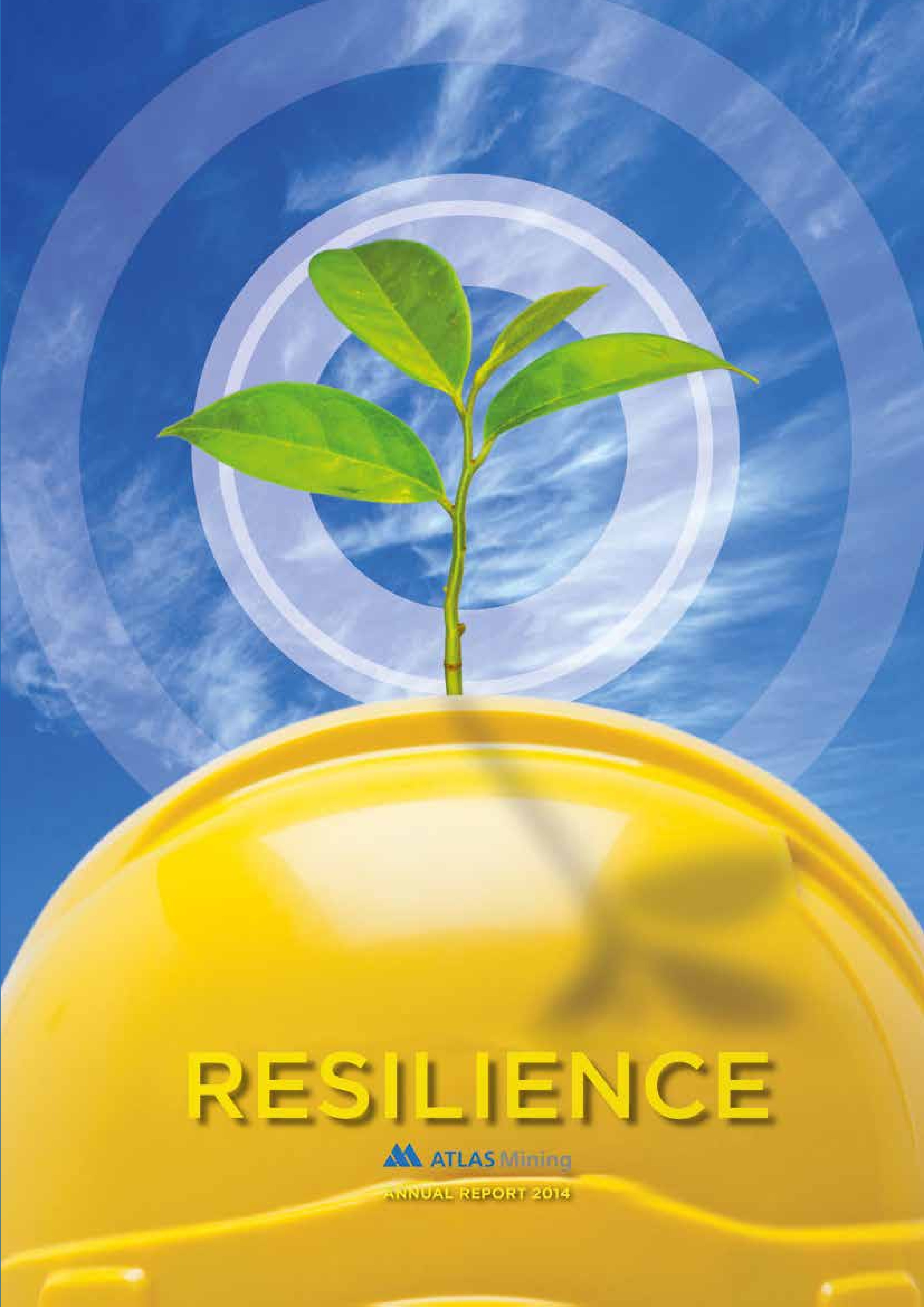


RESILIENCE

ATLAS Mining

ANNUAL REPORT 2014

CORPORATE PROFILE

Atlas Consolidated Mining and Development Corporation (“Atlas Mining”) is a company primarily engaged in metallic mineral exploration and mining.

It operates the Toledo copper mine in the province of Cebu (the “Toledo Copper Mine”) through its wholly-owned subsidiary Carmen Copper Corporation (“Carmen Copper”).

The Toledo Copper Mine is one of the Philippines’ largest copper mines, thus making Carmen Copper a principal producer and exporter of copper concentrate in the country. To optimize its operations, and in line with the expansion of its beneficiation plant, Carmen Copper is pursuing the development and commercial distribution of marketable by-products from its copper concentrate processing such as molybdenum, magnetite, and pyrite.

Atlas Mining also has a stake in the nickel laterite mining project of Berong Nickel Corporation (“Berong Nickel”) in Palawan. Berong Nickel has been engaged in the direct shipping of nickel laterite ore since 2007.

ABOUT THE COVER

The image of a miner’s hard hat with a sprout and a view of the bright horizon represents Atlas Mining’s optimism in the face of the challenges that have beset the industry and the Company and its resilience in pursuing its productivity goals. It also symbolizes Atlas Mining’s commitment to the sustainable development of its host and neighboring communities.

CORE VALUES

PROFESSIONALISM

GENUINE CONCERN FOR THE COMPANY

TEAM ORIENTATION

INNOVATION

CONCERN FOR SAFETY, SOCIAL DEVELOPMENT AND SUSTAINABILITY

OUR VISION

Atlas Mining aims to be the leading copper producer in the Philippines, a preferred employer in the industry and a role model for responsible mining and good governance.

Anchored on this vision, Atlas Mining will enhance value for its shareholders by pursuing long-term prospects for stability, growth and diversification while harmonizing safe and efficient business practices with the social and environmental needs of its host communities.

COMMITMENT TO SUSTAINABLE DEVELOPMENT

Atlas Mining is a steward of its people, its community and the environment.

We are committed to protect the welfare of our employees, provide our host communities with opportunities for employment, education and entrepreneurship and contribute in the protection and restoration of the environment. Guided by the principles of safety, social development and sustainability, we will ensure long-term growth for the future and the succeeding generations.

TABLE OF CONTENTS

MESSAGE FROM THE CHAIRMAN AND PRESIDENT

"I am confident that they will embody the resilience that has held and will hold Atlas Mining rooted amid trials, and the fortitude that will lead them towards realizing sustainable prosperity for the Company and all its stakeholders."

I have just turned over the reins of this company that we built together over the last twelve years. I am presenting my last report as Atlas Mining's president with a grateful heart for what we have accomplished, and a hopeful spirit to guide the organization and its new leadership as they cross the hurdles that lie ahead.

When I took over as President in 2003, Atlas Mining was on the brink of forfeiting its legacy. But some of us saw the potential for a revival despite the long dormancy of the mines and the debt burden that had to be discharged in order to rehabilitate. Thus, with small but firm steps, and with the invaluable support of the national and local governments, our business partners, and our loyal employees, we steered Atlas Mining to step on a platform of viability that restored the faith of the market and the industry in its resurrection.

And so it happened that in September 2008, the mine resumed production. Not long after, Atlas Mining was restored to its place as the largest copper producer in the country.

The feat of getting Atlas Mining back on steady footing is a source of great personal pride for two main reasons. First, it contributed substantially to the re-establishment of a thriving community and commerce in Toledo City; the multiplier effect of the employment that Atlas Mining provided is evident in the economic activity that has flourished in the locality. Second, it gave the industry a credible model for responsible mining.

I am also proud of how we have executed our strategy for growth. In 2012, we moved forward with the bold plan to increase our output by at least 50% through the expansion of our processing plant and the advanced development of our higher-grade ore resource. While the full realization of the program may be pushed back by the effects of the decline in copper prices, we are committed to staying the course so that we are always ready for the inevitable turnaround of the commodity markets.

These achievements would not have been conceivable without the support of a strong and dedicated labour force, a hospitable host community, public servants who champion the upliftment of our countrymen, and business institutions with genuine interest in promoting economic development. To them, I offer the sincerest gratitude of our entire enterprise.

While I will continue to serve as the Chairman of the Board of Atlas Mining, I will leave day-to-day operations in the hands of our capable managers, both old and new. I am confident that they will embody the resilience that has held and will hold Atlas Mining rooted amid trials, and the fortitude that will lead them towards realizing sustainable prosperity for the Company and all its stakeholders.

ALFREDO C. RAMOS
Chairman and President

REPORT FROM THE EXECUTIVE VICE PRESIDENT

2014 was a challenging year for the Company. We did achieve an important milestone in the first quarter of the year by commissioning new crushing, grinding and flotation equipment in our concentrator. However, we quickly learned that we had to make a few changes to the process flow of the new plant, in order for us to achieve the target ore throughput of 60,000 tonnes per day and optimize its efficiency. These modifications were mostly completed at the end of the year.

Although we were able to grow copper in concentrate production, the combined effects of additional modification works, falling copper prices, and extraordinarily heavy rainfall caused us to miss our full potential in terms of production and achieve the per pound copper cost that we were aiming for. There is still work to do in order to achieve the maximum efficiency that we are envisioning.

Productivity

Our Company achieved a 12% increase in its revenues to Php16.2 billion in 2014, fueled by higher production of copper, gold and nickel. Through Carmen Copper, production of copper metal in concentrate grew by 15% to 105.5 million pounds, while gold output grew by 26% to 26,310 ounces. This growth in production was driven by a 14% increase in the plant's average daily throughput to 49,225 tonnes per day from 43,010 tonnes per day, and an increase in recoveries from 82% to 85%.

In Berong Nickel, in which our Company holds a 25.2% equity interest, production more than doubled to 1.3 million wet metric tonnes of nickel ore to take advantage of higher nickel prices in 2014.

Profitability and Cost Efficiency

Despite the improvements in output and revenue, our consolidated net income dropped 79% to Php397 million. This was driven by several factors: 1) lower copper prices, especially in the fourth quarter; 2) higher fixed cost base due to increases in interest expense and depreciation and amortization; 3) income tax becoming payable due to the expiration of our Income Tax Holiday; and 4) lower than expected production due to the additional optimization works in the mill and extraordinarily heavy rainfall in the second half which affected ore and grade delivery. On the other hand, EBITDA declined by only 7% mainly due to lower copper prices.

Going forward, we need to maximize metal production in order to spread our fixed costs over a larger production base, by building stronger operational systems, improving our internal skills, and enhancing our ability to mitigate risks that adversely impact our productivity.

Safety

Last year, we spoke about the need to improve our safety systems and culture overall. We are making significant headway on this, as our safety statistics improved across the board. For 2014, we reduced lost-time accidents from 9 to 3, with zero fatalities. Employee safety is of prime importance to us. We will continue to raise compliance with safety standards through a more rigorous enforcement of rules and regulations on secure work practices and the recognition of employee achievements in the promotion of safety targets.

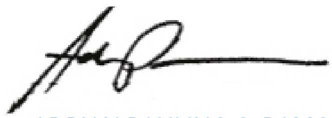
Social Development and Environmental Protection

Just as safety is a primary concern, so is being a responsible corporate citizen in our community. Allocations for our Social Development Management Program last year totalled Php41 million. With our thrust to promote education, we supported government-led initiatives such as the first ever regional spelling bee for grade school and high school students for public schools in Region VII. We also organized programs that provided technical skills training, built community infrastructure, and improved health care facilities.

In 2014, we spent Php597 million pesos on our Environmental Protection and Enhancement Program (EPEP). Included in this spend was the appropriation for our reforestation program that involved the planting of 69,015 trees and the donation of 172,900 seedlings to the National Greening Program. We will remain faithful to the implementation of our EPEP and our obligation to properly manage wastes produced from our operations through the adequate upkeep of our waste containment and disposal facilities.

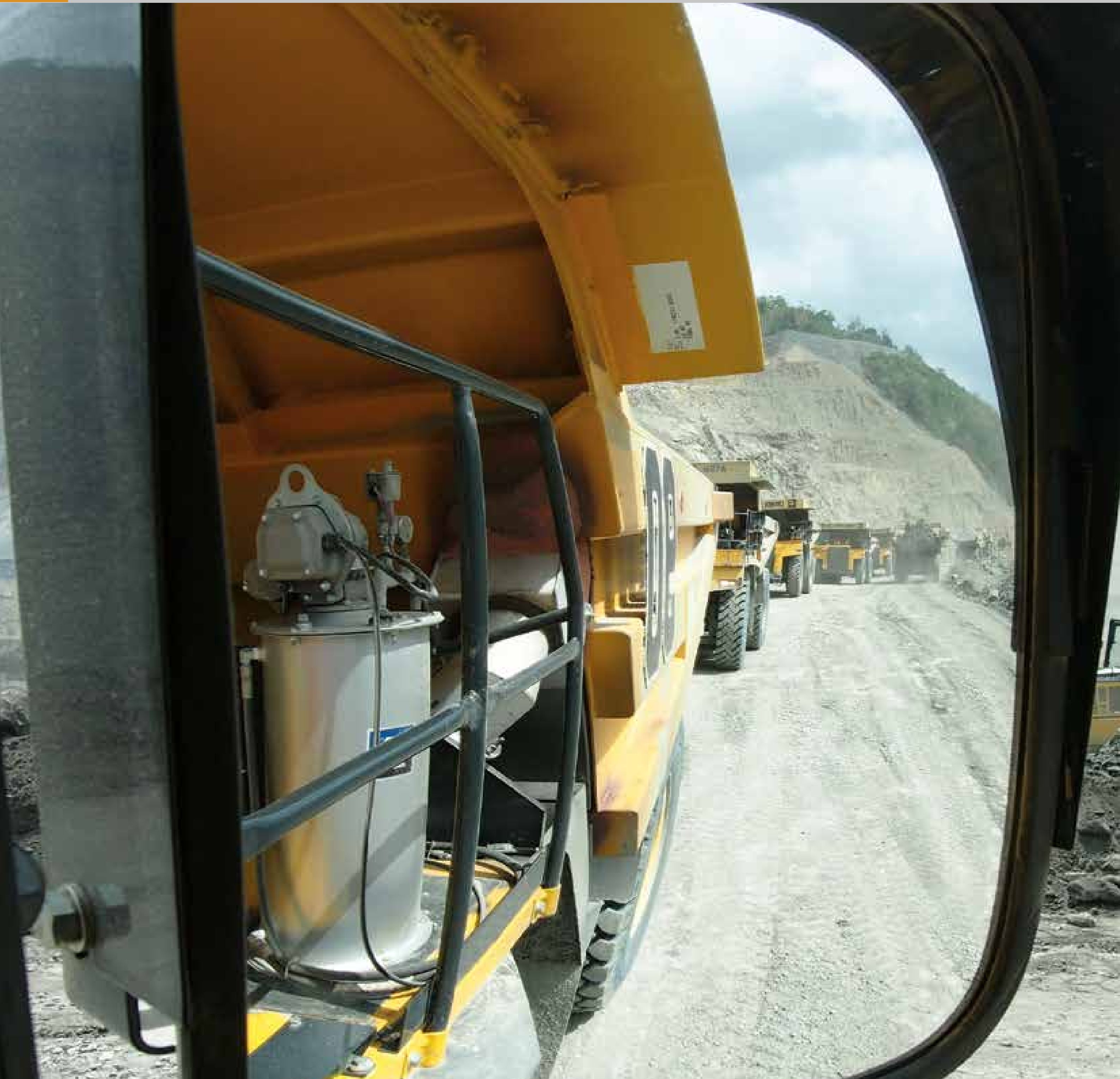
Summary

Unfortunately, this recent copper price drop comes at an inopportune time in our Company, as we have yet to complete the capital expenditure for the advanced waste stripping in Carmen Pit and we are still optimizing the efficiency in our plant. Clearly, we face a massive challenge which we must meet head on to ensure the long-term sustainability of our Company. In this environment, we will continue to show the resilience that has been the hallmark of Atlas throughout the years, and strive to be stronger than ever.



ADRIAN PAULINO S. RAMOS
Executive Vice President

"Clearly, we face a massive challenge which we must meet head on to ensure the long term sustainability of our Company. In this environment, we will continue to show the resiliency that has been the hallmark of Atlas throughout the years, and strive to be better than ever."



RESILIENCE: OVERVIEW OF 2014 PERFORMANCE

PHP16.2B

IN REVENUES

Despite lower realized metal prices, revenues grew by 12% to Php16.2 billion from Php14.5 billion last year, driven mainly by robust revenues from copper, gold and nickel.

PHP397M

IN CONSOLIDATED NET INCOME

Atlas Mining posted consolidated net income of Php397 million in 2014, lower than 2013 due mainly to the collective effect of lower prices, increased depreciation, higher financing charges and higher income tax provision.

COMPLETED THE FULL COMMISSIONING OF THE EXPANDED ORE PROCESSING PLANT

With the newly-expanded Carmen Concentrator, the plant's daily milling throughput has improved by 14% to 49,225 tonnes per day from last year's 43,010 tonnes per day.

COPPER CONCENTRATE SHIPMENTS BREACHED 100M POUNDS COPPER METAL, GOLD CONTENT UP 23%

The total volume of copper shipments broke the 100 million mark, ending the year 15% higher at 103.8 million pounds of copper metal in concentrate. The gold content expanded by 23% to 24,071 ounces.

DECREASED LOST-TIME ACCIDENTS (LTA) WITH ZERO FATALITY

Carmen Copper's safety performance improved with the reduced lost time accidents from 9 in 2013 to 3 in 2014, with zero fatalities.

HIRED 83% OF ITS TOTAL WORKFORCE FROM THE LOCAL COMMUNITIES

Carmen Copper prioritized the hiring of locals from Toledo city accounting for 83% or 3,400 of its total workforce.

SPENT PHP41 MILLION FOR PROJECTS UNDER ITS SOCIAL DEVELOPMENT AND MANAGEMENT PROGRAM (SDMP)

Carmen Copper invested in building sustainable communities through its continued support in education livelihood, health and infrastructure, among other SDMP programs.

SPENT PHP597 MILLION ON ENVIRONMENTAL PROTECTION AND ENHANCEMENT

Carmen Copper continued its rehabilitation and reforestation program, intensified its waste and pollution control management and converted 102 hectares of idle lands into orchards.

OPERATIONAL RESULTS

CARMEN COPPER

After the commissioning of the expanded processing plant in March 2014, Carmen Copper sustained its production ramp-up as it ended the year with 177.9 thousand dry metric tonnes (dmt) of copper concentrate, 14% higher than the 155.4 thousand dmt produced in 2013.

Mining Operations

A total of 92 million metric tonnes of combined extracted ore and waste materials were moved from the Lutopan and Carmen open pit mines, 18 million dmt or 20% of which consisted of extracted ore while the remaining 80% or 74 million dmt were stripped waste materials. Lutopan Pit produced 43% of the ore materials delivered to the mill amounting to 8 million dmt with a head grade of 0.347%. Carmen Pit produced a total of 10 million dmt at 0.330% head grade.

Carmen Copper continued to accelerate the development of Carmen Pit to ramp-up ore production. Two (2) units of PC2000 excavators and six (6) units KOM375-7 dump trucks were added to the existing fleet in Carmen Pit in November and December, respectively. Some of the hauling trucks from Lutopan Pit were also transferred to Carmen Pit during the later part of the year, in line with plans to concentrate mining operation in Carmen Pit by 2015.

Mine Planning and Geological Services

In-house technical services to the mine open pit operations through provision of mine plans, site-specific geological and geotechnical advices, among others were catered by Mine Technical Services Division.

GHD, a geotechnical consultancy firm based in Manila, was engaged by the company to assist Carmen Copper in the evaluation of slopes and set up measures to address slope stability concerns in the Carmen open pit mine.

Milling Operations

Carmen Copper's newly expanded processing plant posted a 20% improvement in its total milling tonnage as it ended 2014 with 18 million dmt of copper ore milled with an average mill head grade of 0.314%. Likewise, the plant's average daily milling throughput increased by 14% to 49,225 tonnes per day from last year's 43,010 tonnes per day.

The construction and installation of new mill equipment was substantially completed in early 2014 with initial pre-test and commissioning of the two additional ball mills and the rest of the expansion circuits done in June 2014.

Outotec Australia, a multinational engineering and technology firm, provided the technical designs and installation service consultancy for the mill expansion with the help of the in-house project team.

As it continues to improve the process flow of its expanded plant, Carmen Copper recorded its highest average daily milling throughput in July at 57,000 tonnes per day reaching its expanded nameplate milling capacity of 60,000 tonnes per day for the most part of the month of July.

Maintenance works, process improvements in the secondary and tertiary crushers as well as enhancements in the primary mills were implemented during the second half of 2014. Conversion of one (1) tertiary crusher (TR 900) to a secondary crusher, and the modification of the grinding circuit to satisfy the particle size requirement of the secondary mills were implemented to further boost overall plant productivity.

PC2000 excavator loading copper ore to a dump truck

A fleet of 100-tonner dump trucks loaded with copper ore

Tailings Disposal Operations

The mill tailings are deposited into the Biga Pit Tailings Storage Facility (TSF), which continues to prove as a strong, safe and secure facility for the mine. Any overflow of excess water due to build-up of tailings mass is being channelled through a decant tower and passes through a series of sedimentation ponds before it flows to a combination of subterranean and above-ground pipelines towards the Sigpit Creek. The water discharge permit was issued by the Department of Environment and Natural Resources in 2012. The water at Biga Pit has a PH level of 7.5 to 8 with fish species like tilapia thriving in it. No storage leaks or containment breached were reported at the Biga Pit tailings storage facility in 2014.

CARMEN COPPER CORPORATION

FULL YEAR PHYSICALS

	2013	2014
MONTHLY MILLING TONNAGE (IN MILLION DMT)	16	18
DAILY MILLING AVERAGE (IN TONNES PER DAY)	43,010	49,225
CU RECOVERY	82.0%	84.7%
CU CONCENTRATES (IN '000 DMT)	154.4	176.0
NUMBER OF SHIPMENTS	33	37
COPPER IN FINAL TAILINGS	0.058%	0.048%

Biga Pit tailings storage facility

An operator at the Mill Control Room

By-Products

Molybdenum

The new RIVS technology plant testing is scheduled by second quarter of 2015 with a new collector in copper flotation to boost Molybdenum in the concentrate. Production is expected to come in by third quarter of 2015 on estimated 2-3 tons per day of molybdenum concentrate at marketable grade of 46%.

Magnetite

Feasibility study of magnetite plant will be reviewed first half of 2015. The plan is to rehabilitate the existing plant and revive the magnetite circuit at very minimal cost.

Power Supply

Owing to an increase in average daily milling tonnage to 49,225 dmt per day, power consumption increased to 49.6 megawatts (MW) per month from 38 MW per month due to the commissioning of two (2) units of new ball mills in June 2014. Power rates went up slightly by 2% to PhP5.35 per kilowatt hour from PhP5.25 due to a price increase on the Wholesale Electricity Spot Market (WESM). Power constitutes 21% of operating cash cost.

Carmen Copper secured a long-term power supply agreement with its existing power provider, Toledo Power Company for the additional 15MW electric power load requirement of the newly expanded Carmen Concentrator milling plant. This ensures that enough electrical power is supplied for operations in the coming years at competitive power rates. Toledo Power Company has completed the construction of an 82-MW clean coal-fired power plant in December 2014 to support this power supply agreement.

Sangi Port Operation

In 2014, a total of 175,966 dmt of copper concentrate, net of weight franchise, was shipped and delivered mainly to smelters in China through MRI Trading AG while a small portion was shipped to Philippine Associated Smelting and Refining Corporation (PASAR) in Isabel, Leyte and to smelters in Japan through Mitsui & Co. Ltd.

With increasing shipment volumes, improvements in the port facilities were implemented in 2014 such as completion of the extension of the transfer house conveyors, installation of fire hydrant system and construction of the 1,560 square meter concrete pad for sun drying of copper concentrate.

Copper Concentrate

Sangi Port facility in Toledo City

BERONG NICKEL

2014 proved to be a milestone year for Berong Nickel as it topped the one (1) million wet metric tons (wmt) mark for both production and shipment volumes. For its 10-month operation, production grew more than two-fold to 1,302,185 wmt of ore, coming from 609,200 wmt for the same period last year.

Ore materials produced were mined from areas covered by tree-cutting permits granted in 2007 and 2008. A Special Tree Cutting and Balling Permit (STCBP) was granted in March 2014, opening an additional mining area of 60.68 hectares.

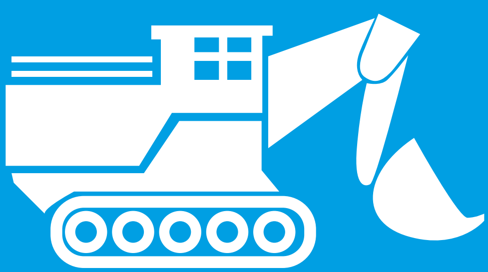
Nineteen (19) shipments were completed between March and November 2014, of which four (4) vessels were loaded with high grade 1.8 % Nickel in ore, seven (7) were medium-grade shipments of 1.3 to 1.6% Nickel grade, and eight (8) low-Nickel, high-Iron ore.

A total of 1,004,296 wmt were shipped during the 9-month shipping period with an average grade of 1.42% Nickel and 32.97% Iron.

A newly-constructed pier, dubbed as 'Twin Palms Pier', was completed in August 2014 and is ready to facilitate shipments for 2015.

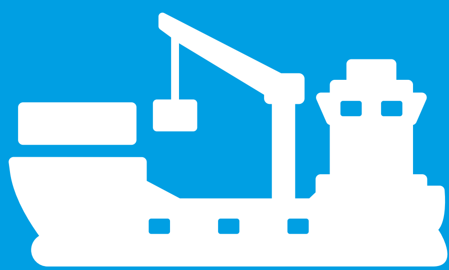
BERONG NICKEL CORPORATION

FULL YEAR PHYSICALS



PRODUCTION VOLUME
(IN '000 WMT)

609	1,302
2013	2014



SHIPMENT VOLUME
(IN '000 WMT)

602	1,004

NUMBER OF SHIPMENT

12	19
2013	2014

ATLAS EXPLORATION GROUP

The Atlas Exploration Group (AEG) continued to pursue mineral exploration activities within the surrounding area of Carmen Copper and other selected key areas in the Philippines.

Toledo Copper Complex Projects

The Toledo Copper Complex (TCC) being the primary target for exploration has seven project areas, namely: *Sigpit, West Lutopan, South Lutopan, Kanapnapan, Media Once, Maypay and Carmen Mine Waste Dump.* The company continues to believe the possibility of discovering from these areas additional extensions and/or satellite deposits proximate to the Lutopan and Carmen Orebodies and the Biga Deposit. Exploration activities include detailed surface geological mapping, and correlation between the newly gathered data and compiled data from previous exploration works. The comprehensive database will serve as a tool for geologists in planning for follow-up exploration activities and identifying new targets. Particular attention has been given to the Carmen Mine Waste Dump for a possible source of "low cost ore". The large tonnage and fairly high cut-off grades of previous operation of Atlas Mining from 1955 to 1993 and its proximity to the Carmen Concentrator (CARCON) made it number one priority among the 12 Mine Waste Dumpsites.

Diwata Gold-Copper Project

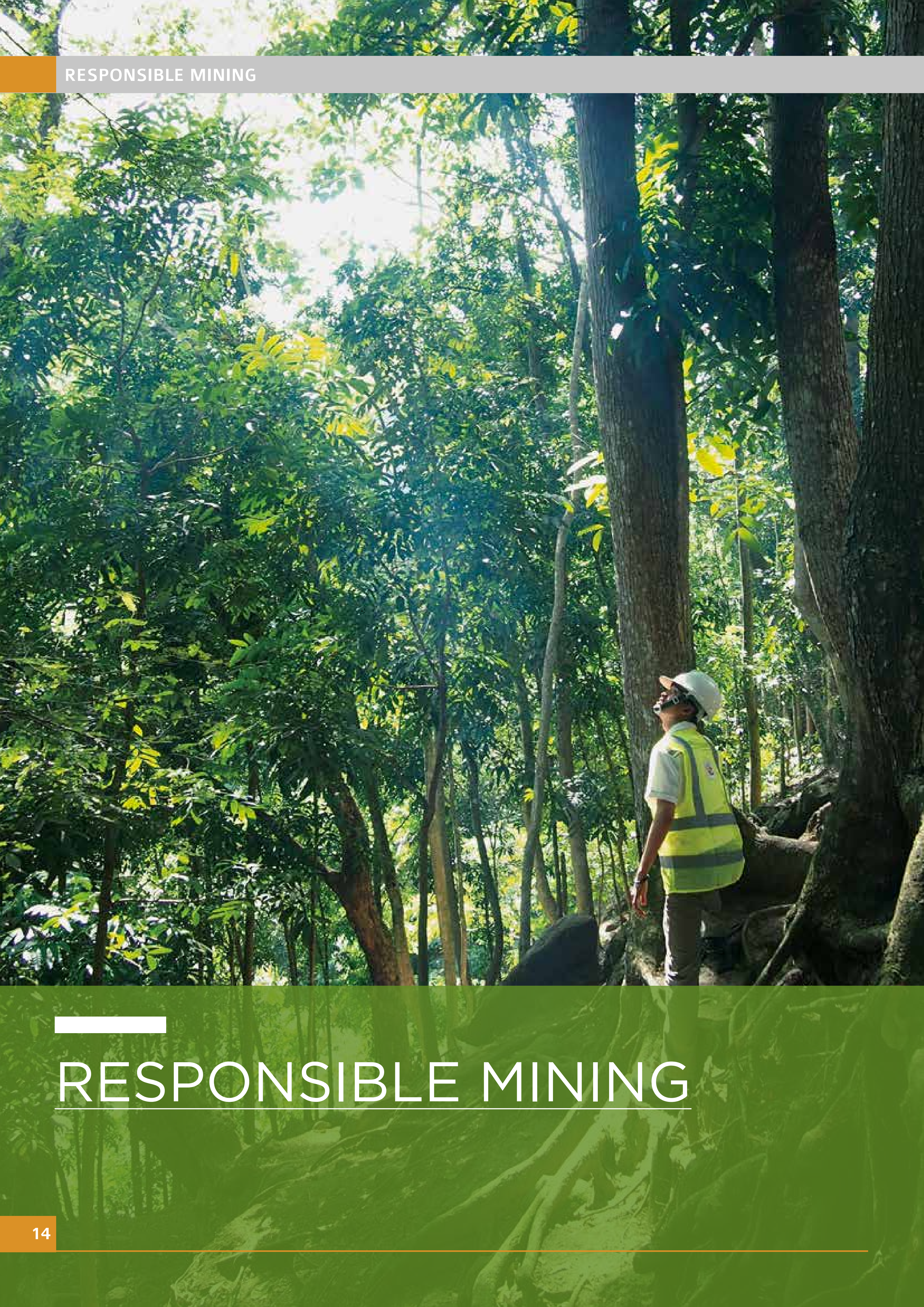
The prospect which is located in Surigao del Sur has been initially assessed to have high potential for porphyry copper and vein-type gold deposits. Atlas Mining is in the process of confirming the grant by the Manobo Tribe of the municipality of San Miguel of its free prior and informed consent (FPIC) relative to the approval of Exploration Permit Application. The relevant FPIC Report was endorsed to the chairperson of the National Commission on Indigenous Peoples (NCIP) for evaluation and appropriate action.

