges, amounted to ₱14,459,321, ₱4,775,252 and nil in 2012, 2011 and 2010, respectively.

Estimating realizability of deferred tax assets
The Group reviews the carrying amounts of deferred tax assets at each reporting date 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 of December 31, 2012 and 2011, the Group has deductible temporary differences, NOLCO and excess MCIT amounting to ₱504,863 and ₱2,211,770, respectively (see Note 25c). No deferred tax asset was recognized for a portion of NOLCO and excess MCIT and temporary differences as management believes that the Group will not be able to realize in the future the carryforward benefits of NOLCO and excess MCIT prior to their expiration (see Note 25c). As of December 31, 2012 and 2011, deferred tax asset amounting to ₱43,019 and ₱86,963 was recognized as management believes that sufficient future taxable profits will be available against which benefits of deferred tax assets can be utilized (see Note 25d).

Estimating retirement benefits costs
The determination of the Group's obligation and cost of pension is dependent on the selection of certain assumptions in calculating such amounts. Those assumptions are described in Note 24 and include, among others discount rates and future salary increase rates. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the Group's recognized expenses and recorded obligation in such future periods. While management believes that its assumption are reasonable and appropriate, significant differences in the actual experience or significant change in the assumptions may materially affect the Group's retirement benefits liability. Retirement benefit liability amounted to ₱180,515 and ₱121,974 as of December 31, 2012 and 2011, respectively (see Note 24).

Estimating mineral reserves and resources
Mineral reserves and resources estimates for development projects are, to a large extent, based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of costs based upon anticipated tonnage and grades of ores to be mined and processed, the configuration of the ore body, expected recovery rates from the ore, estimated operating costs, estimated climatic conditions and other factors. Proven reserves estimates are attributed to future development projects only when there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. All proven reserve estimates are subject partially developed areas are subject to greater uncertainty over their future life than estimate to revision, either upward or downward, based on new information, such as from block grading and production activities or from changes in economic factors, including product prices, contract terms or development plans.

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

Estimating recoverability of mine development costs
Mineral property acquisition costs are capitalized until the viability of the mineral interest is determined. Exploration, evaluation and pre-feasibility costs are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case, subsequent exploration costs and the costs incurred to develop a property are capitalized. 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. Mine development costs amounted to ₱6,042,839 in 2012 and ₱6,202,653 in 2011 (see Note 10). Mine development costs includes “Mine and mining properties”, “Development costs” and “Mine rehabilitation costs” in the property, plant and equipment account in the consolidated statement of financial position. An impairment loss is recognized when the carrying value of those assets is not recoverable and exceeds its fair value (see Note 10).

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 were recognized by the Group in 2012 and 2011.

4. Cash and Cash Equivalents

	2012	2011
Cash in banks	**₱544,144**	₱349,921
Short-term investments	**107,463**	–
Cash on hand	**3,181**	4,537
	₱654,788	₱354,458

Cash in bank accounts earn interest based on the deposit rates of each of the Group's depository bank, while the yield on cash equivalents is based on short-term investment rates. Short-term investments are made for varying periods of up to three months from the date of placement depending on the immediate cash requirements of the Group and earn interest at the agreed short-term investments rates.

Interest income earned from these cash and cash equivalents amounted to ₱7,621, ₱1,296 and ₱240 in 2012, 2011 and 2010, respectively.

5. Receivables

	2012	2011
Trade (see Note 6)	**₱1,311,345**	₱446,596
Interest (see Note 17a)	**158,873**	–
Nontrade	**88,476**	104,077
Receivables from:		
Related parties (see Note 23a)	**33,631**	33,219
Officers and employees (see Note 23f)	**30,539**	19,938
Total	**1,622,864**	603,830
Less allowance for impairment losses	**39,871**	40,599
End of year	**₱1,582,993**	₱563,231

Trade
Trade receivables are noninterest-bearing and are normally settled on terms ranging from 15 to 30 days (see Note 29).

Nontrade
Nontrade receivables are noninterest-bearing advances as part of the Group's contracts to subcontractors and third parties.

Interest receivables
Interest receivables pertain to interest earned from short-term investments (see Note 17a).

The following is a rollforward analysis of the allowance for impairment losses recognized on receivables:

	2012	2011
Beginning of year	**₱40,599**	₱38,911
Provision for the year (see Note 22)	–	1,688
Others	**(728)**	–
End of year	**₱39,871**	₱40,599

6. Pricing Agreements, Hedging and Derivative Financial Instruments

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

Pricing Agreements

MRI Trading AG (MRI) and Philippine Associated Smelting and Refining Corporation (PASAR)

In the normal course of selling its copper concentrate, CCC entered into (i) several contracts of purchase with MRI Trading AG ("MRI Contract") in 2012 and in prior years, and (ii) one contract of purchase with PASAR ("PASAR Contract") in 2012 (collectively, the "Copper Contracts"), whereby it agreed to sell a fixed volume of copper concentrate based on LME prices (as published in the Metal Bulletin) and as averaged over the quotational period (QP) as defined in the MRI Contract and PASAR 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 Copper Contracts, CCC and MRI or PASAR have the option to price-fix in advance of the QP the payable copper contents of the concentrate to be delivered, subject to adjustments during the QP. If the option to price-fix prior to the QP is exercised, (i) the fixed price and the volume to which the fixed price applies will be confirmed in writing by the parties, and (ii) with respect to sales of copper concentrate to MRI, an addendum to the MRI Contract will be executed to confirm the actual volume of the copper shipped based on the fixed price.

Freestanding Derivatives

Commodity Forwards

The Group entered into freestanding commodity forward contracts that are accounted for at fair value through profit or loss. CCC does not have outstanding copper forward contracts as of December 31, 2012 and 2011.

Commodity Put Options

In 2012 and 2011, the Company purchased LME put options through Jefferies Prudential for the delivery of 33,325 tons and 41,050 tons of copper concentrates with a total premium amounting to $6.43 million and $10.8 million, respectively. This amount was advanced by MRI (see Note 17i). As of December 31, 2011, the outstanding notional quantity of the put options is 10,800 tons with a strike price of $8,000 per ton and maturities from February to April 2012. The positive fair value of the outstanding put options amounted to ₱243,109 and was recognized as current derivative assets as of December 31, 2011. Unrealized gain on derivatives recognized in the consolidated statement of comprehensive income amounted to ₱94,100 in 2011. CCC has no outstanding commodity put option as of December 31, 2012.

Foreign Currency Forwards

In 2012, CCC entered into foreign currency forwards amounting to Y780,300 and EUR8,455. CCC used these foreign currency forwards to hedge its exposure to US Dollar. Realized gain on foreign currency forwards amounted to ₱20,469. No foreign currency forwards were outstanding as of December 31, 2012 and 2011.

CCC will continuously assess its use of freestanding derivatives as part of its financial risk management objectives and policies.

Embedded Derivatives

Provisional Pricing

Based on CCC's pricing agreements with MRI and PASAR, the copper sales will be provisionally priced at shipment subject to price and quantity adjustment after the QP. Under the Copper Contracts, CCC with the consent of MRI and PASAR, can price fix the copper shipments before the QP. Copper sales that were not subject to price fixing are assessed as having embedded derivatives that are not clearly and closely related, and once the commodities have been delivered, it must be bifurcated on the delivery date. CCC recognized an unrealized loss on the related derivative liability amounting to ₱7,590 on its delivery to PASAR in 2012 and ₱18,929 on its deliveries to MRI in 2011.

CCC recognized an unrealized gain on the related derivative asset amounting to ₱29,862 on its MRI delivery in 2010.

Prepayment Option

BDO Unibank, Inc (BDO)

In 2010, CCC bifurcated a prepayment option contained in the terms of the December 15, 2010 Omnibus Loan and Security Agreement that it executed with BDO (the "OLSA"). The prepayment option is accounted for at fair value through profit or loss and the initial prepayment option amounting to ₱721.9 million is treated as an effective interest adjustment on the loan (see Note 17j). As of December 31, 2011, the derivative current and noncurrent asset arising from the prepayment option amounted to ₱234,464 and ₱221,395, respectively. Unrealized losses on derivatives amounting to ₱247,435 and ₱18,654 were recognized in the consolidated statement of comprehensive income in 2011 and 2010, respectively.

On March 16, 2012, CCC prepaid all outstanding amounts under OLSA loan using part of the proceeds from its issuance of fixed-rate notes representing an aggregate debt of $300 million (see note on Bonds Payable below) (see Note 17a). As a result of the prepayment, the recognition of the related derivative asset and bifurcated liability was reversed. On the same date, the relevant liens on property, plant and equipment that were created to secure CCC's obligations under the OLSA was extinguished.

Bonds Payable

On March 16, 2012, CCC completed the issuance of US Dollar-denominated fixed-rate notes representing $300 million of CCC's senior unsecured debt with a tenor of five (5) years and five (5) days (the "Bonds Payable"). The Bonds Payable, which were issued at the price of 98.95% of face value, will pay interest semi-annually every 21st of March and September at the rate of 6.5% and will carry a yield to maturity of 6.75%.

The Bonds Payable have an identified call option as they may be redeemed fully prior to maturity at a redemption price equal to 100% of the principal amount plus applicable premium and accrued and unpaid interest.

No derivative asset was recognized on such prepayment option since it was assessed to be clearly and closely related to the host contract.

The Bonds Payable also contains an equity clawback option that allows CCC to redeem up to 35% of the Bonds Payable at any time prior to March 21, 2015, at a redemption price of 106.5% of the principal amount plus accrued and unpaid interest, using the net proceeds of an equity offering (see Note 17a).

No derivative asset was recognized on the prepayment option since the probability of an equity offering by CCC is remote.

7. Inventories

	2012	2011
At cost:		
Mine products	**₱247,401**	₱553,457
Materials and supplies	**782,282**	553,316
At NRV:		
Materials and supplies and others	**2,373**	4,468
	₱1,032,056	₱1,111,241

Mine Products
Mine products include copper concentrate containing gold and silver and beneficiated nickel ore. Materials and supplies consist of consumable items and spare parts.

Materials and Supplies
Materials and supplies from ACMDC carried at NRV amounting to ₱324,024 and ₱333,173 as of December 31, 2012 and 2011, respectively, are fully provided with allowance for impairment losses. Mine products and materials and supplies inventories are stated at cost, which is lower than NRV.

The cost of inventories recognized as part of mining and milling costs in the consolidated statements of comprehensive income amounted to ₱3,317,658 and ₱1,294,094 in 2012 and 2011, respectively (see Note 21).

8. Other Current Assets

	2012	2011
Deposits to suppliers	**₱1,117,153**	₱452,530
Advances for acquisition of rights to Exploration Permit Application (EPA) (see Note 9)	**28,473**	10,000
Prepayments	**23,493**	35,161
	₱1,169,119	₱497,691

Deposit to Suppliers
Deposits to suppliers are advance payments to suppliers as contracts with 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.

Prepayments
Prepayments include prepaid rent, prepaid insurance, prepaid taxes and prepaid expenses.

9. Advances for Acquisition of Exploration Permit Application (EPA)

On November 3, 2004, ACMDC entered into a Heads of Agreement with Multicrest Mining and Development Corporation ("Multicrest") to acquire a 100% interest in the rights and interests attached to the EPA that Multicrest has lodged with the Mines and Geosciences Bureau (MGB) (the "Multicrest Agreement"). The EPA covers an area measuring approximately 16,130.4 hectares which is situated in the City of Puerto Princesa in the Province of Palawan. The EPA, denominated as EPA-IVB-11, pertains to the Tagkawayan Project (the "Project"). Under the Multicrest Agreement, ACMDC paid ₱500 for the option to acquire 100% interest in the Project and for the right to do exploration work on the Project during the term of the Exploration Permit ("EP") to be issued upon the approval of the EPA.

On July 13, 2007, ACMDC assigned to UNC all its rights under the Multicrest Agreement, particularly the right to acquire 100% interest in the Project. On account of UNC's failure to exercise the option under the Multicrect Agreement within the period provided therein, the Multicrest Agreement was terminated.

On November 29, 2012, Multicrest executed a Memorandum of Understanding (MOU) with BNC that embodies the terms of the offer by Multicrest to assign to BNC its rights to the Project.

10. **Property, Plant and Equipment**

December 31, 2012:

	At Cost									
	Land	**Mine Development Costs**	**Machinery and Equipment**	**Roadways and Bridges**	**Transportation Equipment**	**Furniture and Fixtures**	**Buildings and Improvements**	**Construction in Progress**	**Total**	**At Revalued Amount Land**
Revalued Amount/Cost:										
Balances at beginning of year	**₱82,787**	**₱6,294,775**	**₱5,365,654**	**₱173,722**	**₱79,894**	**₱36,544**	**₱1,081,814**	**₱1,547,294**	**₱14,662,484**	**₱315,888**
Additions (Note 11)	**–**	**240**	**1,834,807**	**–**	**33,914**	**6,680**	**71,335**	**3,935,236**	**5,882,212**	**–**
Reclassifications and disposals	**–**	**77,679**	**282,579**	**9,181**	**(5,400)**	**–**	**(159,460)**	**(506,959)**	**(302,380)**	**–**
Balances at end of year	**82,787**	**6,372,694**	**7,483,040**	**182,903**	**108,408**	**43,224**	**993,689**	**4,975,571**	**20,242,316**	**315,888**
Accumulated Depreciation, Depletion and amortization:										
Balances at beginning of year	**–**	**92,122**	**399,110**	**12,725**	**31,708**	**29,520**	**154,200**	**–**	**719,385**	**–**
Depreciation (see Notes 22 and 23)	**–**	**237,733**	**1,343,777**	**29,372**	**24,345**	**4,523**	**146,646**	**–**	**1,786,396**	**–**
Reclassifications and disposals	**–**	**–**	**(313,098)**	**–**	**–**	**–**	**–**	**–**	**(313,098)**	**–**
Balances at end of year	**–**	**329,855**	**1,429,789**	**42,097**	**56,053**	**34,043**	**300,846**	**–**	**2,192,683**	**–**
Allowance for asset write-downs:										
Balances at beginning of year	**–**	**–**	**93,818**	**–**	**–**	**–**	**–**	**–**	**93,818**	**330**
Provision for asset write-downs (see Note 21)	**–**	**–**	**20,552**	**–**	**–**	**–**	**–**	**–**	**20,552**	**–**
Balances at end of year	**–**	**–**	**114,370**	**–**	**–**	**–**	**–**	**–**	**114,370**	**330**
Net Book Values	**₱82,787**	**₱6,042,839**	**₱5,938,881**	**₱140,806**	**₱52,355**	**₱9,181**	**₱692,843**	**₱4,975,571**	**₱17,935,263**	**₱315,558**

December 31, 2011:

	At Cost									
	Land	Mine Development Costs	Machinery and Equipment	Roadways and Bridges	Transportation Equipment	Furniture and Fixtures	Buildings and Improvements	Construction in Progress	Total	At Revalued Amount Land
Revalued Amount/Cost:										
Balances at beginning of year	₱60,530	₱348,371	₱190,634	₱–	₱23,516	₱33,542	₱253,936	₱–	₱910,529	₱315,888
Additions (Note 11)	22,257	5,959,265	5,175,020	173,722	56,378	3,002	827,878	1,547,294	13,764,816	–
Reclassifications and disposals	–	(12,861)	–	–	–	–	–	–	(12,861)	–
Balances at end of year	82,787	6,294,775	5,365,654	173,722	79,894	36,544	1,081,814	1,547,294	14,662,484	315,888
Accumulated Depreciation, Depletion and amortization:										
Balances at beginning of year	–	23,725	79,503	–	16,132	24,017	77,002	–	220,379	–
Depreciation (see Notes 22 and 23)	–	68,397	319,607	12,725	15,576	5,503	77,198	–	499,006	–
Reclassifications and disposals	–	–	–	–	–	–	–	–	–	–
Balances at end of year		92,122	399,110	12,725	31,708	29,520	154,200	-	719,385	-
Allowance for asset write-downs:										
Balances at beginning of year	–	–	–	–	–	–	–	–	–	330
Provision for asset write-downs (see Note 21)	–	–	93,818	–	–	–	–	–	93,818	–
Balances at end of year	–	–	93,818	–	–	–	–	–	93,818	330
Net Book Values	₱82,787	₱6,202,653	₱4,872,726	₱160,997	₱48,186	₱7,024	₱927,614	₱1,547,294	₱13,849,281	₱315,558

The Group's acquisitions of property, plant and equipment amounted to ₱5,882,212 and ₱13,764,816 in 2012 and 2011, respectively.

Mine Development Costs consist of the following:

December 31, 2012:

	Mine and Mining Properties	**Development Costs**	**Mine Rehabilitation Costs** (see Note 18)	**Total**
Cost:				
Balances at beginning of year	**₱1,464,311**	**₱4,772,863**	**₱57,601**	**₱6,294,775**
Additions and reclassifications (Note 11)	**240**	**66,961**	**–**	**67,201**
Change in accounting estimate (Note 18)	**–**	**–**	**10,718**	**10,718**
Balances at end of year	**1,464,551**	**4,839,824**	**68,319**	**6,372,694**
Accumulated Depletion:				
Balances at beginning of year	**48,211**	**43,355**	**556**	**92,122**
Depletion	**37,393**	**198,425**	**1,915**	**237,733**
Balances at end of year	**85,604**	**241,780**	**2,471**	**329,855**
Net Book Values	**₱1,378,947**	**₱4,598,044**	**₱65,848**	**₱6,042,839**

December 31, 2011:

	Mine and Mining Properties	Development Costs	Mine Rehabilitation Costs (see Note 18)	Total
Cost:				
Balances at beginning of year	₱348,371	₱–	₱–	₱348,371
Additions and reclassifications (Note 11)	1,128,801	4,772,863	57,601	5,959,265
Change in accounting estimate (Note 18)	(12,861)	–	–	(12,861)
Balances at end of year	1,464,311	4,772,863	57,601	6,294,775
Accumulated Depletion:				
Balances at beginning of year	23,725	–	–	23,725
Depletion	24,486	43,355	556	68,397
Balances at end of year	48,211	43,355	556	92,122
Net Book Values	₱1,416,100	₱4,729,508	₱57,045	₱6,202,653

Revaluation increment on land

The fair value of the land amounted to ₱315,888 as of December 31, 2012 based on the latest valuation obtained in 2011 by ACMDC. The resulting increase in the valuation of land amounting to ₱218,559 is presented as "Revaluation increment on land", net of related deferred tax liability and cost. The carrying amount of the land had it been carried using the cost model amounted to ₱3,661 in 2012 and 2011.