Mine Acquisition Plan

Atlas Exploration Group continued to evaluate properties/ projects in different parts of the country. The evaluated areas include those with possible high grade porphyry and/or vein type copper deposits which could be ready for mining in less than five years.

Malachite and azurite stains on outcrop indicating high copper content

Drilling activity at Carmen pit



RESPONSIBLE MINING

At the core of Atlas Mining's operations is its steadfast commitment to high standards in safety and health, intensified environmental protection and enhancement campaign, development of the community, and increased contribution to the economy while delivering the best outcome to all its stakeholders.

CARMEN COPPER

Social Development and Management Program

Carmen Copper promotes sustainable development in every facet of its operation.

In order to achieve this, it pursued the community-driven development approach in project identification, prioritization, planning, and development. It also adopted the Social Investigation (SI) process to thoroughly assess the actual situation of the 4 host and 13 neighboring barangays to enable them to identify and implement relevant programs for their growth and development.

In 2014, Carmen Copper spent Php41 million in various SDMP projects that addressed the host and neighboring barangays' concerns on meager income, limited health services, inadequate educational support services, insufficient infrastructure facilities, and constrained socio-cultural advancement.

SDMP provided funds amounting to Php4 million in the upliftment of the economic condition of 1,182 beneficiaries through livelihood undertakings like crop growing, cottage industries, and tree nursery establishments. It also constructed covered courts-cum-evacuation centers in barangays Biga and Poog, assisted the LGU of Toledo City in its seawall repair and donated a parcel of land to barangay DAS for the construction of its multipurpose covered court.

Investing in educational support programs, the Company spent Php3 million pesos in scholarship grants to 34 students in high school and college, in technical education, on-the-job-training program, and in the construction of school buildings and refurbishment of related facilities. It also supported the first ever Region VII Spelling Bee for the elementary and secondary students of public schools in the provinces of Bohol, Cebu, Negros Oriental and Siquijor.

The Company also provided health services in its communities through regular conduct of medical, dental and optical missions. It deployed its volunteer nurses to support the health programs of the LGU and provided over-the-counter medicines to ailing folks. The LGU-operated hospital of Toledo City got a facility upgrade with the Company's donation of hospital equipment while barangay Cantabaco received a new ambulance.

Consistent with its Information, Education and Communication campaign, it held an Art Contest depicting responsible mining in the eyes of the youth among the elementary and high school students in Toledo City.

Carmen Copper has significantly promoted responsible mining through the conduct of educational mine tours to academic institutions, government agencies, non-goverment and civic organizations and private companies. It has also partnered with other mining companies in educating their stakeholders about responsible mineral development in the country.

Turnover ceremony of a covered court to barangay Biga

A student contestant during the CCC Art Contest

Environmental Protection and Enhancement

Carmen Copper endeavors to improve its environmental performance year after year.

In 2014, Carmen Copper spent Php597 million for various environmental initiatives under its Annual Environmental Protection and Enhancement Program (AEPEP), 10.4% of which went to climate change mitigation and adaptation and environmental maintenance activities.

Its reforestation efforts produced more than 242,000 seedlings, 69,015 of which were planted in 126 hectares of mined-out areas, orchards, and re-vegetated slopes inside the mining complex while 172,900 seedlings were donated to schools, local government units, non-government organizations and private groups in support of the government's National Greening Program. Carmen Copper engaged people from the communities in seedlings production and plantation, which accelerated reforestation activities and helped augment income of indigent families.

The establishment of different orchards in agricultural lots within the mine is an effort for better land management. Around 102 hectares of agricultural lots have been identified for this project and have been planted with 40,677 various fruit-bearing plants that will bring additional income to the community once it reached its optimum production level in 5 to 10 years time. This project is intended to benefit the community even beyond the life of the mine.

Carmen Copper's steadfast commitment to minimize the ecological impact of its operations and to restore impacted areas has earned it Second Runner-up for the Best Mining Forest – Metallic Category, during the Annual National Mine Safety and Environment Conference (ANMSEC) held in Baguio City last November 2014.

Safety

Carmen Copper is committed to achieving the highest safety standards in its mining operations.

In 2014, safety performance has improved with a significant decrease in Lost Time Accidents from nine (9) in 2013 to three (3) in 2014, with zero fatality. This is principally attributable to a rigid compliance to mandated government regulatory standards, permit requirements, and an intensified safety training protocol among its employees. This improved safety performance increased the employees' morale and productivity at work. Also, it yielded financial benefits in that lesser costs were meted out in treating injuries and recovering lost productivity.

All employees seriously focus on risk assessment, job hazard analysis, as well as implementing Permit to Work (PTW) system to control or eliminate hazards. Recognition of the safety risks at work is a prerequisite for effective accident prevention. The PTW system has greatly contributed to the drop in the number of accidents recorded because it permitted the risks to be addressed through strict implementation of safety procedures and appropriate control measures.

Beyond compliance with the government's safety regulatory standards and requirements, Carmen Copper remained focused towards attaining a zero-accident in its daily operations.

BERONG NICKEL

Social Development and Management Program

Berong Nickel Corporation (BNC) intensified its social development and management programs (SDMP) on education, livelihood, health and safety, infrastructures, information, education and communication campaign, and promotion of indigenous culture.

In terms of educational support programs, BNC constructed additional Alternative Learning System (ALS) centers, and hired additional para-teachers for public schools of Berong. It provided computer units for its scholars in Puerto Prinsesa City and SDMP community transport for students.

BNC also continued to assist the cooperatives in their various livelihood programs such as livestock raising, vegetable gardening, handicraft making, *bayong* weaving, among others.

A Company forester at the community-assisted orchard in barangay Loay

Inter-division safety competition

For the community's health care, BNC maintained a Barangay Health Station and mobile community clinic. It also held medical missions, operation *"tuli"* (circumcision), family planning, maternal and child care services, and home visits in remote areas.

In 2014, BNC also completed the construction of multi-purpose covered court in barangay Berong. Other ongoing projects are construction of Tungib Day Care Center, BES Library, repair of Badlisan Chapel, Barangay Health Station and Potable Water System.

BNC also celebrated the Indigenous People's month to enhance the indigenous people's competitiveness in the field of sports. It also facilitated the meeting of National Commission on Indigenous Peoples (NCIP) together with the Indigenous Cultural Communities of Berong and validated the Tagbanua Traditional Leaders.

Safety

In 2014, Berong Nickel maintained an outstanding safety performance by achieving a no lost time accident in its operations. Total man-hours worked without lost time accident reached 9.4 million in 2014, totaling to 13.3 million since the start of the BNC project in November 2005.

BNC Fire Brigade also excelled in the different qualifying stages of the 2014 Fire Olympics (Industrial Category) competitions. It bagged the overall champion and grand slam in provincial and regional levels, respectively, leading the team to represent the MIMAROPA Region IVB in the nationals where it won first place in the Rescue and Transfer relay and 4th overall champion among the regions' best fire brigades.

BNC was also awarded by the Philippine Mine Safety and Environment Association (PMSEA) and the Mines and Geosciences Bureau (MGB) of the Department of Environment and Natural Resources (DENR) for having the Best Mine Foreman (Raffy Bautista) during the 61st Annual National Mine Safety and Environmental Conference (ANMSEC) in Baguio City in November 2014.

Environmental Protection and Enhancement

BNC's environmental program is focused on the rehabilitation of the mined out areas, water management, nursery operations, National Greening Program, waste management, disposal of used oil and hazardous wastes, environmental monitoring, and other environmental related projects.

BNC maintains two rehabilitation projects in Area 4 and Area 5 with a combined area of 6.8 hectares. Rehabilitation was done through replanting of indigenous tree species such as *Agoho, Agoho del Monte*, Narra, Iron Wood, and *aluwihao* and fruit trees such as *marang, langka, rambutan,* and *kupang* to enhance the biodiversity in the area. The 4,000 seedlings planted on the rehabilitation site resulted to a survival rate of more than 90%.

In line with the government's National Greening Program (NGP), BNC rehabilitated a total area of 388.54 hectares of land. It also reforested 27.32 hectares in addition to the 217.90 hectares accomplished in 2013. The BNC nursery also produced 43,187 seedlings of several indigenous tree species and fruit trees.

To mitigate any potential impact of BNC's mining operation to bodies of water in Berong and to manage surface run-off, plant species such as Vetiver grass, Kudzu, Wild Daisy and Australian Peanut were planted in the area.

New sump pits, with an estimated total holding capacity of 12,365 cubic meters of silt, were created as a preventive measure against possible water contamination that may be caused by mining activities. Periodic monitoring, maintenance, and desilting of mine water structures are performed to ensure their safe condition and holding capacity.

The breed of Tilapia which thrives in Badlisan silt retention pond is bio-indicator of its water quality. Water impounded in this structure does not contain any substance that will harm public health and levels of metal concentration contained in the fish muscle are safe for human consumption.

Community transport service


Berong rehabilitation area

Carmen Copper Corporation

Sustainable Development Policy

Our Vision

It is our vision to create continuing value through the exploration, mining and processing of mineral resources in Cebu, but only when such resources are used and managed in a manner that is sustainable, as to meet the requirements and aspirations of current and future generations. We recognize that to be truly successful we must continue to work with our neighbors and host communities to maintain and continuously enhance our reputation in the areas of safety, environment, social impact and business ethics.

The minerals and metals produced at our operations contribute to society's needs, creating wealth to support community infrastructure, health care and education programs, and delivering financial dividends for our shareholders. Our activities also provide the means and opportunity to develop new approaches to assist in solving some of the environmental and human development challenges in the Philippines, such as poverty.

We also recognize that, if not managed appropriately, some aspects of our activities have the ability to detract from sustainable development, such as options for the future use of water and land; amenity impacts on local communities; and greenhouse gas emissions from our operations and the use of our products.

We work with all our stakeholders to understand the effects that we have on the environment around us, and aim to progress our business in a way that delivers annual improvement in our performance.

Our Commitment

It is our goal to be recognized as a model company. We are therefore committed to creating sustainable opportunities and value for our host communities, employees and contractors, customers, suppliers and business partners. The continued success and growth of our business is dependent on strong commitment to all aspects of sustainable development – incorporating an integrated approach to safety and health, social and environmental management as well as a goal to achieve economic prosperity, simultaneously, maintaining the highest level of ethical corporate governance and decision-making principles.

Our Strategy

We continue to develop, implement and continuously improve our business framework to ensure that we meet the goal of contributing to the transition to sustainable development. This framework involves the implementation of a series of Standards, which represent Carmen Copper's business, ESH and Community Care drivers.

Our Success

Carmen Copper Corporation will only be successful in creating real sustainable value when:

- Our Shareholders are in receipt of returns on their investment;
- Our customers and suppliers are benefiting from our relationships;
- The environments in which we operate are not adversely impacted;
- Our neighbors and host communities value our citizenship; and
- Our employees are safe, healthy and proud to be one of our employees.

It is vital for Carmen Copper Corporation to strive towards providing lasting social, environmental and economic benefits to society. We realize that failure to do so could risk or revoke our license to operate. Success can only be achieved by striving to be the best we can, meet our sustainable development vision, goals and targets and continue to do what we say are going to do.

The Board of Directors of Carmen Copper Corporation acting through its Chairman, Alfredo C. Ramos

Issued on 08 October 2010

SUSTAINABILITY STRATEGY

Strategic Focus

Carmen Copper's firm commitment and strategy in optimizing production and improving efficiency extends towards its employees, host communities and the environment.

The Company's conscious effort to be a responsible corporate citizen is consistent with the vision to become a leading copper producer in the Philippines and a role model for responsible mining.

Towards this goal, Carmen Copper anchors its sustainable development practices on four (4) focus areas: Community, Environment, Workplace and Ethics. This is in line with the Company's core values of professionalism, genuine concern for the company, team orientation, innovation and genuine concern for safety, social development, and sustainability.

Carmen Copper operates its business in a way that is environmentally responsible, benefits its host communities, cares for the well-being of its employees, contributes to good governance, and leaves a positive social legacy.

Carmen Copper believes that a sustainable corporate responsibility framework that is fully integrated with its business model will drive shareholder value and brand affinity.

MATERIALITY ANALYSIS

Relevant areas have been identified and a materiality matrix is used to map issues and rate them according to the following levels of significance.

High – Issues that are most relevant to the business and have a high potential impact on both the bottomline and the stakeholders.

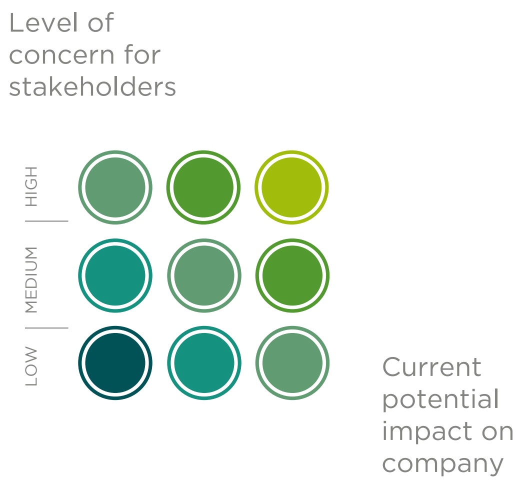
Medium – Issues that are reported but necessarily with quantitative indicators. Some issues only partially impact the business and the stakeholders.

Low – Issues that are of low materiality, with minimum impact on business and are not reported in detail.

Carmen Copper aims to integrate this materiality matrix into future stakeholder engagement processes to align business and stakeholder concerns more effectively. Using the matrix, the Company has likewise provided the needed resources and taken action to address the identified stakeholders concern.

The main areas that pose the highest level of materiality to Carmen Copper are safety, community relations, environmental issues, resource management, waste management, and regulatory requirements.

CARMEN COPPER'S
Sustainable Corporate Responsibility Framework



STAKEHOLDER ENGAGEMENT

Believing that continuous stakeholder engagement is integral to the success of its business, Carmen Copper communicates with seven major stakeholder groups using diverse channels.

STAKEHOLDERS	METHOD OF ENGAGEMENT	CONCERNS	RESPONSIVENESS
Offtaker (MRI, PASAR, Chinese smelters)	Regular meetings	Clean concentrates Uninterrupted shipments Transparency Clear policies	Quality of product Regular feedbacks
Suppliers, contractors and business partners	Regular meetings Procurement management	Clear procurement policies Transparency Long-term contracts Ethical behavior	Sourcing "green" supplies and equipment
Investor community	Annual Stockholder's Meeting Annual Report Analyst briefings Quarterly reports and press releases	Higher financial returns Long-term growth	Dividends Strong financial performance ROI action on measurement
Employees and labor unions	Focus group meetings Performance appraisal (semi-annual) Training and awareness initiatives Labor Management Relations Council	Career development plans Safe work environment Open dialogue Compensation and benefits	Trainings Townhall meetings Kapihan sessions
Local communities, non-government organizations, community-based organizations	Social Investigation and Participatory Situation Analysis	Support to the community Development programs	Social Development and Management Program (SDMP)
Government authorities and regulators	Compliance to regulatory requirements	Regulatory disclosures Transparency Accountability Building partnerships Policy agreement	Annual Report Quarterly Report Sustainability Report Public disclosures
Industry associations and media	Participation in industry activities and initiatives Conferences and meetings Industry workshops	Building partnerships	Sharing of expertise and resources

RISK MANAGEMENT

Carmen Copper adopts a risk management approach that allows for the execution of adequate mitigation measures without imposing constraints upon the ability of the enterprise to optimize business opportunities.

The Enterprise Risk Management Committee of the Company that is composed of members of senior management continually reviews the efficacy of existing risk assessment protocols and the adequacy of the risk reduction strategies being implemented within the organization.

The Company has taken the critical initial steps to formalize a risk management program for itself and its subsidiaries that will allow for the formulation and documentation of policies to be adopted and implemented for the purpose of moderating, in the most comprehensive manner achievable, the various forms of economic and operational risks to which the business enterprise is exposed.

Currently, the managers of all the organizational units of the Company are required to present, as part of their monthly reports, (i) the results of their regular assessments of risks attending such aspects of the operations to which their functions pertain, and (ii) the remediation measures that they have adopted to address such risks. Material and high-probability risks that are identified are immediately reported to senior management for immediate action.

At the board level, the governance of the Company's internal systems for managing risks falls within the purview of the Audit and Risk Management Committee that is mandated to regularly examine and evaluate the Company's exposure to existing risk sources to guide the institution of policies that will diminish the likelihood and impact of risk realization.

CARMEN COPPER CORPORATION

IMS POLICY

Safety, Health and Environmental (SHE) Policy

CARMEN COPPER CORPORATION envisions the prudent conduct of its mining business while providing an environmentally friendly, healthy and safe workplace for our employees and contractors by implementing actions that promote health care, prevention of injury, accidents, prevention of pollution and protection of the environment.

Specifically, we commit to the efficient management and use of materials, products and energy through waste or emission reduction or elimination, reuse, recycling or replacement. **CARMEN COPPER CORPORATION** commits to the continuous review of opportunities for improvement of its processes and operations by implementing objectives, targets and programs toward sustainable development.

We shall ensure compliance to regulatory and other SHE-related covenants as well as adopt and enforce sound SHE internal standards.

The Top Management of Carmen Copper Corporation shall ensure that this Integrated Management System (IMS) policy and its SHE objectives and programs remain current, relevant, suitable and appropriate to the organization and the mining industry by conducting periodic IMS reviews.

We pledge to this commitment of performance to our employees, contractors, host communities, stakeholders, customers, and shareholders. Ensuring awareness, complying with and enforcing this policy is the responsibility of every one who works at **CARMEN COPPER CORPORATION.**

Rodrigo C. Cal	**Adrian Paulino S. Ramos**
Vice President & Resident Manager	Director and Executive Vice President

SUSTAINABLE COMMUNITIES

"We develop our host and neighboring communities by optimizing their capabilities and instituting mechanisms which allow them to decide on issues affecting their growth."

Beyond legal requirements, Carmen Copper seeks to build strong relationships with communities where it operates to address their various concerns and improve their way of life. The implementation of its Social Development and Management Program (SDMP) is a way of demonstrating to the people that its operation has meaningful and long-term advantages.

The sustainability of all social investments under the SDMP is at all times considered to ensure that all its projects are bound to give lasting benefits to its target recipients. Carmen Copper is pursuing various sustainability strategies such as utilizing the community-driven development (CDD) approach in projects identification, prioritization, planning and development.

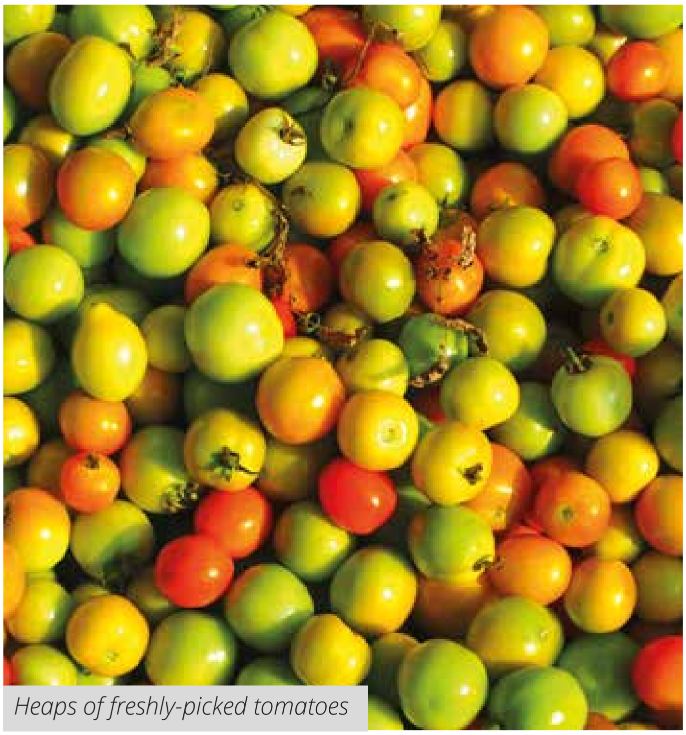
The Company allots one and a half percent (1.5%) of its operating cost to implement the SDMP in four (4) host and thirteen (13) neighboring barangays.

In 2014, Carmen Copper spent Php41million for SDMP's development of the host and neighboring communities, development of mining technology and geosciences and information, education and communications program.

Enterprise Development

To address low income of families in the host and neighboring communities, enterprise development is being pursued by enhancing access to capital and market through the SDMP. Among the existing beneficiaries of this intervention are people's organizations, namely: DASVO Multi-Purpose Cooperative, 4B Multi-Purpose Cooperative, ACFA Multi-Purpose Cooperative, Pandongbato Farmers Association, and Bagakay Farmers Association. These organizations are engaged in the manufacture of shoes and furniture, production of seedlings and other crops, and raising livestock and poultry.

Ongoing livelihood trainings and workshops are conducted to equip potential people organizations with the tools to transition into small enterprises. The people's organizations include: Mabais-Biga Farmers Settlers Association, Katilingbang Nagpakabana sa Kauswagan, Abag Sa Panginabuhi sa DAS Association, Poog Farmers Association, Media Once Women Association, Hugpong Cantabacoanon para sa Kinaiyahan, and Hugpong sa mga Mag-uuma para sa Kalamboan.



Heaps of freshly-picked tomatoes

A company-assisted tomato farm in Barangay Biga

Fresh harvest from a Carmen Copper-assisted banana plantation in Pandong Bato, barangay Media Once

New covered court in barangay Sangi

Pupils of Bagakay Elementary School

Assistance to Infrastructure Development and Support Services

Carmen Copper supports infrastructure development of the host and neighboring barangays to boost socio-economic growth in these areas. It helps communities by improving their access to essential infrastructure, such as construction of farm-to-market roads and bridges, covered court-cum-evacuation center, water system, wharf reconstruction, and road repair.

Access to Education and Educational Support Programs

Carmen Copper supports the provision of educational opportunities to members of the host and neighboring communities that include scholarships from secondary to tertiary education, technical education, provision of on-the-job-training program, construction, refurbishment and improvement of school buildings and related facilities.

Access to Health Services, Health Facilities and Health Professionals

Provision of health facilities and services is one area of concern that Carmen Copper has extended to members of the host and neighboring communities. It deployed volunteer nurses to support the health program of the LGU and the barangays and provided over-the-counter medicines for some ailments of barangay folks. The volunteer nurses conducted health education in the barangays they are assigned. Carmen Copper conducted medical, dental and optical mission on a regular basis. It helps upgrade facilities of the hospital operated by the LGU with the donation of pieces of hospital equipment.

Protection and Respect of Socio-Cultural Values

Carmen Copper protects and respects the different cultures of the people in the barangays where it operates. It helps promote social cohesion and cultural advancement by providing assistance in the communities' various socio-cultural events and endeavor.

Use of facilities and services within the mine camp

Carmen Copper allows the use of its facilities to members of the host and neighboring communities like the hospital and its facilities, recreation center, clubhouse and sports facilities. The Company's shuttle buses provide free transportation to people within the mining area in going to and from their residences.

An elderly tries out a free eyeglass during a comprehensive medical mission in barangay Poog

Free transportation to residents of barangay Biga and Pandong Bato, Media Once

CASE STUDY

SCHOOL-BASED FEEDING PROGRAM

CHALLENGE

John Paul B. Abalo, 15, a grade 6 pupil from Bagakay Elementary School in Toledo City, only eats rice for lunch. But in the last three years, he could never forget the feeling of a full stomach when he gets free lunch of tasty viands during school feeding activities.

Abalo is among millions of school children in the country whose health is compromised by lack of food on the table. In Toledo alone, poverty incidence is at 31.5 % according to the National Statistics Coordination Board. It translates to thousands of school children who are undernourished and non-performing in schools in terms of attendance and academics.

The Philippines, through the Department of Education, has launched in 2010 the School-Based Feeding Programs (SBFPs) to achieve one of the UN Millennium Development Goals (MDGs) of improving the quality of health and education among children. It aims to restore the normal nutritional status of at least 70% of its beneficiaries and to improve class attendance by 85-100%. Due to budgetary constraints, the SBFP covered only 40,361 of the 534,054 malnourished pupils from kindergarten until Grade 6 in Toledo City hence, DepEd sought help from the private sectors.

SOLUTION

Taking up the challenge, Carmen Copper allocated from its SDMP Fund a budget of Php70,000 per year or Php7,000 per month per school-recipient for the implementation of the SBFP.

Beneficiaries are pupils from the elementary schools of barangays Biga, Makatol, Pandongbato, Media Once, Loay, Bagakay, Cantabaco, and Day Care Center of Biga. The schools conduct feeding activity for identified malnourished schoolchildren on a daily basis. It renders Nutritional Status Report and Improvement of Class Attendance Report as part of the Company's monitoring and evaluation process of the program.

"Pirmi busog. Mas giganahan pako mueskwela" (Always full . I'm more encouraged to come to school)

- John Paul B. Abalo, 15
Grade 6 pupil from
Bagakay Elementary School

RESULT

When asked how he has been in school, Abalo said, "*Pirmi busog. Mas giganahan pako mueskwela*" (Always full. I'm more encouraged to come to school). A sweet answer from a boy who found a reason to not mind walking an hour every day, in a pair of old slippers, to attend classes.

The results of the feeding in Bagakay Elementary School show that there is a significant decrease in the number of wasted or underweight children after months of feeding them with food high in nutritional values (see table below).

"The children's attendance in class is remarkably above 90% in all levels. The feeding encourages a child to come to school where he knows he can eat right," said BES Principal Emmanuel Bahena. With a continuous partnership with DepEd, Carmen Copper desires to further decrease the malnutrition and drop-out rate of children in all school-recipients.

Table of Consolidated Nutritional Status and Attendance Report for Bagakay Elementary School Beneficiaries

GRADE	NUTRITIONAL STATUS										PERCENT ATTENDANCE
	BEFORE					AFTER					
	UNDERWEIGHT	NORMAL	OVERWEIGHT	OBESE	TOTAL	UNDERWEIGHT	NORMAL	OVERWEIGHT	OBESE	TOTAL	
Kinder	2	48	0	0	50	1	47	0	0	48	96%
Gr. 1	13	36	0	0	49	3	43	0	0	46	94%
Gr. 2	1	43	0	0	44	0	45	0	0	45	100%
Gr. 3	3	43	0	0	46	0	44	0	0	44	96%
Gr. 4	6	57	0	0	63	13	47	0	0	61	97%
Gr. 5-A	4	27	0	0	31	0	30	0	0	30	97%
Gr. 5-B	5	28	0	0	33	4	28	0	0	32	97%
Gr. 6	2	45	0	0	47	0	47	0	0	47	100%
TOTAL	36	327	0	0	363	21	331	0	0	353	98%

ENVIRONMENTAL PROTECTION AND ENHANCEMENT

"We steadfastly promote environmental responsibility and sustainability in every facet of our operations."

Carmen Copper recognises that its operation can have a significant environmental impact on its host and neighbouring communities. Cognisant of this, the Company aims to go beyond compliance by adopting leading practices in restoring and enriching the areas impacted by its operation in Toledo City.

In support of the government's National Greening Program, a total of 172,900 seedlings were donated to the community out of the total 242,952 seedlings produced in 2014 from the Company's own and contracted plant nurseries. The donated seedlings contributed to the respective forest rehabilitation efforts of different groups from the academe, local government units, non-government organizations, and the private sector.

More than 69,000 seedlings were planted in 126 hectares of mined-out areas, orchards, and re-vegetated slopes inside the mining complex. Carmen Copper engaged people from the communities in seedlings production and plantation, which helped accelerate reforestation activities and augmented the income of indigent families.

The Company's revegetation program, with the active participation of various People's Organizations from the community, has earned it the Second Runner-Up award for the Best Mining Forest – Metallic Category during the Annual National Mine Safety and Environment Conference (ANMSEC) held in Baguio City last November 2014. This achievement is principally attributable to an intensified re-greening campaign, constant support of the management, and dedication of the people involved in the campaign.

Carmen Copper spent PhP597 million for various environmental initiatives under its Annual Environmental Protection and Enhancement Program (AEPEP), bulk of which went to climate change mitigation and adaptation and environmental maintenance activities. (See Table 1.)

Carmen Copper's implementation of a company-wide Integrated Management System (IMS), covering ISO 14001 for Environment Management and OHSAS 18001 for Occupational Health and Safety Management, is already complete and is ready for a third party external audit. The company identified SGS Philippines, Inc. as the official certifying organization, to undertake the external audit proceedings. The first stage audit is scheduled on January 2015 and the second stage within the same year.

The Company's bid for an IMS certification aims to establish a more systematic approach to managing the different environment, health and safety issues that confronts its

Table 1. 2014 Annual Environmental Protection and Enhancement Program

Climate Change Mitigation/Adaptation	Php62,262,900
Capital Expense	1,334,799
Environmental Maintenance	532,713,240
Research and Development	144,000
Monitoring Trust Fund	274,713
TOTAL	Php596,729,652

Four-year old acacia auri and mangium at the Biga Pit reforestation area diversified operation. With the implementation of the IMS programs, the Environment and Safety and Loss Control Department will be able to establish standard documentation procedures for company-wide reports (for Environment and Safety incidents), emergency response, permit and certificate acquisition, and compliance with legal regulations.

Biodiversity and Land Management

One of the priority activities of the Reforestation Team is the enrichment of sparsely vegetated areas to improve density stocking and biodiversity of the site by planting native trees and incorporating in the system the food-plants of wildlife thriving onsite.

Since 2007, 62.30 hectares of sparsely vegetated areas were enriched. These include the plantations (abaca, west duplex and supervisory areas, orica magazine area) established during the old operation of Atlas Mining (circa 1960 to 1990), plantations established during rehabilitation (CCC 2007-2008) and ATCOM established plantations. For 2014, 11.04 hectares were enriched and planted dominantly with rattan.

Carmen Copper also identified 102 hectares of agricultural lots within the mining complex to be converted into orchards for long-term benefits. The orchards spread across barangays Biga, Bagakay, Loay and Media Once in Toledo City. More than 40,600 seedlings of various fruit-bearing plants such as coffee, *guyabano*, citrus, *cacao*, *langka* and *lanzones* were planted in partnership with different People's Organizations that agreed to produce the seedlings and cultivate the land. The orchards will bring additional income to the community once the trees reach its optimum production level in 5 to 10 years time. This project is intended to benefit the community even beyond the life of the mine.

More than 835 hectares of thick forest covers established since the 1960s have served as refuge for wildlife. The Company has declared all forms of wildlife hunting and cutting of matured trees illegal inside the minesite. There have been reports of *kaingin*, illegal cutting of trees and wildlife hunting that resulted to arrests and lawsuits.

The Company continues its information, education, and communication drive to educate the communities against wildlife abuse.

Rehabilitation

A 10.7-hectare lot, formerly a mineral waste dumping area in barangay Bagakay, was established as plantation area for the year 2014. It is now dominantly planted with Auri and Mangium. This is comparatively smaller than previous years' targets because almost all barren areas surrounding Biga pit are already revegetated and no other area was cleared for this purpose. Since 2007, 352.05 hectares of plantations were established and maintained. These plantations are mostly located around the Biga Orebody. (See Table 2.)

Waste Management

Mineral waste such as rocks and tailings produced from mining and ore processing are properly disposed under waste management plans currently in place.