Fully depreciated property and equipment

Fully depreciated property and equipment still used by the Group amounted to ₱239,714 and ₱39,912 as of December 31, 2012 and 2011, respectively. These are retained in the Group's records until they are disposed. No further depreciation and amortization are charged to current operations for these items.

Borrowing Costs

Borrowing costs in CCC, capitalized in "Construction in Progress" amounted to ₱17,929 in 2012 and ₱79,105 in 2011 at an interest of 6.5% to 8.0% in 2012 and 8.0% in 2011.

Provision for asset write-downs
The provision for asset write-downs represents the net book value of heavy equipment that CCC assessed to be operationally uneconomical amounting to ₱20,552 and ₱93,818 in 2012 and 2011, respectively (see Note 21).

Collaterals
The carrying value of the property, plant and equipment mortgaged as collaterals for various borrowings of ACMDC and CCC (see Notes 15 and 17) amounted to ₱16,882.2 million and ₱13,836.3 million as of December 31, 2012 and 2011, respectively.

Commitments
CCC has capital expenditure commitments amounting to ₱1,361 million and ₱709.3 million as of December 31, 2012 and 2011, respectively.

11. Business Combination

In July 2011 (Acquisition Date), the Parent Company purchased an aggregate 45.54% equity interest of CASOP Atlas Corporation and CASOP Atlas B.V. in CCC. Total acquisition cost amounted to $368,000 (₱16,008,000). The acquisition is accounted for in the consolidated financial statements using the purchase method, which resulted to the following:

a. As at the Acquisition Date, the Parent Company adjusted its previously held 54.46% interest in CCC based on fair value. The fair value of such previously held interest amounted to ₱17,913,764 while the carrying value of the investment in CCC amounted to ₱4,125,713 as of the Acquisition Date. The fair value gain on the previously held interest amounting to ₱13,788,051 was recognized in the consolidated profit or loss (see Note 19c).

b. As of December 31, 2011, the total acquisition cost of $368,000 (₱16,008,000) ("Purchase Price") was allocated to the provisional fair values of identified assets and liabilities of CCC as at the Acquisition Date, resulting in the recognition of a provisional goodwill amounting to ₱25,972,054.

c. In July 2012, the Group finalized the allocation of the Purchase Price on the basis of fair values of the assets and liabilities of CCC at the Acquisition Date. The Group recognized the following adjustments to the provisional amounts:

	Fair value recognized on acquisition date, As previously reported	Effect of finalization of purchase price allocation	Fair value recognized on acquisition date, As Restated
ASSETS			
Current Assets			
Cash and cash equivalents	₱1,953,658	₱–	₱1,953,658
Receivables	454,505	–	454,505
Derivatives assets	733,157	–	733,157
Inventories	730,197	–	730,197
Other current assets	1,004,795	–	1,004,795
Total Current Assets	4,876,312	–	4,876,312

(Forward)

	Fair value recognized on acquisition date, As previously reported	Effect of finalization of purchase price allocation	Fair value recognized on acquisition date, As Restated
Noncurrent Assets			
Property, plant and equipment	₱11,779,531	₱–	₱11,779,531
Mining rights	–	9,944,209	9,944,209
Other noncurrent assets	1,372,390	–	1,372,390
Total Noncurrent Assets	13,151,921	9,944,209	23,096,130
TOTAL ASSETS	18,028,233	9,944,209	27,972,442
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	2,859,976	–	2,859,976
Derivative liabilities	4,623	–	4,623
Total Current Liabilities	2,864,599	–	2,864,599
Noncurrent liabilities			
Long-term debt and other interest bearing liabilities	7,055,020	–	7,055,020
Liability for mine rehabilitation cost	80,121	–	80,121
Retirement benefits liability	78,783	–	78,783
Deferred tax liabilities	–	2,983,263	2,983,263
Total Noncurrent Liabilities	7,213,924	2,983,263	10,197,187
TOTAL LIABILITIES	10,078,523	2,983,263	13,061,786
TOTAL IDENTIFIABLE NET ASSETS	₱7,949,710	₱6,960,946	₱14,910,656
Total identifiable net assets of CCC	₱7,949,710	₱6,960,946	₱14,910,656
Goodwill arising from the acquisition	25,972,054	(6,960,946)	19,011,108
Fair value of previously held interest (see Note 11a)	(17,913,764)	–	(17,913,764)
Acquisition cost	₱16,008,000	₱–	₱16,008,000

Cash flows on acquisition:

Acquisition cost	₱16,008,000
Cash and cash equivalents acquired with the subsidiary	(1,953,658)
Net cash outflows	₱14,054,342

d. 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 statement of financial position and consolidated statement of comprehensive income to reflect the depletion expense on the mining rights and the related reversal of the deferred tax liability amounting to ₱122,785 and ₱36,835, respectively. The restatement resulted to the recognition of "Mining rights" and "Deferred tax liability" amounting to ₱9,821,424 and ₱2,946,428, respectively, and a decrease in "Retained earnings" amounting to ₱85,950 in the consolidated statements of financial position as of December 31, 2011. In 2012, the Group recognized depletion of mining rights amounting to ₱329,508 and the related reversal of deferred tax liability amounting to ₱98,852.

e. Revenue, net of smelting and related charges, and net income of CCC from the Acquisition Date to December 31, 2011 that is included in the consolidated statement of comprehensive income, amounted to ₱4,262,587 and ₱249,995, respectively. The equity in net earnings in CCC from January 1, 2011 up to the Acquisition Date amounted to ₱1,247,884.

f. Had the purchase of equity interest occurred as of January 1, 2011 (as restated), the consolidated statement of comprehensive income would have been reflected as follows:

INCOME	
Revenue	
Copper	₱11,659,679
Gold	530,598
Beneficiated nickel ore and others	611,275
	12,801,552
Less smelting and related charges	829,661
	11,971,891
Fair Value Gain on Previously Held Interest	12,744,557
Other Income	
Realized gain on derivatives	428,207
Gain on settlement of liability	90,458
Interest income	2,943
Foreign exchange gain	15,560
Other income	297,772
	25,551,388
EXPENSES	
Costs and Expenses	
Mining and milling costs	7,642,757
General and administrative expenses	1,390,395
Mine products taxes	491,325
Other Charges	
Finance charges	728,809
Unrealized loss on derivatives	208,421
Depletion of mining rights	122,785
	10,584,492
INCOME BEFORE INCOME TAX	14,966,896
BENEFIT FROM INCOME TAX	(106,533)
NET INCOME	14,860,363
OTHER COMPREHENSIVE INCOME	–
TOTAL COMPREHENSIVE INCOME	₱14,860,363

g. *Goodwill - CCC*

As of December 31, 2011, the Group recognized provisional fair values of identifiable assets and liabilities, including a goodwill amounting to ₱25,972,054. In July 2012, the Group finalized the fair values and recognized goodwill amounting to ₱19,011,108 (see Notes 11c and 12). No impairment loss on goodwill was recognized as of December 31, 2012 and 2011.

12. **Goodwill**

	2012	2011
CCC (see Note 11g)	**₱19,011,108**	₱19,011,108
AHI	**15,011**	15,011
	₱19,026,119	₱19,026,119

On May 16, 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 75,000 common shares in AHI or equivalent to 99.99% of AHI's total issued and outstanding shares for ₱77,510. AHI is the holder of rights to certain properties which will be 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, resulted in the recognition of a goodwill of ₱15,011 in the consolidated statement of financial position. No impairment loss on goodwill was recognized in 2012, 2011 and 2010.

13. AFS Financial Assets

	2012	2011
Toledo Mining Corporation Plc (TMC)	**₱4,874**	₱4,905
Philippine Long Distance Telecommunications (PLDT)	**22**	22
	₱4,896	₱4,927

In 2009, the Parent Company recognized an impairment loss amounting to ₱15,891 with respect to its investment in TMC due to the significant decline in its fair value. The Parent Company recognized other comprehensive income resulting from the recovery in the fair value of its investment in TMC that is classified as AFS financial assets amounting to ₱696 in 2012 and ₱1,463 in 2010. No income was recognized in 2011.

14. Other Noncurrent Assets

	2012	2011
Input VAT (net of accumulated allowance for possible losses of ₱124.9 million as of December 31, 2012 and 2011)	**₱1,602,838**	₱1,406,611
Deferred mine exploration costs	**49,249**	49,249
Mine rehabilitation funds	**14,467**	14,203
Others	**7,890**	8,091
	₱1,674,444	₱1,478,154

Input VAT

Input VAT represents the VAT imposed under Philippine tax laws upon the sale of goods and services which is passed on to the Group by its suppliers. The input VAT is recognized as an asset and will be used to offset against the Group's current output VAT liabilities. Any excess will be claimed as tax credits. Input VAT is stated at its estimated NRV. Input VAT, net of allowance for possible losses, amounting to ₱1,602,838 will be claimed by the Group as tax credits.

Deferred mine exploration costs
Deferred mine exploration costs pertain to BNC's exploration expenditures on the Moorsom, Dangla and Longpoint Project (adjacent area covering the Berong Nickel Project) (see Note 9). Management has established that economically recoverable reserves exist in the area, resulting in the decision to develop the area for commercial mining operation. Deferred mine exploration costs were transferred to property, plant and equipment in 2007. BNC started to explore and develop the area adjacent to the Berong Nickel Project in 2008. No allowance for impairment was recognized as of December 31, 2012 and 2011.

Mine rehabilitation funds
Mine rehabilitation funds pertain to rehabilitation trust funds that CCC and BNC are 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 held in government depository banks.

15. **Loans Payable**

a. Banco de Oro Unibank, Inc. ₱5.3 billion loan payable
On July 25, 2011, ACMDC availed from BDO a Philippine Peso-denominated convertible loan facility covering the amount of ₱5,341,800 (the "2011 BDO Loan"). The proceeds of the loan were used to finance (i) ACMDC's acquisition of the entire equity interest of CASOP Atlas B.V. and CASOP Atlas Corporation (collectively, "CASOP") in CCC, and (ii) CCC's working capital requirements.

The 2011 BDO Loan (i) had an initial term of 90 days that may be renewed for successive 90-day periods not exceeding an aggregate of 360 days (inclusive of the initial 90-day term); and (ii) accrues interest at the rate of 4% per annum. The terms of the 2011 BDO loan require ACMDC to, among others, maintain a debt service coverage of not less than 1.5:1 while the loan obligation remains outstanding.

Securities
The 2011 BDO Loan is secured by (i) a pledge over the CCC shares of stock purchased by ACMDC from CASOP using the loan proceeds, and (ii) unregistered mortgages respecting certain real and movable properties of CCC.

Covenants
Pursuant to the agreement covering the 2011 BDO Loan (the "2011 BDO Agreement"), BDO had an option to convert all or a portion of all amounts outstanding thereunder prior to maturity (the "Conversion Option"). The full exercise of the Conversion Option would result in the issuance to BDO or its assignee of 273,098,160 common shares stock of the Parent Company (the "Conversion Shares"). The Conversion Option is treated as an equity instrument with zero value on initial recognition. As of December 31, 2011, the Parent Company has ascertained its compliance with the covenants respecting the BDO Facility.

On January 24, 2012, the term of the 2011 BDO Loan was extended to move the maturity date to the end of its third 90-day period. The interest expense recognized on the 2011 BDO Loan amounted to ₱21,367 and ₱92,591 in 2012 and 2011, respectively.

₱129 million loan payable
On January 24, 2012, ACMDC availed another loan facility from BDO for the amount of ₱129,000 (the "2012 BDO Loan") which accrues interest at the rate of 4% per annum. On the same date, ACMDC, using the proceeds of the 2012 BDO Loan, paid BDO the interest that

had accrued on the 2011 BDO Loan in 2011 and as of that date amounting to ₱106,836 and other charges amounting to ₱22,164.

On February 28, 2012, BDO and SM Investments Corporation (SMIC) executed a Deed of Assignment of Notes embodying the assignment to SMIC of all of BDO's rights and interest to the 2011 BDO Loan and the 2012 BDO Loan. SMIC became bound by the terms of the 2011 BDO Loan and 2012 BDO Loan as if it were an original party thereto. On the same date, BDO cancelled and released, among others, the lien created over the properties of CCC that were mortgaged in favor of BDO to secure the performance of the Parent Company's obligations under the 2011 BDO Loan.

On May 18, 2012, the Parent Company and SMIC executed an addendum to the 2011 BDO Agreement to include in the Conversion Option the 2012 BDO Loan and the interest accruing thereon without increasing the number of the Conversion Shares. On May 21, 2012, SMIC formally notified the Parent Company of its intention to fully exercise the Conversion Option with respect to the 2011 BDO Loan and the 2012 BDO Loan, together with their accrued interest from January 24, 2012 to February 29, 2012 amounting to ₱21,367 and ₱517, respectively.

In July 2012, the total loan obligation, principal and interest, under the 2011 BDO Agreement, amounting to ₱5,492,684 was converted into equity of the Parent Company through the issuance to SMIC of the Conversion Shares (see Note 19a).

b. Loans Payable Converted to Equity
   i. *Spinnaker Global Emerging Markets Fund Limited, Spinnaker Global Strategic Fund Limited and Spinnaker Global Opportunity Fund Limited (collectively known as "Spinnaker")*
   On July 23, 2008, the Parent Company executed a bridge loan facility agreement covering the total amount of US$20,000 (the "Spinnaker Loan") with the various funds managed by the Spinnaker Capital Group ("Spinnaker"). The proceeds of the Spinnaker Loan were used primarily to fund the Parent Company's *pro rata* share in the shareholders' advances required to finance the working capital requirements of CCC. The Spinnaker Loan accrued interest at the rate of 15% per annum and had an initial term of 90 days which was extended through various amendments of the loan agreement. The Parent Company had the option to refinance the Spinnaker Loan through the issuance to Spinnaker of a convertible note with a tenor of three years, but such option was not exercised.

   The outstanding amount of the Spinnaker Loan as of December 1, 2009 which amounted to ₱902,684 (US$19,122) was paid in full using a portion of the proceeds of the US$25,000 loan facility extended by Banco de Oro Unibank, Inc. and Globalfund Holdings, Inc. Interest expense for the Spinnaker Loan amounted to ₱110,442 in 2009.

   Indemnity Agreements with Alakor Corporation (Alakor)
   To provide security for the performance of the Parent Company's obligations under the Spinnaker Loan, Alakor - a related party with respect to the Group - executed on July 23, 2008 and on October 17, 2008 a Deed of Pledge and a Supplemental Deed of Pledge, respectively, which created in favor of the security trustee designated under the loan agreement a pledge covering a total of 418,304,961 of Alakor's shares in the Parent Company (the "Pledge"). Upon Alakor's execution of the pledge agreements securing the Spinnaker Loan, the Parent Company executed in favor of Alakor indemnity agreements embodying the Parent Company's undertaking to indemnify Alakor against any loss, injury, or claim resulting from the Pledge.

ii. *Loan Agreement with APHC*
On July 9, 2009, the Parent Company executed with APHC a loan agreement (the "Anglo Loan Agreement") covering a 1-year loan facility for the amount of US$11,500 (₱531,300) (the "Anglo Loan") which earned interest at the rate of 15% per annum. The proceeds of the Anglo Loan were used primarily to finance the working capital requirements of the Parent Company and CCC. Under the terms of the Anglo Loan Agreement, the Anglo Loan may be paid through any one of the following means: (i) through payment in cash, (ii) through the delivery by the Parent Company of shares in APHC based on a price to be determined by APHC and the Parent Company, or (iii) through the conversion of the Anglo Loan into equity of the Parent Company to be effectuated by the issuance of the Parent Company to APHC of such number of its shares that will have a total par value equal to the Philippine Peso equivalent of the Anglo Loan on the date of the election of the option to convert.

As at December 31, 2009, the Anglo Loan had an embedded derivative that is required to be bifurcated resulting into the recognition of a derivative liability and an unrealized loss on derivatives amounting to ₱79,799 and ₱31,052, respectively.

In July 2010, APHC agreed to extend the term of the Anglo Loan under the same terms and conditions which include the accrual of interest at the rate of 15% per annum and the settlement of the Anglo Loan through lump sum cash payment or through the conversion of the Anglo Loan into equity of the Parent Company. Realized loss on derivatives related to the Anglo Loan amounted to ₱307,719 in 2010 and interest expense amounted to ₱78,336 in 2010.

On November 11, 2010, APHC gave notice of its intention to convert into equity of the Parent Company the Philippine Peso equivalent of the Anglo Loan which on such date amounted to ₱504,505.

On December 29, 2010, APHC effectuated the conversion of the entire amount of the Anglo Loan by executing with the Parent Company a Deed of Assignment with Subscription Agreement embodying the assignment by APHC to the Parent Company of its rights to the Anglo Loan as payment for its subscription to a total of 50,450,500 shares of the Parent Company, together with the derivative liability of ₱387,461, into equity (see Note 19).

16. Accounts Payable and Accrued Liabilities

	2012	2011
Trade	**₱937,928**	₱1,062,823
Nontrade	**425,696**	738,276
Accrued expenses:		
Contracted services	**550,142**	285,238
Power and other utilities	**89,563**	180,234
Personnel	**89,220**	29,033
Others	**228,791**	108,492
Interest (see Notes 16, 17a, 17b, 17h and 23)	**252,524**	144,346
Payable to buyers (see Note 6 and 16)	**5,131**	376,020
Government payables	**135,542**	175,924
	₱2,714,537	₱3,100,386

Trade
Trade payables are noninterest bearing payables to various suppliers and are normally settled on terms ranging from 30 to 60 days (see Note 29).

Nontrade
Payable to TPC and THC
In February 2002, Toledo Power Corporation (TPC) and its wholly owned subsidiary, Toledo Holdings Corporation (THC) executed in favor of the Parent Company a Deed of Release and Quitclaim (the "Settlement Agreement") which was intended to effectuate the full settlement of certain loan obligations of the Parent Company to TPC in consideration of the conveyance by the Parent Company to THC of (i) a portion of an area covered by two foreshore leases, (ii) three deep wells, and (iii) portions of particular cadastral lots located in Toledo City, Cebu (the "Settlement Properties"). The BOD, however, deferred ratification of the Settlement Agreement to enable negotiation of the exclusion from the Settlement Properties of a portion of the assigned foreshore area that is critical to the Parent Company's mining operations (the "Foreshore Portion").

In December 2012, the BOD ratified the Settlement Agreement upon confirmation by TPC of its acceptance of the exclusion of the Foreshore Portion from the Settlement Properties, without prejudice to the effects of the Settlement Agreement. Accordingly, the Parent Company recognized a gain on the settlement of liability amounting to ₱438,249 in 2012.

Payable to TMC
The Parent Company has payables to TMC for its share in the operating expenses of BNC that was advanced by TMC for the account of the Parent Company. The mechanics for the repayment of such advance are embodied in the April 2006 loan agreement executed by the Parent Company and TMC with respect to a loan facility for an amount not exceeding US$5,000 which may be availed in tranches for the purpose of funding the operations of BNC (the "TMC Loan"). The TMC Loan accrued interest at the rate of 10% per annum and could be repaid through the conversion of the whole or a portion of the amount of the TMC Loan into equity of the Parent Company at the option of TMC (the "TMC Conversion Option").

On May 31, 2007, TMC notified the Parent Company of its intention to exercise the TMC Conversion Option with respect to a portion of the TMC Loan amounting to US$2,750 by subscribing to a total of 12,980,000 shares of stock of the Parent Company at the price of ₱10.00 per share.

Following such notice, the Parent Company re-classified as deposit for future stock subscription (the "Deposit on Subscription") the Peso equivalent of the portion of the TMC Loan subject of the exercise of the Conversion Option that amounts to ₱150,960 (see Note 19b).

On July 4, 2011, the ACMDC and TMC executed an agreement respecting the terms and conditions for the full settlement by the Parent Company of the full amount of the TMC Loan and all other amounts due to TMC. Such agreement enabled the Parent Company to discharge all of its outstanding loan obligations to TMC through the payment of the aggregate amount of US$4,499. As a result of the settlement, the Parent Company (i) recognized a gain amounting to ₱90,458 which arose from the condonation of a portion of the TMC Loan, and (ii) reversed the recognition of the Deposit on Subscription in 2011. In 2012, the Parent Company derecognized the remaining portion of its payable from TMC amounting to ₱81,299.

Accrued Expenses - Others
The accrued expenses - others consist largely of accruals for the insurance of vehicles and shipments and accruals for purchased materials and supplies for which invoices have yet to be

issued by suppliers as of December 31, 2012 and 2011. These are normally settled within six months.

Payable to Buyers
Payable to buyers include advance payments made by Goldwin Holdings Limited (GHL) in 2012 and MRI in 2011. In December 2012, CCC entered into Contract of Purchase with Goldwin Holdings Limited whereby it agrees to sell specified volume of iron concentrates at a fixed price of US$25/WMT (Wet Metric Ton).

MRI payables pertain to the CCC's US Dollar denominated borrowings against its shipments of copper concentrates which bear interest at one month LIBOR rate plus 3.5% per annum. Accrued interest amounted to ₱2,215 and ₱7,972 as of December 31, 2012 and 2011 respectively. Total outstanding borrowings from GHL and MRI, including the loan availed to finance the put options in 2011 (see Note 17i) amounted to ₱5,131 and ₱554,839 as of December 31, 2012 and 2011, respectively.

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

17. Long-Term Debt and Other Interest-bearing Liabilities

	2012	2011
Long-term debt:		
Bonds payable (see Note 17a)	**₱11,993,727**	₱–
US$75 million BDO loan (see Note 17b)	**2,701,761**	3,288,000
BDO Leasing (see Note 17c)	**916,764**	248,951
FLSmidth Krebs Pacific (see Note 17d)	**35,303**	142,893
Atlas Copco Customer Finance AB (see Note 17e)	**33,725**	–
MBTC and ORIX (see Note 17f)	**7,935**	14,294
US$140 million BDO loan (see Note 17j)	**–**	5,795,884
	15,689,215	9,490,022
Less noncurrent portion	**(14,473,422)**	(5,856,671)
	1,215,793	3,633,351
Other interest-bearing liabilities:		
UCPB (see Note 17g)	**369,450**	–
Maxima (see Note 17h)	**–**	486,183
MRI (see Note 17i)	**–**	178,819
	₱1,585,243	₱4,298,353

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

	2012	2011
Due in:		
2012	**₱–**	₱4,298,353
2013	**1,585,243**	3,774,239
2014	**1,028,740**	807,493
2015 and thereafter	**13,444,682**	1,274,939
	₱16,058,665	₱10,155,024

a. Bonds Payable

On March 16, 2012, CCC completed the issuance of US Dollar-denominated fixed-rate notes representing $300 million of CCC's senior unsecured debt with a tenor of five (5) years and five (5) 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 21st of September at the rate of 6.5% and will carry a yield to maturity of 6.75%. The outstanding Bonds Payable, net of discount, amounted to ₱11,993,727 as of December 31, 2012. The accrued interest payable from bonds amounted to ₱224,578 million as of December 31, 2012 (see Note 16).

The Bonds Payable have an identified call option as they may be redeemed fully prior to maturity at a redemption price equal to 100% of the principal amount plus applicable premium and accrued and unpaid interest. No derivative asset was recognized on such prepayment option since it was assessed to be clearly and closely related to the host contract.

The Bonds Payable also contains an equity clawback option that allows CCC to redeem up to 35% of the Bonds Payable at any time prior to March 21, 2015, at a redemption price of 106.5% of the principal amount plus accrued and unpaid interest, using the net proceeds of an equity offering (see Note 6).

Covenants

The agreement embodying the terms of the Bonds Payable (the "Indenture") imposes, certain restrictions and requirements with respect to, among others, the following:

- *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 for the most recent four fiscal quarterly periods prior to the incurrence of the indebtedness (the "Four Quarter Period"), to (2) the aggregate fixed charges during the Four Quarter Period.

- *Payment of dividends* - CCC may declare and/or pay dividends if at the time of the declaration and/or payment, (i) no Default has occurred, is continuing, or will result from such declaration and/or payment, (ii) CCC can incur at least US$1.00 of indebtedness without violating the Incurrence Conditions, and (iii) the sum of the amount of the dividend declared and/or paid and of the aggregate amount of all restricted payments (as such is defined under the Indenture) does not exceed the aggregate amount of the items enumerated under Clause 4.7 (a) (3) of the Indenture.

CCC has ascertained its compliance with the above covenants as of December 31, 2012.

Short-term investments
A portion of the proceeds from the issuance of the Bonds Payable was put in multiple time deposit accounts that have a five-year maturity period reckoned from the date of placement and can be terminated anytime. Such deposits are classified as Short-term investments in the consolidated statement of financial position amounting to ₱4,740,313 as of December 31, 2012. Interest income earned from short-term investments amounted to ₱206,132 in 2012.

b. Banco de Oro Unibank, Inc. US$75 million
On July 25, 2011, the Parent Company availed from BDO a US dollar-denominated loan facility debt covering the amount of US$75 million ("the BDO Facility"). The proceeds from the BDO Facility were used to finance (i) the Parent Company's acquisition of the entire equity interest of CASOP Atlas B.V. and CASOP Atlas Corporation in CCC, and (ii) CCC's working capital requirements.

The BDO Facility (i) has a term of five years, (ii) is payable in 49 equal monthly installments starting July 2012, (iii) accrues interest at the rate of 7% per annum, and (iv) is primarily secured by an irrevocable suretyship executed by CCC in favor of BDO.

Upon the occurrence of an event of default, BDO has the option to convert all amounts outstanding under the BDO Facility into equity of the Parent Company. The conversion shall be effectuated through the assignment by BDO to the Parent Company of the amount of the loan obligation as payment for BDO's subscription to the shares of stock of the Parent Company at the price of ₱19.56 per share and based on the Philippine Peso-US Dollar exchange rate of US$1.00:₱43.50.

Securities
The BDO Facility also created in favor of BDO mortgage liens over the real properties and chattels of CCC to secure the performance of the long-term debt agreement. The BDO Facility is also secured by a pledge of the shares of CCC that were purchased by the Parent Company. Such purchase was funded partly by the proceeds from the BDO Facility.

Covenants
The agreement embodying the terms of the BDO Facility imposes certain restrictions and requirements with respect to, among others, the following:

- Maintenance of a debt service coverage during the term of the BDO Facility (debt service coverage ratio 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).

The outstanding liability from the BDO Facility amounted to ₱2,701,761 and ₱3,288,000 as of December 31, 2012 and 2011 respectively. The current portion of the loan amounted to ₱753,980 and ₱402,612 as of December 31, 2012 and 2011, respectively. The related interest expense recognized amounted to ₱237,308 and ₱107,308 in 2012 and 2011, respectively. The accrued interest payable amounted to ₱2,073.

Short-term investments
Restricted cash securities classified as short-term investments amounted to ₱242,082 and ₱194,067 as of December 31, 2012 and 2011, respectively.

As of December 31, 2012 and 2011, the ACMDC has ascertained its compliance with the covenants respecting the BDO Facility.

c. <u>BDO Leasing & Finance, Inc. (BDO Leasing)</u>
From August 2011 to November 2011, CCC availed of peso-denominated equipment financing facilities from BDO Leasing. The amounts due under such facilities which totalled ₱304.3 million are payable within 24 months and accrue interest at the rate of 10% per annum. In 2012, CCC availed of additional equipment financing facilities from BDO Leasing covering the total amount of ₱818.2 million (see Note 10). The outstanding amounts under the 2011 and 2012 facilities aggregated ₱916,764 as of December 31, 2012 and ₱248,951 as of December 31, 2011.

d. <u>FLSmidth Krebs Pacific ("FLS")</u>
On March 29, 2011, CCC availed from FLS a US dollar-denominated loan facility for the amount of $4.7 million that is payable within 24 months and accrues interest at the rate of 11% per annum. The loan is secured by a chattel mortgage covering the crushers and auxiliary equipment purchased from FLS using the proceeds thereof (see Note 10). As of December 31, 2012 and 2011, the outstanding portion of this loan amounted to ₱35,303 and ₱142,893, respectively.

e. <u>Atlas Copco Customer Finance AB</u>
On January 20, 2012, CCC obtained a supplier credit facility from Atlas Copco Customer Finance AB for the amount of $1.6 million which was used for the purchase of certain mining equipment. The amount drawn from the facility is payable within 24 months and accrues interest at the rate of 7% per annum. As of December 31, 2012, the outstanding balance of the supplier credit agreement amounted to ₱33,725.

f. <u>Metropolitan Bank and Trust Company (MBTC) and Orix Metro Leasing and Finance Corporation (ORIX).</u>
On various dates in 2010, CCC availed of peso-denominated loans from MBTC and ORIX that are payable within a period of 3 to 4 years. The loans are secured by chattel mortgages covering the transportation equipment purchased using the proceeds thereof (see Note 10). As of December 31, 2012 and 2011, the outstanding balance of this loan amounted to ₱7,935 and ₱14,294, respectively.

g. <u>United Coconut Planters Bank (UCPB)</u>
On October 29, 2012, CCC obtained from UCPB a short-term credit facility covering the amount of $9.0 million that was used to finance working capital requirements. The amount drawn from the facility is payable within 12 months accrues interest at the rate of 4% per annum. As of December 31, 2012, the outstanding balance of this loan amounted to ₱369,450.

h. Maxima Machineries, Inc. (Maxima)
On June 2, 2011, CCC obtained a supplier credit facility from Maxima for the amount of $13.7 million which was used for the purchase of certain mining equipment. The amount due under the credit facility was paid within 12 months from the date of issue of the bill of lading covering the purchased equipment and accrued at the interest rate of 8% per annum. The loan was secured by a chattel mortgage covering the equipment purchased using the proceeds thereof (see Note 10). As of December 31, 2012 and 2011, the outstanding balance of this loan amounted to nil and ₱486,183, respectively.

i. MRI Trading AG (MRI)
On various dates in 2011, CCC availed of US dollar-denominated loans amounting to $10.8 million payable over 30 installments to correspond to the shipments to be made under the MRI Contract (see Note 6) with interest of LIBOR plus 3.25% per annum. The loan was used to finance its put option contracts (see Note 6). The loan is secured by a grant of a second ranking encumbrance over CCC's moveable equipment (see Note 10). As of December 31, 2012 and 2011, the outstanding balance of this loan amounted to nil and ₱178,819, respectively.

j. Banco de Oro Unibank, Inc. US$140 million
In December 2010, CCC availed from BDO a US dollar-denominated loan amounting to $140,000 (the "BDO Loan"). The BDO Loan (i) is payable in 27 equal monthly installments starting October 2011, (ii) accrues interest at the rate of 8% per annum, and (iii) is secured by mortgages on real properties and chattels of CCC (see Note 10), cash collaterals, pledge over ACMDC's shares of stock in CCC, and a guarantee provided by ACMDC for which CCC paid ACMDC a guarantee fee amounting to ₱11,850 in 2010. Cash securities consist of short-term investments amounting to ₱670,518 as of December 31, 2011. As of December 31, 2011, the carrying balance of the BDO Loan of CCC amounted to ₱5,795,884, respectively.

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

- Maintenance of the following ratios for the term of the BDO Loan: (1) debt service coverage ratio of not less than 1.5:1; (2) debt to equity ratio not exceeding 1.5:1.
- Declaration and payment of dividends or any distribution to shareholders; change in ownership and voting control structure; selling, leasing, transferring, or otherwise disposing of all or substantially all of its properties and assets; or any significant portion thereof other than in the ordinary course of business; consolidation or merger with any corporation; and investment in the shares of stock of any corporation other than its affiliates.

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

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

On March 16, 2012, CCC prepaid the BDO Loan using part of the proceeds from the Bonds Payable (see Note 6). As a result of the prepayment, the outstanding related derivative asset and bifurcated liability were reversed (see Note 6). On the same date, the relevant liens on property, plant and equipment related to the BDO Loan were extinguished (see Note 10).

k. Long-term debt converted to equity

BDO, Global Fund Holdings, Inc. (Globalfund) and Banco de Oro Unibank, Inc. - Trust and Investment Group (collectively known as the "BDO Loan Agreement")

On November 27, 2009, the Parent Company entered into a Convertible Loan and Security Agreement with BDO and Globalfund (collectively, the "2009 BDO Loan Agreement") covering a 3-year convertible loan facility for the amount of US$25,000 (₱1,170,500) (the "2009 BDO Loan"). The proceeds of the 2009 BDO Loan were used primarily to fully pay the Parent Company's outstanding obligations under the July 23, 2008 Loan Agreement with the various funds managed by the Spinnaker Capital Group.

Under the terms of the 2009 BDO Loan Agreement, the 2009 BDO Loan accrued interest at the rate of 10% per annum. Interest amounted to ₱141,716 in 2011.

The 2009 BDO Loan was discharged fully on October 21, 2010

Security for BDO Loan

To secure the Parent Company's obligation on the 2009 BDO loan, Alakor and an officer of the Parent Company executed a pledge agreement over a total of 357,000,000 of their shares of stock in the Parent Company in favor of BDO (the "Pledged Shares"). In the event of default, BDO shall have the option to require the Parent Company to substitute the Pledged Shares with a pledge of the Parent Company's shares in CCC.

Establishment of Accounts

Pursuant to the 2009 BDO Loan Agreement, the Parent Company established a Debt Service Account (DSA) using a portion of the proceeds of the 2009 BDO Loan. The initial cash deposit amounting to ₱115,500 (US$2,500) is restricted by BDO. As long as the 2009 BDO Loan remains outstanding, the DSA is required to have a minimum maintaining balance equal to the aggregate amount of interest payments due on all outstanding advances for two interest periods. This cash in bank deposit is classified as part of the Parent Company's current assets.

Under the terms of the 2009 BDO Loan Agreement, the designated collateral trustee shall invest and reinvest the funds deposited in the DSA in government securities or, at the Parent Company's request, in other types and mix of investments. Per regulations issued by the BSP, funds held in the DSA are not covered by the Philippine Deposit Insurance Corporation, and as such, any loss or depreciation in their value shall be for the account of the Parent Company.

As of December 31, 2010, the ₱115,500 DSA account is no longer restricted due to the extinguishment of the BDO loan on October 20, 2010 and thus classified as part of "Cash and cash equivalents".

Warrants

Pursuant to the terms of the 2009 BDO Loan Agreement, the Parent Company issued to BDO and Globalfund on December 1, 2009 warrants covering the right to subscribe to a total of 23,410,000 of the Parent Company's common shares (18,728,000 shares to BDO; 4,682,000 shares to Globalfund) at the price of ₱10 per share. The warrants may be exercised within a period of five (5) years reckoned from December 1, 2009.

In September 2010, BDO partially exercised its rights under the warrants by subscribing to a total of 9,000,000 of the Parent Company's shares at the price of ₱10 per share.

In October 2010, Globalfund fully exercised its rights under the warrants by subscribing to a total of 4,682,000 of the Parent Company's shares at the price of ₱10 per share.

Mandatory Conversion
The 2009 BDO Loan Agreement provides for the mandatory conversion of the entire amount of the BDO Loan at the conversion price of ₱10 when, during the term of the loan, the volume weighted average price of the Parent Company's shares of stock based on trading at the Philippine Stock Exchange does not fall below ₱13 per day for twenty (20) consecutive trading days.

Under the terms of the BDO Loan Agreement, mandatory conversion may be effectuated through the transfer by Alakor to BDO and Globalfund of such number of its shares in the Parent Company that will have a total par value equal to the Philippine Peso equivalent of the 2009 BDO Loan amounting to ₱117,050 (the "Alakor Payment").

Conversion
On October 12, 2010 ("Conversion Date"), the conditions for mandatory conversion under the 2009 BDO Loan Agreement were satisfied. Following the delivery by the Parent Company of a notice of its intent to enforce the mandatory conversion provision, conversion of the 2009 BDO Loan was effectuated on October 21, 2010 through the Alakor Payment which involved the conveyance by Alakor to BDO and Globalfund of 117,050,000 of its shares in the Parent Company in consideration for the assignment by BDO and Globalfund to Alakor of their rights to the 2009 BDO Loan. The full discharge of the 2009 BDO Loan resulted from the Alakor Payment
(see Note 19a).