The Mabais-Sigpit Waste Dump receives most of the waste materials from the development of Carmen Pit while tailings are deposited in the Biga Tailings Storage Facility, which has a capacity of 294 million cubic meters or 470 million wet metric tonnes (WMT).

As of December 2014, the volume of tailings deposited at the Biga TSF reached 51 million cubic meters. Based on the average 50,000 metric tons per day milling capacity of the Carmen Concentrator, the Biga TSF will reach the level of the discharge portal of the Land Based Talings Disposal conveyance system in approximately 3.2 years. Studies are underway to locate other potential areas for the next-generation tailings solution that will supplement the existing facility.

In compliance with environmental regulations, Carmen Copper acquired the services of EMB-accredited third-party hazardous waste transporters and treaters to manage and dispose hazardous wastes (e.g. used oil, used lead acid batteries). As of December 2014, a total of 422,000 liters of used/waste oil and 731 pieces of spent lead acid batteries.

Table 2. Total Area Developed / Planted

Total Area Developed / Planted									
Interventions	2007	2008	2009	2010	2011	2012	2013	2014	Total
Plantation	2.84	12.39	10.81	24.67	54.39	146.37	90.52	10.07	352.05
Enrichment Planting	2.26	3.58	5.70	5.92	8.14	5.91	19.74	11.04	62.30
Arboretum				0.64	0.50	0.07	0.15		1.36
Orchard								101.69	101.69
TOTAL	5.10	15.97	16.51	31.23	63.03	152.35	110.41	122.80	517.40

Hazardous waste materials were transported and treated by a DENR-EMB accredited hazardous waste transporter and treatment company.

Water Management

Carmen Copper sources its water for industrial and domestic use from the Malubog Reservoir.

In 2014, overall water consumption recorded is 129,405 million cubic meters, 38% of which is from a fresh water source and the rest are recycled water from the tailings thickener overflow and the Biga Tailings Storage Facility. Figures are higher compared to 2013 by 19% that is attributed to the full implementation of the Carmen Concentrator expansion.

Efforts are however undertaken to conserve water by maximizing the use of recycled water over the fresh water, by converting the old and inefficient pumps to new and reliable ones, by immediately repairing pipeline leaks and by eliminating water tank overflow.

Domestic water demand for 2014 reached 2.3 million cubic meters, a significant portion of which was distributed to communities that have no access to water. Water for domestic use is treated at the Abaca Water Treatment Plant Generation.

Carmen Copper has 21 water sampling stations monitored monthly by a Multipartite Monitoring Team for PH level, TSS, heavy metals (iron, cadmium, zinc, magnesium, led, manganese, mercury, arsenic, chromium and aluminium), oil and grease to guarantee compliance with the Water Quality Standard. Daily monitoring is also conducted in 12 sampling stations located in critical areas. The Company makes sure that water sources are free of contaminants for the safety of its employees and the community.

Energy Use and Air Emissions

Carmen Copper seeks to improve the energy efficiency of its operation, putting priority to GHG emission reduction.

In 2014, annual energy consumption has reached 430 million kilowatt hours (KWH), 24% higher than in 2013. The increase is primarily due to the full implementation of the expansion project. Carmen Copper sources power from its own power plant with a 10-megawatt capacity, which can supply one percent of its power demand, and from outside sources. Bulk of its demand is sourced from the Toledo Power Corporation in Toledo City.

Carmen Copper launched a company-wide campaign to conserve energy to save costs and to control ozone-depleting substances. Regular monitoring of sulphur oxides (SOx) and nitrous oxides (NOx) emissions ensure that it remains at the acceptable standard. In 2014, SOx and NOx emissions registered at average 54 milligrams and 255 milligrams per normal cubic meter, respectively. It remains way below the standards set by the National Emission Standards for Source Specific Air Pollutants.

The Company heightens its implementation of various climate change mitigation and adaptation activities to reduce its carbon footprint. By enriching 517 hectares of lots since 2007 and by regular preventive maintenance servicing of all company vehicles, Carmen Copper aims to reduce its carbon emissions. Regular water sprinkling along major access roads also minimizes dust pollution.

Closure Planning

Carmen Copper, in accordance with the approved Final Mine Rehabilitation/Decommissioning Plan (FMRDP) has already set aside more than Php19 million as its first allocation in the establishment of the Final Mine Rehabilitation and Decommissioning Fund (FMRDF). Such fund will be deposited in a trust account and will exclusively be used for undertaking rehabilitation activities after the end of mine life. Carmen Copper shall deposit funds to the FMRDF until 2020 or until it reached Php73 million.

Multipartite Monitoring Team (MMT) members conducting ambient air sampling at the vicinity of Lutopan Pit (left photo) while another group takes surface water sample from Ilag River (right photo)

A company forester checks on the growth of the guyabano plant at the Community Orchard project in Pandong Bato, Media Once

CASE STUDY

COMMUNITY ORCHARD PROJECT

CHALLENGE

Carmen Copper has the mission to build resilient communities that has the capacity to endure and cope with the changes brought about by its mining operations in Toledo City.

The challenge to find ways to create an ecological community that can sustain itself even beyond the time the mine has to cease operation remains.

Carmen Copper is in pursuit of tangible support to local communities that can bring long-term environmental stability and beneficial land use.

SOLUTION

All areas not needed for mining operation and where the Company has no future plans for development were set as the priority sites for establishing orchards. These sites are mostly farm lots with individual claims. The Orchard Project has engaged four company-assisted People's Organizations (POs) in cultivating the land. Their participation began from seedlings production, planting, up to maintenance activities.

The project was conceived not only to restore forest cover, but also to promote the return of wildlife since planted trees will eventually yield fruits. The orchards will also provide income opportunities for these communities.

The orchards, covering a total of 101.67 hectares of agricultural lands spread across barangays Biga, Bagakay, Loay and sitio Pandong Bato in barangay Media Once. In 2014, a total of 40,677 seedlings of various fruit-bearing trees have been planted between distances five (5) meters by five (5) meters.

RESULT

With regular maintenance and guidance from Carmen Copper's environmental officers, the orchards are expected to yield produce in three to five years. The trees will reach their optimum production level after 10 years.

Consistent with the principles of people empowerment, the communities were given the opportunity to decide for themselves and to discover their potentials in management.

Seedlings Planted in Orchard Sites

Species	Total	Hectares
Guyabano	20,334	50.8
Lemonsito	4,570	11.4
Cacao	2,570	6.4
Langka	364	0.9
Coffee	12,819	32.1
Lansones	20	0.1
Total	40,677	101.7

Community Orchard in barangay Loay

HEALTH AND SAFETY

"We ensure the well-being of our people and the community by strictly implementing our safety and health programs and policies."

The health, safety and well-being of its employees are of utmost consideration in Carmen Copper's day-to-day activities. Working toward the goal of zero accidents every shift of the day, Carmen Copper remained compliant with the government's safety regulatory standards and requirements.

Its relentless pursuit of a perfectly safe work environment has brought it several qualitative and quantitative benefits.

In terms of injury, Lost Time Accidents declined significantly from nine (9) in 2013 to three (3) in 2014, with zero fatality. The safety team, managerial employees and rank-and-file employees are seriously focusing on risk assessment, job hazard analysis as well as implementing Permit to Work (PTW) system to control or eliminate hazards. Recognition of the safety risks at work is a prerequisite for effective accident prevention. This is a positive indicator that workers are prioritizing safety in their respective workplaces and doing their share in the entire safety campaign.

Permit To Work System

With the full implementation of Permit To Work (PTW) system in all critical activities in the mine and its facilities, the total number of Non Lost Time and Lost Time Accidents decreased by 21% to 48 in 2014, from 61 in 2013. In terms of frequency, the accident rate fell by 61% to 0.21% in 2014 from 0.54% in 2013. The PTW system has greatly contributed to the drop in the number of accidents recorded because it permitted the risks to be addressed through strict implementation of safety procedures and appropriate control measures.

The Permit to Work System, which was fully implemented in the last quarter of 2014, is a formal safety management system designed to control and document certain type of defined activities and tasks for safe execution of work. It describes a rigorous process for managing designated high-risk jobs such as: Electrical/Mechanical Isolation (LOTO), Working in a Confined Space, Hot Work activities, Working with or near Radiation Sources, Excavation Tasks, Lifting Activities, Working at Heights, Blasting and Working on High/Medium Voltage Electrical Equipment/Electrical equipment testing.

Carmen Copper's line supervision also ensures that safety rules and regulations are adhered to by the workforce and that safety protocols are reinforced among all employees, workers and contractors through Last Minute Risk Assessment (LMRA).

2014 Safety Performance

Indicators	2013	2014
Total Number of Accidents	61	48
Non Lost Time	52	45
Lost Time	9	3
Number of Days Lost	12,290	68
Accident Frequency Rate	0.54	0.21
Accident Severity Rate	738.70	4.65
Total Number of Property Damage	143	97
Total Man Hours Worked	16,637,424	14,608,848

A fire truck crew demonstrates fire fighting technique

A company doctor examines a patient at the CCC Hospital

Through the LMRA, hazards are identified and evaluated in the workplace which resulted to the employment of appropriate measures thus reducing the risk to an acceptable level and preventing harm or injury from occurring.

Traffic and Road safety driving rules are also strictly implemented with the issuance of Operation Control Procedures (OCP-028). Sufficient training and information dissemination are undertaken to promote a safe working environment.

Safety Management

In September 2014, Carmen Copper First Aid Team won the overall championship in the First Aid /CPR competition in celebration of the World First Aid Day sponsored by the Philippine Red Cross Cebu Chapter. Carmen Copper's First Aid Team bested six other competitors and came first in four major events such as the Basic Life Support (adult CPR), Immobilization and Transfer Relay, Bandaging Relay and Situational Analysis. Carmen Copper also regularly participates in various competitions during the Annual National Mine Safety and Environment Conference held in Baguio for competitive experience and exposure.

In 2014, several Safety Operational Control Procedures (OCP) were finalized and approved by the Management for implementation companywide in consonance with International Standards and Practices requirement for the company's accreditation for Occupational Safety and Health (OSHAS 18001:2007) and Environmental Management System (ISO 14001-2004).

During the construction stage of the Processing Plant Expansion Project up to its commissioning, safety monitoring was intensified given the increased levels of activities and risks. Safety personnel were dispatched in three (3) shifts to conduct a round-the-clock inspection, audit and monitoring for safety compliance.

Carmen Copper remains steadfast in putting emphasis on health, safety and well being of all its valued employees. As such, the company is committed to improving its safety performance in 2015 by building a stronger safety leadership and maintaining an established culture of safety in the entire mining complex.

Emergency Preparedness

Rapid reaction teams organized in every Department and trained by the Loss Control and Fire Prevention Section are on round-the-clock standby for immediate dispatch in case of emergency situations. These included fire fighting crew, first aid crew, and mine rescue unit.

In addition, Carmen Copper conducted the following crisis management training and drills/demonstration in compliance with the approved Annual Safety and Health Program submitted to Mines and Geosciences Bureau to ensure that all employees are prepared to handle emergency situations:

- Ground movement Drill at Carmen Open Pit involving the Mine Open Pit Emergency Response Team (ERT)
- Bomb Threat Drill at Safety, Environment and ComRel Building involving the Security

Overall champion in Red Cross' first aid/ CPR competition

Field demonstration of the Emergency Response Team

Department Special Action Team (SAT)
- Earthquake Drill at Carmen Concentrator involving the First Aid/Rescue Team of Carcon
- Theoretical and practical training on Rescue and Retrieval Operation conducted by Bureau of Fire Protection, Toledo City

A Disaster Response Team was formed in coordination with various departments from the support services and operations to respond to emergency situations at the height of Typhoon "Hagupit/Ruby." Their mandate was to respond not only inside the mining camp but also in the neighboring barangays and nearby provinces. Pre-disaster meetings were conducted to brief members on the location of and access to evacuation areas and to prepare and familiarize the team on various rescue tools and equipment.

Occupational Health

Nestled inside the mine site is the company-owned and operated Carmen Copper Corporation Hospital (CCCH). Guided by its vision to provide high quality medical care and services to the sick and injured, as well as promote, restore, and maintain the health of its employees and their dependents, and the community, the hospital has undergone major physical improvement and professional development among its staff.

Passing the stringent requirements of the Department of Health and the Philippine Health Insurance Corporation, the CCCH was upgraded from a Primary Care Facility to a 30-bed, Level 1 Hospital last July 11, 2014. It likewise obtained accreditation as a DOH-PHILCAT Certified TB DOTS Center, which resulted to intensive case finding and monitoring of employees undergoing treatment. Twenty-nine percent (29%) of diagnosed employees completed treatment while fifty-nine (59%) are currently undergoing treatment.

In 2014, the CCCH catered to a total of 21,123 OPD patients, 12,954 of which were employees, 7,672 were dependents and 497 were private patients. There was a 5.68% decrease in admissions compared to the previous year totaling 1,074 patients. Eighteen (18) newborns were safely delivered in the recently opened delivery section. These babies underwent screening for possible congenital disorders and anomalies in the DOH accredited Newborn Screening Center at the hospital.

As a company hospital in an inherently dangerous working environment, the CCCH reached out to employees by conducting on site lay fora on lifestyle and occupational diseases such as Diabetes mellitus, Hypertension, and Tuberculosis. Twenty-nine (29) lay fora were attended by 324 employees. To improve compliance and treatment outcomes, it established the Diabetes Care Clinic and Hypertension Control Clinic on designated days of the week which resulted to better disease control and downgrading of medical risk status by 40.91% of employees with Diabetes.

On November 25, 2014, it launched its first issue of Kalusugan Ko, Sagot Ko! featuring employees who successfully quit smoking. This monthly circular is intended to promote a sense of responsibility for one's own health since the CCCH management believes that a healthy work force is a productive workforce.

In 2015, CCC Hospital's big thrust forward is the handling of major operations in its fully functional and state-of-the-art operating theater that will immediately attend to patients who needs surgical interventions.

"Carmen Copper remains steadfast in putting emphasis on health, safety and well being of all its valued employees. As such, the company is committed to improving its safety performance in 2015 by building a stronger safety leadership and maintaining an established culture of safety in the entire mining complex."


Dental services


Annual physical examination

ETHICS AND HUMAN RIGHTS

"Upholding human rights and treating our people with dignity and respect is integral in our mining operations."

Carmen Copper takes pride by having a work environment that upholds the highest standards of ethical and professional behavior among all its employees.

The Company integrated human rights in its Uniform Code of Conduct in adherence to the United Nation's Universal Declaration of Human Rights and the UN Global Compact Principles, and in compliance with all Philippine laws and regulations.

Carmen Copper ensures that all its employees, contractors, suppliers, and stakeholders are informed about its code of business conduct and respect for human rights through activities that promotes this end.

LABOR

In line with its policies for the respect of human rights, Carmen Copper upholds its commitment to fair labor standards and labor relations in the workplace. As part of its best practices, the Company affords its employees with their economic benefits which is above the mandate of the law and handles their workforce with utmost humane consideration for their general welfare.

There are no labor malpractices identified at work and the Company prevents the occurrence of the same.

Since the start of its operation in 2007, Carmen Copper has no reported incidents related to forced or compulsory labor among its employees, suppliers and contractors.

SECURITY

The Security persistently strives to strengthen its adherence to human rights among its managers and rank-and-file employees. The Company's commitment to human rights is inviolable and is regularly articulated to all the members of the Security force during their regular meetings.

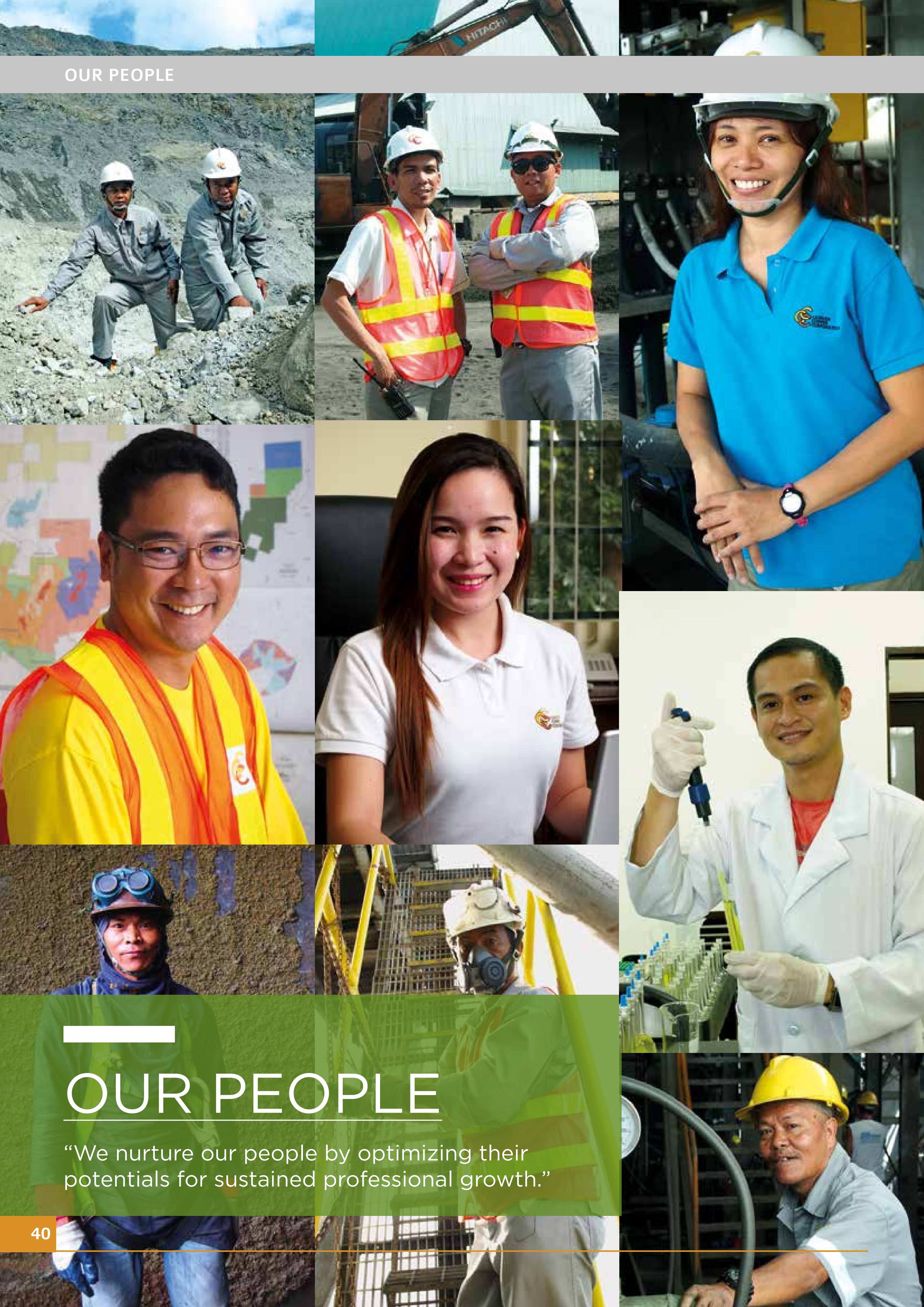
The recognition of these inherent and fundamental rights of individuals and offenders which has been inculcated in the minds of the security personnel have permeated in the workplace and is part of their best security practices.

All security personnel undergo regular training and refresher courses on firearms handling and other training activities to make them more effective law enforcers in the mine site.

Beyond compliance with law enforcement procedures, the Security group safeguards the Company, especially its employees and properties, from harm and other risks, with a heightened consciousness on human rights in its day-to-day operations.

Employees at the Carmen Pit

Security personnel during a flag ceremony



OUR PEOPLE

"We nurture our people by optimizing their potentials for sustained professional growth."

Recognizing that its employees are its core asset, Carmen Copper is committed to promoting the development and welfare of its workforce, and ensuring that their rights under the law are protected.

Acquisition & Demographics

Carmen Copper believes in hiring employees with competence, positive attitude and potential. Hiring competent individuals is the foundation of the hiring process. Competences (aptitude), attitude aligned to the Core Corporate Values and the potentials of candidates are among the basic requirements to qualify for employment.

At the core of Carmen Copper's operation is the robust and diversified workforce of 4,186 personnel. Of the number, 83% comes from the four (4) host and thirteen (13) impacted barangays of Toledo City while the other 18% comes from other cities across the country.

Carmen Copper has 64% of its workforce belonging to ages 18 to 45 years old.

In 2014, employee turnover rate is 2%, or about 85 employees resigned, retired or separated from the organization. There are a total of 1,591 employees whose contracts ended due to completion of the various projects. Some of these Project Employees were hired to regular positions.

Retention & Benefits

Carmen Copper offers entry-level wages that are above the legal requirement and above-industry standards. The Company also provides health plan, housing benefits, leave benefits, and retirement plan superior than what is provided for by the law.

Pay equity across all levels is based on skills, experience, and functions.

In the middle of 2014, a Rewards & Recognition Program was launched. The program was based on Safety, Productivity and Innovation. As of the end of the year, Carmen Copper recognized Extra-Mile Performers and Performing Teams who were able to meet the set guidelines.

For 2015, the mechanics of the Rewards & Recognition Program are enhanced to include cost-saving programs and initiatives.

Learning and Growth

Carmen Copper fosters professional and personal growth among employees who are encouraged to work to their full potential. Success indicators are set at the beginning of the year to align company, professional and personal goals. Skills and capabilities are enhanced or developed resulting from regular performance reviews and training needs analysis.

STATISTICS ON EMPLOYEE POPULATION as of December 31, 2014

Particulars	2013	2014
Regular	3,819	3,467
Probationary	106	159
Project-based	692	525
Expats	4	1
Consultants	39	34
Total Workforce	4,660	4,186
No. of Male Employees	4,396	3,908
No. of Female Employees	221	243
Percentage of Employees hired from Toledo City	84%	83%

Carmen Copper invests heavily on trainings and other developmental interventions for the continued learning and growth of its workforce. In 2014, about 2,700 employees attended various technical and behavioural competency-based training programs, for over 158,412 training hours. Of this record, 6,988 (4.41%) hours were spent in mining and milling related technical training, 120,487 (76.05%) hours for safety training, and a total of 1,179 (.74%) hours were spent in technical training for support group. 29,758 (18.80%) hours were spent for leadership and behavioural training for employees across the organization.

Carmen Copper also supports its professionals to undergo required training for the renewal of their licenses.

TOTAL TRAINING HOURS
As of December 31, 2014

Training Hours	Technical	Behavioral
Ore Processing	1655	2313
Mine Operations	5333	4174
Site Support	415	13423
SHE-ComRel (Safety, Health, Environment and Community Relations)	120487	3024
Commercial	397	1860
Administration	367	4964
Total Training Hours	128654	29758

Engagement, Employee and Labor Relations

Carmen Copper upholds the rights of its workforce to a safe and employee-friendly workplace, collective representation, competitive compensation and benefits.

Carmen Copper affords equal opportunity to its employees and strives to achieve diversity at all levels in the organization. Discrimination, abuse of power, harassment or any type of violence in the workplace is not tolerated. Attention is provided to protect the rights and dignity of all employees.

All departments are well represented in formal management-worker health and safety committees created to monitor and continuously improve occupational health and safety programs.

Relationships with employees and stakeholders are based on mutual respect. Carmen Copper believes in ensuring that employees are continuously engaged and aligned with the Company's goals through quality leaderships and effective communication.

Carmen Copper continues to foster a harmonious relationship with the labor union. Both parties are committed to work on programs and projects for the welfare of the employees and their families.

Focused on one vision, its employees embody the Company's corporate values of Professionalism, Genuine Concern for the Company, Team Orientation, Innovation, and Concern for Safety, Social Development and Sustainability.

Annual Sportsfest at the CCC Recreation Center

A group of miners at the bottom of the Carmen Pit

An operator of a 100-tonner dump truck

A mine superintendent checks on his men at the Carmen Pit

IN RETROSPECT:

Gado's quest for the rich ore

"After going around, you have the tendency to come back. I realized that the pasture I left is greener than the pasture outside."

From finding the love of his life, raising his own family, conquering foreign jungles in search of minerals, and serving the community, Edgardo "Gado" Requina Paglinawan marked his 51 years in the mining industry. Through the many ups and downs in his career, he remains strong and resilient. Like the mining industry which is beset with challenges, Gado may be bent in the face of adversity, but never broken.

Gado started his career as a junior mining engineer with Atlas Mining in 1964. For 13 years (1964-1977), he climbed up the ladder from a shift boss at the Biga Pit until he became a general tunnel foreman at the mine underground. It was during these years that he first learned the rudiments and intricacies of his job. It was also during these years that he experienced two near-miss accidents which almost cost him his dear life.

The inherent dangers of his job, harsh environment, and isolation from his family, have tested Gado's mettle. But, the rigors of a miner's life did not deter him from pursuing his passion. He cannot think of any other career that will give him fulfillment aside from mining.

His career took him as far as Malaysia where he worked at SARAWAK Development and Mining SDN., BHD as a Chief Mining Engineer for four years in 1988. This was when the mining industry in the country was at its lowest.

"When I went abroad, there was no available job for a mining engineer in the country. It was against my will to go, but my kids are all in college. It was not really part of my plan, but at least the four and a half years I worked in the jungles of Sarawak, Malaysia resulted to the graduation from college of my four children."

There were lean years too in his career. During the collapse of the mining industry in the 1980's, job offer was scarce for a miner like him. Unemployed for a year, Gado did not bury his head in the sand, instead he took the opportunity to spend quality time with his family. Through the help of his colleagues, he weathered the storm and was able to get back on his feet.

Resilient like the bamboo, Gado always bounce back from his life's challenges that stretch the limits of his capabilities. He has worked with several other mining companies until his search for greener pasture took him back to where his career started.

"After going around, you have the tendency to come back. I realized that the pasture I left is greener than the pasture outside."

On May 12, 2008, Gado was called to help in the rehabilitation of Carmen Copper. He knew that a formidable task awaits him as the Assistant Vice President for Mining Operations – that of the revival of the old Atlas mine. But he was undaunted. He believes that with persistence, resilience, and good management, Atlas will resume its operations and will regain its foothold as one of the pillars in the mining industry.

In 2010, Gado reached the peak of his career when he was conferred as a Fellow by the Philippine Society of Mining Engineers.

As he looks back, Gado feels a deep sense of gratitude to Atlas for molding him to be the kind of mining engineer that he has become. After his arduous quest for the rich ore, he finally found the mother lode in Atlas. Now, he wanted to give back to the industry and to the Company in his capacity as the Consultant on Safety, Health, Environment and Community Relations.

At 74, still robust as a bull and unfazed by life's challenges, Gado is far from riding it easy into the sunset. He is hopeful, that he will still be able to contribute productively to the Company and to the mining industry in the ensuing years.

ECONOMIC CONTRIBUTION

"We reaffirm our commitment to be a leading contributor to the Philippine economy and we strive to ensure that the best outcomes are delivered to all our stakeholders."

Since the start of its operations in 2007, Carmen Copper has been one of the prime agents of economic development in the community. The Bureau of Customs Port of Cebu has consistently recognized Carmen Copper in its search for Top 10 exporters and Top 10 importers in Cebu. In 2013, Carmen Copper was No. 1 exporter and No. 2 importer. Awarding for 2014 performance will be in mid-2015 and the Company anticipates to maintain its spot as one of the top contributors to the import and export sectors in the region.

Carmen Copper 's contribution to the government's coffers for 2014 amounted to PhP1.4 billion (inclusive of input VAT, customs duties, excise taxes, local government taxes, and withholding taxes) with PhP1.3 billion paid to the national government and PhP841 million paid to local government units.

Carmen Copper provides employment and livelihood opportunities to almost 3,000 workers, who receive over Php1.0 billion in annual wages.

As part of its commitment to the communities, in 2014, Carmen Copper set aside over Php130 million for community development. Currently, 32% of this fund has been already spent. Its investments for the development of communities reached more than Php41 million in 2014, which equals to 31% of its target for social investments for the year. The remaining unspent allocation will carry over to 2015 and shall be used for social development projects.

Local Procurement

Carmen Copper also invests in the community by sourcing most of its goods and services from local suppliers. Approximately 85% of suppliers are located in the Philippines. Acquisition of goods, equipment, and services are in accordance with the Company policy to ensure quality and value for money. All suppliers undergo pre-qualification and performance evaluation processes to ensure that suppliers align with Carmen Copper's business principles and policies.

Blessing of the newly-acquired dump trucks

Awarding of the Top 10 Importers and Exporters in Cebu

Loading of copper concentrate on M/V Grace Casablanca bound for a smelting company in Fukushima, Japan

ENVIRONMENT

KEY ENVIRONMENTAL PARAMETERS

WATER MANAGEMENT

FRESH WATER USAGE
(IN MILLION CUBIC METERS)

2013	2014
2.13	2.36

Freshwater source from Malubog Dam

RECYCLED WATER USAGE
(IN THOUSAND CUBIC METERS)

2013	2014
63	80

Recycled water from Tailings Thickener overflows, Biga Tailing Storage Facility and creeks

TOTAL WATER USAGE
(IN MILLION CUBIC METERS)

2013	2014
2.20	2.44

HAZARDOUS WASTE MANAGEMENT

USED OIL
(IN THOUSAND LITERS)

2013	2014
479	422

Oil generated from preventive maintenance of heavy equipment and light vehicles

POLYCHLORINATED BIPHENYLS
(IN THOUSAND LITERS)

2013	2014
19	22

Polychlorinated Biphenyls – Coolants of transformers

ENERGY USE

ANNUAL ENERGY
(IN MILLION KWH)

2013	2014
323	430

MONTHLY ENERGY
(IN MILLION KWH)

2013	2014
26	36

AIR EMISSIONS

NOx

NOx (MG/NCM)

2013	2014
236	255

Based on readings from 2 units of Pielstick generators.