Derivative liability and realized loss on derivatives on the date of conversion amounted to ₱880,216 and ₱481,759, respectively. On even date, the Parent Company and Alakor entered into an Indemnity Agreement (the "Indemnity Agreement") whereby the Parent Company obligated itself to pay Alakor the amount of ₱1,170,500 (the "Indemnity Obligation") in consideration of the Alakor Payment. The Indemnity Obligation may be converted at the option of Alakor into shares of stock of the Parent Company based on the conversion price of ₱10 per share. As a result of the Indemnity Agreement, the Parent Company recognized a loan payable to Alakor in the amount of ₱1,170,500 and a derivative liability arising from the conversion option which amounts to ₱511,867.

On December 30, 2010 ("Exercise Date"), Alakor exercised its option to convert the Indemnity Obligation by executing with the Parent Company a Deed of Assignment with Subscription Agreement which embodies the assignment by Alakor to the Parent Company of its rights to the Indemnity Obligation as payment for its subscription to a total of 117,050,000 of the Parent Company's shares. The Parent Company accrued interest on the Indemnity Obligation from Conversion Date to Exercise Date amounting to ₱21,986 (the "Alakor Interest Payable"). As of December 31, 2012, the Alakor Interest Payable remained outstanding and was recorded as part of accounts payable and accrued expenses (see Notes 16 and 23). The exercise by Alakor of the conversion option resulted in the full extinguishment of the Indemnity Obligation. As of December 31, 2010, the total converted amount is presented in the Deposits for Future Stock Subscriptions (see Note 19b). The share issue arising from the conversion was completed in August 2011.

The maturity profile of the long-term debt is presented in Note 29 of the consolidated financial statements.

18. Liability for Mine Rehabilitation Cost

Mine rehabilitation cost consists of rehabilitation costs incurred BNC and CCC that are detailed as follows:

	2012	2011
Balances at beginning of year	**₱96,896**	₱19,129
Change in accounting estimate	**10,718**	(417)
Accretion of interest (see Note 26)	**5,135**	1,167
Additions during the year (see Note 11)	**–**	77,017
Balances at end of year	**₱112,749**	₱96,896

Change in accounting estimate
CCC and BNC revised the assumptions used in 2012 and 2011, taking into consideration the estimated future cash outflows and the discount rate.

CCC
In 2012, CCC changed its estimated future cash flow in accordance with the terms of its Final Mine Rehabilitation and Decommissioning Plan (FMRDP) pursuant to which CCC shall make its first annual cash provision amounting to ₱19.4 million beginning 2014. Discount rates used by CCC are 5.1% and 5.8% for 2012 and 2011, respectively.

BNC
In 2011, BNC changed its estimated cost to rehabilitate the site of its mining operations resulting to a decrease in provision for mine rehabilitation and decommissioning and capitalized mining property amounting to ₱12,860. Discount rate used by BNC is 5.77 % for 2012 and 2011, respectively.

The change in accounting estimate resulted to the net increase and decrease in mine rehabilitation cost amounting to ₱10,718 and ₱417 in 2012 and 2011, respectively.

Mine rehabilitation cost
CCC's carrying value of capitalized mine rehabilitation cost amounted to ₱65,849 and ₱57,045 as of December 31, 2012 and 2011, respectively (see Note 10).

BNC's carrying value of capitalized mine rehabilitation cost amounted to ₱67,580 and ₱71,901 as of December 31, 2012 and 2011, respectively.

19. Capital Stock and Deposits for Future Stock Subscriptions

a. Capital Stock
The table below presents the details of the authorized and issued and outstanding capital stock as of December 31, 2012 and 2011:

	December 31, 2012		December 31, 2011	
	No. of Shares	**Amount**	No. of Shares	Amount
Authorized - ₱8 par value in 2012 and ₱10 par value in 2011 and 2010	**3,000,000,000**	**₱24,000,000**	2,000,000,000	₱20,000,000
Issued and outstanding	**2,074,366,980**	**16,594,936**	1,764,053,032	17,640,530

Increase in authorized capital stock
On October 8, 2010, the SEC approved the increase in the Parent Company's authorized capital stock from ₱12,000,000 to ₱14,200,000.

On September 5, 2011, the SEC approved the increase in the Parent Company's capital stock from ₱14,200,000 to ₱20,000,000.

On July 6, 2012, the SEC approved the increase in the Parent Company's authorized capital stock from ₱20,000,000 to ₱30,000,000. On the same date, the SEC approved the decrease in the par value of the Parent Company's shares of stock from ₱10.00 to ₱8.00 which resulted in the decrease in the Parent Company's authorized capital stock from ₱30,000,000 divided into 3,000,000,000 common shares with a par value of ₱10.00 per share to ₱24,000,000 divided into 3,000,000,000 common shares with a par value of ₱8.00 per share. Such decrease in authorized capital stock is part of the equity restructuring of the Parent Company.

Issuance of shares
Issuances of shares in 2012 and 2011 as follows:

2012

Name of Stockholder	No. of Shares	Capital Stock	APIC	Total
SMIC (see Note 15a)	**273,098,160**	**₱2,730,982**	**₱2,761,702**	**₱5,492,684**
Spinnaker Capital Group (Spinnaker)	**35,000,000**	**350,000**	**–**	**350,000**
Stock issuances arising from Comprehensive Stock Option Plan (CSOP)	**2,215,788**	**18,604**	**3,554**	**22,158**
	310,313,948	**₱3,099,586**	**₱2,765,256**	**₱5,864,842**

SMIC
On May 21, 2012, SMIC formally notified the Parent Company of its intention to fully exercise the Conversion Option with respect to the 2011 and the 2012 BDO Loans together with the accrued interest amounting to ₱21,367 and ₱517, respectively. The total loan obligation under the 2011 BDO Agreement amounting to ₱5,492,684 was converted into equity of the Parent Company through the issuance to SMIC of the Conversion Shares in July 2012 (see Note 15a).

Spinnaker
In March 2012, the Parent Company issued 35,000,000 of its shares to Spinnaker for a total subscription price of ₱350,000 (see Note 15b*i*), following the full exercise by Spinnaker of subscription rights under stock warrants granted by the Parent Company in 2009.

CSOP
In 2012, qualified employees who were previously granted stock option awards exercised their subscription rights with respect to a total of 2,215,788 shares for which a total subscription price of ₱22,158 was paid.

2011

Name of Stockholder	No. of Shares	Capital Stock	APIC	Total
Abacus Securities Corporation (Abacus)	30,300,000	₱303,000	₱–	₱303,000
Alakor (see Note 17k)	117,050,000	1,170,500	511,867	1,682,367
APHC (see Note 15*ii*)	50,450,500	504,505	387,461	891,966
SMIC	316,242,331	3,162,423	3,023,275	6,185,698
Zenith Holdings Corporation	111,196,319	1,111,963	1,063,037	2,175,000
	625,239,150	₱6,252,391	₱4,985,640	₱11,238,031

Abacus
During the period between September 17, 2010 and December 31, 2010, Abacus exercised in tranches its option to subscribe to a total of 50,000,000 of the Parent Company's shares at the price of ₱10 per share by executing several subscription agreements with the Parent Company. Of the 50,000,000 shares subscribed by Abacus, 19,700,000 were issued before December 31, 2010. The payments made by Abacus for the remaining 30,300,000 shares, which were issued in January 2011, were recorded as part of deposits for future stock subscriptions in the consolidated statement of financial position as at December 31, 2010 (see Note 19b).

Alakor
The loan obligations of the Parent Company under the 2009 BDO Loan Agreement were discharged in accordance with the mandatory conversion provision thereof which allowed the Parent Company to settle in full the principal amount of the loan by conveying to BDO and Globalfund a total of 117,050,000 of its shares of stock either through original issuance, or through the transfer by Alakor to BDO and Globalfund of such number of the Parent Company's shares that it owns. BDO and Globalfund elected the latter option in effectuating conversion. As a result, the Parent Company recognized an indemnity obligation in favor of Alakor amounting to ₱117,050 which is equivalent to the aggregate par value of the shares transferred by Alakor to BDO and Globalfund. Such indemnity obligation was converted by Alakor into shares of stock of the Parent Company based on the conversion price of ₱10 per share (see Note 17k).

APHC
The issuance of 50,450,500 shares of stock to APHC (the "Anglo Shares") resulted from the conversion into equity of the Parent Company's loan obligations under its July 9, 2009 US$11.5 million loan agreement with APHC (the "Anglo Loan") (see Note 15b*ii*). The Peso equivalent of the Anglo Loan which amounted to ₱504,505 based on the Philippine Peso-US Dollar exchange rate of US$1.00: ₱43.87 was converted to equity shares of ACMDC at the price of ₱10.00 per share.

SMIC and Zenith
As part of the capital raising activities undertaken by the Parent Company in July 2011 to finance its acquisition of the entire equity interest of CASOP Atlas B.V. and CASOP Atlas Corporation in CCC, the Parent Company entered into subscription agreements respecting (i) the issuance of 316,242,331 of its shares of stock to SM Investments Corporation, and (ii) the issuance of 111,196,319 of its shares of stock to Zenith Holdings Corporation, at the price of ₱19.56 per share.

As of December 31, 2012 and 2011, the common shares of the Parent Company are held by 21,164 and 21,296 equity holders, respectively.

b. Deposits for Future Stock Subscriptions
The table below shows the details of the deposits for future stock subscriptions account in 2011 that consisted of converted loans of TMC in 2007, converted loans of Alakor and APHC and subscriptions of Abacus in 2010:

	Alakor (see Note 17k)	APHC (see Note 15b*ii*)	Abacus (see Note 19a)	TMC (see Note 16)	Total
January 1, 2011	₱1,682,367	₱891,966	₱303,000	₱150,960	₱3,028,293
Issuance of shares (see Note 19)	(1,682,367)	(891,966)	(303,000)	–	(2,877,333)
Reclassification to liability	–	–	–	(150,960)	(150,960)
December 31, 2011	₱–	₱–	₱–	₱–	₱–

The Parent Company recognized deposits for future stock subscriptions at the end of 2010 despite having sufficient authorized and unissued capital stock to cover the share issuances to the entities that exercised their rights under various debt-to-equity conversion options in 2010 since the SEC approved the debt-to-equity conversion in 2011.

c. APIC and Retained Earnings

Equity restructuring
On July 6, 2012, the Parent Company obtained SEC approval of its application for equity restructuring through the application of its additional paid-in capital of ₱12,723,188 to wipe out its deficit as of December 31, 2011 amounting to ₱12,722,320. The approval was subject to the condition that the remaining balance of the reduction surplus of ₱868 will not be used to wipe out any future loses, without prior approval of the SEC.

The additional paid-in capital of ₱12,723,188 that was applied in the equity restructuring comprised the existing additional paid-in capital of ₱5,816,306 as of December 12, 2011, the additional paid-in capital of ₱2,761,702 resulting from SMIC's exercise of the Conversion Option under the 2011 BDO Loan Agreement, and the reduction surplus of ₱4,145,180 resulting from the decrease in the Parent Company's authorized capital stock (see Note 19a).

Restricted retained earnings
The Group's retained earnings include fair value gain on previously held interest in 2011 amounting to ₱13,788,051 (see Note 11a) and equity in net earnings of an associate amounting to ₱1,247,884 in 2011 (see Note 11e), which are not available for dividend declaration.

20. Comprehensive Stock Option Plan

On July 18, 2007, the Parent Company's stockholders and BOD approved and ratified the stock option plan for the Parent Company's "qualified employees" as defined thereunder. 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; 25,000,000 of the underlying shares have already been earmarked for the first-tranche optionees comprising of the Parent Company's directors and officers upon the approval of the Parent Company's stockholders during the annual general meeting 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 which was benchmarked on the average closing price of the Parent Company's shares of stock as traded on the Philippine Stock Exchange during the period between September 6, 2006 (the date of the annual general meeting of the Parent Company's stockholders 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 uses the Black-Scholes model to compute for the fair value of the stock options based on the following assumptions as of 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.*

Share-based compensation expense presented as part of additional paid-in capital amounted to nil in 2012 and 2011 and ₱41,103 in 2010, respectively.

As discussed in Note 19a in 2012, qualified employees who were previously granted stock option awards exercised their subscription rights with respect to a total of 2,215,788 shares for a total subscription price of ₱22,158.

21. Mining and Milling Costs and Mine Products Taxes

Mining and milling costs consists of:

	2012	2011	2010
Materials and supplies (see Note 7)	**₱3,317,658**	₱1,294,094	₱–
Communication, light and water	**2,105,432**	850,947	–
Depreciation, depletion and amortization (see Note 10)	**1,592,860**	376,978	–
Personnel costs	**579,117**	197,811	–
Contracted services	**359,921**	473,319	–
Provision for asset write-downs (see Note 10)	**20,552**	93,818	–
Other costs	**703,032**	108,258	–
	₱8,678,572	₱3,395,225	₱–

Materials and supplies significantly consist of consumable bearing and grinding balls, coolant and lubricants for the concentrators, concentrator supplies like floatation regent to process the extracted ores, spare parts for concentrator machineries, crushers and conveyors, supplies such as diesel and gasoline fuels used by dump tracks and drilling machineries in extracting and transporting the ores and explosives, blasting and accessories for open pit mining.

Other costs consist of freight expenses, custom duties and vehicle insurances for the mine operations.

Mine Products Taxes

	2012	2011	2010
Excise taxes	**₱295,369**	₱96,375	₱–
Royalties (see Note 1c and 33d)	**11,897**	100,046	–
	₱307,266	₱196,421	₱–

22. **General and Administrative Expenses**

	2012	2011	2010
Personnel costs	**₱582,438**	₱226,743	₱110,687
Depreciation and amortization (see Note 10)	**179,242**	98,861	57,131
Taxes and licenses	**167,162**	79,911	33,042
Professional fees	**132,570**	155,888	22,351
Rentals	**75,510**	43,652	13,816
Communication, light and water	**47,735**	19,827	4,673
Transportation and travel	**38,857**	26,553	17,607
Entertainment, amusement and recreation	**21,266**	19,162	4,392
Repairs and maintenance	**11,958**	5,996	2,701
Office supplies	**8,984**	5,470	2,156
Provision for impairment loss on input VAT (see Note 14)	**–**	69,226	–
PSE listing, assessment and other processing fees	**–**	26,583	–
Provision for impairment loss on receivables (see Note 5)	**–**	1,688	770
Others	**211,169**	150,074	43,191
	₱1,476,891	₱929,634	₱312,517

Others consisted significantly of environmental and community development expense, insurance fees, diesel fuel costs, donations, severance pay, costs of general consumption items, medical expenses, drilling expenses, and cost of training and seminars. Severance pay expense incurred in 2012 arose from the implementation of the Parent Company's Voluntary Retirement Program covering certain officers and employees.

Personnel cost recognized in mining and milling and general and administrative expense consisted of the following:

	2012	2011	2010
Salaries and wages	**₱930,684**	₱318,755	₱104,953
Retirement benefits costs (see Notes 11 and 24)	**66,628**	19,404	1,924
Other employee benefits	**164,243**	86,395	3,810
	₱1,161,555	₱424,554	₱110,687

23. **Related Party Disclosures**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group 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.

a. The consolidated statement of financial position include the following amounts resulting from the various transactions with related parties:

	Nature of relationship	**2012**	2011
Receivable from related parties:			
Alakor (see Note 23c)	Stockholder	**₱31,481**	₱33,219
TMC (see Note 23b)	Related party	**2,150**	–
CCC (see Note 23e)	Subsidiary/Associate	**–**	–
		₱33,631	₱33,219
Payable to related parties:			
TMC (see Note 23b)	Related party	**₱321,338**	₱458,453
Alakor (see Notes 16 and 17k)**	Stockholder	**3,016**	–
The Philodrill Corporation (Philodrill) (see Note 23d)	Related party	**–**	73,247
CCC	Subsidiary/Associate	**–**	–
		₱324,354	₱531,700

**There were no sales and purchases to or from related parties as of December 31, 2012 and 2011.*
***A portion of the payable to Alakor amounting to ₱21,986 that was accrued in 2010 as interest payable (see Note 17a) is presented on the consolidated statements of financial position as part of Accounts payable and accrued expenses.*

TMC and Investika are both stockholders of URHI and BNC. Philodrill is an entity having a common stockholder with the Group.

The outstanding balances of receivable from related parties consist mainly of receivables to cover for administrative and operating expenses. These amounts are non-interest bearing and are due and demandable to be paid when sufficient funds are available.

b. Advances from TMC pertain to the Parent Company's share in the operating expenses of BNC that was advanced by TMC for the account of the Parent Company (see Note 16).

c. In November 2008, the Parent Company contributed ₱22,068 for the payment of the purchase price of certain parcels of land that were conveyed by the Social Security System to Alakor. As the Parent Company was unable to participate in the transaction covering the conveyance of the properties, the amount contributed was treated as advances to Alakor which shall be repaid under terms to be subsequently determined and subject to the provisions of existing loan agreements executed by the Parent Company.

d. In December 2010, the Parent Company issued a promissory note to Philodrill Corporation for the principal amount of $1,670 (the "Philodrill Note"). The loan shall accrue interest from January 22, 2010 at the rate of 10% per annum. The Parent Company incurred interest expense amounting to ₱3,102 and ₱7,320 in 2012 and 2011, respectively. In June 2012, the Parent Company discharged fully the loan obligation under the Philodrill Note amounting to ₱73,213.

e. In July 2011, CCC agreed to provide security for the loan obligations of the Parent Company to BDO under the BDO Facility and the 2011 BDO Loan (see Notes 15a and 17j). CCC (i) executed an irrevocable suretyship in favor of BDO whereby it became solidarily liable with the Parent Company for the discharge of all obligations under the BDO Facility, and (ii) created in favor of BDO mortgage liens over its real properties and chattels to secure the performance of the Parent Company's obligations under the 2011 BDO Loan.

f. Receivable from officers and employees as of December 31, 2012 and 2011 amounting to ₱30,539 and ₱19,938, respectively, pertain to the receivable extended by the Group to its officers and employees and unliquidated advances used in the Group's operations. These receivables from officers and employees are due and demandable (see Note 5).

g. *Compensation of Key Management Personnel*

The Group considers all senior officers as key management personnel.

	2012	2011	2010
Short-term benefits	**₱106,644**	₱38,059	₱18,009
Retirement benefits	**7,869**	7,917	2,372
	₱114,513	₱45,976	₱20,381

The significant increase in the short-term benefits of key management personnel in 2012 was due to the additional key management personnel, changes in the compensation structure and additional incentives given to key management personnel during the year.

24. Retirement Benefits Liability

The following tables summarize the components of the retirement benef its liability recognized in the consolidated statements of comprehensive income and the amounts recognized in the consolidated statement of financial position.

The details of retirement benefits cost follows:

	2012	2011	2010
Current service cost	**₱52,053**	₱35,155	₱1,447
Interest cost	**11,218**	8,039	842
Amortizations for past service cost (non-vested)	**29**	29	–
Net actuarial (gain) loss recognized in the year	**4,380**	3,528	(365)
Curtailment gain	**(1,052)**	(20,944)	–
Retirement benefit cost	**₱66,628**	₱25,807	₱1,924

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

	2012	2011
Balances at beginning of year	**₱121,974**	₱14,569
Additions due to acquisition (see Note 11)	**–**	85,640
Retirement benefits costs	**66,628**	25,807
Settlements	**(4,724)**	–
Benefits paid	**(3,363)**	(4,042)
Balances at end of year	**₱180,515**	₱121,974

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

	2012	2011
Beginning of year	**₱175,822**	₱12,743
Additions due to acquisition (see Note 11)	**–**	83,195
Current service cost	**52,053**	35,155
Actuarial loss	**79,928**	72,792
Interest cost	**11,218**	8,039
Benefits paid	**(3,363)**	(4,042)
Effect of curtailment	**(6,925)**	(32,060)
End of year	**₱308,733**	₱175,822

The details of accrued benefit cost are as follows:

	2012	2011
Defined benefits obligation	**₱308,733**	₱175,822
Fair value of plan assets	**–**	–
	308,733	175,822
Unrecognized net actuarial gains	**(128,218)**	(53,848)
Balances at end of year	**₱180,515**	₱121,974

The principal assumptions used in determining retirement benefits obligation as of December 31 for the Group's plans are shown below:

	2012	2011	2010	2009	2008
Discount rate	**6.28%**	7.18%	8.86%	13.62%	10.00%
Future salary increase	**8.33%**	8.33%	10.00%	10.00%	10.00%
Average expected term of obligation	**14**	11	12	11	11

Amounts for the current and previous periods are as follows:

	2012	2011	2010	2009	2008
Present value of the defined benefit retirement obligation	**₱308,733**	₱175,822	₱12,743	₱8,162	₱5,393
Experience adjustments on defined benefit retirement obligation	**79,928**	67,023	1,968	944	(4,205)

25. **Income Taxes**

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

	2012	2011 As restated (see Note 11)	2010
Current	**₱29,644**	₱8,849	₱4,571
Deferred	**(61,723)**	(115,382)	(9,376)
	(₱32,079)	(₱106,533)	(₱4,805)

b. The components of provision for current income tax are as follow:

	2012	2011	2010
RCIT	**₱416**	₱731	₱543
Excess of MCIT over RCIT	**29,228**	8,118	4,028
	₱29,644	₱8,849	₱4,571

c. The Group has the following carryforward benefits of NOLCO and MCIT and deductible temporary differences from ACMDC, AI, AHI, URHI, UNCI and NRHI 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.

	2012	2011
Carryforward benefits of:		
NOLCO	**₱114,034**	₱1,375,022
MCIT	**25,173**	16,294
Allowance for impairment losses on:		
Inventories	**321,792**	333,626
Receivables	**29,095**	40,599
Land	**330**	330
Property, plant and equipment	**–**	202,397
Input VAT	**–**	124,856
Retirement benefits liability	**14,439**	121,974
Unrealized foreign exchange gain	**–**	(3,328)
	₱504,863	₱2,211,770

d. The Group's net deferred tax assets as of December 31, 2012 and 2011 are as follows:

	2012	2011
Deferred tax assets:		
Unrealized foreign exchange loss	**₱428,761**	₱1,219
Provision for impairment losses:		
Allowance for asset write-down	**104,342**	–
Trade receivables	**3,233**	3,277
Allowance for inventory losses	**669**	669
Input VAT	**–**	61,003

(Forward)

	2012	2011
NOLCO	**₱55,810**	₱–
Retirement benefits liability	**49,823**	20,417
Provision for mine and rehabilitation and decommissioning	**33,825**	35
Accrued rent	**16**	16
Accumulated depletion of mining property	**–**	327
	676,479	86,963
Deferred tax liability:		
Unrealized foreign exchange gains	**633,202**	–
Others	**258**	–
	633,460	–
	₱43,019	₱86,963

e. The Group's deferred tax liabilities as of December 31, 2012 and 2011 are as follows:

	2012	2011 As restated (see Note 11)
Mining rights	**₱2,847,575**	₱2,946,428
Revaluation increment on land	**93,668**	93,668
Unrealized foreign exchange gains	**–**	6,814
	₱2,941,243	₱3,046,910

f. As of December 31, 2012, the Group's NOLCO and MCIT that can be claimed as deduction against future taxable income are as follows:

Year Incurred	Available Until	NOLCO	MCIT
2012	2015	₱12,065	₱10,997
2011	2014	124,110	8,118
2010	2013	171,871	6,058
		₱308,046	₱25,173

Movements in NOLCO and MCIT are as follows:

	2012	2011
NOLCO:		
Beginning of year	**₱1,375,022**	₱807,993
Additions	**12,065**	807,748
Application	**(18,482)**	(30,878)
Expirations	**(1,060,559)**	(209,841)
End of year	**₱308,046**	₱1,375,022
MCIT:		
Beginning of year	**₱16,294**	₱7,069
Additions	**10,997**	10,216
Expirations	**(2,118)**	(991)
End of year	**₱25,173**	₱16,294

g. A reconciliation of the provision for (benefit from) income tax computed at the statutory income tax rate with the provision for income tax is presented as follows:

	2012	2011 As restated (see Note 11)	2010
Provision for income tax at statutory income tax rates	**₱1,419,429**	₱4,490,069	(₱256,032)
Additions to (reductions in) income tax resulting from:			
Expired NOLCO	**169**	–	–
Operating (income) loss under income tax holiday	**(999,720)**	(257,630)	44,780
Nondeductible expenses	**(257,726)**	252,574	252,574
Depletion of mining rights	**(98,852)**	(36,836)	–
Movements on unrecognized DTA	**(31,253)**	21,887	44,189
Fair value gain on previously held interest	–	(4,136,415)	–
Equity in net earnings in an associate	–	(374,365)	(90,244)
Realized gain on derivatives	–	(65,428)	–
Interest income subjected to final tax and others	**(64,126)**	(389)	(72)
	(₱32,079)	(₱106,533)	(₱4,805)

Section 27 of the National Internal Revenue Code, as amended, provides that an MCIT of 2% based on of the gross income as of 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 regular corporate income tax computed for the taxable year.

BOI Incentives availed by CCC
CCC is registered with the Board of Investments (BOI) as a non-pioneer enterprise and as a new producer of copper concentrate. It is entitled to avail of the income tax holiday (ITH) incentive, among other incentives, for an initial period of four years from November 2007 to November 2011. The ITH incentive ("ITH Period") was extended to October 31, 2012 by the BOI in June 2011 upon CCC's use of the indigenous materials criterion. In 2012, the ITH Period was extended further to October 31, 2013 based on CCC's eligibility under the net foreign exchange earnings criterion pursuant to Art. 39 (a) (1) (ii) of E.O 226, subject to the condition that CCC shall implement programs in line with its Corporate Social Responsibilities (CSR). The amount spent for CSR-based programs amounted to ₱69.4 million in 2012.

In addition, CCC benefits from the automatic value added tax zero-rating of its purchase of goods and services from domestic suppliers pursuant to Revenue Memorandum Order No. 9-2000 on account of the certification by the BOI that one hundred per cent (100%) of its sales are export sales.

BOI Incentives availed by BNC
On November 5, 2010, the BOI approved the extension of the period of availment by BNC of the ITH incentive enjoyed by BOI-registered enterprises. Such extension allows BNC to claim ITH until May 27, 2012. In addition, BNC benefits from the automatic value added tax zero-rating of its purchase of goods and services from domestic suppliers pursuant to Revenue Memorandum Order No. 9-2000 on account of the certification by the BOI that one hundred per cent (100%) of its sales are export sales.

26. Finance Charges

	2012	2011	2010
Interest expense on loans and long term debt and other long term liabilities	**₱1,201,086**	₱235,936	₱386,579
Accretion of interest on liability for mine rehabilitation (see Note 18)	**5,135**	1,167	1,171
	₱1,206,221	₱237,103	₱387,750

27. 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 services, bulk water supply or acts as holding company.

The Group's operating business segments remain to be neither organized nor managed by geographical segment.

2012

	Mining	**Non-Mining**	**Total**	**Eliminations**	**Consolidated**
Segment revenue					
From external customers	**₱14,450,427**	**₱–**	**₱14,450,427**	**₱–**	**₱14,450,427**
From intersegment sales/services	**–**	**28,534**	**28,534**	**(19,640)**	**8,894**
	₱14,450,427	**₱28,534**	**₱14,478,961**	**(₱19,640)**	**₱14,459,321**
Segment results					
Income before income tax	**₱4,730,525**	**₱973**	**₱4,731,498**	**(₱1,329,508)**	**₱3,401,990**
Provision for (benefit from) income tax	**66,320**	**453**	**66,773**	**(98,852)**	**(32,079)**
Net income	**₱4,664,205**	**₱520**	**₱4,664,725**	**(₱1,230,656)**	**₱3,434,069**
Assets					
Segment assets	**₱31,714,053**	**₱86,601**	**₱31,800,654**	**(₱2,406,123)**	**₱29,394,531**
Investments	**18,382,461**	**113,575**	**18,496,036**	**(18,496,036)**	**–**
Goodwill	**–**	**–**	**–**	**19,026,119**	**19,026,119**
Mining rights	**–**	**–**	**–**	**9,491,916**	**9,491,916**
	₱50,096,514	**₱200,176**	**₱50,296,690**	**₱7,615,876**	**₱57,912,566**
Liabilities					
Segment liabilities	**₱20,849,187**	**₱153,959**	**₱21,003,146**	**₱1,351,155**	**₱22,354,301**
	₱20,849,187	**₱153,959**	**₱21,003,146**	**₱1,351,155**	**₱22,354,301**
Other segment information					
Depreciation, depletion, and amortization	**₱1,786,083**	**₱313**	**₱1,786,396**	**₱329,508**	**₱2,115,904**
Finance charges	**1,206,221**	**–**	**1,206,221**	**–**	**1,206,221**

2011 As restated (see Note 11)

	Mining	Non-Mining	Total	Eliminations	Consolidated
Segment revenue					
From external customers	₱4,775,252	₱–	₱4,775,252	₱–	₱4,775,252
From intersegment sales/services	–	30,010	30,010	(30,010)	–
	₱4,775,252	₱30,010	₱4,805,262	(₱30,010)	₱4,775,252
Segment results					
Income before income tax	₱3,621,470	₱736	₱3,622,206	₱11,344,690	₱14,966,896
Provision for (benefit from) income tax	(70,431)	733	(69,698)	(36,835)	(106,533)
Net income	₱3,691,901	₱3	₱3,691,904	₱11,381,525	₱15,073,429
Assets					
Segment assets	₱40,365,987	₱199,370	₱40,565,357	(₱20,740,300)	₱19,825,057
Investments	18,382,461	113,575	18,496,036	(18,496,036)	–
Goodwill	–	–	–	19,026,119	19,026,119
Mining rights	–	–	–	9,821,424	9,821,424
	₱58,748,448	₱312,945	₱59,061,393	(₱10,388,793)	₱48,672,600
Liabilities					
Segment liabilities	₱20,743,665	₱153,907	₱20,897,572	(₱1,632,125)	₱19,265,447
Unallocated liabilities	202,067	–	202,067	2,946,428	3,148,495
	₱20,945,732	₱153,907	₱21,099,639	₱1,314,303	₱22,413,942
Other segment information					
Depreciation, depletion, and amortization	₱475,629	₱23,377	₱499,006	₱122,785	₱621,791
Finance charges	237,103	–	237,103	–	237,103

The consolidated revenue in the above tables includes the non-mining revenue, which consist of management fees, which are presented as other income in the consolidated statement of comprehensive income since these are not significant.

28. Basic/Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share is computed as follows:

	2012	2011 As restated (see Note 11)	2010
Net income (loss) attributable to equity holders of the Parent Company	**₱3,280,895**	₱15,015,975	(₱758,611)
Divided by weighted average number of common shares outstanding (in thousands)	**1,930,527**	1,403,047	1,064,287
	₱1.6995	₱10.7024	(₱0.7128)

Diluted earnings (loss) per share is computed as follows:

	2012	2011 As restated (see Note 11)	2010
Net income (loss) attributable to equity holders of the Parent Company	**₱3,280,895**	₱15,015,975	(₱758,611)
Divided by weighted average number of common shares outstanding (in thousands)	**2,120,105**	1,611,335	1,064,287
	₱1.5475	₱9.3189	(₱0.7128)

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

	2012	2011	2010
Basic earnings per share	**1,930,527**	1,403,047	1,064,287
Adjustments:			
Convertible loans (see Notes 15a and 17a)	**166,794**	183,288	–
Stock options (see Note 20)	**22,784**	25,000	–
Diluted earnings per share	**2,120,105**	1,611,335	1,064,287

In 2010, as the Group was in a net loss position, the stock option and convertible loans were antidilutive and are ignored in the calculation of diluted loss per share; therefore, the basic and diluted loss per share are the same. There have been no other transactions involving common shares or potential common shares between the reporting date and the date of completion of these consolidated financial statements.

29. Financial Risk Management Objectives and Policies

The Group's main financial instruments are cash and cash equivalents, loans payable, long-term debt 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, credit risk, commodity risk, equity price risk, concentration 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 the risk to earnings or capital arising from changes in foreign exchange rates. The Group has foreign currency risk arising from its cash and cash equivalents, receivables, deposits, accounts payable and accrued liabilities, loans payable and long-term debt. 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 of December 31, 2012 and 2011, foreign currency-denominated assets and liabilities follow:

	2012		2011	
	Foreign Currency	**Peso Equivalent**	Foreign Currency	Peso Equivalent
Cash and cash equivalents*	**US$13,285**	**₱545,338**	US$5,691	₱249,493
JPY 3,288,600	**38,350**	**1,574,253**	–	–
Short - term investments	**115,476**	**4,740,313**	19,721	864,569
Receivables	**34,291**	**1,407,657**	12,227	536,031
Derivative assets	**–**	**–**	15,943	698,941
	US$201,402	**₱8,267,561**	US$53,582	₱2,349,034

**Excluding cash on hand*

The exchange rates used were ₱41.05 to US$1 at December 31, 2012 and ₱43.84 to US$1 at December 31, 2011.

The following table summarizes the impact on income before income tax of reasonably possible changes in the exchange rates of US$ against the Peso as of December 31, 2012 and 2011:

	US$ Appreciates/(Depreciates)	Increase/(Decrease)
2012	**5.00%**	**(₱377,558)**
	(5.00%)	**377,558**
2011	2.60%	111,564
	(6.50%)	(278,911)

There is no other impact on the Group's equity other than those affecting profit or loss.

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

Shown below is CCC's sensitivity to changes in the copper prices arising from its copper derivatives as of December 31, 2012 and 2011:

December 31, 2012:

Change in Copper Prices	**Effect on Income Before Income Tax**
Increase by 24%	**₱192,244,161**
Decrease by 24%	**(192,244,161)**

December 31, 2011:

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

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 financial assets held by the Group, which are classified as AFS financial assets. 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 is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligation. The Group's financial assets which are exposed to credit risk include its cash and cash equivalents, receivables, derivative asset and AFS financial assets with a maximum exposure equal to the carrying amount of these assets.

With respect to cash and cash equivalents and AFS financial assets, 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 statement of financial position.

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

	2012	2011
Cash and cash equivalents*	**₱651,607**	₱349,921
Short-term investments	**4,982,395**	864,585
Receivables	**1,582,993**	563,231
Derivative assets	**–**	698,968
AFS financial assets	**4,896**	4,927
	₱7,221,891	₱2,481,632

Excluding cash on hand

No financial assets were subject to collateral arrangements as of December 31, 2012 and 2011.

Credit quality per class of financial assets
The credit quality by class of asset for the Group's financial assets as of December 31, 2012 and 2011 based on credit rating system follows:

December 31, 2012:

	Neither past due nor impaired			**Past Due But Not Impaired**	**Impaired**	**Total**
	High Grade	**Standard Grade**	**Substandard Grade**			
Loans and receivables:						
Cash and cash equivalents *	**₱651,607**	**₱–**	**₱–**	**₱–**	**₱–**	**₱651,607**
Short-term investments	**4,982,395**	**–**	**–**	**–**	**–**	**4,982,395**
Receivables	**1,582,993**	**–**	**–**	**–**	**39,871**	**1,622,864**
AFS financial asset	**4,896**	**–**	**–**	**–**	**–**	**4,896**
	₱7,221,891	**₱–**	**₱–**	**₱**	**₱39,871**	**₱7,261,762**

Excluding cash on hand

December 31, 2011:

	Neither past due nor impaired			Past Due But Not Impaired	Impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Loans and receivables:						
Cash and cash equivalents *	₱349,921	₱–	₱–	₱–	₱–	₱349,921
Short-term investments	864,585	–	–	–	–	864,585
Receivables	493,248	–	–	69,983	40,599	603,830
Derivative assets	698,968	–	–	–	–	698,968
AFS financial asset	4,927	–	–	–	–	4,927
	₱2,411,649	₱–	₱–	₱69,983	₱40,599	₱2,522,231

Excluding cash on hand

High grade receivables pertain to those receivables from clients or customers that consistently pay before the maturity date. Standard grade receivable includes those that are collected on their due dates even without an effort from the Group to follow them up while receivables which are collected on their due dates provided that the Group made a persistent effort to collect them are included under substandard grade receivables. Past due receivables and advances include those that are either past due but still collectible or determined to be individually impaired.

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

- Cash in banks and AFS financial asset are classified as "High Grade" since cash is placed in high profile banking institutions while the concentration of AFS financial asset are invested in blue chip shares of stock; and

- Receivables are classified as "Standard Grade" since the collection of the balances depends on the availability of funds of existing and active parties, except for items specifically identified below as past due but not impaired.