Note:
mg/NCM = milligrams per normal cubic meter

SOx

SOx (MG/NCM)

2013	2014
44	54

The National Emission Standards for Source Specific Air Pollutants (NESSAP):

Nitrous oxide (NOx) = 700 mg/NCM
Sulphur oxide (SOx) = 2,000 mg/NCM

WORKPLACE HEALTH AND SAFETY

KEY SAFETY DATA

	2013	2014
NON LOST TIME ACCIDENT	52	45
LOST TIME ACCIDENT	9	3
FREQUENCY RATE	0.54	0.21
SEVERITY RATE	738.70	4.65

OUR PEOPLE

STATISTICS ON EMPLOYEE POPULATION AS OF DECEMBER 31, 2014

	2013	2014
TOTAL WORKFORCE	4,660	4,186
PERCENTAGE OF EMPLOYEES HIRED FROM TOLEDO CITY	84%	83%
TOTAL NO. OF EMPLOYEES WHO ARE MEMBERS OF THE BARGAINING UNIT	2,746	2,284
NUMBER OF MALE EMPLOYEES	4,396	3,908
NUMBER OF FEMALE EMPLOYEES	221	243
YOUNGEST EMPLOYEE	19	18
OLDEST EMPLOYEE	73	64

OVERALL 2014 TRAINING HOURS

TECHNICAL	BEHAVIORAL
128,654	29,758

SUSTAINABLE DEVELOPMENT

SUMMARY OF KEY PROJECTS FOR THE YEAR 2014

Location	Projects Implemented	Direct Beneficiary	Project Cost
1. Poog	• Multipurpose Covered court	• Poog communities and neighboring barangays	Php2,785,247
2. Toledo City	• Backfilling of damaged sea wall of Days Hotel	• Various sectors	965,302
	• Medicines	• Senior Citizens	727,924
3. Biga	• Covered Court	• Biga communities	6,976,136
4. DAS	• Repair of 6-classroom building of DLS-ASMC	• Students, faculty	2,908,400
	• Communication System, DLS-ASMC	• Students, faculty	209,600
	• Leveling and concreting of school access road, DAS Elementary School	• Students, parents, faculty	302,705
	• Lot for Cultural Center	• Barangay residents	146,250
5. Cantabaco	• Ambulance	• Communities	890,000
MULTI LOCATIONS	• Community-based Greening Project	• People's Organizations	4,040,404
	• Scholarship and schools improvement	• Deserving 32 high school and college students	1,722,137
	• Nurses health services, dispensing of OTC medicines, health teachings	• Barangay residents	5,710,763
	• Socio-cultural, religious affairs assistance	• Barangay residents	2,077,950
	• Community vehicles, clubhouse activities, power subsidies	• Barangay residents	2,585,688
	• Sponsorships to various sectors activities	• Various	2,110,829
	• IEC	• Various	1,426,769
		TOTAL	Php35,586,095

SOCIAL DEVELOPMENT AND MANAGEMENT PROGRAM

	2014
Enterprise Development and Networking	Php4,063,904
Assistance to Infrastructure and Support Services	1,307,028
Access to Education and Educational Support Programs	3,045,730
Access to Health Services, Facilities and Professionals	5,710,764
Human Resource Development and Institutional Building	8,001
Protection and Respect of Socio- Cultural Values	1,862,506
Use of Facilities/Services within Mine Camp	3,024,141
Lump Sum Appropriation for Non-PSA-identified projects	9,504,028
Development of Mining Technology and Geosciences	741,395
Promotion of Public Awareness and Education on Mining Technology and Geosciences	666,485
Miscellaneous	11,135,538
Total	Php40,910,117

ENVIRONMENTAL PROTECTION AND ENHANCEMENT PROGRAM

ACTUAL EXPENSE	2014
Climate Change Mitigation/Adaptation	Php62,262,900
Capital Expense	1,334,799
Environmental Maintenance	532,713,240
Research and Development	144,000
Monitoring Trust Fund	274,713
Total	Php596,729,652

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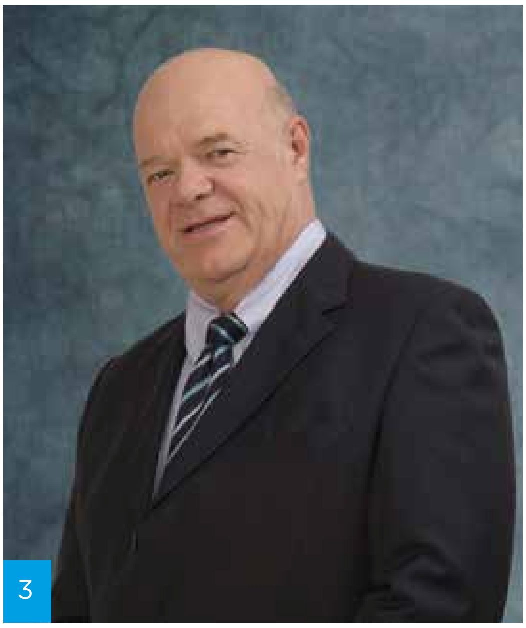

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BOARD OF DIRECTORS

1 ALFREDO C. RAMOS
Chairman and President

- *Member, Board of Directors since 1989*
- *Chairman, Board of Directors since 2 April 2003*
- *President since 2 April 2003*

Mr. Ramos is concurrently the incumbent President/Chairman of the Boards of Directors of Carmen Copper 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 obtained his bachelor's degree from the Ateneo de Manila University.

4 ADRIAN PAULINO S. RAMOS
Director and Executive Vice President

- *Member, Board of Directors since 18 July 2007*
- *Vice President from 2006 to 2012*
- *Executive Vice President since 2012*

Mr. Adrian Ramos is concurrently an Executive Vice President and a director of Carmen Copper Corporation and Anglo Philippine Holdings Corporation; a Vice President and a director of Alakor Corporation and National Book Store, Inc; and a director of Berong Nickel 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, and his master's degree in Business Administration (With Distinction) from Northwestern University's Kellogg School of Management.

2 FREDERIC C. DYBUNCIO
Vice Chairman

- *Member, Board of Directors since 12 August 2011*
- *Vice Chairman, Board of Directors since 22 August 2012*

Mr. DyBuncio is concurrently a Senior Vice President of SM Investments Corporation; President, Chief Executive Officer, and Director of APC Group, Inc. and Belle Corporation; Chairman and Executive Officer of Philippine Geothermal Production Company; and a director of Carmen Copper Corporation, Indophil Resources NL, Pacific Online Systems, and Sinophil 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 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.

3 MARTIN C. BUCKINGHAM
Director and Executive Vice President

- *Member, Board of Directors since 4 December1996*
- *Executive Vice President since 22 July 2002*

Mr. Buckingham is concurrently a director of Aquatlas , Inc. and Atlas Exlporation, Inc. He obtained his law degree from Cambridge University (United Kingdom).

5 ISIDRO A. CONSUNJI
Director

- *Member, Board of Directors since 20 April 2012*

Mr. Consunji is concurrently serving as, among others, the Vice Chairman and Chief Executive Officer of Semirara Mining and Power Corporation; the President of DMC Holdings, Inc. and DMCI Homes; the Chairman of the Construction Industry Authority of the Philippines and Berong Nickel Corporation; and a director of Carmen Copper Corporation. 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.


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6 JOSE T. SIO
Director

- *Member, Board of Directors since 12 August 2011*

Mr. Jose T. Sio is a Director, Executive Vice President and Chief Finance Officer, and member of the Executive Committee of SM Investments Corporation. He is also affiliated with the following companies listed with the Philippine Stock Exchange (PSE): (i) China Banking Corporation, as Director and Chairman of Trust Investment Committee; (ii) Belle Corporation, as Director; (iii) BDO Unibank, Inc. as Adviser to the Board of Directors; (iv) Premium Leisure Corporation as Adviser to the Board of Directors; and (v) SM Prime Holdings, Inc. as member of Audit and Risk Management Committee.

Mr. Sio also serves as Director in several companies not listed with the PSE: (i) SM Keppel Land, Inc.; (ii) Asia Pacific College; (iii) OCLP (Ortigas) Holdings, Inc.; (iv) Carmen Copper Corporation; (v) Manila North Tollways Corporation; and (vi) First Asia Realty Development Corporation. He is the President of SM Foundation, Inc. and GlobalFund Holdings, Inc.

Mr. Sio was a Senior Partner of SyCip Gorres Velayo & Co. (SGV) from 1977 to 1990. He was voted as CFO of the Year in 2009 by the Financial Executives of the Philippines (FINEX). He was also awarded as Best CFO (Philippines) in various years by Hong Kong-based publications such as Alpha Southeast Asia, Corporate Governance Asia, Finance Asia and The Asset.

Mr. Sio is a Certified Public Accountant and holds a Bachelor of Science degree in Commerce, major in Accounting, from the University of San Agustin. He obtained his Master's degree in Business Administration from New York University, U.S.A.

7 GERARD ANTON S. RAMOS
Director

- *Member, Board of Directors since 18 July 2007*

Mr. Anton Ramos is concurrently a Vice President and a director of Alakor Corporation and National Book Store, Inc; an Executive Vice President and a director of Anglo Philippine Holdings Corporation; Assistant Treasurer of Alakor Securities Corporation; and a director of Carmen Copper Corporation and Zenith Holdings Corporation. He obtained his bachelor's degree in Business Management from the Ateneo de Manila University.

8 FULGENCIO S. FACTORAN, JR.
Independent Director

- *Member, Board of Directors 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.

9 RICHARD J. GORDON
Independent Director

- *Independent Member, Board of Directors 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.

10 ALFREDO R. ROSAL, JR.
Independent Director

- *Independent Member, Board of Directors 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.

11 LAURITO E. SERRANO
Independent Director

- *Independent Member, Board of Directors 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, Cambridge, Massachusetts).

CORPORATE GOVERNANCE

The increase in the capacity of our physical facilities to produce marketable copper concentrate demanded governance systems that can support higher performance targets and sustain efficient resource management. Following the commissioning in 2014 of our expanded processing plant, there was a greater impetus to ensure that control and administrative policies and procedures were calibrated to optimize the investment in growing the company's operations. This pushed Atlas Mining to further strengthen its organizational structures by enhancing compliance, internal control, and risk management protocols, and by empowering corporate bodies and offices to initiate necessary improvements in the coordination of the company's business activities.

GOVERNANCE STRUCTURES

The Board of Directors

Composition and Qualification

The Atlas Mining Board of Directors (the "Board") is composed of eleven members who are generally elected by Atlas shareholders during their annual meeting. Of such members, at least two must satisfy the requirements of independence under the Securities Regulation Code (SRC) and Atlas Mining's Corporate Governance Manual (the "CG Manual").

The company currently has four independent directors who have confirmed that they qualify as such based on the criteria set under Rule 38 of the rules and regulations implementing the SRC.

The eligibilities of all the incumbent directors of Atlas Mining were evaluated by the Board's Nominations Committee in accordance with the standards established in the CG Manual and the Revised Code of Corporate Governance.

The Committees of the Board

The Board, pursuant to the company's by-laws, has created four (4) committees composed of its members to ensure regular and effective performance of its policy-making and oversight functions.

1) Executive Committee

The Executive Committee was constituted with the authority to exercise the powers of the Board during periods when the full membership is not convened. It meets regularly to evaluate and/or formulate corporate actions upon the direct reports presented by the line managers and function heads of Atlas Mining and of the operating subsidiaries.

Incumbent Members:

FREDERIC C. DYBUNCIO - Chairman
ALFREDO C. RAMOS
MARTIN C. BUCKINGHAM
ISIDRO A. CONSUNJI
ADRIAN PAULINO S. RAMOS
GERARD ANTON S. RAMOS
JOSE T. SIO

2) Audit and Risk Management Committee

The ARMC (i) oversees the establishment and implementation of policies and systems that ensure Atlas Mining's compliance with existing laws, rules and regulations, financial reporting obligations, audit and internal control procedures, and risk management protocols; (ii) examines and evaluates the extent of Atlas

Mining's exposure to existing operational, financial, strategic, and compliance risks to determine the plans and policies that must be established to eliminate or mitigate the effects of realized risks; and (iii) directs the formulation and implementation of systems and programs for the effective identification, analysis, monitoring, reporting, and management of all types of risk to which Atlas Mining and its subsidiaries are exposed.

Incumbent Members:

LAURITO E. SERRANO*	-	Chairman
ALFREDO R. ROSAL Jr.*	-	Deputy Chairman
FREDERIC C. DYBUNCIO		
GERARD ANTON S. RAMOS		

* Independent Director

3) Compensation Committee

The Compensation Committee establishes the policy for determining the optimal merit-based remuneration package for the officers, directors, and key personnel of Atlas Mining and its operating subsidiaries. Such policy is developed based on staffing strategy and performance-evaluation systems, and on principles of fair compensation.

Incumbent Members:

JOSE T. SIO	-	Chairman
FULGENCIO S. FACTORAN Jr.*		
RICHARD J. GORDON *		

* Independent Director

4) Nominations Committee

The Nominations Committee ensures that Atlas Mining is led by competent and dedicated individuals through an assessment of candidates who are nominated to become members of the Board, or to fill executive or management positions. The qualifications of candidates are vetted based on the parameters set under the CG Manual and on the requirements of the positions to be held.

Incumbent Members:

ALFREDO C. RAMOS	-	Chairman
FREDERIC C. DYBUNCIO		
ALFREDO R. ROSAL Jr.*		

* Independent Director

The Management Committee

The Management Committee is composed of executive officers and other senior officers who serve as heads of the various key functions in the organization. It convenes weekly to facilitate coordination among the management units and to provide a regular forum for the reporting and resolution of matters requiring immediate action.

The Internal Audit Group

The Internal Audit Group, led by the Chief Audit Executive, performs in accordance with the mandate to periodically examine and assess (i) the adequacy and implementation of internal control, operational, and safety protocols, and (ii) the organization's compliance with laws and regulations, financial reporting obligations, and contractual covenants.

GOVERNANCE SYSTEMS

Attendance of Directors at Board Meetings

To effectively discharge its duties as a collegial body mandated to determine the strategic direction of Atlas Mining and its subsidiaries and to guide and ensure the implementation of policies developed in accordance with the defined vision of the organization, the Board convenes at least once every calendar quarter for the purpose of evaluating and approving certain corporate actions, ratifying acts performed by its committees, and receiving and assessing reports presented by management.

The following provides details of the attendance of the company's incumbent directors at meetings of the Board held in 2014.

Member	Number of Meetings Attended	Number of Meetings Held
ALFREDO C. RAMOS	4	4
FREDERIC C. DYBUNCIO	4	4
MARTIN C. BUCKINGHAM	4	4
ISIDRO A. CONSUNJI	4	4
ADRIAN PAULINO S. RAMOS	4	4
GERARD ANTON S. RAMOS	4	4
JOSE T. SIO	4	4
FULGENCIO S. FACTORAN Jr. (Independent Director)	4	4
RICHARD J. GORDON (Independent Director)	4	4
ALFREDO R. ROSAL Jr. (Independent Director)	4	4
LAURITO E. SERRANO (Independent Director)	4	4

Approval of Corporate Actions

All corporate actions taken require the review and approval of the Board or its committees, or the management unit to which the relevant authority has been delegated. This ensures effective control over the execution of the Board's operational, financial, and administrative plans.

The CG Manual

The CG Manual establishes the fundamental organizational structures that allow the implementation of Atlas Mining's governance policies. It prescribes the offices and functions that must be instituted to maintain adherence to best practices of corporate governance.

Likewise embodied in the CG Manual is the company's recognition of the rights of its stakeholders and of its duty to adopt the programs and measures that are needed to preserve and protect such rights.

Risk Management

The Board has constituted an Enterprise Risk Management Committee (ERMC) that is composed of members of the senior management of Atlas Mining and its operating subsidiary, Carmen Copper Corporation ("Carmen Copper"), and is tasked with the implementation of risk management policies and strategies that have been developed based on a comprehensive assessment of the risk exposures of the business organization.

The ERMC reports to the ARMC on the progress of the completion of organization-wide risk management programs and on the results of its assessment of the extent of internal compliance with established processes for the identification, analysis, and treatment of events of risk.

In 2014, the ARMC and the ERMC formalized the appointment of a Risk Management Officer who followed through on the exercise of engaging all the functional units of the organization to complete risk logs to enhance the participation of middle management in risk monitoring and mitigation.

Compliance

Atlas Mining and Carmen Copper have an established system for directing and monitoring their compliance with all legal, regulatory, and contractual obligations. A central compliance division supervised by the group's Compliance Officer implements a reporting system that ensures consistent tracking of the fulfillment of the compliance obligations of the enterprise. The system involves the designation of a compliance functionary for each organizational unit who is tasked to present monthly written reports to the compliance division to confirm that the unit has performed its internal and external compliance obligations for the relevant period.

Internal Audit

The internal audit group effectively carried out the audit plan for 2014 in close consultation with the ARMC. The audit review of essential business processes and structures was conducted with regularity according to the approved program and in coordination with the key members of management. As a result, actions on audit findings were defined more clearly and more formally.

Good Governance

At the heart of good governance within Atlas Mining and its subsidiaries is the promotion of a culture of shared accountability for the achievement of the goals of the organization as a sustainable business enterprise that is guided by a high level of ethical standards. Atlas Mining always strives to develop corporate leadership that is committed to the optimization of shareholder value and to the enhancement of the rights of stakeholders.

Commitment to Employees

Atlas Mining recognizes that its employees stand as a vital pillar in its governance structure. As such, it gives utmost importance to the consistent implementation of human resource development programs focused on skills improvement, values orientation, and management training.

The human resources division regularly organizes team-building and training activities that enhance the participation of mid-level managers in defining and implementing the mission and vision of the enterprise, thereby nurturing a greater sense of ownership over their contribution to the achievement of the goals of the organization.

Report to Shareholders

Atlas Mining provides its shareholders and investors with easy and regular access to information regarding its activities and performance through timely disclosures of material events via the on-line disclosure system of the Philippine Stock Exchange. Last year, in compliance with relevant issuances of the Securities and Exchange Commission, Atlas Mining updated the lay-out of its website to improve the presentation and accessibility of all required reports and essential company information.

GOVERNANCE GOALS

Atlas Mining remains steadfast in pursuing programs for the development of its risk management system and for the further empowerment of governance institutions that are already in place.

In 2015, the group will continue to improve the implementation of its risk management program by formulating and cascading the details of the procedures and strategies required to concretize the principles underlying the assessment of and the responses to risks at every level of the organization.

Initiatives on establishing a formal mechanism for the assessment of the performance of Atlas Mining's Board of Directors and key executive officers and on adopting an enhanced code of ethical and professional conduct will likewise be advanced.

To facilitate stakeholder access to information on the operations, financial condition and business plans of Atlas Mining and its subsidiaries, the investor relations program will be further developed with the objective of improving the ease and regularity of the group's communications with investors and strategic partners.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

12%
INCREASE IN REVENUES

₱397M
NET INCOME

₱5.1B
EBITDA IN 2014

FINANCIAL PERFORMANCE HIGHLIGHTS

Consolidated Financial Results

Years ended 31 December (in Million Pesos)	2014	2013	Δ%
Proforma Income Statement			
Revenues	16,181	14,451	+12%
Operating Cash Cost	11,160	9,046	+23%
EBITDA	5,051	5,405	-7%
Core Income	684	2,616	-74%
Net income	397	1,896	-79%

Atlas Mining achieved another milestone as its subsidiary, Carmen Copper, completed and commissioned its expanded processing plant in the first quarter of 2014 which pushed production 14% higher year-on-year. With higher production volume, revenues increased by 12%. On the other hand, copper and gold prices softened on the second half of the year that caused average realized copper and gold prices to decrease by 6% and 9%, respectively. The decrease in prices, combined with the impact of higher financing cost, depreciation charges and income tax provisions pulled down the net income by 79%.

On its nickel investments, the results of operations were consolidated for the first semester of 2014 but recognized as equity in net earnings for the second semester because of the change in management control effective 19 June 2014. Atlas Mining's nickel investments were reclassified from investments in subsidiaries to investments in associates.

Revenues

The company managed to turn in a 12% increase in revenues in 2014 at Php16.2 billion from Php14.5 billion in 2013 as the increase in shipment volume more than offset the decrease in copper prices. Copper revenues of Php13.7 billion accounted for 85% of the total gross revenues. Gold and nickel revenues contributed 8% and 7%, respectively.

Year ended 31 December (in Million Pesos)	2014	2013	Δ %
Gross Revenues			
Copper	13,730	12,432	+10%
Gold	1,333	1,136	+17%
Nickel	1,114	860	+30%
Others	4	23	-83%
	16,181	14,451	+12%

The newly commissioned expanded plant pushed production up by 14% that correspondingly increased shipments by 14%. Average daily milling throughput soared by 14% year-on-year to 49,225 dmt per day, on account of the completion of Carmen Copper's plant expansion and process efficiency improvements. Consequently, copper sales shipment volume grew by 14% to 175,966 dmt. Copper metal content was at 104 million lbs. while gold was at 24,071 ounces, realizing increases of 15% and 23%, respectively vis-a-vis last year.

Metal prices, on the other hand, started to soften during the second half of the year and resulted in the decrease in average realized copper price by 6% to USD3.12 per pound vis-à-vis last year's USD3.30. Gold, a copper by-product, also dropped in average price by 9% to USD1,265.00 per ounce.

Nickel revenues amounted to Php1.1 billion which represent first semester results in 2014. Berong Nickel's financial results for the second semester were recorded at equity following the change in the accounting treatment of the parent company's investment. In 2013, nickel revenues of Php860 million covered the full year's operations. Although only half year's operations accounted for Nickel revenues in 2014, a notable increase of 30% was still attained owing to favorable average nickel prices and higher shipment volume during the year.

Operating Cash Costs

Operating cash costs increased by 23% to Php11.2 billion due mainly to the higher level of operations with daily milling average increasing by 14% from 43,000 to 49,000 dry metric tonnes per day. Increased milling tonnage demanded higher power and fuel consumption, as well as additional equipment rental costs, more reagents, materials and spares to support 49,225 dmt per day compared with 43,010 dmt last year. Moreover, operating efficiency was partly affected as the newly commissioned plant had to undergo process optimization after commissioning. On the other hand, treatment and refining charges and other sales-related expenses rose as shipments increased.

Underlying EBITDA, Core Income and Net Income

Earnings before interest, taxes, depreciation and amortization (EBITDA) decreased by 7% from Php5.4 billion in 2013 to Php5.1 billion due mainly to lower metal prices and production-driven cash costs. EBITDA margin eased at 31% compared with 37% in 2013.

Core income slid by 74% because of higher depreciation charges from capital equipment acquired during the expansion phase, higher financing costs and higher income taxes. Finance costs surged by 51% due to the full charging of said costs to operations and availment of additional loans for working capital requirement. Income tax increased with a full year provision in 2014 as the Income tax holiday incentive of Carmen Copper expired in 2013.

Net unrealized foreign exchange loss declined by 84% year-on-year as a result of a more stable peso against the US dollar in 2014 compared to 2013. Net unrealized mark-to-market loss of PhP310 million is attributable to the recognition of derivative liabilities from provisionally priced copper concentrate shipments at the end of the business year.Higher provision was made as the projected prices on the settlement months of the provisionally priced shipments were lower than the provisional prices used in accruing the revenues.

Consequently, Net Income fell by 79% to Php397 million in 2014 with the combined impact of lower prices and higher financing costs, depreciation charges and income tax provision.

Financial Position

Year ended 31 December (in Million Pesos)	2014	2013	Δ%
Assets	65,915	63,205	+4%
Current Assets	4,867	6,239	-22%
Non-Current Assets	61,048	56,966	+7%
Liabilities	29,516	26,353	+12%
Current Liabilities	8,123	8,077	+1%
Non-Current Liabilities	21,394	18,276	+17%
Stockholders' Equity	36,399	36,852	-1%
Total cash holdings 1/	1,932	2,898	-33%
Inventories	1,407	1,653	-15%
Property, plant and equipment – net	30,866	26,682	+16%

1/ Includes cash and cash equivalents, short-term cash investments

Assets rose to Php65.9 billion or an increase of 4% largely because of the additional capital equipment acquisitions of Carmen Copper.

Current assets amounted to Php4.9 billion by end-2014. The 22% decline was brought about by the maturities of Carmen Copper's investments in short-term money market placements and lower levels of material and supply inventories. Short-term investments and inventories comprise about 20% and 29% of current assets, respectively. Total cash holdings (including short-term investments) amounted to Php1.9 billion at the end of 2014.

Non-current assets increased by 7% mainly due to property, plant and equipment. Capital assets registered at Php30.9 billion, comprised 47% of assets. Initial recognition of investment in associate pertains to Atlas Mining's ownership over the Nickel projects which include Berong Nickel Corporation.

Atlas Mining's liabilities were higher by 12% at Php30 billion compared with Php26.4 billion in 2013 on account of additional trade credits, loans availed for working capital requirements, accrual of retirement benefit and foreign exchange translation adjustment on US dollar-denominated loans.

Nominal change in the stockholder's equity was brought about by actuarial valuation adjustment of retirement benefit and derecognition of noncontrolling interest as a result of the change in accounting treatment for the investments in the Nickel Corporations.

Cash Flows

Years ended 31 December (in Million Pesos)	2014	2013	Δ %
Net cash flows from operating activities	5,116	5,027	+2%
Net cash flows used in investing activities*	(6,387)	(6,921)	-8%
Net cash flows from financing activities	1,747	1,976	-12%
Cash and cash equivalents	951	866	+10%

**includes short-term investments*

Cash from operating activities slightly increased by 2% as advance payments from customers augmented the dip in operating income. Cash used in investing activities decreased by 8% as capital expenditures of Carmen Copper slowed down with the completion of its plant expansion. Included in the investing activities are the proceeds from the maturities in short-term cash investments. Without the short-term cash investments, the decrease in investing activities would have been 27% instead of 8%. Cash from financing activities consisted of loans for the acquisition of capital assets, refinancing of short-term loans and for working capital requirements.

Carmen Copper's Financial Results

Years ended 31 December (in Million Pesos)	2014	2013	Δ%
Proforma Income Statement			
Revenues	15,064	13,584	+11%
Operating Cash Cost	10,451	8,083	+29%
EBITDA	4,613	5,501	-16%
Core Income	897	3,250	-72%
Net income	461	2,596	-82%

Revenues and operating cash costs rose by 11% and 29%, respectively, on account of production and shipment growth during the year.

Revenues

Years ended 31 December (in Million Pesos)	2014	2013	Δ%
Gross revenues	15,064	13,584	+11%
Copper	13,730	12,432	+10%
Gold	1,333	1,136	+17%
Silver/Magnetite	1	16	-94%

Total revenues grew by 11% to Php15 billion driven by the higher volume of copper and gold shipments. Copper and gold revenues continued to register positive growth despite lower realized metal prices as the increase in production and shipment volumes were attained from the newly commissioned plant expansion project. Silver and magnetite revenues drastically declined as magnetite production was discontinued to allow for the magnetite circuit to undergo a much needed upgrade for higher quality output.

Production registered higher daily milling average and improved copper recovery at 49,225 dmt and 84.70%, respectively.

Copper shipment volume grew to 104 million lbs. of copper metal content, which comprised a year-on-year increase of 15%. The gold content also rose by 23% at 24,071 ounces.

Operating Cash Costs

Years ended 31 December	2014	2013	Δ%
Cash cost per Pound Copper (US$)			
C1	1.99	1.78	+12%
C2	2.49	2.21	+13%
C3	2.83	2.44	+16%

C1 cost= production cost, general and administrative expenses, smelting charges less by-product credits

C2 cost= C1 plus depreciation and depletions charges

C3 cost= C2 plus financing cost and mine product taxes

Total cash costs went up by 29% to Php10.5 billion in 2014, attributable to production-driven cash costs which expanded as production improved. Increased production led to higher utilized power, fuel consumption, equipment rental, reagents, materials and spares and smelting charges for higher volume of shipments. C1 cost rose by 12% year-on-year from USD1.78 per pound of copper to USD1.99 as process optimization needed to be made on the newly commissioned plant expansion. C2 cost grew by 13% as higher depreciation charges were booked for the assets acquired for the plant expansion and for the development of the higher-grade ore body in Carmen Pit. C3 cost also increased by 16% as financing charges were fully charged to operations in 2014.

Underlying EBITDA, Core Income and Net Income

EBITDA closed at Php4.6 billion, a 16% decline from P5.5 billion last year. EBITDA margin was lower at 31% in 2014 compared to 40% in 2013. This is attributed to lower metal prices which failed to offset production-driven cash costs despite higher shipment volume. Consequently, core income reached Php897 million, a drop of 72% from Php3.3 billion in 2013 because of higher depreciation charges, financing costs and higher income tax provisions as the income tax holiday incentive expired in 2013.

Net income reached Php461 million, 82% lower than the Php2.6 billion bottomline registered in 2013. Nominal profit margin was reached at 3% vis-à-vis 2013's 19%.

Berong Nickel's Financial Results

On 19 June 2014, Toledo Mining Corporation gained Board and management control over Ulugan Resources Holdings, Inc., TMM Management, Inc., Ulugan Nickel Corporation, Nickeline Resources Holdings, Inc., and Berong Nickel Corporation (the "Nickel Corporations"). As a result, Atlas Mining's investments in the Nickel Corporations were reclassified from investments in subsidiaries to investments in associates in 2014. There was also a change in accounting treatment because of the change in management control. The financial results for the Nickel Corporations for the first half of 2014 were consolidated in Atlas Mining, while the second half financial results were accounted for as equity in net earnings of associate amounting to Php30.1 million.

The financial results of Berong Nickel used in the consolidation is shown in the table below.

Years ended 31 December (in Million Pesos)	2014 (6 Months)	2013 (12 Months)	Δ%
Proforma Income Statement			
Revenues	1,114	860	+30%
Cash costs	542	803	+33%
EBITDA	573	57	+905%
Core income (loss)	371	(27)	+1474%
Net income (loss)	371	(33)	+1224%

Berong Nickel's revenues were 30% higher due to higher shipment volume and higher nickel price. Nickel price was up by 23% for the first semester of 2014 at USD42.13/wmt vis-à-vis USD34.12/wmt in 2013. Production volume increased to 686,180 wmt representing a hike of 13% from 609,200 wmt in 2013. Shipment volume was at 596,186 wmt, completing 11 shipments for the first semester vis-à-vis 12 shipments in 2013 at 601,955 wmt.

For the full year 2014, production volume increased to 1,302,185 wmt and shipment volume totalled 1,004,296 wmt, completing 19 shipments this year vis-à-vis 12 shipments in 2013 at 601,955 wmt.

Cash costs were 33% lower at Php542 million. The acquisition of mining equipment caused the reduction of rental costs incurred during the first half and lowered the total cash costs even with higher volume of production.

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee ("ARMC") assists and advises the Board of Directors in fulfilling its oversight function with respect to (i) the development and maintenance of the quality and integrity of Atlas Mining's accounting and financial reporting protocols, audit practices, risk management systems, and internal control structures, and (ii) the reinforcement of enterprise-wide adherence to best practices of corporate governance. It likewise promotes actions to strengthen Atlas Mining's systems for monitoring and managing compliance with laws, regulations, and corporate governance principles.

To maintain a dynamic participation in the governance of Atlas Mining, the ARMC ensures that its charter reflects the extent of its mandate in respect of any activity or initiative of the organization for which its services are engaged.

- In fulfilling the mandate embodied in its charter, the ARMC, acting as a collegial body, convened regular monthly meetings and accomplished the following in 2014:
- Review and approval of the implementation by the internal audit department of Atlas Mining's Internal Audit Plan for 2014
- Development and approval of the general audit program and regular and special audit assignments for 2014 with the internal audit department, in coordination with the management team as deemed appropriate
- Assessment of significant audit issues noted by SGV & Co during its external audit of Atlas Mining and its subsidiaries for fiscal year 2013
- Review and endorsement to the Board of Directors of the audited financial statements of Atlas Mining and its subsidiaries for fiscal year 2013
- Assessment and confirmation of the scope of external audit review of SGV & Co. for the ensuing fiscal year 2014
- Assessment and negotiation of fees for regular and special audit services provided by SGV and Co. to Atlas Mining and its subsidiaries for fiscal year 2014
- Assessment of emerging audit issues with SGV and Co. and members of management and facilitation of discussions on the resolution of such issues
- Review of key matters noted in the internal audit reports with members of management and the monitoring/ assessment of management action on such audit findings
- Facilitation of discussions with the management team on: (i) the establishment of policies and guidelines on financial risk management, particularly in assessing and forecasting debt levels, hedging, and addressing risks that relate to pricing, foreign currency exposures, asset insurance, changes in regulations, and natural calamities; (ii) the adoption of key governance policies such as the conflict-of-interest policy; and (iii) the results of the close-out audit on the plant expansion project of Carmen Copper Corporation (a wholly-owned subsidiary of Atlas Mining)
- Facilitation of consultations on the conduct of initiatives for the development of an enterprise risk management and compliance system for Atlas Mining and its subsidiaries

Continuing review of the ARMC Charter for the purpose of assessing any proposed amendments that will make ARMC services more relevant to and effective for Atlas Mining and its subsidiaries Performing its duty to evaluate all financial reports pertaining to Atlas Mining and its subsidiaries as to completeness, accuracy, clarity, and consistency, and as to compliance with financial reporting standards and regulations, the ARMC recommended to the Board of Directors the approval of Atlas Mining's audited consolidated financial statements for the year ended December 31, 2014.