The aging analysis of the Group's FVPL, loans and receivables and AFS financial asset are as follows:

December 31, 2012:

	Neither past due nor Impaired	Past due but not impaired: Less than 30 days	30 - 60 days	More than 60 Days	Impaired	Total
Loans and receivables:						
Cash and cash equivalents *	**₱547,325**	**₱–**	**₱–**	**₱–**	**₱–**	**₱547,325**
Short-term investments	**4,982,395**	**–**	**–**	**–**	**–**	**4,982,395**
Receivables	**1,530,094**	**2,360**	**5,209**	**5,459**	**39,871**	**1,582,993**
AFS financial asset	**4,896**	**–**	**–**	**–**	**–**	**4,896**
	₱7,064,710	**₱2,360**	**₱5,209**	**₱5,459**	**₱39,871**	**₱7,117,609**

**Excluding cash on hand*

December 31, 2011:

	Neither past due nor Impaired	Past due but not impaired: Less than 30 days	30 - 60 days	More than 60 Days	Impaired	Total
FVPL						
Derivative assets	₱698,968	₱–	₱–	₱–	₱–	₱698,968
Loans and receivables:						
Cash and cash equivalents *	349,921	–	–	–	–	349,921
Short-term investments	864,585	–	–	–	–	864,585
Receivables	493,248	30,869	2,729	36,385	40,599	603,830
AFS financial asset	4,927	–	–	–	–	4,927
	₱2,411,649	₱30,869	₱2,729	₱36,385	₱40,599	₱2,522,231

**Excluding cash on hand*

Concentration Risk
In 2012, majority of the Group's copper production were sold to MRI, however it has no significant concentration of credit risk since it can sell its copper concentrates to other third party customers. The Group continuously monitors its receivables with MRI to assess its credit risk exposure.

Impairment assessment
The main consideration for the loan impairment assessment include whether any payments of principal or interest are overdue by more than one year or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Group determines the allowance appropriate for each individually significant receivable on an individual basis. Items considered when determining allowance amounts include the availability of other financial support and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention. Impaired financial assets as of December 31, 2012 and 2011 relate to overdue accounts.

Liquidity Risk
Liquidity risk is such risk where the Group becomes unable to meet its payment obligations when they 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 summarizes 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 as of December 31, 2012 and 2011 follow:

December 31, 2012:

	On demand	Within 1 year	1 to <3 years	> 3 years	Total
Loans and receivables:					
Cash and cash equivalents	**₱654,788**	**₱–**	**₱–**	**₱–**	**₱654,788**
Short-term investments	**4,982,395**	–	–	–	**4,982,395**
Receivables	**58,820**	**1,524,173**	–	–	**1,582,993**
AFS Financial Assets	**4,896**	–	–	–	**4,896**
	5,700,899	**1,524,173**	–	–	**7,225,072**
Financial liabilities:					
Accounts payable and accrued liabilities **	–	**2,489,229**	–	–	**2,489,229**
Payables to related parties	**324,354**	–	–	–	**324,354**
Long-term debt and other interest-bearing liabilities	–	**9,640,153**	**5,856,671**	–	**15,496,824**
Derivative liabilities	–	**7,590**	–	–	**7,590**
	324,354	**12,136,972**	**5,856,671**	–	**18,317,997**
	₱5,376,545	**(₱10,612,799)**	**(₱5,856,671)**	**₱–**	**(₱11,092,925)**

***Excluding government payables*

December 31, 2011:

	On demand	Within 1 year	1 to <3 years	> 3 years	Total
Loans and receivables:					
Cash and cash equivalents	₱354,458	₱–	₱–	₱–	₱354,458
Short-term investments	864,585	–	–	–	864,585
Receivables	52,678	510,553	–	–	563,231
Derivatives asset at FVPL	–	477,573	221,395	–	698,968
AFS Financial Assets	4,927	–	–	–	4,927
	1,276,648	988,126	221,395	–	2,486,169
Financial liabilities:					
Accounts payable and accrued liabilities **	–	2,926,151	–	–	2,926,151
Payables to related parties	531,700	–	–	–	531,700
Loans payable	–	5,341,800	–	–	5,341,800
Long-term debt and other interest-bearing liabilities	–	4,298,353	5,856,671	–	10,155,024
Derivative liabilities	–	18,929		–	18,929
	531,700	12,585,233	5,856,671	–	18,973,604
	₱744,948	(₱11,597,107)	(₱5,635,276)	₱–	(₱16,487,435)

***Excluding government payables*

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 debt is 100:0 and 92:8 in 2012 and 2011, 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.

Given the repricing position of the assets and liabilities of the Group, if interest rates move up by 10 basis points the Group would expect annualized net interest income to decrease by ₱54.5 million and if interest rates move down by 10 bps, it will increase by ₱55.8 million in 2011.

The Group has no outstanding floating interest rate debt as of December 31, 2012.

30. Financial Instruments

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

Fair Values of Financial Instruments

The following table shows the carrying values and fair values of the Group's financial assets and liabilities:

	Carrying Values		Fair Values	
	2012	2011	**2012**	2011
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱654,788**	₱354,458	**₱654,788**	₱354,458
Short-term investments	**4,982,395**	864,585	**4,982,395**	864,585
Receivables	**1,582,993**	563,231	**1,582,993**	563,231
Derivative asset at FVPL	–	698,968	–	698,968
AFS financial assets	**4,896**	4,927	**4,896**	4,927
	₱7,225,072	₱2,486,169	**₱7,225,072**	₱2,486,169
Financial Liabilities				
Accounts payable and accrued liabilities*	**₱2,489,229**	₱2,926,151	**₱2,489,229**	₱2,926,151
Payable to related parties	**414,121**	531,700	**414,121**	531,700
Loans payable	–	5,341,800	–	5,341,800
Long-term debt and other interest-bearing liabilities	**16,058,665**	10,155,024	**16,025,145**	8,700,011
Derivative liabilities	**7,590**	18,929	**7,590**	18,929
	₱18,969,605	₱18,973,604	**₱18,936,085**	₱17,518,591

**excluding government payables*

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, receivables and mine rehabilitation funds

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

AFS financial assets

The fair values were determined with reference to market quoted bid price as of reporting date.

Loans payable, accounts payable and accrued liabilities and payable to related parties

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

Long-term debt and other interest-bearing liabilities

The fair value of long-term debt is computed using the discounted cash flow method, with credit-adjusted zero coupon rates as discount rate.

Derivative instruments
Fair values are estimated based on acceptable valuation models. All valuation inputs used such as volatility, copper spot and forward prices, discount rates, and foreign currency exchange rates are considered market observable obtained from an internationally recognized financial service provider.

The Group uses the following hierarchy for determining and disclosing the fair value by valuation technique:
- Quoted prices in active markets for identical liability (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those inputs for the liability that are not based on observable market data (unobservable inputs) (Level 3).

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

December 31, 2012

	Level 1	**Level 2**	**Level 3**	**Total**
AFS financial assets	**₱4,896**	**₱–**	**₱–**	**₱4,896**
Derivative liabilities	**–**	**(7,590)**	**–**	**(7,590)**
Total	**₱4,896**	**(₱7,590)**	**₱–**	**(₱2,694)**

December 31, 2011

	Level 1	Level 2	Level 3	Total
AFS financial assets	₱4,927	₱–	₱–	₱4,927
Derivative assets	–	698,968	–	698,968
Derivative liabilities	–	(18,929)	–	(18,929)
Total	₱4,927	₱680,039	₱–	₱684,966

The Group has no financial assets and liabilities measured under Level 3.

31. 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, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during 2012 and 2011.

The Group has no externally imposed requirements as of December 31, 2012 and 2011.

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

	2012	2011 (as restated)
Capital stock	**₱16,594,936**	₱17,640,530
Additional paid-in capital	**3,554**	5,816,306
Retained earnings	**18,434,748**	2,431,361
	₱35,033,238	₱25,888,197

32. Commitments and Contingencies

ACMDC

Contingencies

On November 21, 2006, the Parent Company requested for a Bureau of Internal Revenue (BIR) ruling confirming that the period to collect the excise taxes due upon the Parent 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") that confirmed, among others, that the government's right to collect the Masbate Taxes had already prescribed. Relying upon the authority of the Ruling, the Parent Company wrote-off from its books the amount corresponding to the Masbate Taxes.

On July 13, 2010, the Commissioner of Internal Revenue issued a memorandum order on the revocation of the Ruling. Following such revocation, the BIR issued on August 11, 2010 a Warrant of Destraint or Levy to enforce collection of the Masbate Taxes amounting to ₱197,595. To enjoin the action to collect, the 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 a Motion for the Suspension of Collection of Tax.

On October 14, 2010, the CTA issued an order granting the Parent Company's motion for the suspension of the collection of the Masbate Taxes. On July 5, 2011, the CTA denied the BIR's motion for the reconsideration of the October 14, 2010 Order.

As of December 31, 2012, the trial on the petition was still ongoing. Management and its legal counsel determined that the probability of an unfavorable outcome cannot be assessed at this stage of the proceedings, notwithstanding sufficient legal bases for the Parent Company's position. Management determined that there was no basis to provide for any contingent liability pertaining to the payment of the Masbate Excise Tax as of December 31, 2012.

CCC

Power Agreements

- On June 5, 2012, CCC signed a twelve year Electric Power Purchase Agreement (the "EPPA") with Toledo Power Company (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 CCC's mining operations upon its commissioning which is expected by the end of December 2014.

On even date, CCC and TPC executed an Energy Conversion Agreement whereby CCC shall supply to TPC the fuel needed to generate the electric power that it will require for its operations until the commissioning of the Plant.

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

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

Waste Mining Service Agreement
In May 2012, CCC entered into a waste mining service agreement, as amended, with Galeo Equipment and Mining Company, Inc. ("Galeo") for waste works at CCC's Carmen and Lutopan Open Pit Mines at specified pricing formulas. The agreement has a term of years reckoned from the earlier of June 1, 2012 or the date when Galeo commences the performance of waste stripping services.

Fuel Supply Agreement
In August 2011, CCC entered into a fuel supply agreement, as amended, with Pilipinas Shell Petroleum Corporation for the purchase of petroleum products, lubricants and greases at established pricing formulas. The agreement will expire in October 2015. Total expenses related to the fuel supply agreement amounted to ₱1,908,927 million in 2012. Accrued expenses amounted to ₱26,086 million as of December 31, 2012.

Legal Contingencies
CCC is a party to minor labor cases arising from its operations. CCC's management and legal counsel believe that the eventual resolution of these cases will not have a material effect on CCC's financial statements. Accordingly, no provision for probable losses was recognized by CCC in 2012, 2011 and 2010.

Collective Bargaining Agreement
CCC has an existing collective bargaining agreement (CBA) with its rank-and-file union that was executed in October 2012. The economic provisions of the CBA are subject to re-negotiation on the third anniversary of the CBA's execution. The CBA shall be valid, as to the representation aspect, for a period of five years.

Social Development and Management Program (SDMP)
CCC has a five-year SDMP in compliance with Department of Environment and Natural Resources (DENR) Administrative Order 96-40, as amended. CCC has been implementing its SDMP as approved by the Mines and Geosciences Bureau.

Consignment Agreement
In 2012, CCC entered into a consignment agreement with Synchrotek Corporation for the supply of filters and lubricants and 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, 2012

Sales Agreement of Iron Concentrate
On March 16, 2012, CCC has entered into a sales agreement with MAC Stone Limited to sell 10,000 WMT (+/- 10% in quantity) of iron concentrate at FOB basis. The price is fixed at US$26 per WMT. On December 6, 2012, CCC has entered into a sales agreement with Goldwin Holdings Limited to sell 18,000 WMT (+/- 10% in quantity) of iron concentrate at FOB basis. The price is fixed at US$25 per WMT.

BNC
Management Agreement
On January 19, 2005, BNC entered into a management agreement with TMI wherein TMI will manage the operations of BNC with respect to the Mineral Properties and to any and all of the MPSA which shall be executed by BNC and the Government of the Republic of the Philippines. In consideration for such services, BNC will pay a monthly management fee of ₱200.

On July 1, 2008, BNC amended the management agreement wherein TMI shall be entitled to charge an additional monthly fee equivalent to up to five percent (5%) of the operating costs and expenses incurred at the end of each calendar month. Provided, further, that TMI may charge an additional fee for other special services outside the scope of the agreement at a rate to be agreed upon in advance by the parties. The rate will depend on the specialized nature of such services that BNC may require from TMI from time to time.

Environmental Compliance Certificate (ECC)
On June 14, 2006, the DENR, through the Environmental Management Bureau, granted BNC, the ECC for the Berong Project.

BNC, in compliance with the terms of the ECC, has set up an Environmental Trust Fund (ETF) on April 27, 2007, in the amount of ₱200 at the Landbank of the Philippines (LBP) Makati Branch. The ETF is a readily replenishable fund for compensation or indemnification of damages to life and property that may be caused by the project. The fund is included under "Other noncurrent assets" account in the consolidated statement of financial position. As at December 31, 2012 and 2011, BNC has ETF amounting to ₱207 and ₱206, respectively.

Service Agreement with China Nickel Corporation (CNC)
On April 13, 2007, BNC entered into a service agreement with CNC, wherein CNC will provide marketing support services to BNC which includes identification of material and equipment sourcing opportunities, monitoring of nickel industry developments, advice on appropriate methods of marketing ore and procuring sales contracts, and identification of investment opportunities. All such services will be provided outside the Philippines.

MRF
Pursuant to Section 181 of the Implementing Rules and Regulations of the Republic Act (R.A.) No. 7492, better known as the "Philippine Mining Act of 1995", BNC has opened a Rehabilitation Cash Fund (RCF) on November 22, 2007, amounting to ₱5,000 at the LBP Makati Branch. Such trust fund is set to ensure compliance with the approved rehabilitation activities and schedules of the project. In addition to RCF, BNC has also set up a Monitoring Trust Fund (MTF) amounting to ₱100,000 at the LBP Makati Branch on April 27, 2007. Such fund shall be used to cover the maintenance and other operating budget of the MTF Committee and is subject to periodic replenishments. The fund is included under "Other noncurrent assets" account in the consolidated statement of financial position. As at December 31, 2012 and 2011, BNC has RCF amounting to ₱5,147 and ₱5,128, respectively and MTF amounting to ₱150.

Memorandum of Agreement (MOA) with Tagbanua Indigenous Peoples (IP)/Indigenous Cultural Community (ICC)
In 2005, BNC, Tagbanua IPs/ICCs and National Commission on Indigenous Peoples entered into a MOA. The MOA relate exclusively to the areas applied for and disclosed to the Tagbanua IPs/ICCs of Berong Aramaywan, Quezon, Province of Palawan and shall cover and apply exclusively to all the activities, processes, operations and other related issues under the MPSA application of BNC. Under the MOA, the Tagbanua IPs/ICCs has the right to receive from BNC a royalty payment equivalent to 1% of the gross revenues based on the provisions of the Mining Act subject to devaluation of the Philippine peso. The said royalty is paid to BATA, a formal organization created by the IPs upon signing of the MOA, who is responsible in determining the share of every individual member in accordance with their customary laws and practices.

Total royalty payments to BATA for the years ended December 31, 2012 and 2011 amounted to ₱8.6 million and ₱1.1 million, respectively. In 2012 and 2011, BNC has recognized royalty expense amounting to ₱11,897 and ₱5,776, respectively.

Service Agreement with Ivy Michelle Trading & Construction (IMTC)
On May 10, 2011, a Service Agreement was entered into by BNC and IMTC, where the latter shall lease its equipments (e.g., dumptrucks, bulldozers compactor, excavator, wheel loader, water truck, etc.) for a fee. IMTC shall also undertake the loading and hauling activities in accordance with the production, shipping plans and procedures scheduled and prescribed by BNC. Further, IMTC shall also load and haul the waste or low grade nickel ore materials from the open pits to the designated stockpiles. The Service Agreement is valid for six months and renewable for another term, under the same conditions, or as may be agreed upon by both parties.

Sales Agreement with Shaanxi
In 2011, BNC entered into various sales agreement with Shaanxi to sell and deliver nickel laterite ores. Selling price of nickel laterite ores depends on its ore grading. High grade (1.8% to 1.9% nickel content) and low grade (1.45% to 1.5% nickel content) ores are priced at US$65 and US$23, respectively, per wet metric ton (WMT). These sales agreements are subject to price adjustments depending on the final nickel and moisture content agreed by both parties. In 2011, BNC exported to Shaanxi a total of 262,281 WMT of nickel laterite ores.

Sales Contract with Guangxi Yinyi Science and Technic Mine Metallurgy Co., Ltd. (Guangxi)
On November 12, 2011, BNC has entered into a general purchase and supply contract with Guangxi to sell and deliver 50,000 WMT (+ 10% in quantity) of 1.79% to 1.82% nickel laterite ores valid only for one shipment for US$46 per WMT. The contract is subject to price adjustments depending also on the final nickel and moisture content agreed by both parties. In 2011, BNC exported to Guangxi a total of 54,979 WMT of nickel laterite ores.

Others
Purchase Commitments
There were no unusual purchase commitments or losses on commitments entered into by the Group.

33. **Other Matters**

a. Executive Order (EO) 79
On July 12, 2012, EO79 was released to provide the general framework for the implementation of mining reforms in the Philippines. The Parent Company has assessed that EO 79 has no major impact on its current operations since the Group's current mining activities are covered by valid and existing Mineral Production and Sharing Agreements (MPSA). Pursuant to Section 1 of EO 79, a mining contract, such as an MPSA, that was approved before the effectivity of the EO shall continue to be valid, binding and enforceable so long as the contractor thereunder strictly complies with existing laws, rules and regulations and the terms and conditions under the mining contract.

b. Deed of assignment and exchange of assets for shares of stock
In 2006, CCC entered into an Operating Agreement with the Parent Company for the conveyance to CCC of rights over the Toledo minesite, certain fixed assets and surface rights for a royalty fee mutually agreed by the parties. The agreement may be terminated by CCC upon 30 days prior written notice.

c. Changes in ownership interest in CCC
On May 5, 2006, CCC entered into an agreement with CASOP Atlas II, Ltd (CASOP Atlas) amounting to US$5 million. The loan is convertible into voting preferred shares at any time prior to maturity date or to the date of early repayment into not less than 5.17% up to not more than 5.7% of the total issued and outstanding shares of CCC. On October 11, 2006, CCC and CASOP Atlas entered into an Amendment to the CLSA to increase the amount of the convertible loan to US$18 million.