27 March 2015

LAURITO E. SERRANO	**ALFREDO R. ROSAL JR.**	**FREDERIC C. DYBUNCIO**	**GERARD ANTON S. RAMOS**
Chairman	Deputy Chairman	Member	Member

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, 2014 and 2013, 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
Chairman of the Board and President

Adrian Paulino S. Ramos
Executive Vice-President

Fernando A. Rimando
Vice President- Finance/Chief Financial Officer

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
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ey.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, 2014 and 2013, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2014, 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.

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- 2 -

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, 2014 and 2013, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Eleanore A. Layug
Partner
CPA Certificate No. 0100794
SEC Accreditation No. 1250-A (Group A),
August 9, 2012, valid until August 8, 2015
Tax Identification No. 163-069-453
BIR Accreditation No. 08-001998-97-2015,
January 5, 2015, valid until January 4, 2018
PTR No. 4751289, January 5, 2015, Makati City

March 16, 2015

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands, Except Par Value Per Share)

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱951,358**	₱866,359
Short-term investments (Note 17)	**980,997**	2,032,276
Receivables (Note 5)	**898,960**	1,059,598
Inventories (Note 7)	**1,406,931**	1,653,196
Derivative assets (Note 6)	**–**	14,108
Other current assets (Note 8)	**629,025**	613,258
Total Current Assets	**4,867,271**	6,238,795
Noncurrent Assets		
Goodwill (Notes 11 and 12)	**19,026,119**	19,026,119
Property, plant and equipment (Note 10):		
At cost	**30,550,045**	26,366,669
At revalued amount	**315,558**	315,558
Mining rights (Note 11)	**8,747,032**	9,145,204
Investments in associates (Note 14)	**292,082**	–
Available-for-sale (AFS) financial asset (Note 13)	**1,220**	5,599
Other noncurrent assets (Note 15)	**2,115,954**	2,107,383
Total Noncurrent Assets	**61,048,010**	56,966,532
TOTAL ASSETS	**₱65,915,281**	₱63,205,327
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 16)	**₱4,873,269**	₱3,436,432
Current portion of long-term debt and other interest-bearing liabilities (Note 17)	**2,959,570**	4,143,182
Payable to related parties (Note 23)	**–**	434,015
Derivative liabilities (Note 6)	**289,696**	925
Income tax payable	**240**	63,200
Total Current Liabilities	**8,122,775**	8,077,754
Noncurrent Liabilities		
Long-term debt and other interest-bearing liabilities - net of current portion (Note 17)	**18,472,017**	15,348,650
Retirement benefits liability (Note 24)	**622,359**	404,766
Liability for mine rehabilitation cost (Note 18)	**44,975**	46,382
Deferred income tax liabilities (Note 25)	**2,254,365**	2,476,030
Total Noncurrent Liabilities	**21,393,716**	18,275,828
Total Liabilities	**₱29,516,491**	₱26,353,582
Equity		
Capital stock - ₱8 par value (Note 19)	**₱16,696,262**	₱16,608,969
Additional paid-in capital (Note 19)	**28,886**	7,063
Revaluation increment on land (Note 10)	**218,559**	218,559
Remeasurement loss on retirement plan	**(182,522)**	(96,760)
Unrealized gain on AFS financial asset - net (Note 13)	**6,081**	10,460
Retained earnings (Note 31)	**19,654,791**	19,842,996
Attributable to equity holders of the Parent Company	**36,422,057**	36,591,287
Non-controlling interest	**–**	283,725
	36,422,057	36,875,012
Less cost of 1,800,000 shares held by a subsidiary	**23,267**	23,267
Equity	**36,398,790**	36,851,745
TOTAL LIABILITIES AND EQUITY	**₱65,915,281**	₱63,205,327

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		
	2014	2013	2012
REVENUE			
Copper (Note 6)	**₱13,729,786**	₱12,431,869	₱13,412,754
Gold (Note 6)	**1,333,406**	1,135,791	905,560
Beneficiated nickel ore and others (Note 32)	**1,117,869**	883,089	1,221,649
	16,181,061	14,450,749	15,539,963
Less smelting and related charges	**1,304,313**	947,518	1,080,642
	14,876,748	13,503,231	14,459,321
COSTS AND EXPENSES			
Mining and milling costs (Note 21)	**10,428,157**	8,011,314	8,669,962
General and administrative expenses (Note 22)	**1,412,497**	1,474,387	1,469,499
Mine products taxes (Note 21)	**310,126**	280,942	307,266
	12,150,780	9,766,643	10,446,727
Gain associated with loss of control of subsidiaries (Note 14)	**44,615**	–	–
Equity in net earnings of associates (Note 14)	**30,083**	–	–
OTHER INCOME (CHARGES)			
Finance charges (Note 26)	**(1,439,895)**	(987,203)	(1,216,450)
Depletion of mining rights (Note 11)	**(398,172)**	(346,712)	(329,508)
Unrealized loss on derivatives - net (Note 6)	**(289,696)**	(17,662)	(7,590)
Foreign exchange gains (losses) - net	**(164,804)**	(1,021,655)	592,966
Interest income (Notes 4 and 17)	**56,564**	157,639	213,753
Realized loss on derivatives - net (Note 6)	**(20,274)**	(27,336)	(437,608)
Gain on settlement of liability (Note 16)	**–**	79,275	519,548
Others - net	**91,844**	10,765	60,058
	(2,164,433)	(2,152,889)	(604,831)
INCOME BEFORE INCOME TAX	**636,233**	1,583,699	3,407,763
BENEFIT FROM (PROVISION FOR) INCOME TAX (Note 25)	**(239,153)**	312,257	30,738
NET INCOME	**₱397,080**	₱1,895,956	₱3,438,501
Total net income attributable to:			
Equity holders of the Parent Company	**₱122,436**	₱1,914,318	₱3,285,261
Non-controlling interest	**274,644**	(18,362)	153,240
	₱397,080	₱1,895,956	₱3,438,501
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will not be reclassified to consolidated statements of income:			
Remeasurement gain (loss) on retirement plan	**(₱85,733)**	₱4,560	(₱56,057)
Item that may be reclassified subsequently to consolidated statements of income:			
Unrealized gain (loss) on AFS financial assets (Note 13)	**(4,379)**	8,300	696
	(90,112)	12,860	(55,361)
TOTAL COMPREHENSIVE INCOME	**₱306,968**	₱1,908,816	₱3,383,140
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	**₱32,324**	₱1,927,178	₱3,229,900
Non-controlling interest	**274,644**	(18,362)	153,240
	₱306,968	₱1,908,816	₱3,383,140
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (Note 28)			
Basic earnings per share	**₱0.0590**	₱0.9223	₱1.7017
Diluted earnings per share	**₱0.0543**	₱0.8458	₱1.5496

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND 2012
(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company									
	Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Revaluation Increment on Land (Note 10)	Net Unrealized Gain on AFS Financial Assets (Note 13)	Remeasurement Gain (Loss) on Retirement Plan (Note 24)	Retained Earnings (Deficit)	Total	Non-controlling Interest	Shares held by a Subsidiary	Total
BALANCES AT JANUARY 1, 2012	₱17,640,530	₱5,816,306	₱218,559	₱1,464	(₱45,263)	₱2,439,066	₱26,070,662	₱148,847	₱–	₱26,219,509
Net income	–	–	–	–	–	3,285,261	3,285,261	153,240	–	3,438,501
Other comprehensive income	–	–	–	696	–	–	696	–	–	696
Total comprehensive income	–	–	–	696	–	3,285,261	3,285,957	153,240	–	3,439,197
Effect of adoption of Revised PAS 19	–	–	–	–	(56,057)	–	(56,057)	–	–	(56,057)
Issuance of shares	3,099,586	2,765,256	–	–	–	–	5,864,842	–	–	5,864,842
Equity restructuring	(4,145,180)	(8,578,008)	–	–	–	12,723,188	–	–	–	–
BALANCES AT DECEMBER 31, 2012	16,594,936	3,554	218,559	2,160	(101,320)	18,447,515	35,165,404	302,087	–	35,467,491
Net income	–	–	–	–	–	1,914,318	1,914,318	(18,362)	–	1,895,956
Other comprehensive income	–	–	–	8,300	4,560	–	12,860	–	–	12,860
Total comprehensive income	–	–	–	8,300	4,560	1,914,318	1,927,178	(18,362)	–	1,908,816
Issuance of shares (Note 19)	14,033	3,509	–	–	–	–	17,542	–	–	17,542
Dividend declaration (Note 33)	–	–	–	–	–	(518,837)	(518,837)	–	–	(518,837)
Acquisition of shares held by a subsidiary	–	–	–	–	–	–	–	–	(23,267)	(23,267)
BALANCES AT DECEMBER 31, 2013	16,608,969	7,063	218,559	10,460	(96,760)	19,842,996	36,591,287	283,725	(23,267)	36,851,745
Net income	–	–	–	–	–	122,436	122,436	274,644	–	397,080
Other comprehensive loss	–	–	–	(4,379)	(85,733)	–	(90,112)	–	–	(90,112)
Total comprehensive income (loss)	–	–	–	(4,379)	(85,733)	122,436	32,324	274,644	–	306,968
Issuance of shares (Note 19)	87,293	21,823	–	–	–	–	109,116	–	–	109,116
Dividend declaration (Note 33)	–	–	–	–	–	(311,121)	(311,121)	–	–	(311,121)
Effect of deconsolidation due to loss of control	–	–	–	–	(29)	480	451	(558,369)	–	(557,918)
BALANCES AT DECEMBER 31, 2014	₱16,696,262	₱28,886	₱218,559	₱6,081	(₱182,522)	₱19,654,791	₱36,422,057	₱–	(₱23,267)	₱36,398,790

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		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱636,233**	₱1,583,699	₱3,407,763
Adjustments for:			
Depreciation and depletion (Notes 10 and 11)	**2,715,392**	2,026,933	2,115,904
Finance charge (Notes 27 and 34)	**1,377,050**	968,780	1,206,221
Unrealized loss on derivatives - net (Note 6)	**289,696**	17,662	7,590
Net unrealized foreign exchange losses (gains) - net	**164,804**	1,021,655	(592,964)
Retirement benefits costs (Notes 24)	**134,545**	105,127	60,855
Interest income (Notes 4 and 17)	**(56,564)**	(157,639)	(213,753)
Gain associated with loss of control of subsidiaries	**(44,615)**	–	–
Equity in net loss in an associate	**(30,083)**	–	–
Net realized loss on derivatives - net (Note 6)	**20,274**	27,336	430,018
Loss (gain) on disposals of property plant and equipment	**(7,625)**	256	–
Impairment loss on:			
Inventories	**6,033**	12,201	–
Input value-added tax (VAT) (Note 14)	**–**	14,576	–
Receivables (Note 5)	**–**	9,536	–
Loss on asset write-down (see Note 10)	**5,944**	–	20,552
Change in accounting estimate for liability on mine rehabilitation cost (Note 18)	**(990)**	(8,256)	–
Gain on sale of AFS financial assets	**–**	(2,330)	–
Gain on settlement of liabilities (Note 16)	**–**	(79,275)	(519,548)
Operating income before working capital changes	**5,210,094**	5,540,261	5,922,638
Decrease (increase) in:			
Receivables	**(93,524)**	511,389	(873,919)
Other current assets	**(58,586)**	555,861	(777,621)
Inventories	**54,670**	(633,341)	79,185
Derivative asset and liability	**–**	–	250,021
Increase (decrease) in:			
Accounts payable and accrued liabilities	**1,695,402**	298,551	(122,976)
Net cash generated from operations	**6,808,056**	6,272,721	4,477,328
Interest received	**94,200**	181,272	54,880
Interest paid	**(1,400,529)**	(1,398,260)	(956,075)
Income taxes paid	**(357,087)**	(24,318)	(15,319)
Settlements and payments of retirement benefits (Note 24)	**(28,993)**	(4,157)	(8,087)
Net cash flows from operating activities	**5,115,647**	5,027,258	3,552,727
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment (Note 10)	**(7,281,812)**	(9,722,835)	(5,862,543)
Proceeds (additions) of short-term investments (Note 17)	**1,052,342**	3,239,090	(4,339,832)
Proceeds of disposal of AFS financial assets	**–**	9,926	–
Proceeds of disposal of property, plant and equipment	**13,035**	–	–
Increase in other noncurrent assets	**(170,969)**	(447,515)	(77,543)
Net cash flows used in investing activities	**(₱6,387,404)**	(₱6,921,334)	(₱10,279,918)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of loan and long-term debt (Note 17)	**₱6,462,032**	₱4,274,436	₱11,993,727
Issuance of shares (Note 19)	**109,116**	17,542	372,158
Payment of loans and long-term debt and other interest bearing liabilities (Notes 15 and 17)	**(4,521,338)**	(1,817,959)	(5,003,726)
Movement in payable to related parties	**15,606**	109,661	(207,346)
Dividends paid	**(311,121)**	(518,837)	–
Purchase of entity's own shares by a subsidiary	**–**	(23,267)	–
Purchase of put option	**(7,091)**	(65,770)	–
Net cash flows from financing activities	**1,747,204**	1,975,806	7,154,813
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH	**20,530**	129,841	(127,292)
NET INCREASE IN CASH	**495,977**	211,571	300,330
DECREASE ASSOCIATED WITH LOSS OF CONTROL OF SUBSIDIARIES	**(410,978)**	–	–
CASH AT BEGINNING OF YEAR	**866,359**	654,788	354,458
CASH AT END OF YEAR	**₱951,358**	₱866,359	₱654,788

See accompanying Notes to Consolidated Financial Statements.

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except Per Share Data and as Otherwise Indicated)

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

Corporate Information

Atlas Consolidated Mining and Development Corporation (Parent Company; the Company) was incorporated and was registered with the Philippine Securities and Exchange Commission (SEC) as "Masbate Consolidated Mining Company, Inc." on March 9, 1935 as a result of the merger of assets and equities of three pre-war mining companies, namely, Masbate Consolidated Mining Company, Antamok Goldfields Mining Company and IXL Mining Company. Thereafter, it amended its articles of incorporation to reflect the present corporate name. It also amended its charter to extend its corporate life up to March 2035. The registered business address of the Parent Company is 9th Floor, 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.

Business Operations

The Parent Company has effective control in four (4) and nine (9) subsidiaries as at December 31, 2014 and 2013, respectively. 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.

On June 19, 2014, Toledo Mining Corporation (TMC) gained Board and management control over Ulugan Resources Holding, Inc. (URHI), TMM Management, Inc. (TMMI), Ulugan Nickel Corporation (UNC), Nickeline Resources Holdings, Inc. (NRHI), and BNC (the "Nickel Corporations") by having its nominees elected (i) to fill 71% or 60% (as applicable) of the Board seats of the Nickel Corporations, and (ii) to serve as principal officers of the Nickel Corporations. As a result, the Nickel Corporations are no longer controlled by the Parent Company (see Note 14). TMC is owned and controlled by DMCI Mining Corporation. The Parent Company retained significant influence on the Nickel Corporations as at December 31, 2014.

The table below contains the details of the Parent Company's equity interest in its subsidiaries and associates, and a description of the nature of the business of each of such subsidiaries and associates as at December 31, 2014 and 2013:

		Percentage of Ownership	
	Nature of Business	**2014**	2013
Subsidiaries as at December 31, 2014 and 2013			
AEI	Incorporated in the Philippines on August 26, 2005 to engage in the business of searching, prospecting, exploring and locating of ores and mineral resources, and other exploration work.	**100.00**	100.00
AI	Incorporated in the Philippines on May 26, 2005 to provide and supply wholesale or bulk water to local water districts and other customers.	**100.00**	100.00
Amosite Holdings, Inc. (AHI)	Incorporated in the Philippines on October 17, 2006 to hold assets for investment purposes.	**100.00**	100.00
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

	Nature of Business	Percentage of Ownership 2014	2013
Associates as at December 31, 2014 that were subsidiaries as at December 31, 2013:			
TMMI	Incorporated in the Philippines on September 28, 2004 to provide management, investment and technical advice to companies.	**60.00**	60.00
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
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
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
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. *AEI*

In 2014, AEI continued its exploration activities for the geotechnical survey of the Sigpit gold prospect and for the drilling at the southern extension of the Lutopan orebody. AEI incurred a net loss of ₱368 and had a cumulative capital deficiency of ₱102,874 as at December 31, 2014.

b. *AI*

In 2014, AI continued to explore and assess the feasibility of projects involving the bulk supply of potable water from the Parent Company's Malubog Dam. AI incurred a net loss of ₱114 in 2014 and had a cumulative capital deficiency of ₱31,712.

c. *CCC*

On May 5, 2006, the Parent Company entered into an Operating Agreement with CCC ("the Operating Agreement") respecting the terms of the assignment by the Parent Company to CCC of operating rights over the Toledo mining complex, and the right to acquire certain fixed assets. The agreement may be terminated by the Parent Company upon thirty (30) days prior written notice. In December 2014 and September 2013, the Board of Directors (BOD) approved the waiver of its entitlement to receive from CCC, pursuant to the Operating Agreement, royalties due from operations in 2014 and 2013, respectively.

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

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

On September 25, 2013, CCC's BOD authorized the declaration of cash dividends out of its retained earnings to stockholders of record as at September 25, 2013 amounting to ₱1,000,000 or ₱0.52 per share. On June 5, 2014, CCC's BOD authorized the declaration of cash dividends out of the Company's retained earnings to stockholders of record as at May 30, 2014 amounting to ₱500,000 or ₱0.26 per share.

d. *AHI*

AHI is the owner of certain real properties that are used in the mining operations of CCC.

e. *BNC*
On February 12, 2010, the Mines and Geosciences Bureau (MGB) issued in favor of BNC an exploration permit (EP) designated as EP-002-2010-IVB 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.

f. *TMMI*
TMMI recorded a net income of ₱4,336 and ₱874 in 2014 and 2013, respectively.

g. *URHI, UNC and NRHI*
These subsidiaries have not started commercial operations as at December 31, 2014.

Authorization for Issue of the Consolidated Financial Statements
The consolidated financial statements of the Parent Company and its subsidiaries (the Group) as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 were authorized for issue by the BOD on March 16, 2015.

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

Basis of Preparation
The consolidated financial statements have been prepared on a historical cost basis, except for land, which is carried at revalued amounts, derivative financial instruments and AFS financial asset, which have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company and its subsidiaries' functional and presentation currency under the Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest thousands (₱000), except when otherwise indicated.

The specific accounting policies followed by the Group are disclosed in the following section.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with PFRS.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as at 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.

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 Company's share of components previously recognized in other comprehensive income or OCI 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 Philippine Accounting Standards (PAS) 39, *Financial Instruments: Recognition and Measurement,* either in profit or loss or as change to OCI. 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 (CGU) 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 CGU 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 CGU retained.

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the financial statements are consistent with the prior year, except for the adoption of the following new and amended PFRS, PAS and Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) which were adopted as at January 1, 2014:

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities* and PAS 27, *Separate Financial Statements*)
  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss (FVPL). The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no effect to the Group since it does not qualify to be an investment entity under PFRS 10.

- 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 the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. The amendments affect presentation only and have no effect on the Group's financial position or performance.

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. The amendments affect disclosures only and have no effect on the Group's financial position or performance.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no effect on the Group as the Group has no novation of derivatives and any derivatives accounted for under hedge accounting during the current or prior periods.

- Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. The interpretation has no effect on the Group's consolidated financial statements.

- *Annual Improvements to PFRSs* (2010-2012 cycle)
  In the 2010-2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no significant effect to the Group's financial statements.

- *Annual Improvements to PFRSs* (2011-2013 cycle)
  In the 2011 - 2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Group as it is not a first time PFRS adopter.

<u>Standards and Interpretations Issued but not yet Effective</u>
The following new and revised standards, amendments to PFRS and Philippine Interpretations will become effective subsequent to December 31, 2014:

Effective Date to be Determined

- PFRS 9, *Financial Instruments - Classification and Measurement* (2010 version)
  PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39.

  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 FVPL. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at FVPL. 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 relating to the entity's own 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 to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

  PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA). The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- 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 SEC and the 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. Adoption of the interpretation when it becomes effective will not have any effect on the financial statements of the Group.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval of the BOA.

Effective in 2015

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  The amendments apply to contributions from employees or third parties to defined benefit plans. Where contributions are linked to service, they should be attributable to periods of service as a negative benefit. These amendments clarify that, if the amount of the contribution is independent of the number of year of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Group since the Group has no benefit plans with contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material effect to the Group. They include:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - A performance condition must contain a service condition.
  - A performance target must be met while the counterparty is rendering service.
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group.
  - A performance condition may be a market or non-market condition.
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

  The amendment has no effect to the Group.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PAS 39 (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments are applied retrospectively and clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are "similar".
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment*, and PAS 38*, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material effect to the Group. They include:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

- PAS 40, *Investment Property*
The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective in 2016

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets* **-** *Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any effect to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any effect to the Group as the Group does not have any bearer plants.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any effect on the Group's consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments will not have any effect on the Group's consolidated financial statements.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any effect to the Group.

- PFRS 14, *Regulatory Deferral Accounts*
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the consolidated statement of financial position and present movements in these account balances as separate line items in the consolidated statement of profit or loss and OCI. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRSs (2012-2014 cycle)
The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material effect to the Group. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 **-** *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - Disclosure of Information "Elsewhere in the Interim Financial Report"*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective in 2018

- PFRS 9, *Financial Instruments* - Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)
  PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting. PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by the BOA. The adoption of PFRS 9 is not expected to have any significant effect on the Group's consolidated financial statements.

- PFRS 9, *Financial Instruments* (2014 or final version)
  In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015. The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting. The Group is currently assessing the impact of adopting this standard.

The following new standard issued by the IASB has not yet been adopted by the FRSC.

- International Financial Reporting Standard (IFRS) 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is currently assessing the effect of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

<u>Summary of Significant Accounting Policies</u>

<u>Presentation of Consolidated Financial Statements</u>
The Group has elected to present all items of recognized income and expense in a single consolidated statement of comprehensive income.

<u>Cash and Cash Equivalents</u>
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 (3) months or less from the dates of acquisition and that are subject to an insignificant risk of change in value.

<u>Financial Instruments</u>
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 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 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 end of the reporting period.

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.

As at December 31, 2014 and 2013, the Group has no financial assets classified as HTM investments.

Fair Value Measurement
The Group measures financial instruments, such as, AFS financial assets, derivative assets and liabilities, and long-term debt and other interest-bearing liabilities at fair value at each end of the reporting period. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 30.

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

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

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

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

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

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

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business on the end of the reporting period.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounted cash flow analysis or other valuation models.

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

"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.

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

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.

As at December 31, 2014 and 2013, the Group's financial assets and liabilities at FVPL consist of derivative assets, derivative liabilities and put option contracts.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate (EIR) method. 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 twelve (12) months from the end of the reporting period. Otherwise, these are classified as noncurrent assets. As at December 31, 2014 and 2013, the Group's loans and receivables consist of "Cash", "Short-term investments", "Receivables" and "Others" under "Other noncurrent assets".

AFS Financial Assets
AFS financial assets include investments in equity and debt securities. Equity investments classified as AFS financial assets are those which are neither classified as held for trading nor designated 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 assets 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 OCI.

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 financial assets 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 EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the profit or loss.

As at December 31, 2014 and 2013, the Group's AFS financial asset pertains to its investment in equity shares.

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 EIR 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 at December 31, 2014 and 2013, other financial liabilities consist of "Accounts payable and accrued liabilities", "Payable to related parties" and "Long-term debt and other interest-bearing liabilities".

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

Loans and Receivables
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in 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 end of the reporting period 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 twenty percent (20%) or more and "Prolonged" as greater than twelve (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 OCI 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 OCI.

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 EIR 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.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
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. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

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

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

<u>Derivatives and Hedging</u>
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 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 EIR 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 OCI, 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. As at December 31, 2014 and 2013, the Group recognized bifurcated derivative assets and derivative liabilities arising from the provisionally priced commodity sales contracts.

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 the consolidated statement of changes of equity.

When the embedded option in convertible loans payable and long-term debt is denominated in a currency other than the functional currency of the Group, the option is classified as a 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 EIR for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loans payable and long-term debt.

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

When funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. When surplus funds are temporarily invested, the income generated from such temporary investment is deducted from the total capitalized borrowing cost. When the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period. All other borrowing costs are recognized in 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 and supplies are valued at the lower of cost and net realizable value (NRV).

NRV for mine products is the selling price in the ordinary course of business, less the estimated costs of completion and costs of selling the final product. In the case of materials and supplies, NRV is the value of the inventories when sold at their condition at each end of the reporting period.

Cost is determined using the following methods:

Copper Concentrates 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, 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 each end of the reporting period. Cost is determined using the weighted average method.

The Group determines the NRV of inventories at each end of the reporting period. If the cost of the inventories exceeds its NRV, the asset is written down to its NRV and impairment loss is recognized in the 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.

Other Current and Noncurrent Assets
Other current assets are composed of deposits and advances to suppliers and prepayments. Other noncurrent assets are composed of input VAT, deferred mine exploration costs, mine rehabilitation funds (MRF) and others. These are classified as current when it is probable to be realized or consumed within one (1) year from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

Input VAT
Input VAT represents the VAT imposed on the Group by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations. Deferred input VAT represents input VAT on purchase of capital goods exceeding one (1) million pesos. The related input VAT is recognized over five (5) 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, except portions of land, are carried at cost less accumulated depreciation and depletion and any impairment in value. Portions of land are carried at cost less any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes, and any directly attributable costs of bringing the property, plant and equipment to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been placed into operation, such as repairs and maintenance costs, are normally recognized in 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
Roadways and bridges	5 - 40
Buildings and improvements	5 - 25
Machinery and equipment	3 - 10
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, *Non-current Assets Held for Sale and Discontinued,* and the date the asset is derecognized.

The estimated recoverable reserves, useful lives, and depreciation and depletion methods are reviewed periodically to ensure that the estimated recoverable reserves, periods and methods of depreciation and depletion are consistent with the expected pattern of economic benefits from the items of property, plant and equipment. 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 end of the reporting period.

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, property, plant and equipment, borrowing costs and other direct costs. Mine development costs pertain to costs attributable to current commercial operations and are depleted using the units-of-production method based on estimated recoverable reserves in tonnes.

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

Construction In-progress
Construction in-progress includes mine development costs which are not attributable to current commercial operations and are not depleted until such time as the relevant assets are completed and become available for use. Construction in-progress are transferred to the related property, plant and equipment account when the construction or installation and related activities necessary to prepare the property, plant and equipment for their intended use are complete and the property, plant and equipment are ready for service.

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

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

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.

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.

Investments in Subsidiaries and Associates

The Parent Company's investments in subsidiaries and associates are accounted for under the cost method less any impairment losses. A subsidiary is an entity in which the Parent Company has control. An associate is an entity in which the Parent Company has a significant influence and which is neither a subsidiary nor a joint venture (JV).

Under the cost method, the investments in subsidiaries and associates are carried in the Parent Company's statement of financial position at cost less any impairment in value. The Parent Company recognizes income from the investments only to the extent that it receives distributions from accumulated profits of the subsidiaries and associates arising after the date of acquisition. Distributions received in excess of such profits are regarded as recovery of investment and are recognized as a reduction in the cost of the investment.

Advances in subsidiaries and associates granted by the Parent Company are in the nature of cash advances or expenses paid by the Parent Company on behalf of its associates. These are based on normal credit terms, unsecured, interest-free and are recognized and carried at original amounts advanced.

Impairment of Nonfinancial Assets

Inventories

The Group determines the NRV of inventories at each end of the reporting period. If the cost of the inventories exceeds its NRV, the asset is written down to its NRV and impairment loss is recognized in the consolidated statement of comprehensive income in the period the impairment 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 CGUs 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 consolidated statement of comprehensive income.

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

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

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

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

Income Taxes
Current Income Tax
Current income tax assets and 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 income tax rates and income tax laws used to compute the amount are those that have been enacted or substantively enacted as of the end of the reporting period.

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

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

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

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

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

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

The cost of equity-settled transactions, together with a corresponding increase in equity, is recognized over the period in which the performance and/or service conditions are fulfilled ending on the date on which the employees become fully entitled to the award ("Vesting date"). The cumulative expense recognized for equity-settled transactions at each end of the reporting period up to and until the Vesting date reflects the extent to which the vesting period has expired, as well as the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for the period represents the movement in cumulative expense recognized 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.

<u>Capital Stock and Additional Paid-in Capital</u>
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.

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

Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions. Retained earnings may be appropriated for any plant expansion, investments and funding of certain reserve accounts to be established pursuant to the requirements of the lenders in accordance with the agreement. When appropriation is no longer needed, it is reversed.

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

<u>OCI</u>
OCI comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the profit or loss for the year in accordance with PFRS.

<u>Revenue Recognition</u>
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"; QP). Adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement. The period between provisional invoicing and final settlement can be between one (1) to six (6) 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 "Unrealized 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 ten percent (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 period, the Group accrues for the remaining ten percent (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 EIR method.

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

Costs and Expenses
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses 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 (2) 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 Per Share
Basic earnings per share amounts are calculated by dividing net income (loss) attributable to the equity holders of the Parent Company by the weighted average number of common shares outstanding during the year.

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

Provisions
General
Provisions, if any, are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Where the Group expects a provision to be reimbursed, reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursement.

Liability for Mine Rehabilitation Cost
The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of comprehensive income under "Finance charges". Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and liability for mine rehabilitation cost, respectively, when 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 reporting period and the cost is charged to the consolidated statement of comprehensive income.

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

<u>Employee Benefits</u>
The net defined retirement benefits liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined retirement benefits liability or asset
- Remeasurements of net defined retirement benefits liability or asset

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

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined retirement benefits liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. Remeasurements recognized in OCI after the initial adoption of Revised PAS 19 are not closed to any other equity account.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined retirement benefits liability, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

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

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

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

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

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

3. **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements in accordance with 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. However, actual outcome can differ from these estimates.

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 of the Parent Company has been determined to be the Philippine peso. Each entity in the Group determined its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. The Philippine peso is the currency of the primary economic environment in which the Group operates.

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.

Assessing Existence of Significant Influence
In assessing whether significant influence still exists, the Parent Company considered not only its percentage ownership but other factors such as Board seat representations it has in the associate's governing body and its interchange of managerial personnel with the associate, among others. As at December 31, 2014, the Parent Company assessed that it has significant influence over the Nickel Corporation and has accounted for the investments as investments in associates.

Bill and Hold Sales
The Group recognized sale on deliveries classified as bill and hold when there is transfer of risk and reward from the Group to the buyer due to the following:
- It is probable that delivery will be made;
- The item is on hand, identified and ready for delivery to the buyer at the time the sale is recognized;
- The buyer specifically acknowledges the deferred delivery instructions; and
- The usual payment terms apply.

Bill and hold sales in 2014, 2013 and 2012 amounted to ₱1,170,197, ₱439,576, and ₱696,813, respectively.

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 asset

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 end of the reporting period.

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

Operating Lease Commitments - Company as a Lessor
The Group has entered into property and equipment leases. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are being leased as operating leases.

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 2014, 2013 and 2012 are 4.35%, 3.65% and 3.36%, respectively. Average depletion rate used by BNC in 2014, 2013 and 2012 are 11.85%, 5.54% and 6.32%, respectively.

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainties at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are as follows:

Estimating Fair Value of Financial Assets and Financial Liabilities
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 or loss (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 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 losses on receivables amounted to ₱29,095 and ₱29,099 as at December 31, 2014 and 2013, respectively. Receivables, net of allowance for impairment losses, amounted to ₱898,960 and ₱1,059,598 as at December 31, 2014 and 2013, 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), Philippine Associated Smelting and Refining Corporation (PASAR), Mitsui & Co., Ltd. (Mitsui) and Ocean Partners UK Ltd. (Ocean Partners) 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.

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 ₱334,465 and ₱332,678 as at December 31, 2014 and 2013, respectively, had been fully provided with an allowance for impairment losses (see Note 7).

Inventories at lower of cost and NRV, amounted to ₱1,406,931 and ₱1,653,196 as at December 31, 2014 and 2013, respectively (see Note 7).

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 Impairment of Goodwill
The Group assess whether there are any indicators that goodwill is impaired at each end of the reporting period. 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 CGU 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 at end of the reporting period.

Management performed its initial annual impairment test as at December 31, 2014 and 2013. 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's assessment, no impairment loss on goodwill needs to be recognized as at December 31, 2014 and 2013.

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 2014 and 2013. The net book values of property, plant and equipment amounted to ₱30,550,045 and ₱26,366,669 as at December 31, 2014 and 2013, 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 at December 31, 2014 and 2013, the fair value of the land amounted to ₱315,558 based on the latest valuation obtained in 2011 by the Parent Company. 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 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 ₱5,944, nil and ₱20,552 in 2014, 2013 and 2012, respectively (see Notes 10 and 21).

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 ₱14,993,882 and ₱5,834,050 as at December 31, 2014 and 2013 (see Note 10).

Mine development costs include "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.

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

The Group reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. An impairment loss is recognized when the carrying values of these assets are not recoverable and exceeds their fair value. In 2014 and 2013, there was no impairment loss on the Group's deferred mine exploration costs (see Note 15).

Estimating Realizability of Deferred Income Tax Assets
The Group reviews the carrying amounts of deferred income tax assets at each end of the reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. As at December 31, 2014 and 2013, the Group has deductible temporary differences, NOLCO and excess MCIT amounting to ₱903,199 and ₱646,338, respectively (see Note 25c), for which no deferred income tax asset was recognized. No deferred income 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. As at December 31, 2014 and 2013, deferred income tax assets amounting to ₱996,943 and ₱1,018,454 were recognized as management believes that sufficient future taxable profits will be available against which benefits of deferred income tax assets can be utilized (see Note 25d).

Estimating Impairment of AFS Financial Asset
The Group treats AFS financial asset as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "Significant" or "Prolonged" requires judgment. The Group treats "Significant" generally as twenty percent (20%) or more and "Prolonged" as greater than twelve (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 asset amounted to ₱1,220 and ₱5,599 as at December 31, 2014 and 2013, respectively (see Note 13).

Estimating Impairment of Nonfinancial Assets and Investments in Associates
The Group determines whether its investments in associates and other nonfinancial assets are impaired at least on an annual basis. This requires an estimation of recoverable amount, which is the higher of an asset's or CGU'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 CGU and to choose an appropriate discount rate in order to calculate the present value of those cash flows. Estimating the fair value less cost to sell is based on the information available to reflect the amount that the Group could obtain as at the end of the reporting period. In determining this amount, the Group considers the outcome of recent transactions for similar assets within the same industry. The Group recognized allowance for possible losses on input VAT amounting to ₱129,896 and ₱139,432 as at December 31, 2014 and 2013, respectively (see Note 15).

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.

Estimating Retirement Benefits Costs
The cost of defined retirement benefits as well as the present value of the retirement benefits liability are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future retirement increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit retirement liability are highly sensitive to changes in these assumptions. All assumptions are reviewed at each end of the reporting period. Retirement benefits liability amounted to ₱622,359 and ₱404,766 as at December 31, 2014 and 2013, respectively. Retirement benefits costs amounted to ₱134,545, ₱105,127 and ₱60,855 in 2014, 2013 and 2012, respectively.

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

Further details about the assumptions used are provided in Note 24.

Estimating Liability for Mine Rehabilitation Cost
The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the liability for mine rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are 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 cost recognized as at December 31, 2014 and 2013 amounted to ₱44,975 and ₱46,382, respectively (see Note 18).

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 2014, 2013 and 2012.

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 ₱14,876,748, ₱13,503,231 and ₱14,459,321 in 2014, 2013 and 2012, respectively (see Note 6).

4. Cash and Cash Equivalents

	2014	2013
Cash on hand	**₱6,728**	₱4,086
Short-term investments	**97,000**	–
Cash in banks	**847,630**	862,273
	₱951,358	₱866,359

Cash in banks earn interest at the respective bank deposit 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 cash in banks amounted to ₱1,525, ₱1,540 and ₱7,621 in 2014, 2013 and 2012, respectively.

The Group has United States Dollar (US$)-denominated cash in banks amounting to US$11,194 and US$4,173 as at December 31, 2014 and 2013, respectively. The Group has Japanese Yen (JP¥)-denominated cash in banks amounting to JP¥789 and JP¥2,082 as at December 31, 2014 and 2013, respectively. The Group has Great Britain Pound (GB£)-denominated cash in banks amounting to GB£139 as at December 31, 2014 and 2013 (see Note 29).

5. Receivables

	2014	2013
Trade (see Note 6)	**₱496,273**	₱824,180
Nontrade	**174,963**	66,169
Interest (see Note 17a)	**97,604**	135,240
Receivables from:		
Related parties (see Note 23a)	**126,515**	31,540
Officers and employees (see Note 23f)	**32,700**	31,568
	928,055	1,088,697
Less allowance for impairment losses	**29,095**	29,099
	₱898,960	₱1,059,598

The Company's trade receivables arise from its shipments of copper, gold, silver, nickel and magnetite to customers under several agreements (see Note 32).

Nontrade receivables comprise mainly of receivables from contractors and suppliers, while receivables from officers and employees pertain to cash advances made by employees for the operations of the Group.

Trade, nontrade and other receivables are noninterest-bearing and are generally collectible on demand. Receivables from officers and employees are noninterest-bearing and are subject to liquidation. Unliquidated receivables from officers and employees are collectible on demand.

Most of the receivables of the Group consist of individually significant accounts and were therefore subject to the specific impairment approach. The Group recognized provision for impairment losses amounting to ₱29,095 and ₱29,099 as at December 31, 2014, and 2013, respectively, covering those receivables specifically identified as impaired. Receivables which were not individually significant and individually significant loans for which no specific impairment were assessed were subjected to collective assessment. Based on the assessment done, the Group has not recognized any provision for receivables which were assessed collectively. Provision for impairment losses on receivables amounting to nil, ₱9,536 and nil were recognized by the Group 2014, and 2013 and 2012, respectively.

Movements of allowance for impairment losses are as follows:

	2014	2013
Balances at beginning of year	**₱29,099**	₱39,871
Decrease associated with loss of control of subsidiaries (see Note 14)	**(4)**	–
Written off	**–**	(20,308)
Provision (see Note 22)	**–**	9,536
Balances at end of year	**₱29,095**	₱29,099

The Group has US$-denominated receivables amounting to US$23,903 and US$21,448 as at December 31, 2014 and 2013, respectively (see Note 29).

6. Pricing Agreements, Hedging and Derivative Financial Instruments

Hedging Objectives
The Group applies a mix of pricing agreements, natural hedges, and both freestanding and embedded derivatives in managing risks such as commodity price, foreign exchange and interest rate risks. In 2014 and 2013, the Group, through CCC, has freestanding commodity option agreements, while embedded derivatives include provisional pricing in shipment contracts. The Group has not designated any of these derivatives as accounting hedges. The Group has accounted for its derivatives at fair value and any changes in the fair value is recognized in profit or loss.

Pricing Agreements
MRI, PASAR, Mitsui and Ocean Partners
In the normal course of selling its copper concentrate, CCC entered into (i) several contracts of purchase with MRI (“MRI Contract”), PASAR (“PASAR Contract”) and Mitsui (“Mitsui Contract”) in 2014 and in prior years, and (ii) one (1) contract of purchase with Ocean Partners (“Ocean Partners Contract”) in 2014 (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 QP as defined in the MRI Contract, PASAR Contract, Mitsui Contract and Ocean Partners 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 or Ocean Partners have the option to price-fix in advance of the QP the payable copper contents of the concentrate to be delivered, subject to adjustments during the QP. If the option to price-fix prior to the QP is exercised, (i) the fixed price and the volume to which the fixed price applies will be confirmed in writing by the parties, and (ii) with respect to sales of copper concentrate to MRI, an addendum to the MRI Contract will be executed to confirm the actual volume of the copper shipped based on the fixed price.

On April 14, 2014, CCC executed an addendum to its January 2014 Offtake Agreement with MRI (the “2014 Offtake Contract”) to confirm, among others, (i) the increase in the quantity of MRI’s copper concentrate offtake allotment by 80,000 dry metric tons (DMT) (the “Additional Offtake”), and (ii) the deposit of US$30.0 million with respect to the Additional Offtake. On December 1, 2014, CCC executed another addendum to the 2014 Offtake Contract to provide for the terms of the additional deposit of US$30.0 million in respect to the Additional Offtake (see Note 16).

Freestanding Derivatives
Commodity Put Options
In 2014 and 2013, CCC purchased LME put options through Jefferies Prudential for the delivery of 18,725 tons and 35,980 tons, respectively, of copper concentrates with a total premium amounting to US$0.9 million and US$1.53 million, respectively. As at December 31, 2014, CCC has no outstanding commodity put option. As at December 31, 2013, the positive fair value of the outstanding put options amounted to ₱2,957 and was recognized as “Derivative assets”. Unrealized loss on derivatives recognized in the statement of comprehensive income amounted to ₱27,888 in 2013. CCC has also recognized an outstanding notional quantity of the put options at 14,000 tons with a strike price of US$6,000 per ton and maturities from February to May 2014 as at December 31, 2013.

The Group 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, PASAR, Mitsui and Ocean Partners, 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 or once the shipment is considered sold (in case of bill and hold sales). CCC recognized an unrealized loss on the related derivative liabilities amounting to ₱289,696 on its deliveries in 2014 and an unrealized loss and gain on the related derivative liabilities and assets amounting to ₱925 and ₱11,151, respectively on its deliveries in 2013.

Prepayment Option
Bonds Payable
On March 16, 2012, CCC completed the issuance of US$-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 contains an equity clawback option that allows CCC to redeem up to 35% of the Bonds Payable at any time prior to March 21, 2015, at a redemption price of 106.5% of the principal amount plus accrued and unpaid interest with the net proceeds of an equity offering. The Bonds Payable also have an identified call option as they may be redeemed fully prior to maturity at a redemption price equal to 100% of the principal amount plus applicable premium and accrued and unpaid interest (see Note 17).

No derivative asset was recognized on the equity clawback option since the probability of an equity offering by CCC is remote. Furthermore, no derivative was recognized on account of CCC's right to redeem 100% of the notes since the redemption value is equal to the amortized cost.

7. **Inventories**

	2014	2013
At cost:		
Mine products	**₱103,826**	₱345,105
Materials and supplies	**1,303,105**	1,299,836
At NRV:		
Materials and supplies and others	**–**	8,255
	₱1,406,931	₱1,653,196

Mine Products
Mine products include copper concentrate containing gold and silver and beneficiated nickel ore. The cost of mine products includes depreciation and depletion of property, plant and equipment (see Note 10).

Materials and Supplies
Materials and supplies consist of consumable items and spare parts. Cost of materials and supplies of the Parent Company carried at NRV amounting to ₱334,465 and ₱332,678 as at December 31, 2014 and 2013, respectively, are fully provided with allowance for impairment losses.

Mine products and materials and supplies inventories are stated at lower of cost and NRV.

The cost of inventories recognized as expense amounted to ₱4,479,583, ₱3,380,482 and ₱3,314,158 in 2014, 2013 and 2012, respectively (see Note 21).

8. **Other Current Assets**

	2014	2013
Deposits and advances to suppliers	**₱559,644**	₱557,472
Prepayments	**69,381**	25,094
Advances for acquisition of rights to Exploration Permit Application (EPA; see Note 9)	**–**	30,692
	₱629,025	₱613,258

Deposits and Advances to Suppliers

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

Prepayments includes prepaid fees and taxes that were paid by CCC for the benefit of the next period's operations and overpayment made in excess of provision for income tax and creditable withholding taxes that will be used for CCC's income tax payable in 2015.

9. Advances for Acquisition of EPA

On November 3, 2004, the Parent Company 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 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, the Parent Company 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 EP to be issued upon the approval of the EPA.

On July 13, 2007, the Parent Company 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 Multicrest Agreement within the period provided therein, the Multicrest Agreement was terminated.

On November 29, 2012, Multicrest executed a Memorandum of Understanding 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, 2014:

	At Cost									At Revalued Amount
	Land	Mine Development Costs	Roadways and Bridges	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Construction In-progress	Total	Land
Revalued amount/cost:										
Balances at beginning of year	₱103,726	₱6,400,244	₱195,458	₱1,034,291	₱8,405,559	₱176,936	₱47,157	₱13,981,044	₱30,344,415	₱315,888
Additions	173	–	–	73	313,820	1,560	134	7,005,581	7,321,341	–
Reclassifications	–	10,016,899	13,236	1,445,707	5,160,552	10,316	–	(16,646,710)	–	–
Disposals	–	–	–	–	(4,997)	(4,286)	–	–	(9,283)	–
Retirement	–	–	–	–	(39,097)	(525)	–	–	(39,622)	–
Decrease associated with loss of control of subsidiaries (see Note 14)	(30,663)	(335,777)	–	(254,103)	(533,790)	(27,233)	(30,755)	(63,943)	(1,276,264)	–
Balances at end of year	73,236	16,081,366	208,694	2,225,968	13,302,047	156,768	16,536	4,275,972	36,340,587	315,888
Accumulated depreciation, depletion and amortization:										
Balances at beginning of year	–	566,194	73,479	396,893	2,707,330	82,872	36,608	–	3,863,376	–
Depreciation, depletion and amortization (see Notes 7, 21 and 22)	–	607,924	32,711	173,817	1,472,242	29,102	1,424	–	2,317,220	–
Disposals	–	–	–	–	(525)	(3,346)	–	–	(3,871)	–
Retirement	–	–	–	–	(33,153)	(525)	–	–	(33,678)	–
Decrease associated with loss of control of subsidiaries (see Note 14)	–	(86,634)	–	(162,112)	(166,380)	(23,659)	(28,090)	–	(466,875)	–
Balances at end of year	–	1,087,484	106,190	408,598	3,979,514	84,444	9,942	–	5,676,172	–
Allowance for asset write-downs:										
Balances at beginning and end of year	–	–	–	–	114,370	–	–	–	114,370	330
Net book values	₱73,236	₱14,993,882	₱102,504	₱1,817,370	₱9,208,163	₱72,324	₱6,594	₱4,275,972	₱30,550,045	₱315,558

December 31, 2013:

	At Cost									At Revalued Amount
	Land	Mine Development Costs	Roadways and Bridges	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Construction In-progress	Total	Land
Revalued amount/cost: Balances at beginning of year	₱82,787	₱6,327,788	₱182,903	₱993,689	₱7,482,793	₱108,408	₱43,749	₱5,020,199	₱20,242,316	₱315,888
Additions	20,939	239	–	95	254,754	68,528	3,408	9,827,559	10,175,522	–
Change in estimate in liability for mine rehabilitation cost (see Note 18)	–	(69,097)	–	–	–	–	–	–	(69,097)	–
Reclassifications	–	141,314	12,555	40,507	672,338	–	–	(866,714)	–	–
Retirement	–	–	–	–	(2,175)	–	–	–	(2,175)	–
Disposals	–	–	–	–	(2,151)	–	–	–	(2,151)	–
Balances at end of year	103,726	6,400,244	195,458	1,034,291	8,405,559	176,936	47,157	13,981,044	30,344,415	315,888
Accumulated depreciation, depletion and amortization:										
Balances at beginning of year	–	330,357	42,097	300,846	1,429,789	56,053	33,541	–	2,192,683	–
Depreciation, depletion and amortization (see Notes 7, 21 and 22)	–	241,295	31,382	96,047	1,281,611	26,819	3,067	–	1,680,221	–
Change in estimate in liability for mine rehabilitation cost (see Note 18)	–	(5,458)	–	–	–	–	–	–	(5,458)	–
Retirement	–	–	–	–	(2,175)	–	–	–	(2,175)	–
Disposals	–	–	–	–	(1,895)	–	–	–	(1,895)	–
Balances at end of year	–	566,194	73,479	396,893	2,707,330	82,872	36,608	–	3,863,376	–
Allowance for asset write-downs: Balances at beginning and end of year	–	–	–	–	114,370	–	–	–	114,370	330
Net book values	₱103,726	₱5,834,050	₱121,979	₱637,398	₱5,583,859	₱94,064	₱10,549	₱13,981,044	₱26,366,669	₱315,558

Construction in-progress consists mainly of expenditures for the expansion projects of CCC and existing capacity. The expansion projects are intended to increase the milling capacity of the plant which was completed in the first quarter of 2014. Construction in-progress to improve existing capacity includes cost of various projects at different percentages of completion as at December 31, 2014 and 2013.

Mine development costs consist of the following:

December 31, 2014:

	Mine and Mining Properties	Mine Development Costs	Mine Rehabilitation Costs	Total
Cost:				
Balances at beginning of year	**₱1,464,802**	**₱4,935,442**	**₱–**	**₱6,400,244**
Reclassifications	**–**	**10,016,899**	**–**	**10,016,899**
Decrease associated with loss of control of subsidiaries (see Note 14)	**(335,777)**	**–**	**–**	**(335,777)**
Balances at end of year	**1,129,025**	**14,952,341**	**–**	**16,081,366**
Accumulated depletion:				
Balances at beginning of year	**159,396**	**406,798**	**–**	**566,194**
Depletion	**61,940**	**545,984**	**–**	**607,924**
Decrease associated with loss of control of subsidiaries (see Note 14)	**(86,634)**	**–**	**–**	**(86,634)**
Balances at end of year	**134,702**	**952,782**	**–**	**1,087,484**
Net book values	**₱994,323**	**₱13,999,559**	**₱–**	**₱14,993,882**

December 31, 2013:

	Mine and Mining Properties	Mine Development Costs	Mine Rehabilitation Costs	Total
Cost:				
Balances at beginning of year	₱1,464,563	₱4,794,128	₱69,097	₱6,327,788
Reclassifications	239	141,314	–	141,553
Change in accounting estimate (see Note 18)	–	–	(69,097)	(69,097)
Balances at end of year	1,464,802	4,935,442	–	6,400,244
Accumulated depletion:				
Balances at beginning of year	104,659	222,450	3,248	330,357
Depletion	54,737	184,348	2,210	241,295
Change in accounting estimate (see Note 18)	–	–	(5,458)	(5,458)
Balances at end of year	159,396	406,798	–	566,194
Net book values	₱1,305,406	₱4,528,644	₱–	₱5,834,050

Revaluation Increment on Land
The fair value of the land amounted to ₱315,888 as at December 31, 2014 and 2013 based on the latest valuation obtained in 2011 by the Parent Company. 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 amounts to ₱3,661 as at December 31, 2014 and 2013.

Fully Depreciated Property, Plant and Equipment
Fully depreciated property, plant and equipment still used by the Group amounted to ₱2,090,794 and ₱584,716 as at December 31, 2014 and 2013, 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 capitalized in "Mine Development Costs" amounted to ₱39,529 and ₱452,687 in 2014 and 2013, respectively, at interest rates of 6.5% to 8.0% for both 2014 and 2013, respectively (see Note 17).

Provision for Asset Write-downs
The provision for asset write-downs represents the net book value of heavy equipment that the Group assessed to be operationally uneconomical amounting to ₱5,944, nil and ₱20,552 in 2014, 2013 and 2012, respectively (see Note 21).

Collaterals
The carrying value of the property, plant and equipment mortgaged as collaterals for various borrowings of the Group amounted to ₱1,610,139 and ₱2,368,500 as at December 31, 2014 and 2013, respectively (see Note 17).

Commitments
The Group has capital expenditure commitments amounting to ₱1,445,100 and ₱1,149,800 as at December 31, 2014 and 2013, respectively.

11. **Business Combination**

In July 2011 (Acquisition Date), the Parent Company purchased an aggregate 45.54% equity interest of CASOP in CCC. Total acquisition cost amounted to US$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 atthe Acquisition Date. The fair value gain on the previously held interest amounting to ₱13,788,051 was recognized in the consolidated statement of comprehensive income (see Note 19b).

b. As at December 31, 2011, the total acquisition cost of US$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
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 statements of financial position and consolidated statements of comprehensive income to reflect the depletion expense on the mining rights and the related reversal of the deferred tax liability amounting to ₱122,785 and ₱36,835, respectively. The restatement resulted to the recognition of "Mining rights" and "Deferred tax liability" amounting to ₱9,821,424 and ₱2,946,427, respectively, and a decrease in "Retained earnings" amounting to ₱85,950 in the consolidated statements of financial position as at December 31, 2011. The Group recognized depletion of mining rights amounting to ₱398,172, ₱346,712 and ₱329,508 in 2014, 2013 and 2012, respectively. The Group recognized the related deferred tax liability amounting to ₱119,452, ₱104,014 and ₱98,852 in 2014, 2013 and 2012, respectively.

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 statements 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 (see Note 19).

f. Had the purchase of equity interest occurred as at 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 at December 31, 2011, the Group recognized provisional fair values of identifiable assets and liabilities, including a goodwill amounting to ₱25,972,054. In July 2012, the Group finalized the fair values and recognized goodwill amounting to ₱19,011,108 (see Notes 11c and 12).

12. Goodwill

	2014	2013
CCC (see Note 11g)	**₱19,011,108**	₱19,011,108
AHI	**15,011**	15,011
	₱19,026,119	₱19,026,119

On May 11, 2007, the Parent Company's BOD approved the execution and implementation of the Deed of Sale of the Shares of Stock entered into between the Parent Company and Anscor Property Holdings, Inc. (APHI) on the sale to the Parent Company of APHI's 75,005 common shares in AHI or equivalent to 99.99% of AHI's total issued and outstanding shares for ₱77,510. 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 2014, 2013 and 2012.

13. AFS Financial Asset

The Group's AFS financial asset consists of investment in:

	2014	2013
Philippine Long Distance Telephone Company	**₱6,102**	₱5,599
Allowance for impairment loss	**(4,882)**	–
	₱1,220	₱5,599

The Group's AFS financial asset is a quoted equity instrument and carried at fair value. The fair value of this quoted instrument is based on the exit market price as at December 31, 2014 and 2013.

Movements in fair value of the Group's quoted equity instrument are as follows:

	2014	2013
Balances at beginning of year	**₱5,599**	₱4,896
Valuation gain	**503**	5,577
Disposals	**–**	(4,874)
	6,102	5,599
Allowance for impairment loss	**(4,882)**	–
Balances at end of year	**₱1,220**	₱5,599

Movements in the "Net unrealized gain on AFS financial asset" presented as a separate component of equity follow:

	2014	2013
Balances at beginning of year	**₱10,460**	₱2,160
Movements:		
Increase in fair value of AFS financial asset	**503**	5,577
Recovery of (allowance for) impairment loss	**(4,882)**	4,882
Unrealized gains transferred from equity to consolidated statements of comprehensive income	**–**	(2,159)
	(4,379)	8,300
Balances at end of year	**₱6,081**	₱10,460

In November 27, 2013, the Group sold all its AFS financial assets pertaining to investments in TMC amounted to ₱9,926 on which the Group recognized a gain amounted to ₱2,330 in the consolidated statements of comprehensive income.

	2013
Quoted equity instrument:	
Unrealized gains transferred from equity to consolidated statements of comprehensive income	₱2,159
Gain on disposal of quoted equity instrument	171
	₱2,330

There was no dividend income earned from the quoted equity instrument in 2014, 2013, and 2012. The Group recognized an allowance for impairment loss amounting to ₱4,882 and nil as at December 31, 2014 and 2013, respectively.

14. **Investments in Associates**

On June 19, 2014, the Parent Company lost its Board and management control but maintained significant influence over the Nickel Corporations (see Note 1). The Parent Company however has sustained the power to participate in the financial and operating policy decisions of the Nickel Corporations. Thus, the related investments of the Parent Company in the Nickel Corporations were reclassified from investments in subsidiaries to investments in associates in 2014. The Group recognized the fair value of the investments retained in the Nickel Corporations and recognized a gain amounting to ₱44,615 in 2014.

As at December 31, 2014, the percentage of ownership and balances of investments in associates are as follows:

	BNC	TMMI	URHI	UNC	NRHI	Total
Percentage of ownership	25.2%	60%	70%	42%	42%	
Cost:						
Balances at recognition date and at end of year	₱258,039	₱3,949	₱832	(₱1,642)	₱821	₱261,999
Accumulated equity:						
Share in net income (loss)	(13,693)	(2,796)	(68)	54	46,586	30,083
	₱244,346	₱1,153	₱764	(₱1,588)	₱47,407	₱292,082

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

The following table illustrates summarized financial information of the investments in associates as at December 31, 2014:

	TMMI	URHI	UNC	NRHI	BNC
Current assets	₱11,780	₱2,336	₱10,967	₱2,405	₱880,906
Noncurrent assets	3,934	3,000	41,689	110,575	835,478
Total assets	15,714	5,336	52,656	112,980	1,716,384
Current liabilities	13,931	4,244	56,437	107	1,056,020
Noncurrent liabilities	–	–	–	–	20,083
Total liabilities	13,931	4,244	56,437	107	1,076,103
Net assets (liabilities)	1,783	1,092	(3,781)	112,873	640,281
Net income (loss)	4,336	124	(103)	(110,895)	(316,976)

15. **Other Noncurrent Assets**

	2014	2013
Input VAT (net of accumulated allowance for possible losses of ₱129,896 and ₱139,432 as at December 31, 2014 and 2013, respectively)	**₱2,078,282**	₱2,011,755
Deferred mine exploration costs	**16,708**	65,472
MRF	**5,268**	15,128
Others	**15,696**	15,028
	₱2,115,954	₱2,107,383

<u>Input VAT</u>
Input VAT represents VAT imposed by the Group's 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 (5) years or the useful life of the capital goods, whichever is shorter. Input VAT is stated at its estimated NRV. Input VAT will be claimed by the Group as tax credits.

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

	2014	2013
Balances at beginning of year	**₱139,432**	₱124,856
Decrease associated with loss of control (see Note 14)	**(9,536)**	–
Provision for possible losses (see Note 22)	**–**	14,576
Balances at end of year	**₱129,896**	₱139,432

Deferred Mine Exploration Costs
These pertain to field supplies and other costs incurred during evaluation and exploration of projects of the Parent Company. In 2013, deferred mine exploration costs pertain to BNC's exploration expenditures on the Moorsom, Dangla and Longpoint Project (adjacent area covering the Berong Nickel Project) (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. BNC started to explore and develop the area adjacent to the Berong Nickel Project in 2008. No provision for impairment was recognized in 2014 and 2013.

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

16. **Accounts Payable and Accrued Liabilities**

	2014	2013
Trade	**₱3,242,924**	₱2,089,578
Accrued expenses:		
Contracted services (see Note 32)	**379,630**	201,442
Power and other utilities (see Note 32)	**186,454**	128,540
Personnel	**77,964**	85,644
Rental	**154,166**	126,761
Others	**360,523**	386,111
Interest (see Notes 17 and 23)	**284,079**	270,203
Government payables	**156,867**	141,111
Nontrade	**26,543**	7,042
Unclaimed dividends	**4,119**	–
	₱4,873,269	₱3,436,432

Trade
Trade payables include import and local purchases of equipment, inventories and various parts and supplies used in the operations of the Group. These are noninterest-bearing payables to various suppliers and are normally settled on terms ranging from 30 to 60 days.

Trade payables include the customer deposits made by MRI to CCC on December 1, 2014 amounting to US$30.0 million as part of the increase in offtake allotment of 80,000 DMT of copper concentrate to MRI. The deposit will be applied in shipments of six (6) lots of five (5) thousand DMT starting in February 2015 (see Note 6).

Nontrade
These payables pertain to unclaimed termination benefits of former Parent Company's employees before mine closure, utilities payables, and partial payment received from stock option availees. These also include other noninterest-bearing payables.

Payable to Toledo Power Corporation (TPC) and Toledo Holdings Corporation (THC)
In February 2002, TPC and its wholly owned subsidiary, 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 (2) foreshore leases, (ii) three (3) 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 reclassified 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.

On July 4, 2011, the Parent Company 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 to TMC amounting to ₱81,299 presented under "Gain on settlement of liability".

Accrued Expenses - Others
The accrued expenses - others consist largely of accruals for the insurance of vehicles and shipments and accruals for purchased materials and supplies for which invoices have yet to be issued by suppliers as at December 31, 2014 and 2013. These are normally settled within six (6) months.

The related interest expense recognized related to trust receipts amounted to ₱5,458, ₱4,801 and ₱469 in 2014, 2013 and 2012, respectively.

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

Unclaimed Dividends
Unclaimed dividends pertain to unpaid cash dividends declared by the Parent Company to its stockholders.