In an Assignment Agreement dated March 16, 2007, CASOP Atlas assigned the amended CLSA to CASOP Atlas BV (CASOP BV). On the same date, CASOP BV assigned 2% of the amended CLSA loan to CASOP Atlas Corporation (CAC).

In 2007, CASOP BV and CAC (collectively known as CASOP) exercised its right to convert its loan to 294.14 million and 4.70 million of voting preferred shares, respectively. As a result, CCC became 65.53%, 34.09% and 0.38% owned by ACMDC, CASOP BV and CAC, respectively. As of December 31, 2007, all the issued and outstanding voting preferred shares were owned by CASOP. In September 2007, CCC amended its bylaws to present the approval and participation of ACMDC and CASOP on the operations of CCC.

In October 2008, ACMDC agreed with CASOP to a schedule of cash advances for infusion to CCC amounting to US$48 million. The advances may be converted into common equity of CCC. Of the amount US$48 million contributed by CASOP, US$24.95 million is convertible at the option of CASOP into 308,170,751 of CCC's common shares. In 2009, CASOP exercised its right to convert its advances to CCC's common shares.

As a result, CCC became 54.46%, 37.80% and 7.73% owned by ACMDC, CASOP BV and CASOP Atlas, respectively. As of December 31, 2009, all the issued and outstanding preferred shares are owned by CASOP.

d. Operating Agreement (the "Agreement") with CCC
On May 5, 2006, the Parent Company entered into the Agreement with CCC 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 sale by CCC of copper concentrates.

e. BDO Loan Facility
On January 20, 2011, the Parent Company entered into a convertible loan facility and security agreement with BDO covering the principal amount of US$10 million. The proceeds of the facility were not drawn prior to the expiration of the period of availment in 2011.

f. Declaration of Cash Dividends
The Parent Company, upon the approval granted by its BOD on March 8, 2013, has declared cash dividends in the amount of ₱0.25 per share of its capital stock. The dividends will be paid on April 19, 2013 to all stockholders of record as of March 22, 2013.

34. Note to Consolidated Statements of Cash Flows

The noncash activities of the Group pertain to the borrowing cost capitalized as part of property plant and equipment amounting to ₱17,929 and ₱79,105 in 2012 and 2011, respectively.

Atlas Consolidated Mining and Development Corporation
Schedule of All Effective Standards and Interpretations
December 31, 2012

List of Philippine Financial Reporting Standards (PFRS), which consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) interpretations, effective as of December 31, 2012:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		**Adopted / Not adopted / Not applicable**
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		
PFRSs Practice Statement Management Commentary		
Philippine Financial Reporting Standards		
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	Not Applicable
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	Not Applicable
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	Not Applicable
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	Not Applicable
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	Not Applicable
	Amendments to PFRS 1: Government Loans	Not Applicable
PFRS 2	Share-based Payment	Adopted
	Amendments to PFRS 2: Vesting Conditions and Cancellations	Adopted
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	Not Applicable
PFRS 3 (Revised)	Business Combinations	Adopted
PFRS 4	Insurance Contracts	Not Applicable
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Not Applicable
PFRS 6	Exploration for and Evaluation of Mineral Resources	Adopted
PFRS 7	Financial Instruments: Disclosures	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	Adopted
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	Adopted
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	Adopted
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	Adopted
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Adopted
PFRS 8	Operating Segments	Adopted

Atlas Consolidated Mining and Development Corporation
Schedule of All Effective Standards and Interpretations
December 31, 2012

List of Philippine Financial Reporting Standards (PFRS), which consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) interpretations, effective as of December 31, 2012:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		**Adopted / Not adopted / Not applicable**
PFRS 9*	Financial Instruments	Not Applicable
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not Applicable
PFRS 10*	Consolidated Financial Statements	Adopted
PFRS 11*	Joint Arrangements	Adopted
PFRS 12*	Disclosure of Interests in Other Entities	Adopted
PFRS 13*	Fair Value Measurement	Not Applicable
Philippine Accounting Standards		
PAS 1 (Revised)	Presentation of Financial Statements	Adopted
	Amendment to PAS 1: Capital Disclosures	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Adopted
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	Adopted
PAS 2	Inventories	Adopted
PAS 7	Statement of Cash Flows	Adopted
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Adopted
PAS 10	Events after the **Reporting Period**	Adopted
PAS 11	Construction Contracts	Not Applicable
PAS 12	Income Taxes	Adopted
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	Not Applicable
PAS 16	Property, Plant and Equipment	Adopted
PAS 17	Leases	Adopted
PAS 18	Revenue	Adopted
PAS 19	Employee Benefits	Adopted
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	Adopted
PAS 19 (Amended)*	Employee Benefits	Adopted
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Not Applicable
PAS 21	The Effects of Changes in Foreign Exchange Rates	Adopted
	Amendment: Net Investment in a Foreign Operation	Not Applicable
PAS 23 (Revised)	Borrowing Costs	Adopted
PAS 24 (Revised)	Related Party Disclosures	Adopted
PAS 26	Accounting and Reporting by Retirement Benefit Plans	Not Applicable

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December 31, 2012

List of Philippine Financial Reporting Standards (PFRS), which consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) interpretations, effective as of December 31, 2012:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted / Not adopted / Not applicable
PAS 27	**Consolidated and Separate Financial Statements**	Adopted
PAS 27 (Amended)*	Separate Financial Statements	Not Applicable
PAS 28	**Investments in Associates**	Adopted
PAS 28 (Amended)*	Investments in Associates and Joint Ventures	Not Applicable
PAS 29	Financial Reporting in Hyperinflationary Economies	Not Applicable
PAS 31	Interests in Joint Ventures	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Adopted
	Amendment to PAS 32: Classification of Rights Issues	Adopted
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Adopted
PAS 33	Earnings per Share	Adopted
PAS 34	Interim Financial Reporting	Adopted
PAS 36	Impairment of Assets	Adopted
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	Adopted
PAS 38	Intangible Assets	Adopted
PAS 39	Financial Instruments: Recognition and Measurement	Adopted
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	Adopted
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	Adopted
	Amendments to PAS 39: The Fair Value Option	Adopted
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	Adopted
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	Adopted
	Amendment to PAS 39: Eligible Hedged Items	Adopted
PAS 40	Investment Property	Not Applicable
PAS 41	Agriculture	Not Applicable
Philippine Interpretations		
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	Adopted
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments	Not Applicable
IFRIC 4	Determining Whether an Arrangement Contains a Lease	Adopted
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	Adopted
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	Not Applicable

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Schedule of All Effective Standards and Interpretations
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List of Philippine Financial Reporting Standards (PFRS), which consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) interpretations, effective as of December 31, 2012:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted / Not adopted / Not applicable
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies	Not Applicable
IFRIC 8	*Scope of PFRS 2*	Adopted
IFRIC 9	Reassessment of Embedded Derivatives	Adopted
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	Adopted
IFRIC 10	*Interim Financial Reporting and Impairment*	Adopted
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	Not Applicable
IFRIC 12	Service Concession Arrangements	Not Applicable
IFRIC 13	Customer Loyalty Programmes	Not Applicable
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Not Applicable
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	Not Applicable
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	Not Applicable
IFRIC 17	Distributions of Non-cash Assets to Owners	Not Applicable
IFRIC 18	Transfers of Assets from Customers	Not Applicable
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Adopted
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Adopted
SIC-7	Introduction of the Euro	Not Applicable
SIC-10	Government Assistance - No Specific Relation to Operating Activities	Not Applicable
SIC-12	Consolidation - Special Purpose Entities	Not Applicable
	Amendment to SIC - 12: Scope of SIC 12	Not Applicable
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	Not Applicable
SIC-15	Operating Leases - Incentives	Not Applicable
SIC-21	Income Taxes – Recovery of Revalued Non-Depreciable Assets	Not Applicable
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	Not Applicable
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	Not Applicable
SIC-29	Service Concession Arrangements: Disclosures.	Not Applicable
SIC-31	Revenue - Barter Transactions Involving Advertising Services	Not Applicable
SIC-32	Intangible Assets - Web Site Costs	Not Applicable

Atlas Consolidated Mining and Development Corporation
December 31, 2012
(Pesos in Thousands)

Schedule A. Financial Assets

Name of the issuing entity and association of each issue	Amount shown in balance sheet	Valued based on market quotation at end of reporting period
Loans and receivables:		
Cash and cash equivalents	654,788	654,788
Short-term investments	4,982,395	4,982,395
Receivables	1,582,993	1,582,993
Derivative asset at FVPL	-	-
AFS financial asset	4,896	4,896
TOTAL	**7,225,072**	**7,225,072**

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(Pesos in Thousands)

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

Name and Designation	Beginning Balance	Additions	Deductions: Amount Collected	Deductions: Amount Written-Off	Current	Non-Current	Ending Balance
Josue P. Bordon - AVP - Admin	109	–	-	109	–	-	-
TOTAL	**109**	**–**	**-**	**109**	**–**	**-**	**-**

* See accompanying Notes to Consolidated Financial Statements

Atlas Consolidated Mining and Development Corporation
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(Pesos in Thousands)

Schedule C. Amounts Receivable from related parties which are eliminated during the consolidation of financial statements

Name and designation of debtor	Balance of beginning of period	Additions	Amounts Collected	Amounts written off	Current	Not current	Balance at end of period
Atlas Exploration, Inc.	100,480,763	4,897,344			105,378,107		105,378,107
AquAtlas, Inc.	30,979,912	356,477			31,336,389		31,336,389
Carmen Copper Corporation	880,883,152		(860,953,119)		19,930,033		19,930,033
Berong Nickel Corporation	109,500,199		(7,077,159)		102,423,040		102,423,040
TMM Management, Inc.	-				-		-
Ulugan Nickel Corporation	597,251	18,492,500			19,089,751		19,089,751
Nickeline Resources Holdings, Inc.	1,542,434	91,961			1,634,395		1,634,395
Ulugan Resources Holding, Inc.	3,656,322	104,643			3,760,965		3,760,965
TOTAL	**1,127,640,033**	**23,942,925**	**(868,030,278)**	**-**	**283,552,680**	**-**	**283,552,680**

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December 31, 2012
(Pesos in Thousands)

Schedule D. Intangible Assets - Other Assets

Description	Beginning Balance	Additions at cost	Charged to expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance
Goodwill	25,987,065	-	-	(6,960,946)	-	19,026,119
Mining Rights	-	9,944,209	(460,554)	-	8,261	9,491,916
Total	25,987,065	9,944,209	(460,554)	(6,960,946)	8,261	28,518,035

Atlas Consolidated Mining and Development Corporation
December 31, 2012
(Pesos in Thousands)

Schedule E. Long Term Debt

Title of Issue and type of obligation	Amount shown under long term debt in related balance sheet
Bonds Payable	11,993,727
USD75 million BDO loan	2,701,760
BDO Leasing	916,765
MBTC and ORIX	7,935
FLSmidth Krebs Pacific	35,303
Atlas Copco Customer Finance AB	33,725
Total	**15,689,215**
Current portion	(1,215,793)
Non-current portion	**14,473,422**

Atlas Consolidated Mining and Development Corporation
December 31, 2012
(Pesos in Thousands)

Schedule F. Schedule of Indebtedness to Related Parties

Name of related party	Balance of beginning of period	Balance at end of period
Toledo Mining Corporation	458,453	321,338
Alakor Corporation	-	3,016
The Philodrill Corporation**	73,247	-
TOTAL	**531,700**	**324,354**

**There were no sales and purchases to or from related parties as of December 31, 2012 and 2011.*

***A portion of the payable to Alakor amounting to PhP21,986 that was accrued in 2010 as interest payable is presented on the consolidated statements of financial position as part of Accounts payable and accrued expenses.*

Atlas Consolidated Mining and Development Corporation
December 31, 2012

Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Name of guarantee

- Not applicable -

Atlas Consolidated Mining and Development Corporation
December 31, 2012
(Pesos and Shares in Thousands)

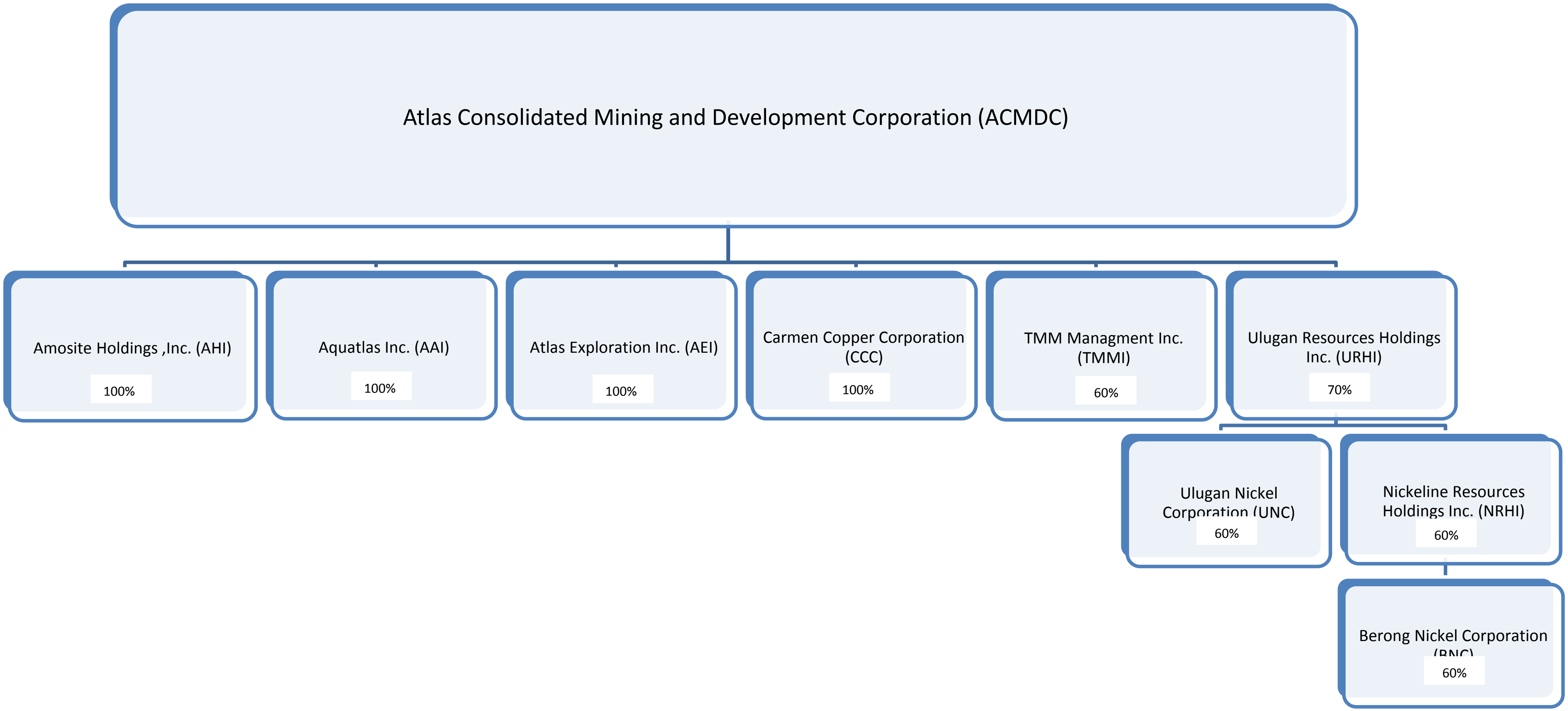
Schedule H. Capital Stock

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
Common shares	**24,000,000**	**2,074,367**	50,000	202,556	593,388	#######

* See accompanying Notes to Consolidated Financial Statements

Atlas Consolidated Mining and Development Corporation
December 31, 2012

Schedule I. Conglomerate Map of the Parent Company and its Subsidiaries



Atlas Consolidated Mining and Development Corporation
December 31, 2012
(Pesos in Thousands)

Schedule J. Reconciliation of Retained Earnings Available for Dividend Declaration

Retained Earnings (Deficit), beginning	(12,722,320)
Effect of Equity Restructuring	12,723,188
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	868
Add: Net Income actually earned/realized during the period	
Net Income during the period closed to Retained Earnings	1,151,418
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) Unrealized actuarial gain	185,254
Fair value adjustment (M2M 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 the PFRS	-
	185,254
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP-loss	-
Loss on fair value adjustment on investment property (after tax)	-
	-
Net Income actually earned during the period	**967,032**
Add/(Less):	
Dividend declarations during the period	-
Appropriations of Retained Earnings during the period	-
Reversals of appropriations	-
Effects of prior period adjustments	-
Treasury shares	-
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND	**967,032**

Atlas Consolidated Mining and Development Corporation
(in thousands)

Schedule K. Horizontal Analysis and Vertical Analyses of Accounts in the Statements of Financial Position

				Horizontal Analysis				Vertical Analysis			
				2012 vs 2011		2011 vs 2010		**2012**	2011	2010	
	12/31/2012	12/31/2011	12/31/2010	**Increase/ (Decrease)**	**% of change**	Increase/ (Decrease)	% of change	**% of assets**	% of assets	% of assets	Remarks
ASSETS											
Current Assets											
Cash and cash equivalents	**654,788**	354,458	230,963	**300,330**	**85%**	123,495	53%	**1%**	1%	5%	The increase is attributable to the rise in revenues and collected receivables.
Short-term investments	**4,982,395**	864,585		**4,117,810**	**476%**	864,585	0%	**9%**	2%	0%	The increase pertains to CCC's investment in short-term money market placements from the proceeds of its bond issue.
Receivable - net	**1,582,993**	563,231	1,062,219	**1,019,762**	**181%**	(498,988)	-47%	**3%**	1%	22%	Rise in the account is mainly a consequence of unpaid copper concentrates deliveries.
Derivative assets	**-**	477,573		**(477,573)**	**-100%**	477,573	0%	**0%**	1%	0%	The decrease is attributable to a) the freestanding commodity put options as of December 31, 2011 which matured in 2012, and b) the reversal of the derivative asset arising from the early settlement of the US$140 million loan facility obtained by CCC from BDO Unibank, Inc.
Inventories - net	**1,032,056**	1,111,241	105,675	**(79,185)**	**-7%**	1,005,566	952%	**2%**	2%	2%	Increase in current year's number of shipments resulted to decrease in stockpiled mine products at year end.
Other current assets	**1,169,119**	497,691	18,012	**671,428**	**135%**	479,679	2663%	**2%**	1%	0%	The increase is due to advance payments made to suppliers.
Total Current Assets	**9,421,351**	3,868,779	1,416,869	**5,552,572**	**144%**	2,451,910	173%	**16%**	8%	29%	