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

The Group's long-term debt and other interest-bearing liabilities outstanding balances as at December 31 follow:

	2014	2013
Bonds Payable	**₱13,231,369**	₱13,059,825
US$75 million BDO Loan	**1,300,531**	2,106,497
United Overseas Bank Ltd. (UOB)	**1,118,000**	–
Security Bank	**1,100,000**	288,568
BDO Leasing & Finance, Inc. (BDO Leasing)	**995,884**	1,210,622
Standard Chartered Bank (SCB)	**986,859**	443,950
MayBank	**894,400**	297,447
Rizal Commercial Banking Corporation (RCBC)	**872,040**	–
Land Bank of the Philippines (Land Bank)	**491,920**	510,543
LBP Leasing Corp (LBP Leasing)	**206,408**	300,000
SBM Leasing, Inc. (SBM Leasing)	**122,376**	210,301
BDO	**111,800**	–
United Coconut Planters Bank (UCPB)	**–**	790,231
Bank of China	**–**	266,370
Atlas Copco Customer Finance AB (Atlas Copco)	**–**	5,210
Metropolitan Bank and Trust Company (MBTC) and Orix Metro Leasing and Finance Corporation (ORIX)	**–**	2,268
	21,431,587	19,491,832
Less noncurrent portion	**18,472,017**	15,348,650
	₱2,959,570	₱4,143,182

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

	2014	2013
Due in:		
2014	**₱–**	₱4,143,182
2015	**2,959,570**	1,544,912
2016	**975,392**	13,803,738
2017	**13,512,185**	–
2018 and thereafter	**3,984,440**	–
	₱21,431,587	₱19,491,832

a. Bonds Payable
On March 16, 2012, CCC completed the issuance of US$-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, 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 accrued interest payable from bonds amounted to ₱239,810 and ₱238,068 as at December 31, 2014 and 2013, respectively (see Note 11). The interest expense recognized from bonds amounted to ₱1,093,151, ₱1,076,777 and ₱778,126 in 2014, 2013 and 2012, respectively. CCC's capitalized interest expense in relation to the $300 million bonds under "Construction in-progress", amounting to nil, ₱452,687 and ₱13,390 in 2014, 2013 and 2012 respectively, at interest rates of 6.5% to 8% for 2014, 2013 and 2012 (see Note 9).

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 (EBITDA) for the most recent four (4) fiscal quarterly periods prior to the incurrence of the indebtedness (the "Four Quarter Period"); (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 complied with the above covenants as at December 31, 2014 and 2013.

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 statements of financial position amounting to ₱804,969 and ₱1,775,800 as at December 31, 2014 and 2013, respectively. Interest income earned from short-term investments amounted to ₱55,039, ₱156,099 and ₱206,132 in 2014, 2013 and 2012, respectively. Interest receivable amounted to ₱97,604 and ₱135,240 as at December 31, 2014 and 2013, respectively (see Note 5).

b. US$75 million BDO Loan
On July 25, 2011, the Parent Company availed from BDO a US$-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 in CCC, and (ii) CCC's working capital requirements.

The BDO Facility (i) has a term of five (5) 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$ exchange rate of US$1.00:₱43.50.

Securities
The BDO Facility is also secured by a pledge of the shares of CCC that were purchased by the Parent Company. Such purchase was funded partly by the proceeds from the BDO Facility.

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

- Maintenance of 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 related interest expense recognized amounted to ₱132,537, ₱187,377 and ₱237,308 in 2014, 2013 and 2012, respectively (see Note 26). The accrued interest payable amounted to ₱1,202 and ₱1,616 as at December 31, 2014 and 2013 respectively (see Note 11).

Short-term Investments
Restricted cash securities classified as short-term investments amounted to ₱273,028 and ₱256,476 as at December 31, 2014 and 2013, respectively.

As at December 31, 2014 and 2013, the Parent Company has complied with the covenants respecting the BDO Facility.

c. <u>Bilateral Loan Agreements</u>
On October 10, 2014, CCC has entered into bilateral term loan agreements with Security Bank, Maybank Philippines Inc., Maybank International Labuan branch, RCBC and UOB ("the Bilateral Loan Agreements"). The proceeds of the loans will be used by CCC to fund its capital expenditures and to refinance its outstanding short-term loan obligations.

The loans have a term of four (4) years reckoned from the date of availment, and will constitute unsubordinated obligations of CCC that will rank at least pari passu in priority of payment with all its unsecured obligations.

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

- *Target Financial Ratios* - During the term of the loans, CCC shall ensure that:
  (i) Its Debt to Equity Ratio does not exceed 2.0 in each of the calendar years 2014, 2015, 2016, and 2017, based on the audited financial statements as of the last day of each of such calendar years; Debt to Equity Ratio is CCC's total debt divided by its total equity;
  (ii) Its Debt Service Coverage Ratio ("DSCR") shall not be less than (a) 1.5 in each of the calendar years 2014, 2015, and 2017, and (b) 1.1 in the calendar year 2016, based on the audited financial statements as of the last day of each of such calendar years; DSCR is the sum of EBITDA for the most recent audited year and the ending cash balance for the most recent audited year divided by the aggregate of principal, interest and lease payments for the current year; and
  (iii) Its Debt to EBITDA Ratio does not exceed 4.0 in each of the calendar years 2014, 2015, 2016 and 2017, based on the audited financial statement as of the last day of each of such calendar year; Debt to EBITDA Ratio is CCC total debt divided by its EBITDA.

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

Should the Annual Test for the calendar year 2014 (and for such year only), to be performed on or before April 30, 2015 (the "2014 Annual Test"), result in a determination that not all of the Target Financial Ratios were achieved by CCC, the Financial Ratios will be calculated again before the next annual test on a date not later than August 31, 2015, and (b) based on CCC's unaudited financial statements for the six-month period ending June 30, 2015 that will be certified by CCC's Chief Finance Officer and Executive Vice President (the "2015 Interim Test").

CCC's failure to achieve the Target Financial Ratios with respect to the calendar year 2014, as determined through the 2014 Annual Test, shall not constitute an event of default. For the avoidance of doubt, the 2015 Interim Test will be performed only if CCC is unable to satisfy the Target Financial Ratios based on the 2014 Annual Test.

For the purpose of the 2015 Interim Test: (a) the calculation of the Financial Ratios that consider EBITDA shall be based on two times the amount of the six-month EBITDA as at June 30, 2015; (b) the calculation of the DSCR shall consider (1) the ending cash balance as at June 30, 2015, and (2) the projected amount of debt service for the one-year period beginning July 1, 2015 and ending June 30, 2016; and (c) the calculation of the Debt-to-Equity Ratio shall consider CCC's equity as at June 30, 2015.

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

  CCC capitalized interest expense in relation to the Bilateral Loan Agreements under "Mine Development Costs", amounting to ₱39,529 in 2014.

d. UOB
The bilateral term loan agreement between CCC and UOB that was entered into on October 10, 2014 (the "UOB TLA") covers a facility for the amount of US$25.0 million and has a term of 4 years reckoned from the date of the loan availment. The loan accrues interest at the rate of 3.735% per annum. CCC fully availed the facility covered by the UOB TLA.

The interest expense recognized in respect of the UOB TLA amounted to ₱11,019 in 2014 (see Note 26). Accrued interest payable as at December 31, 2014 amounted to ₱11,019 (see Note 11).

e. Security Bank
From February to October 2013, CCC obtained from Security Bank short-term credit facilities covering the aggregate amount of US$11.3 million which was used to finance working capital requirements. The amounts drawn from the facilities are payable within 12 months from the date of availment and accrue interest at rates ranging from 2.25% to 2.60% per annum. In 2014, CCC rolled over the short-term loans, thereby extending their maturity to October 2014.

On October 16, 2014, CCC paid the outstanding portion of the loan amounting to US$6.5 million from the proceeds of the ₱1,100,000 facility covered by the bilateral term loan agreement between CCC and Security Bank dated October 10, 2014 (the "SB TLA"). Under the terms of the SB TLA, the principal amount of the loan availed shall be payable within four (4) years from the date of availment and shall accrue interest at the rate of 5.0% per annum. CCC fully availed the facility covered by the SB TLA.

The related interest expense recognized amounted to ₱21,317, ₱4,784, nil in 2014, 2013 and 2012, respectively (see Note 26). The accrued interest payable amounted to ₱12,439 and ₱216 as at December 31, 2014 and 2013, respectively (see Note 11).

f. RCBC
On April 11, 2014, CCC obtained a short-term loan from RCBC with a maturity date on October 8, 2014 in the amount of ₱450,000 which was used to finance working capital requirements. The amount drawn from the facility is payable within 180 days from the date of availment and accrues interest at the rate of 2.5% per annum. CCC paid the loan balance of ₱450,000 on October 16, 2014 from the proceeds of the availment under the bilateral term loan agreement between CCC and RCBC dated October 10, 2014 (the "RCBC TLA"). The RCBC TLA covers a facility for the amount of US$19.5 million. Under the terms of the RCBC TLA, any loan availment shall be payable within 4 years from the date of availment and shall accrue interest at the rate of 3.735% per annum. CCC fully availed the facility covered by the RCBC TLA. The interest expense recognized in respect of the RCBC TLA amounted to ₱13,540 in 2014 (see Note 26). The accrued interest payable amounted to ₱7,640 as at December 31, 2014 (see Note 11).

g. MayBank
From September to October 2013, CCC obtained from MayBank a short-term loans having an aggregate amount of US$6.7 million which was used to finance working capital requirements. The loan availments are payable within 180 days from the drawdown date and accrue interest at the rate of 2.62% per annum. On April 4, 2014 and October 3, 2014, CCC paid US$1.7 million and US$5.0 million of the outstanding amount, respectively. On April 7, 2014, CCC obtained an additional short-term loan in the amount of US$1.67 million which matured and was paid on October 16, 2014.

On October 10, 2014, CCC entered into bilateral term loan agreements with MayBank Philippines and MayBank International which cover facilities for the aggregate amount of US$20.0 million (the "MayBank TLA"). Loan availments under the facilities are payable within four (4) years from the drawdown date and accrue interest at the rate of 3.735% per annum. CCC fully availed the facilities covered by the MayBank TLA.

The related interest expense recognized amounted to ₱14,631 and ₱2,261 in 2014 and 2013, respectively (see Note 26). The accrued interest payable amounted to ₱8,431 and ₱419 in December 31, 2014 and 2013, respectively (see Note 11).

h. BDO Leasing
From August 2011 to September 2014, CCC availed of peso-denominated equipment financing facilities from BDO Leasing. The amounts due under such facilities which totalled ₱2,042,500 are payable within 36 months and accrue interest at the rate of 4.75% to 10% per annum. In 2013 and 2012, CCC availed of additional equipment financing facilities from BDO Leasing covering the total amount of ₱848,700 and ₱889,500, respectively (see Note 10). The related interest expense recognized amounted to ₱61,152, ₱82,362 and ₱120,801 in 2014, 2013 and 2012, respectively (see Note 26). The accrued interest payable amounted to ₱8,326 and ₱1,959 as at December 31, 2014 and 2013, respectively (see Note 11).

i. SCB
On November 8, 2013, CCC obtained from SCB a short-term credit facility covering the amount of US$10.0 million which was used to finance working capital requirements. The amount drawn from the facility is payable within 180 days from the date of the loan and accrues interest at the rate of 2.7% per annum. On June 9, 2014, CCC rolled over the loan and extended the maturity to December 5, 2014. On February 11, 2014, CCC obtained an additional short-term loan in the amount of US$5.0 million which will mature on August 8, 2014 and is accruing interest at the rate of 3.0% per annum. On December 5, 2014, CCC rolled over the US$10.0 million and US$5.0 million loan and extended their terms to February 2015.

On May 21, 2014, CCC executed an Omnibus Loan and Security Agreement (OLSA) with the Singapore Branch of SCB respecting a secured term loan facility covering a total amount of US$20 million that may be availed in tranches, the proceeds of which are intended to fund the purchase of mining equipment. Under the OLSA, any availment accrues interest at an annual rate equivalent to the sum of 2.85% and the 3-month US$ London Interbank Offered Rate that corresponds to the relevant interest period. Each interest period for the reckoning of accrued and payable interest on every availment spans three (3) months, with the first interest period commencing on the date of the first availment under the OLSA. Accrued interest is payable on the last day of each interest period.

The first availment under the OLSA amounting to US$8.4 million was made on June 11, 2014 and will accrue interest at the rate of 3.08% per annum. Each availment under the OLSA will mature three (3) years from the date of availment.

Availments under the OLSA are secured by a chattel mortgage covering the movable equipment purchased using the proceeds thereof.

The interest expense recognized from SCB amounted to ₱26,961 and ₱699 in 2014 and 2013, respectively (see Note 26). The total accrued interest payable for all SCB loans amounted to ₱1,453 and ₱699 as at December 31, 2014 and 2013, respectively (see Note 11).

j. Land Bank
On April 23, 2013, CCC obtained a short-term loan with a dollar to peso convertibility clause from Land Bank with a maturity date on October 18, 2013 in the amount of US$12.0 million which was used to finance working capital requirements. On October 18, 2013, CCC paid a total of US$0.5 million of the outstanding amount of the loan and extending the maturity from October 18, 2013 to April 16, 2014. On April 10, 2014, the Company paid a total of US$0.5 million of the outstanding amount of the loan and extending the maturity to September 29, 2014. On September 29, 2014, the Company rolled over the loan and extended the maturity to March 2015. The related interest expense recognized amounted to ₱15,036 in 2014 and ₱10,820 in 2013 (see Note 26). The accrued interest payable amounted to ₱74 and ₱498 as at December 31, 2014 and 2013, respectively (see Note 11).

k. LBP Leasing
From July to September 2013, CCC obtained from LBP Leasing a short-term credit facility which can be converted to finance lease in the amount of ₱156.4 million. In December 2013, CCC obtained an additional short-term loan in the amount ₱300 million which will mature on December 18, 2016 and accrues at the rate of 6.5% per annum. Part of the proceeds obtained from the loan was used to pay the outstanding amount of ₱156.4 million which matured on December 26, 2013. The related interest expense recognized amounted to ₱16,744 and ₱3,330 in 2014 and 2013, respectively (see Note 26). The accrued interest payable amounted to nil as at December 31, 2014 and 2013.

l. BDO
On February 10, 2014, CCC obtained a short-term loan from BDO with a maturity date on August 8, 2014 in the amount of US$2.5 million which was used to finance working capital requirements. The amount drawn from the facility is payable within 180 days from the date of the loan and accrues interest at the rate of 2.375 % per annum. The interest expense recognized from BDO amounted to ₱2,384 in 2014 (see Note 26). The accrued interest payable amounted to ₱148 as at December 31, 2014 (see Note 11).

m. SBM Leasing
From March to December 2013, CCC availed of peso-denominated equipment financing facilities from SBM Leasing. The amounts due under the facilities which amounted to ₱269.4 million are payable within 36 months and accrue interest at the rate of 6.5% to 7% per annum. The related interest expense recognized amounted to ₱11,798 and ₱13,086 in 2014 and 2013, respectively (see Note 26). The accrued interest payable amounted to nil as at December 31, 2014 and 2013.

n. Atlas Copco
On January 20, 2012, CCC obtained a supplier credit facility from Atlas Copco for the amount of US$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. The related interest expense recognized amounted to ₱46, ₱1,425 and ₱3,466 in 2014, 2013 and 2012, respectively (see Note 26). The accrued interest payable amounted to nil as at December 31, 2014 and 2013.

o. UCPB
On October 29, 2012, CCC obtained from UCPB a short-term credit facility covering the amount of US$9.0 million that was used to finance working capital requirements. During 2013, CCC obtained from UCPB various short-term credit facility covering the amount of US$17.8 million which was used to finance working capital requirements. In January 2014, CCC paid US$0.2 million and rolled over the remaining amount for another six (6) months. The amount drawn from the facility is payable within six (6) months and accrues interest at the rate of 3.4% to 3.75% per annum. In October 2014, CCC paid the remaining loan balance of US$17.6 million. The related interest expense recognized amounted to ₱22,255, ₱22,683 and ₱2,809 in 2014, 2013 and 2012, respectively (see Note 26). The accrued interest payable amounted to nil and ₱849 as at December 31, 2014 and 2013, respectively (see Note 11).

p. Bank of China
On November 8, 2013, CCC obtained from Bank of China a short-term credit facility covering the amount of US$6.0 million which was used to finance working capital requirements. The amount drawn from the facility is payable within 120 days and accrues interest at the rate of 2.74% per annum. On May 7, 2014, CCC rolled over the US$6.0 million short-term loan extending the maturity to November 7, 2014. During the term of the extension the loan will accrue interest at the rate of 2.72% per annum. In October 2014, CCC paid the outstanding loan amounting to US$6.0 million. The related interest expense recognized amounted to ₱5,831 and ₱1,068 in 2014 and 2013, respectively (see Note 26). The accrued interest payable amounted to nil and ₱401 as at December 31, 2014 and 2013, respectively (see Note 11).

q. MBTC and ORIX
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). The related interest expense recognized amounted to ₱72, ₱513and ₱1,311 in 2014, 2013 and 2012, respectively (see Note 26). The accrued interest payable amounted to nil as at December 31, 2014 and 2013.

r. FLSmidth Krebs Pacific (FLS)
On March 29, 2011, CCC availed from FLS a US$-denominated loan facility amounting to US$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). The interest expense recognized from FLS amounted to nil, ₱805 and ₱10,194 in 2014, 2013 and 2012, respectively (see Note 26). There is no accrued interest payable as at December 31, 2014 and 2013.

BDO US$140 million
In December 2010, CCC availed from BDO a US$-denominated loan amounting to US$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, cash collaterals, pledge over Parent Company's shares of stock in CCC, and a guarantee provided by the Parent Company for which CCC paid the Parent Company a guarantee fee amounting to ₱11,850 in 2010.

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

On March 16, 2012, CCC prepaid the BDO Loan using part of the proceeds from the Bonds Payable. 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).

The maturity profile of the long-term debt and other interest-bearing liabilities is presented in Note 29.

s. <u>BDO ₱5.3 billion Loan Payable</u>
On July 25, 2011, the Parent Company 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) Parent Company's acquisition of the entire equity interest of 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 the Parent Company 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 the Parent Company 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. On July 6, 2012, SEC approved the exercise of the Conversion Option.

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 ₱36,575 in 2012.

t. <u>BDO ₱129 million Loan Payable</u>
On January 24, 2012, the Parent Company 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, the Parent Company, using the proceeds of the 2012 BDO Loan, paid BDO the interest that had accrued on the 2011 BDO Loan in 2011 and as at 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 19).

18. **Liability for Mine Rehabilitation Cost**

Mine rehabilitation cost consists of BNC and CCC's provision for rehabilitation costs that are detailed as follows:

	2014	2013
Balances at beginning of year	**₱46,382**	₱112,749
Decrease associated with loss of control of subsidiaries (see Note 14)	**(2,591)**	–
Accretion of interest (see Note 26)	**2,174**	5,528
Change in accounting estimate	**(990)**	(71,895)
Balances at end of year	**₱44,975**	₱46,382

The Group makes a full provision for the future cost of rehabilitation of the plant and other future costs on a discounted basis. Liability for mine rehabilitation cost represents the present value of future rehabilitation and other related costs. These provisions have been created based on the Group's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual costs will ultimately depend upon future market prices for the necessary works required which will reflect market conditions at the relevant time. Furthermore, the timing of the rehabilitation and expenditure of other costs is likely to depend on when the mine ceases to produce at economically viable rates, and the timing that the event for which the other provisions provided for will occur.

CCC
In 2014 and 2013, 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 4.6% and 5.1% for 2014 and 2013, respectively.

As at December 31, 2014 and 2013, change in the liability for mine rehabilitation cost amounted to ₱990 and ₱71,895, respectively, were recognized as a result of the changes in estimate. In 2014 and 2013, total reduction in "Mine development costs" classified under "Property, plant and equipment" amounted to nil and ₱63,639, respectively (see Note 10), as a result of the changes in estimate, while the remaining amount of ₱990 and ₱8,256 million, respectively, were recognized in the statements of comprehensive income under "Others - net".

BNC
Discount rate used by BNC is 3.27% and 5.77 % for 2014 and 2013, respectively.

Mine Rehabilitation Costs
CCC's carrying value of capitalized mine rehabilitation costs amounted to nil as at December 31, 2014 and 2013 (see Note 10).

BNC's carrying value of capitalized mine rehabilitation costs amounted to ₱63,872 as at December 31, 2013, classified as part of "Mine and mining properties" (see Note 10).

19. Capital Stock

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

	2014		2013	
	No. of Shares	**Amount**	No. of Shares	Amount
Authorized - ₱8 par value	**3,000,000,000**	**₱24,000,000**	3,000,000,000	₱24,000,000
Issued and outstanding	**2,087,032,774**	**16,696,262**	2,076,121,170	16,608,969

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 authorized 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 2014 and 2013 are as follows:

2014

Name of Stockholder	**No. of Shares**	**Capital Stock**	**APIC**	**Total**
Stock issuances arising from Comprehensive Stock Option Plan (CSOP)	**1,183,604**	**₱9,469**	**₱2,367**	**₱11,836**
BDO	**9,728,000**	**77,824**	**19,456**	**97,280**
	10,911,604	**₱87,293**	**₱21,823**	**₱109,116**

2013

Name of Stockholder	No. of Shares	Capital Stock	APIC	Total
Stock issuances arising from CSOP	1,754,190	₱14,033	₱3,509	₱17,542

BDO
On November 28, 2014, BDO exercised its subscription rights under stock warrants respecting a total of 18,728,000 of the authorized and unissued shares of stock of the issuer. The exercise covers 9,728,000 of the Parent Company's shares which represent the balance of the shares underlying the warrants after the initial subscription to 9,000,000 shares in 2010.

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 17).

CSOP
In 2014 and 2013, qualified employees who were previously granted stock option awards exercised their subscription rights with respect to a total of 1,183,604 and 1,754,190 shares, for which total subscription price of ₱11,836 and ₱17,542, respectively, were paid.

b. 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 at 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 losses, 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 at 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 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
As at December 31, 2014 and 2013, CCC has retained earnings in an amount exceeding its paid-up capital. The retention of the surplus profit is on account of: (i) the restriction under the indenture in respect of the Bonds Payable and the Bilateral Loan Agreements on the declaration of dividends in an amount exceeding 50% of CCC's cumulative net income during the period beginning on January 1, 2012 and ending on the last day of any fiscal quarter during the term of the Indenture, and (ii) the earmarking of funds for substantial capital expenditures covering open pit mine development.

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 PSE 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 at July 18, 2007:

Spot price per share	₱15.00
Time to maturity	3 years
Volatility*	52.55%
Dividend yield	0.00%

**Volatility is calculated using historical stock prices and their corresponding logarithmic returns.*

As discussed in Note 19a, in 2014, 2013 and 2012, qualified employees who were previously granted stock option awards exercised their subscription rights with respect to a total of 1,183,604 shares, 1,754,190 shares and 2,215,788 shares for total subscription price of ₱11,836, ₱17,542 and ₱22,158, respectively, were paid.

21. **Mining and Milling Costs and Mine Products Taxes**

Mining and milling costs consists of:

	2014	2013	2012
Materials and supplies (see Note 7)	**₱4,479,583**	₱3,380,482	₱3,314,158
Communication, light and water	**2,212,477**	1,769,152	2,105,432
Depreciation, depletion and amortization (see Note 10)	**2,216,854**	1,537,276	1,592,860
Personnel costs	**793,418**	652,613	574,007
Contracted services (see Note 32)	**322,363**	479,945	359,921
Provision for asset write-downs (see Note 10)	**5,944**	–	20,552
Other costs	**397,518**	191,846	703,032
	₱10,428,157	₱8,011,314	₱8,669,962

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

	2014	2013	2012
Excise taxes	**₱299,045**	₱272,371	₱295,369
Royalties (see Notes 1c and 32)	**11,081**	8,571	11,897
	₱310,126	₱280,942	₱307,266

22. **General and Administrative Expenses**

	2014	2013	2012
Personnel costs	**₱588,407**	₱636,814	₱575,046
Taxes and licenses	**212,100**	175,279	167,162
Rentals (Note 32)	**182,167**	159,423	75,510
Professional fees	**90,648**	69,984	132,570
Depreciation and amortization (see Note 10)	**89,389**	133,921	179,242
Entertainment, amusement and recreation	**24,437**	27,288	21,266
Communication, light and water	**21,528**	22,639	47,735
Transportation and travel	**14,364**	37,378	38,857
Repairs and maintenance	**7,789**	9,725	11,958
Office supplies	**7,266**	9,666	8,984
Provision for possible losseson input VAT (see Note 15)	**–**	14,576	–
Provision for impairment losses on receivables (see Note 5)	**–**	9,536	–
Others	**174,402**	168,158	211,169
	₱1,412,497	₱1,474,387	₱1,469,499

Rentals consist of land and equipment rentals not directly used in the mining operations.

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 costs recognized in mining and milling costs and general and administrative expenses consist of the following:

	2014	2013	2012
Salaries and wages	**₱1,036,768**	₱1,018,206	₱930,684
Retirement benefits cost (see Note 24)	**111,229**	86,704	50,626
Other employee benefits	**203,858**	184,517	167,743
	₱1,351,855	₱1,289,427	₱1,149,053

23. **Related Party Disclosures**

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and their key management personnel, directors, or its stockholders.

In the normal course of business, transactions with related parties consist mainly of payments made by the Parent Company for various expenses and noninterest-bearing, short-term cash advances for working capital requirements. Intercompany transactions are eliminated in the consolidated financial statements.

The Group's related party transactions, which are under terms that are no less favorable than those arranged with third parties as at December 31, are as follows:

	2014			
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Receivables				
Subsidiaries				
AEI	**₱131**	**₱100,787**	On demand; noninterest-bearing	Unsecured, no guarantee
AI	**115**	**31,568**	On demand; noninterest-bearing	Unsecured, no guarantee
CCC	**6,769**	**29,906**	On demand; noninterest-bearing	Unsecured, no guarantee
	₱7,015	**₱162,261**		
Payables:				
AHI	**₱–**	**₱2,384**	On demand; noninterest-bearing	Unsecured, no guarantee

	2013			
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Subsidiaries				
Receivables				
CCC	₱3,209	₱23,137	On demand; noninterest-bearing	Unsecured, no guarantee
AEI	–	101,916	On demand; noninterest-bearing	Unsecured, no guarantee
AI	123	31,459	On demand; noninterest-bearing	Unsecured, no guarantee
BNC	6,546	108,969	On demand; noninterest-bearing	Unsecured, no guarantee
UNC	–	597	On demand; noninterest-bearing	Unsecured, no guarantee
URHI	–	1,224	On demand; noninterest-bearing	Unsecured, no guarantee
NRHI	–	3,006	On demand; noninterest-bearing	Unsecured, no guarantee
	₱9,878	₱270,308		
Payables:				
AHI	₱–	₱2,598	On demand; noninterest-bearing	Unsecured, no guarantee

a. The consolidated statements of financial position include the following amounts resulting from the various transactions with related parties as at December 31, are as follows:

	2014			
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Associates				
Receivables (see Note 5)				
BNC	**₱7,556**	**₱109,767**	On demand; noninterest-bearing	Unsecured, no guarantee
URHI	**–**	**3,006**	On demand; noninterest-bearing	Unsecured, no guarantee
UNC	**13,742**	**13,742**	On demand; noninterest-bearing	Unsecured, no guarantee
	₱21,298	**₱126,515**		

	2013			
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Affiliates				
Receivables (see Note 5)				
Alakor Corporation (Alakor)	₱–	₱27,722	On demand; noninterest-bearing	Unsecured, no guarantee
TMC	1,668	3,818	On demand; noninterest-bearing	Unsecured, no guarantee
	₱1,668	31,540		
Payables				
TMC	₱112,677	₱434,015	On demand; noninterest-bearing	Unsecured, no guarantee
Interest payable				
Alakor	₱–	₱21,986	On demand; noninterest-bearing	Unsecured, no guarantee

b. Advances from TMC pertain to the noninterest-bearing cash advances to finance the working capital requirements of BNC. The outstanding payables were eliminated upon deconsolidation of the Nickel Corporations in 2014.

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 SSS 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 was repaid in 2014.

d. In December 2010, the Parent Company issued a promissory note to Philodrill Corporation for the principal amount of US$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 amounted to nil in 2014 and 2013. In June 2012, the Parent Company discharged fully the loan obligation under the Philodrill Note amounting to ₱73,213.

e. In 2012, CCC settled in tranches its payable to the Parent Company amounting to ₱860,954. In July 2011, CCC agreed to provide security for the loan obligations of the Parent Company to BDO under the BDO Facility (see Note 17). CCC 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.

f. Receivables from officers and employees as at December 31, 2014 and 2013 amounting to ₱32,700 and ₱31,568, respectively, pertain to the receivables 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.

	2014	2013	2012
Short-term benefits	**₱190,201**	₱144,164	₱106,644
Retirement benefits	**15,669**	7,382	7,869
	₱205,870	₱151,546	₱114,513

24. **Retirement Benefits Liability**

The Group has an unfunded defined retirement benefits plan covering substantially all of its employees. The plan provides a retirement of amount equal to one month's salary for every year of service, with six months or more of service considered as one year.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the components of the net retirement benefits costs recognized in the consolidated statements of comprehensive income and the amounts recognized in the consolidated statements of financial position.

The details of net retirement benefits costs follow:

	2014	2013	2012
Current service cost	**₱111,229**	₱86,704	₱52,827
Interest cost (see Note 26)	**23,316**	18,423	10,229
Curtailment gain	**–**	–	(2,201)
	₱134,545	₱105,127	₱60,855

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

	2014	2013
Balances at beginning of year	**₱404,766**	₱311,905
Current service cost	**111,229**	86,704
Interest cost (see Note 26)	**23,316**	18,423
Remeasurement of actuarial gain (loss) - experience adjustments	**(27,777)**	(10,492)
Remeasurement of actuarial loss - financial assumptions	**151,149**	2,383
Benefits paid	**(28,993)**	(4,157)
Decrease associated with loss of control of subsidiaries (see Note 14)	**(11,331)**	–
Balances at end of year	**₱622,359**	₱404,766

The Group does not have any plan assets.

The cost of defined retirement benefits plan, as well as the present value of the retirement benefits liability are determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining retirement benefits costs and retirement benefits liability for the Group's defined retirement benefits plan are shown below:

	2014	2013	2012
Discount rate	**4.56%**	6.06%	5.91%
Expected rate of salary increase	**10.00%**	10.00%	10.00%
Turnover rate	**10% at age 20 decreasing to 0% at age 55**	10% at age 20 decreasing to 0% at age 55	10% at age 20 decreasing to 0% at age 55

The sensitivity analyses below have been determined based on reasonably possible changes of each significant assumption on the defined retirement benefits liability as at the end of the reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	2014	2013
Discount rates	**+1%**	**(₱100,577)**	(₱45,224)
	-1%	**145,195**	99,921

	Increase (decrease)	2014	2013
Salary increase rate	**+1%**	**₱126,004**	₱93,891

The Group does not expect to contribute to the defined benefit pension plan in 2015. The Group does not have a Trustee Bank, and does not currently employ any asset-liability matching.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2014 and 2013:

	2014	2013
Less than one (1) year	**₱12,078**	₱10,701
More than one (1) year to five (5) years	**76,841**	70,556
More than five (5) years to ten (10) years	**274,682**	261,634
More than ten (10) years to fifteen (15) years	**463,676**	483,920
More than fifteen (15) years to twenty (20) years	**700,796**	783,020
More than twenty (20) years	**10,725,971**	13,123,081
	₱12,254,044	₱14,732,912

The average duration of the defined retirement benefits liability as at December 31, 2014 and 2013 is 29.27 years and 31 years, respectively.

25. **Income Taxes**

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

	2014	2013	2012
Current	**₱424,837**	₱75,785	₱29,644
Deferred	**(185,684)**	(388,042)	(60,382)
	₱239,153	(₱312,257)	(₱30,738)

b. The components of the provision for current income tax are as follow:

	2014	2013	2012
RCIT	**₱422,758**	₱65,181	₱416
Excess of MCIT over RCIT	**2,079**	10,604	29,228
	₱424,837	₱75,785	₱29,644

c. The Group has the following carryforward benefits of NOLCO and MCIT and deductible temporary differences from the Parent Company, AI, AHI, and AEI in 2014 and from the Parent Company, AI, AHI, AEI, URHI, UNC and NRHI in 2013, 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.