Atlas Consolidated Mining and Development Corporation
(in thousands)

Schedule K. Horizontal Analysis and Vertical Analyses of Accounts in the Statements of Financial Position

				Horizontal Analysis				Vertical Analysis			
				2012 vs 2011		2011 vs 2010		**2012**	2011	2010	
	12/31/2012	12/31/2011	12/31/2010	**Increase/ (Decrease)**	**% of change**	Increase/ (Decrease)	% of change	**% of assets**	% of assets	% of assets	Remarks
Noncurrent Assets											
Goodwill	**19,026,119**	19,026,119	15,011	**-**	**0%**	19,011,108	126648%	**33%**	39%	0%	This is a result of the final allocation of purchase price on the basis of fair values of CCC's assets and liabilities at the acquisition date.
Property, plant and equipment - net	**18,250,821**	14,164,839	1,005,708	**4,085,982**	**29%**	13,159,131	1308%	**32%**	29%	21%	This is due to increased acquisition by CCC of new machineries and other movable equipment and the leasehold improvements undertaken by Atlas. The increase is also attributable to the capitalization of the cost of rehabilitation and improvement of mine facilities.
Mining Rights	**9,491,916**	9,821,424		**(329,508)**	**-3%**	9,821,424	0%	**16%**	20%	0%	The decrease was due to the amortization of minings rights.
Deferred tax assets	**43,019**	86,963	1,676	**(43,944)**	**-51%**	85,287	0%	**0%**	0%	0%	The decrease was due to the offsetting of deferred tax assets against deferred tax liabilities
Available-for-sale (AFS) financial assets	**4,896**	4,927	4,927	**(31)**	**-1%**	-	0%	**0%**	0%	0%	
Derivative assets	**-**	221,395		**(221,395)**	**-100%**	221,395	0%	**0%**	0%	0%	Same as Derivative assets - current
Investment in an associate			2,259,620							47%	
Other noncurrent assets	**1,674,444**	1,478,154	129,993	**196,290**	**13%**	1,348,161	1037%	**3%**	3%	3%	The is due to input tax credits from the increase in various purchases.
Total Noncurrent Assets	**48,491,215**	44,803,821	3,416,935	**3,687,394**	**8%**	41,386,886	1211%	**84%**	92%	71%	
TOTAL ASSETS	**57,912,566**	48,672,600	4,833,804	**9,239,966**	**19%**	43,838,796	907%	**100%**	100%	100%	

Atlas Consolidated Mining and Development Corporation
(in thousands)

Schedule K. Horizontal Analysis and Vertical Analyses of Accounts in the Statements of Financial Position

				Horizontal Analysis				Vertical Analysis			
				2012 vs 2011		2011 vs 2010		**2012**	2011	2010	
	12/31/2012	12/31/2011	12/31/2010	**Increase/ (Decrease)**	**% of change**	Increase/ (Decrease)	% of change	**% of assets**	**% of assets**	**% of assets**	Remarks
LIABILITIES AND STOCKHOLDERS' EQUITY											
Current Liabilities											
Loans payable	**-**	5,341,800	-	**(5,341,800)**	**-100%**	5,341,800	0%	**0%**	11%	0%	The decrease represents the effect of the conversion of the loan obligation to SM Investments Corporation into Atlas equity.
Accounts payable and accrued liabilities	**2,714,537**	3,100,386	1,168,020	**(385,849)**	**-12%**	1,932,366	165%	**5%**	6%	29%	The decrease is due to settlement of trade and non-trade payables.
Current portion of long-term debt and other interest-bearing liabilities	**1,585,243**	4,298,353		**(2,713,110)**	**-63%**	4,298,353	0%	**3%**	9%	0%	Apart from the reclassification of the current portion of the long-term debt and the restatement of foreign currency denominated loans, the bulk of the decrease was brought about by the prepayment by CCC of its US$140 million loan obligation to BDO Unibank, Inc. using the proceeds of the bond issue.
Payable to related parties	**324,354**	531,700	561,567	**(207,346)**	**-39%**	(29,867)	-5%	**1%**	1%	14%	The decrease is due to settlement of payables.
Income tax payable	**14,648**	323	1,286	**14,325**	**4435%**	(963)	-75%	**0%**	0%	0%	Increase in taxable income resulted to the change in payable during the year.
Derivative liabilities	**7,590**	18,929		**(11,339)**	**-60%**	18,929	0%	**0%**	0%	0%	CCC has no outstanding provisional pricing agreements for its copper sales with MRI Trading AG as of year-end.
Total Current Liabilities	**4,646,372**	13,291,491	1,730,873	**(8,645,119)**	**-65%**	11,560,618	668%	**8%**	27%	43%	
Noncurrent Liabilities											
Long-term debt and other interest-bearing liabilities – net of current portion	**14,473,422**	5,856,671		**8,616,751**	**147%**	5,856,671	0%	**25%**	12%	0%	Dollar-denominated fixed-rate notes representing US$300 million senior unsecured debt with a tenor of five (5) years and five (5) days.
Retirement benefits liability	**180,515**	121,974	14,569	**58,541**	**48%**	107,405	737%	**0%**	0%	0%	The increment is attributed to the additional accrual of pension costs.
Liability for mine rehabilitation cost	**112,749**	96,896	19,129	**15,853**	**16%**	77,767	407%	**0%**	0%	0%	The increase is due to the recognition of CCC's mine closure provision for the year.
Deferred tax liabilities	**2,941,243**	3,046,910	93,742	**(105,667)**	**-3%**	2,953,168	3150%	**5%**	6%	2%	Same as deferred tax assets
Total Noncurrent Liabilities	**17,707,929**	9,122,451	127,440	**8,585,478**	**94%**	8,995,011	7058%	**31%**	19%	3%	
Total Liabilities	**22,354,301**	22,413,942	1,858,313	**(59,641)**	**0%**	20,555,629	1106%	**39%**	46%	46%	

Atlas Consolidated Mining and Development Corporation
(in thousands)

Schedule K. Horizontal Analysis and Vertical Analyses of Accounts in the Statements of Financial Position

				Horizontal Analysis				Vertical Analysis			
				2012 vs 2011		2011 vs 2010		**2012**	2011	2010	
	12/31/2012	12/31/2011	12/31/2010	**Increase/ (Decrease)**	**% of change**	Increase/ (Decrease)	% of change	**% of assets**	% of assets	% of assets	Remarks
Equity											
Capital stock	**16,594,936**	17,640,530	11,388,139	**(1,045,594)**	**-6%**	6,252,391	55%	**29%**	36%	280%	This is the net effect of reduction in par value and the issuance of Atlas's shares of stock to SMIC, Spinnaker and partial exercise of subscription rights under CSOP.
Additional paid in capital	**3,554**	5,816,306	830,666	**(5,812,752)**	**-100%**	4,985,640	600%	**0%**	12%	20%	The decrease represents the effect of equity restructuring exercise during the year.
Revaluation increment in land	**218,559**	218,559	218,559	**-**	**0%**	-	0%	**0%**	0%	5%	
Unrealized gain on AFS financial assets	**2,160**	1,464	1,464	**696**	**48%**	-	0%	**0%**	0%	0%	This is the fair value adjustment of AFS investments as of year end.
Deposit for future stock subscriptions	**-**	-	3,028,293	**-**	**0%**	(3,028,293)	-100%	**0%**	0%	75%	
Retained earnings (Deficit)	**18,434,748**	2,431,361	(13,354,974)	**16,003,387**	**658%**	15,786,335	-118%	**32%**	5%	-329%	This represents Atlas's share in the total comprehensive income for the year.
Attributable to equity holders of the Parent Company	**35,253,957**	26,108,220	2,112,147	**9,145,737**	**35%**	23,996,073	1136%	**61%**	54%	52%	
Non-controlling interest	**304,308**	150,438	92,984	**153,870**	**102%**	57,454	62%	**1%**	0%	2%	This represents the share of minority holders in the total comprehensive income for the year.
Equity	**35,558,265**	26,258,658	2,205,131	**9,299,607**	**35%**	24,053,527	1091%	**61%**	54%	54%	
TOTAL LIABILITIES AND EQUITY	**57,912,566**	48,672,600	4,063,444	**9,239,966**	**19%**	44,609,156	1098%	**100%**	100%	100%	

Atlas Consolidated Mining and Development Corporation
(in thousands)

Schedule L. Horizontal and Vertical Analyses of Accounts in the Statements of Comprehensive Income

				Horizontal Analysis				Vertical Analysis			
				2012 vs 2011		2011 vs 2010		**2012**	2011	2010	
	12/31/2012	12/31/2011	12/31/2010	**Increase/ (Decrease)**	**% of Change**	Increase/ (Decrease)	% of Change	**% of Sales**	% of Sales	% of Sales	Remarks
INCOME											
Revenue											
Copper	**13,412,754**	4,369,989	-	**9,042,765**	**207%**	4,369,989	0%	**93%**	92%	0%	The increase in copper sales is attributable to higher level of production of Carmen Copper Corporation ("CCC") which offset lower copper prices.
Gold	**905,560**	241,146	-	**664,414**	**276%**	241,146	0%	**6%**	5%	0%	
Silver	**476**	-	-	**476**	**0%**	-	0%	**0%**	0%	0%	
Magnetite	**22,562**	-	-	**22,562**	**0%**	-	0%	**0%**	0%	0%	
Nickel	**1,189,716**	589,652	-	**600,064**	**102%**	589,652	0%	**8%**	12%	0%	The increase in nickel sales is attributable to the turn-around in the commercial operations of Berong Nickel Corporation ("BNC")
Miscellaneous	**8,895**	-	-	**8,895**	**0%**	-	0%	**0%**	0%	0%	This pertains to TMM's service income.
	15,539,963	5,200,787	-	**10,339,176**	**199%**	5,200,787	0%	**107%**	109%	0%	
Less: Smelting and related charges	**(1,080,642)**	(425,535)	(14,004)	**(655,107)**	**154%**	(411,531)	2939%	**-7%**	-9%	100%	The increase was due to the improved production of both CCC and BNC
	14,459,321	4,775,252	(14,004)	**9,684,069**	**203%**	4,789,256	-34199%	**100%**	100%	100%	
Fair value gain on previously held interest	-	13,788,051	-	**(13,788,051)**	**-100%**	13,788,051	0%	**0%**	289%	0%	carrying value of the investment in CCC as of July 2011. CCC's mine production activities was reflected in 2011 as part of the retroactive application of PFRS 10,11 and 12.
Equity in net earnings of an associate	-	1,247,884	300,812	**(1,247,884)**	**-100%**	947,072	315%	**0%**	26%	-2148%	This represents Atlas's share in the total comprehensive income of CCC.

Atlas Consolidated Mining and Development Corporation
(in thousands)

Schedule L. Horizontal and Vertical Analyses of Accounts in the Statements of Comprehensive Income

				Horizontal Analysis				Vertical Analysis			
				2012 vs 2011		2011 vs 2010		**2012**	2011	2010	
	12/31/2012	12/31/2011	12/31/2010	**Increase/ (Decrease)**	**% of Change**	Increase/ (Decrease)	% of Change	**% of Sales**	% of Sales	% of Sales	Remarks
Other income											
Foreign exchange gain	**1,966,512**		122,095	**1,966,512**	**0%**	(122,095)	-100%	**14%**	0%	-872%	The increase is attributable to the appreciation of the Peso against the US Dollar.
Gain on settlement of liability	**519,548**	90,458	-	**429,090**	**474%**	90,458	0%	**4%**	2%	0%	This pertains to settlement of liabilities to TPC and TMC for the current year.
Interest Income	**213,753**	1,296	240	**212,457**	**16393%**	1,056	440%	**1%**	0%	-2%	This mainly pertains to the accrual of interest on short-term money market placements.
Realized gain on derivatives	**-**	218,094	-	**(218,094)**	**-100%**	218,094	0%	**0%**	5%	0%	This pertains to provisional pricing and prepayment option entered into by the Group.
Other income - net	**60,058**	277,627	259,613	**(217,569)**	**-78%**	18,014	7%	**0%**	6%	-1854%	This currently pertains to CCC's income tax benefit, scrap sales and rental income. For the previous years, this was largely royalty income from CCC.
	17,219,192	20,398,662	668,756	**(3,179,470)**	**-16%**	19,729,906	2950%	**119%**	427%	-4775%	

Atlas Consolidated Mining and Development Corporation
(in thousands)

Schedule L. Horizontal and Vertical Analyses of Accounts in the Statements of Comprehensive Income

				Horizontal Analysis				Vertical Analysis			
				2012 vs 2011		2011 vs 2010		2012	2011	2010	
	12/31/2012	12/31/2011	12/31/2010	Increase/ (Decrease)	% of Change	Increase/ (Decrease)	% of Change	% of Sales	% of Sales	% of Sales	Remarks
EXPENSES											
Cost and Expenses											
Mining and milling costs	**(8,678,572)**	(3,395,225)	-	**(5,283,347)**	**156%**	(3,395,225)	0%	**-60%**	-71%	0%	The increase was due to the improved production of both CCC and BNC
General and administrative expenses	**(1,476,891)**	(929,634)	(312,517)	**(547,257)**	**59%**	(617,117)	197%	**-10%**	-19%	2232%	
Mine products taxes	**(307,266)**	(196,421)	-	**(110,845)**	**56%**	(196,421)	0%	**-2%**	-4%	0%	
Other Charges											
Foreign exchange loss	**(1,373,546)**	(199,113)	-	**(1,174,433)**	**590%**	(199,113)	0%	**-9%**	-4%	0%	The increase was due to the fluctuation of exchange rates for each period.
Finance charges	**(1,206,221)**	(237,103)	(387,750)	**(969,118)**	**409%**	150,647	-39%	**-8%**	-5%	2769%	This largely pertains to interest expense from USD300M bond.
Realized loss on derivatives	**(437,608)**	-	(789,478)	**(437,608)**	**0%**	789,478	-100%	**-3%**	0%	5638%	This pertains to provisional pricing and prepayment option entered into by the Group.
Depletion of mining rights	**(329,508)**	(122,785)	-	**(206,723)**	**168%**	(122,785)	0%	**-2%**	-3%	0%	This refers to the depletion of mining rights which started in August 2011.
Unrealized loss on derivatives	**(7,590)**	(351,485)	-	**343,895**	**-98%**	(351,485)	0%	**0%**	-7%	0%	This pertains to provisional pricing and prepayment option entered into by the Group.
Security fee	**-**	-	(32,450)	**-**	**0%**	32,450	-100%	**0%**	0%	232%	
	(13,817,202)	(5,431,766)	(1,522,195)	**(8,385,436)**	**154%**	(3,909,571)	257%	**-96%**	-114%	10870%	
INCOME BEFORE INCOME TAX	**3,401,990**	14,966,896	(853,439)	**(11,564,906)**	**-77%**	15,820,335	-1854%	**24%**	313%	6094%	
BENEFIT FROM (PROVISION FOR) INCOME TA	**32,079**	106,533	4,805	**(74,454)**	**-70%**	101,728	2117%	**0%**	2%	-34%	Pertains to deferred tax liabilities on the depletion of mining rights
NET INCOME (LOSS)	**3,434,069**	15,073,429	(848,634)	**(11,639,360)**	**-77%**	15,922,063	-1876%	**24%**	316%	6060%	
OTHER COMPREHENSIVE INCOME	**696**	-	1,463	**696**	**0%**	(1,463)	-100%	**0%**	0%	-10%	
TOTAL COMPREHENSIVE INCOME (LOSS)	**3,434,765**	15,073,429	(847,171)	**(11,638,664)**	**-77%**	15,920,600	-1879%	**24%**	316%	6049%	

Atlas Consolidated Mining and Development Corporation

Schedule M. Financial Ratios

				2012		2011		2010	
	LIQUIDITY RATIOS								
1	**Current ratio**	=	**Current Assets**	9,421,351	**2.03**	3,868,779	**0.29**	1,416,869	**0.82**
			Current Liabilities	4,646,372		13,291,491		1,730,873	
2	**Cash Ratio**	=	**Cash & Cash Equivalents**	654,788	**0.14**	354,458	**0.03**	230,963	**0.13**
			Current Liabilities	4,646,372		13,291,491		1,730,873	
2	**Acid-test ratio**	=	**Current assets - Inventory**	8,389,295	**1.81**	2,757,538	**0.21**	1,311,194	**0.76**
			Current Liabilities	4,646,372		13,291,491		1,730,873	
	SOLVENCY RATIOS								
3	**Debt-to-equity ratio**	=	**Total Liabilities**	22,354,301	**0.63**	22,413,942	**0.86**	1,858,313	**0.64**
			Equity Attributable to Parent	35,253,957		26,108,220		2,882,507	
4	**Debt-to-assets ratio**	=	**Total Liabilities**	22,354,301	**0.39**	22,413,942	**0.46**	1,858,313	**0.38**
			Total Assets	57,912,566		48,672,600		4,833,804	
5	**Asset-to-equity ratio**	=	**Total Assets**	57,912,566	**1.64**	48,672,600	**1.86**	4,833,804	**1.68**
			Equity Attributable to Parent	35,253,957		26,108,220		2,882,507	
6	**Interest rate coverage ratio**	=	**EBIT**	3,687,304	**3.06**	2,354,639	**9.93**	31,422	**0.08**
			Interest Expense	1,206,221		237,103		387,750	
	PROFITABILITY RATIOS								
7	**Return on equity %**	=	**Total Comprehensive Income Attributable to Parent**	3,280,895	**9%**	15,015,975	**58%**	(757,148)	**-26%**
			Equity Attributable to Parent	35,253,957		26,108,220		2,882,507	
8	**Return on sales %**	=	**Total Comprehensive Income Attributable to Parent**	3,280,895	**21%**	15,015,975	**289%**	(757,148)	**0%**
			Total Revenue	15,539,963		5,200,787		-	
9	**Return on assets %**	=	**Total Comprehensive Income Attributable to Parent**	3,280,895	**18%**	15,015,975	**106%**	(757,148)	**-75%**
			Total Fixed Assets	18,250,821		14,164,839		1,005,708	
9	**Net Profit Margin**	=	**Total Comprehensive Income Attributable to Parent**	3,280,895	**21%**	15,015,975	**289%**	(758,611)	**0%**
			Total Revenue	15,539,963		5,200,787		-	