	2014	2013
Carryforward benefits of:		
NOLCO	**₱323,638**	₱255,617
MCIT	**14,464**	24,561
Allowance for impairment losses on:		
Inventories	**316,232**	318,246
Receivables	**29,095**	29,095
Land	**–**	330
Unrealized foreign exchange loss	**196,227**	–
Retirement benefits liability	**23,543**	18,489
	₱903,199	₱646,338

d. The Group's net deferred income tax liability as at December 31, 2014 and 2013 are as follows:

	2014	2013
Recognized directly in profit or loss		
Deferred income tax assets:		
Unrealized foreign exchange losses	**₱750,537**	₱719,347
Provision for impairment losses:		
Input VAT	**38,875**	41,736
Allowance for inventory losses	**5,470**	4,330
Allowance for assets write-down	**1,783**	66,885
Customer's deposits	**–**	6,543
Trade receivables	**–**	1
Retirement benefits liability	**99,876**	115,884
Unrealized loss on derivatives	**86,909**	8,644
Liability for mine rehabilitation cost	**13,493**	13,915
NOLCO	**–**	41,169
	996,943	1,018,454
Deferred income tax liability:		
Unrealized foreign exchange gains	**613,299**	653,668
Mining rights	**2,624,110**	2,743,561
Revaluation increment on land	**93,668**	93,668
Others	**–**	3,587
	3,331,077	3,494,484
Recognized directly in other comprehensive income		
Deferred income tax assets:		
Retirement benefits liability	**79,769**	–
	₱2,254,365	₱2,476,030

e. As at December 31, 2014, 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
2014	2017	₱201,380	₱2,079
2013	2016	255,576	1,758
2012	2015	3,906	10,627
		₱460,862	₱14,464

Movements in NOLCO and MCIT are as follows:

	2014	2013
NOLCO:		
Beginning of year	**₱392,847**	₱308,046
Additions	**201,380**	256,672
Expirations	**(123,751)**	(171,795)
Applications	**–**	(76)
Decrease associated with loss of controlof subsidiaries (see Note 14)	**(9,614)**	–
End of year	**₱460,862**	₱392,847

	2014	2013
MCIT:		
Beginning of year	**₱26,230**	₱25,173
Additions	**2,079**	7,115
Expirations	**(7,501)**	(3,040)
Applications	**–**	(3,018)
Decrease associated with loss of control of subsidiaries (see Note 14)	**(6,344)**	–
End of year	**₱14,464**	₱26,230

f. A reconciliation of the provision for (benefit from) income tax computed at the statutory income tax rate with the provision for (benefit from) income tax is presented as follows:

	2014	2013	2012
Provision for income tax at statutory income tax rates	**₱445,202**	₱879,250	₱1,418,088
Additions to (reductions in) income tax resulting from:			
Income exempt from income tax	**(150,000)**	–	–
Depletion of mining rights	**(119,452)**	(104,014)	(98,852)
Expired NOLCO	**44,863**	4,714	169
Nondeductible expenses	**21,906**	(181,311)	(255,044)
Interest income subjected to final tax and others	**(16,969)**	(47,381)	(64,126)
Movements on unrecognized DTA	**13,692**	42,443	(31,253)
Nontaxable income	**(89)**	–	–
Operating income under income tax holiday (ITH)	**–**	(905,958)	(999,720)
	₱239,153	(₱312,257)	(₱30,738)

Section 27 of the National Internal Revenue Code, as amended, provides that an MCIT of 2% based on the gross income as at the end of the taxable year shall be imposed on a corporation beginning the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the MCIT is greater than the RCIT computed for the taxable year.

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 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 Executive Order (EO) 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 ₱41.1 million and ₱40.9 million in 2014 and 2013, respectively. In addition, CCC benefits from the automatic VAT 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 percent (100%) of its sales are export sales.

26. **Finance Charges**

	2014	2013	2012
Interest expense on loans and long-term debt and other interest-bearing liabilities (see Notes 16 and 17)	**₱1,414,405**	₱963,252	₱1,201,086
Interest cost on retirement benefits liability (see Note 24)	**23,316**	18,423	10,229
Accretion of interest on liability for mine rehabilitation cost (see Note 18)	**2,174**	5,528	5,135
	₱1,439,895	₱987,203	₱1,216,450

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.

2014

	Mining	**Non-Mining**	**Total**	**Eliminations**	**Consolidated**
Segment revenue					
From external customers	**₱14,874,413**	**₱–**	**₱14,874,413**	**₱–**	**₱14,874,413**
From intersegment sales/services	**–**	**11,500**	**11,500**	**(9,165)**	**2,335**
	14,874,413	**11,500**	**14,885,913**	**(9,165)**	**14,876,748**
Segment results					
Income (loss) before income tax	**1,461,829**	**44,698**	**1,506,527**	**(870,294)**	**636,233**
Benefit from (provision for) income tax	**(351,836)**	**(139)**	**(351,975)**	**112,822**	**(239,153)**
Net income (loss)	**1,109,993**	**44,559**	**1,154,552**	**(757,472)**	**397,080**
Assets					
Segment assets	**57,598,455**	**62,496**	**57,660,951**	**8,254,330**	**65,915,281**
Investments	**18,382,461**	**–**	**18,382,461**	**(18,090,379)**	**292,082**
Goodwill	**–**	**–**	**–**	**19,026,119**	**19,026,119**
Mining rights	**–**	**–**	**–**	**8,747,032**	**8,747,032**
Liabilities					
Segment liabilities	**27,151,198**	**31,878**	**27,183,076**	**2,333,415**	**29,516,491**
Other segment information					
Depreciation, depletion and amortization	**2,336,692**	**245**	**2,336,937**	**–**	**2,336,937**
Finance charges	**1,377,050**	**–**	**1,377,050**	**–**	**1,377,050**

2013

	Mining	Non-Mining	Total	Eliminations	Consolidated
Segment revenue					
From external customers	₱13,496,065	₱–	₱13,496,065	₱–	₱13,496,065
From intersegment sales/services	–	26,985	26,985	(19,819)	7,166
	13,496,065	26,985	13,523,050	(19,819)	13,503,231
Segment results					
Income (loss) before income tax	2,932,189	(1,294)	2,930,895	(1,347,196)	1,583,699
Benefit from income tax	(208,148)	(95)	(208,243)	(104,014)	(312,257)
Net income (loss)	3,140,337	(1,199)	3,139,138	(1,243,182)	1,895,956
Assets					
Segment assets	55,217,487	199,888	55,417,375	7,787,952	63,205,327
Investments	18,382,461	113,575	18,496,036	(18,496,036)	–
Goodwill	–	–	–	19,026,119	19,026,119
Mining rights	–	–	–	9,145,204	9,145,204
Liabilities					
Segment liabilities	24,723,349	159,436	24,882,785	1,470,797	26,353,582
Other segment information					
Depreciation, depletion and amortization	1,670,733	464	1,671,197	–	1,671,197
Finance charges	968,780	–	968,780	–	968,780

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 statements of comprehensive income since these are not significant.

28. **Basic/Diluted Earnings Per Share**

Basic earnings per share is computed as follows:

	2014	2013	2012
Net income attributable to equity holders of the Parent	**₱122,436**	₱1,914,318	₱3,285,261
Divided by basic weighted average number of common shares outstanding (in thousands)	**2,076,454**	2,075,596	1,930,527
	₱0.0590	₱0.9223	₱1.7017

Diluted earnings per share is computed as follows:

	2014	2013	2012
Net income attributable to equity holders of the Parent	**₱122,436**	₱1,914,318	₱3,285,261
Divided by diluted weighted average number of common shares outstanding (in thousands)*	**2,255,121**	2,263,420	2,120,105
	₱0.0543	₱0.8458	₱1.5496

**Refer to succeeding table for the computation of diluted weighted average number of common shares outstanding.*

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

	2014	2013	2012
Basic weighted average number of common shares outstanding	**2,076,454**	2,075,596	1,930,527
Adjustments:			
Convertible loans (see Note 17)	**157,066**	166,794	166,794
Stock options (see Note 20)	**21,601**	21,030	22,784
Diluted weighted average number of common shares outstanding	**2,255,121**	2,263,420	2,120,105

29. **Financial Risk Management Objectives and Policies**

The Group's main financial instruments are cash, short-term investments, AFS financial assets, payable to related parties, 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, commodity price risk, equity price risk, interest rate risk, credit 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:

Market Risk
Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchange rates, interest rates, equity prices and other market changes.

Foreign Currency Risk
Foreign currency risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Group has foreign currency risk arising from its cash, receivables, derivative assets, accounts payable and accrued liabilities and long-term debt and derivative liabilities. To mitigate the risk of incurring foreign exchange losses, foreign currency holdings are matched against the potential need for foreign currency in financing equity investments and new projects. The Group also uses foreign currency forwards to hedge its risk exposures.

As at December 31, 2014 and 2013, foreign currency-denominated assets and liabilities follow:

	2014		2013	
	Original Currency	**Peso Equivalent**	Original Currency	Peso Equivalent
Assets				
Cash in banks	**US$11,194**	**₱500,442**	US$4,173	₱182,725
	JP¥789	**292**	JP¥2,082	888
	GB£139	**9,640**	GB£139	10,101
Short-term investments	**US$21,936**	**980,997**	US$45,777	2,032,276
Receivables	**US$23,903**	**1,068,920**	US$21,448	952,182
Derivative assets	**US$–**	**–**	US$318	14,108
	US$57,033	**₱2,550,359**	US$71,716	₱3,181,291
	GB£139	**₱9,640**	GB£139	₱10,101
	JP¥789	**₱292**	JP¥2,082	₱888
Liabilities				
Accounts payable and accrued expenses	**US$22,554**	**₱1,008,622**	US$19,185	₱851,719
	AU$225	**10,120**	AU$50	1,956
	EU€34	**3,634**	EU€167	10,144
	CD$–	**–**	CD$273	11,390
	JP¥–	**–**	JP¥–	–
Long-term debt	**US$402,832**	**19,191,550**	US$358,617	15,921,818
Derivative liabilities	**US$6,478**	**289,696**	US$21	921
	US$431,864	**₱20,489,868**	US$377,823	₱16,774,458
	AU$225	**₱10,120**	AU$50	₱1,956
	EU€34	**₱3,634**	EU€167	₱10,144
	CD$–	**₱–**	CD$273	₱11,390
	JP¥–	**₱–**	JP¥–	₱–
Net Liabilities in US$	**US$374,831**	**₱17,939,509**	US$306,107	₱13,593,167
Net Assets in GB£	**GB£139**	**₱9,640**	GB£139	₱10,101
Net Liabilities in AU$	**AU$225**	**₱10,120**	AU$50	₱1,956
Net Assets in JP¥	**JP¥789**	**₱292**	JP¥2,082	₱888
Net Liabilities in EU€	**EU€34**	**₱3,634**	EU€167	₱10,144
Net Liabilities in CD$	**CD$–**	**₱–**	CD$273	₱11,390

As at December 31, 2014 and 2013, foreign exchange closing rates follow:

	2014	2013
US$	**₱44.720**	₱44.395
AU$	**36.206**	39.458
JP¥	**0.371**	0.423
EU€	**54.339**	60.816
CD$	**38.397**	41.722
GB£	**69.406**	72.896

Based on the historical movement of the US$, JP¥, Canadian dollar (CD$), Great Britain pound (GB£) and the Philippine peso, the management believes that the estimated reasonably possible change in the next 12 months would be a strengthening of ₱0.40 and a weakening of ₱0.40 against the US$, a strengthening of ₱1.28 and weakening of ₱0.92 against AU$, a strengthening of ₱0.01 and weakening of ₱0.00 against JP¥, a strengthening of ₱0.74 and weakening of ₱0.34 against CD$, a strengthening of ₱0.97 and weakening of ₱0.65 against EU€, and a strengthening of ₱0.73 and weakening of ₱0.75 against GB£ for 2014, while strengthening of ₱0.55 and a weakening of ₱0.66 against the US$, a strengthening of ₱0.93 and weakening of ₱0.87 against AU$, a strengthening of ₱0.01 and weakening of ₱0.01 against JP¥, a strengthening of ₱0.62 and weakening of ₱0.43 against CD$ and a strengthening of ₱1.62 and weakening of ₱1.01 against GB£, for 2013. Sensitivity of the Group's pre-tax income to foreign currency risks are as follows:

Year ended December 31, 2014:
- An increase of ₱149,825 in the pre-tax income if peso strengthens by ₱0.400 against the US$. A decrease of ₱60,557 in the pre-tax income if peso weakens by ₱0.404 against the US$.
- An increase of ₱288 in the pre-tax income if peso strengthens by ₱1.282 against the AU$. A decrease of ₱266 in the pre-tax income if the value of peso weakens by ₱0.923 against the AU$.
- A decrease of ₱12 in the pre-tax income if the value of peso strengthens by ₱0.01 against the JP¥.
- An increase of ₱33 in the pre-tax income if peso strengthens by ₱0.966 against the EU€. A decrease of ₱21 in the pre-tax income if the value of peso weakens by ₱0.651 against the EU€.
- An increase of ₱76 in the pre-tax income if peso weakens by ₱0.753 against the GB£. A decrease of ₱101 in the pre-tax income if the value of peso strengthens by ₱0.727 against the GB£.

Year ended December 31, 2013:
- An increase of ₱187,741 in the pre-tax income if peso strengthens by ₱0.545 against the US$. A decrease of ₱228,217 in the pre-tax income if peso weakens by ₱0.662 against the US$.
- An increase of ₱1,138 in the pre-tax income if peso weakens by ₱0.873 against the AU$. A decrease of ₱1,211 in the pre-tax income if the value of peso strengthens by ₱ 0.9284 against the AU$.
- An increase of ₱29 in the pre-tax income if peso weakens by ₱0.01 against the JP¥. A decrease of ₱29 in the pre-tax income if the value of peso strengthens by ₱0.01 against the JP¥.
- An increase of ₱170 in the pre-tax income if peso strengthens by ₱0.62 against the CD$. A decrease of ₱117 in the pre-tax income if the value of peso weakens by ₱0.43 against the CD$.
- An increase of ₱141 in the pre-tax income if peso weakens by ₱1.01 against the GB£. A decrease of ₱225 in the pre-tax income if the value of peso strengthens by ₱1.62 against the GB£.

There is no other impact on the Group's equity other than those already affecting the consolidated profit or loss.

Commodity Price Risk
The Group's copper concentrate revenues are based on international commodity quotations (i.e., primarily on the LME) over which the Group has no significant influence or control. This exposes the Group's results of operations to commodity price volatilities that may significantly impact its cash inflows. The Group enters into derivative transactions as a means to mitigate the risk of fluctuations in the market prices of its mine products. An analysis is made based on the assumption that the gold and copper prices move using the implied volatility based on one year historical LME copper prices with all other variables held constant.

Shown below is the Group's sensitivity to changes in the copper prices arising from its copper derivatives as at December 31:

2014:

Change in Copper Prices	**Effect on Income Before Income Tax**
Increase by 10%	**₱1,384,812,407**
Decrease by 10%	**(1,384,842,199)**

2013:

Change in Copper Prices	Effect on Income Before Income Tax
Increase by 18%	₱190,728,378
Decrease by 18%	(157,859,208)

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

The Group's financial assets which are exposed to credit risk include its Cash, trade receivables, interest receivables, AFS financial assets and MRF under "Other noncurrent assets" with a maximum exposure equal to the carrying amount of these assets.

With respect to Cash 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 statements of financial position.

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

	2014	2013
Cash in banks and cash equivalents	**₱951,358**	₱862,273
Short-term investments	**980,997**	2,032,276
Trade receivables	**496,273**	824,180
Interest receivables	**97,604**	135,240
Nontrade receivables	**40,330**	66,169
Advances to officers and employees	**32,700**	31,568
Other noncurrent assets*	**16,632**	15,128
Derivative assets	**–**	14,108
AFS financial assets	**6,102**	5,599
	₱2,621,996	₱3,986,541

**Excluding input VAT and deferred mine exploration costs*

Credit Quality Per Class of Financial Assets
The credit quality by class of asset for the Group's financial assets as at December 31, 2014 and 2013 based on credit rating system follows:

December 31, 2014:

	Neither past due nor impaired			**Past Due But Not Impaired**	
	High Grade	**Standard Grade**	**Substandard Grade**		**Total**
Loans and receivables:					
Cash in banks and cash equivalents	**₱951,358**	**₱–**	**₱–**	**₱–**	**₱951,358**
Short-term investments	**980,997**	**–**	**–**	**–**	**980,997**
Trade receivables	**496,273**	**–**	**–**	**–**	**496,273**
Interest receivables	**97,604**	**–**	**–**	**–**	**97,604**
Nontrade receivables	**–**	**2,929**	**–**	**37,401**	**40,330**
Advances to officers and employees	**–**	**12,121**	**–**	**20,579**	**32,700**
Other noncurrent assets*	**16,632**	**–**	**–**	**–**	**16,632**
AFS financial assets	**6,102**	**–**	**–**	**–**	**6,102**
	₱2,548,966	**₱15,050**	**₱–**	**₱57,980**	**₱2,621,996**

**Excluding input VAT and deferred mine exploration costs*

December 31, 2013:

	Neither past due nor impaired			Past Due	
	High Grade	Standard Grade	Substandard Grade	But Not Impaired	Total
Loans and receivables:					
Cash in banks	₱862,273	₱–	₱–	₱–	₱862,273
Short-term investments	2,032,276	–	–	–	2,032,276
Trade receivables	824,180	–	–	–	824,180
Interest receivables	135,240	–	–	–	135,240
Nontrade receivables	66,169	–	–	–	66,169
Advances to officers and employees	–	31,568	–	–	31,568
Other noncurrent assets*	15,128	–	–	–	15,128
Derivative assets	14,108	–	–	–	14,108
AFS financial assets	–	–	5,599	–	5,599
	₱3,949,374	₱31,568	₱5,599	₱–	₱3,986,541

**Excluding input VAT and deferred mine exploration costs*

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

- Cash, short-term investments and related interest receivables and other noncurrent assets are assessed as high-grade since these are deposited in reputable banks, which have a low probability of insolvency.
- Trade receivables, which pertain mainly to receivables from sale of copper and other precious metals, are assessed as high-grade. These are assessed based on past collection experience of full settlement within two (2) months after invoice date with no history of default.
- Quoted equity instruments are assessed as substandard grade since PLDT has its business plan to address its recovery issues.

The above high grade credit quality financial assets pertain to financial assets with insignificant risk of default based on historical experience. Substandard grade credit quality financial assets pertain to financial assets with more than insignificant risk of default based on historical experience and/or counterparty credit standing.

The aging analyses of the Group's loans and receivables, derivative instruments and AFS financial assets are as follow:

December 31, 2014:

		Past due but not impaired			
	Neither past due nor Impaired	**Less than 30 days**	**30 - 60 Days**	**More than 60 Days**	**Total**
Loans and receivables:					
Cash in banks and cash equivalents	**₱951,358**	**₱–**	**₱–**	**₱–**	**₱951,358**
Short-term investments	**980,997**	**–**	**–**	**–**	**980,997**
Trade receivables	**496,273**	**–**	**–**	**–**	**496,273**
Interest receivables	**97,604**	**–**	**–**	**–**	**97,604**
Nontrade receivables	**2,929**	**–**	**37,401**	**–**	**40,330**
Advances to officers and employees	**12,121**	**–**	**20,579**	**–**	**32,700**
Other noncurrent assets*	**16,632**	**–**	**–**	**–**	**16,632**
AFS financial asset	**6,102**	**–**	**–**	**–**	**6,102**
	₱2,564,016	**₱–**	**₱57,980**	**₱–**	**₱2,621,996**

**Excluding input VAT and deferred mine exploration costs*

December 31, 2013:

		Past due but not impaired			
	Neither past due nor Impaired	Less than 30 days	30 - 60 Days	More than 60 Days	Total
Loans and receivables:					
Cash in banks	₱862,273	₱–	₱–	₱–	₱862,273
Short-term investments	2,032,276	–	–	–	2,032,276
Trade receivables	824,180	–	–	–	824,180
Interest receivables	135,240	–	–	–	135,240
Nontrade receivables	66,169	–	–	–	66,169
Advances to officers and employees	31,568	–	–	–	31,568
Other noncurrent assets*	15,128	–	–	–	15,128
Derivative assets	14,108	–	–	–	14,108
AFS financial asset	5,599	–	–	–	5,599
	₱3,986,541	₱–	₱–	₱–	₱3,986,541

**Excluding input VAT and deferred mine exploration costs*

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 85:15, 75:25 and 100:0 in 2014, 2013 and 2012, respectively. The Group monitors its exposure to fluctuations in interest rates by measuring the impact of interest rate movements on the Group's net worth. This is done by modeling the impact of various changes in interest rates to the Group's net interest positions.

The Group has no outstanding floating interest rate debt as at December 31, 2014 and 2013.

Concentration Risk
In 2014 and 2013, majority of the CCC's copper production were sold to MRI. However, it has no significant concentration of credit risk since it can sell its copper concentrate to other third party customers. The Group continuously monitors its receivables from MRI to assess its credit risk exposure.

Liquidity Risk
Liquidity risk is 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 at December 31 follow:

2014:

	On demand	Within 1 year	1 to < 3 years	> 3 years	Total
Loans and receivables:					
Cash and cash equivalents	**₱951,358**	**₱–**	**₱–**	**₱–**	**₱951,358**
Short-term investments	**980,997**	**–**	**–**	**–**	**980,997**
Trade receivables		**496,273**	**–**	**–**	**496,273**
Interest receivables	**97,604**	**–**	**–**	**–**	**97,604**
Advances to officers and employees	**32,700**	**–**	**–**	**–**	**32,700**
Nontrade receivables	**40,330**	**–**	**–**	**–**	**40,330**
Other noncurrent assets*	**16,632**	**–**	**–**	**–**	**16,632**
AFS financial asset	**1,220**	**–**	**–**	**–**	**1,220**
	₱2,120,841	**₱496,273**	**₱–**	**₱–**	**₱2,617,114**
Financial liabilities:					
Accounts payable and accrued liabilities**	**₱–**	**₱4,656,278**	**₱–**	**₱–**	**₱4,656,278**
Payable to related parties	**–**	**–**	**–**	**–**	**–**
Long-term debt and other interest-bearing liabilities	**–**	**2,959,570**	**14,008,434**	**3,984,440**	**20,952,444**
Derivative liabilities	**–**	**289,696**	**–**	**–**	**289,696**
	–	**7,905,544**	**14,008,434**	**3,984,440**	**25,898,418**
	₱2,120,841	**(₱7,409,271)**	**(₱14,008,434)**	**(₱3,984,440)**	**(₱23,281,304)**

**Excluding input VAT and deferred mine exploration costs*
***Excluding government payables*

2013:

	On demand	Within 1 year	1 to <3 years	> 3 years	Total
Loans and receivables:					
Cash	₱866,359	₱–	₱–	₱–	₱866,359
Short-term investments	2,032,276	–	–	–	2,032,276
Trade receivables	–	824,180	–	–	824,180
Interest receivables	135,240	–	–	–	135,240
Nontrade receivables	66,169	–	–	–	66,169
Advances to officers and employees	31,568	–	–	–	31,568
Other noncurrent assets*	15,128	–	–	–	15,128
Derivative assets	14,108	–	–	–	14,108
AFS financial asset	5,599	–	–	–	5,599
	₱3,166,447	₱824,180	₱–	₱–	₱3,990,627
Financial liabilities:					
Accounts payable and accrued liabilities**	₱–	₱3,294,836	₱–	₱–	3,294,836
Payable to related parties	434,015	–	–	–	434,015
Long-term debt and other interest-bearing liabilities	–	4,143,182	15,348,650	–	19,491,832
Derivative liabilities	–	925	–	–	925
	434,015	7,438,943	15,348,650	–	23,221,608
	₱2,732,432	(₱6,614,763)	(₱15,348,650)	₱–	(₱19,230,981)

**Excluding input VAT and deferred mine exploration costs*
***Excluding government payables*

30. **Financial Instruments**

PFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 Company's financial instruments, whose carrying values does not approximate its fair values as at December 31 of each year:

	Carrying Values		**Fair Values**	
	2014	2013	**2014**	2013
Other Financial Liabilities				
Long-term debt and other interest-bearing liabilities:				
Bonds Payable	**₱13,231,369**	₱13,059,825	**₱13,288,548**	₱12,918,340
US$75 million BDO Loan	**1,300,531**	2,106,497	**1,376,839**	2,305,142
UOB	**1,118,000**	–	**1,272,619**	–
Security Bank	**1,100,000**	–	**1,303,662**	–
BDO Leasing	**995,884**	1,210,622	**1,041,022**	1,299,587
MayBank	**894,400**	–	**1,018,095**	–
RCBC	**872,040**	–	**992,643**	–
SCB	**316,059**	–	**329,597**	–
LBP Leasing	**206,408**	300,000	**220,863**	331,416
SBM Leasing	**122,376**	210,301	**128,329**	228,205
	₱20,157,067	₱16,887,245	**₱20,972,217**	₱17,082,690

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Short-term Investments, Trade and Interest Receivables, and Other Noncurrent Assets
The carrying amounts of cash and cash equivalents, short-term investments, trade and interest receivables and other noncurrent assets approximate their fair value due to the relatively short-term maturities of these financial instruments.

AFS Financial Asset
The fair value of quoted equity instrument is determined by reference to market bid quotes at the end of the reporting period. AFS financial asset is carried at fair value.

Accounts Payable and Accrued Liabilities and Payable to Related Parties
The carrying amounts of 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
Fair value of long-term debt and other interest-bearing liabilities is estimated using the discounted cash flow methodology using the benchmark risk free rates for similar types of long-term debt and other interest-bearing liabilities, except for the Bonds Payable whose fair value is determined by reference to market prices at the end of the period.

Derivative Instruments
Fair values of commodity forwards and embedded derivatives are obtained using the "Forward versus forward" approach using copper forward prices and discounted at the appropriate London Interbank Offered Rate. Fair value of put option is derived from the Black-Scholes option pricing formula. The Group uses historical volatility for the computation of the value of put options which is computed as the standard deviation of the lognormal returns on commodity price over a fixed number of days. Historical volatility typically does not represent current market participants' expectations about future volatility, even if it is the only information available to price an option.

Shown below is the impact of a one (1) percent upward or downward change in volatility to the Group's net income for the year ended:

	Change in volatility	Impact on net income
2013	+1%	₱681
	-1%	(619)

Fair value of embedded provisional pricing derivatives on copper sales contracts is computed as the difference between the provisional price set by the Group and the average of the quoted LME futures prices applicable to the Quotation Period specified for each sales contract discounted with the risk free rate of return. Derivative assets and liabilities are carried at fair value.

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

December 31, 2014

	Level 1	**Level 2**	**Level 3**	**Total**
Asset measured at fair value:				
AFS financial asset	**₱1,220**	**₱–**	**₱–**	**₱1,220**
Liability measured at fair value:				
Derivative liabilities	**–**	**(289,696)**	**–**	**(289,696)**
Liability for which fair values are disclosed:				
Long-term debt and other interest-bearing liabilities	**(13,288,548)**	**–**	**(7,683,669)**	**(20,972,217)**
Total	**(₱13,288,548)**	**(₱289,696)**	**(₱7,683,669)**	**(₱21,261,913)**

December 31, 2013

	Level 1	Level 2	Level 3	Total
Asset measured at fair value:				
AFS financial asset	₱5,599	₱–	₱–	₱5,599
Derivative assets	–	11,151	2,957	14,108
	5,599	11,151	2,957	19,707
Liability measured at fair value:				
Derivative liabilities	–	(925)	–	(925)
Liability for which fair values are disclosed:				
Long-term debt and other interest-bearing liabilities	(12,918,340)	–	(4,164,350)	(17,082,690)
Total	(₱12,918,340)	(₱925)	(₱4,164,350)	(₱17,083,615)

There were no transfers between levels of fair value measurement as at December 31, 2014 and 2013.

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 2014 and 2013.

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

	2014	2013
Capital stock	**₱16,696,262**	₱16,608,969
Additional paid-in capital	**28,886**	7,063
Long-term debt and other interest-bearing liabilities	**21,431,587**	19,491,832
Retained earnings	**19,654,791**	19,842,996
	₱57,811,526	₱55,950,860

32. **Commitments and Contingencies**

Parent Company
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") which confirmed, among others, that the government's right to collect the Masbate Taxes had already prescribed. Relying upon the authority of the Ruling, the 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.

The parties have already filed their respective memoranda and the case is deemed submitted for decision. As at December 31, 2014, the CTA en banc had yet to promulgate its decision on the petition. 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 at December 31, 2014.

CCC
Power Agreements
- On June 5, 2012, CCC signed a twelve year Electric Power Purchase Agreement (the "EPPA") with TPC. Pursuant to the terms of the EPPA, TPC will build and operate a 72-megawatt net output clean coal-fired power plant in Toledo City (the "Plant") that will guarantee the supply of up to 60 megawatts of electric power to the CCC's mining operations upon its commissioning. The power plant was completed in December 2014.

- On December 15, 2014, CCC and TPC executed a twelve-year Energy Conversion Agreement pursuant to which CCC shall supply to TPC the coal needed to generate electric power from the Plant under the terms of the EPPA.

- 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.

Total utilities expenses related to the above power agreements amounted ₱2,181,252 and ₱1,801,605 and ₱2,107,868 in 2014, 2013 and 2012, respectively. Related accrued expenses amounted to ₱186,454 million and ₱128,540 million and as at December 31, 2014 and 2013, respectively.

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 four (4) years reckoned from the earlier of June 1, 2012 or the date when Galeo commences the performance of waste stripping services.

Total expenses related to waste mining service agreement amounted to ₱2,380,031, ₱1,810,914 and ₱1,609,086 in 2014, 2013 and 2012, respectively. Related accrued expenses amounted to ₱183,000 and ₱201,200 as at December 31, 2014 and 2013, respectively.

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 ₱1,172,079, ₱894,789 and ₱1,908,927 in 2014, 2013 and 2012, respectively. Accrued expenses amounted to ₱25,986 and ₱68,937 as at December 31, 2014 and 2013, respectively.

Legal Contingencies
The Group is a party to minor labor cases arising from its operations. The Group's management and legal counsel believe that the eventual resolution of these cases will not have a material effect on the Group's financial statements. Accordingly, no provision for probable losses was recognized by the Group in 2014, 2013 and 2012.

Collective Bargaining Agreement (CBA)
In October 2012, CCC executed a five-year CBA with its rank-and-file union (the "Union"). However, in view of the election of a new bargaining representative for the Union in October 2014, a new CBA was executed by CCC on January 30, 2015 (the "2015 CBA"). The 2015 CBA shall be valid as to the representation aspect for a period of five (5) years. Under the provisions of the Labor Code, the economic provisions of the 2015 CBA shall be re-negotiated on the third anniversary of its execution.

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 MGB.

Consignment Agreements
Shorr Industrial Sales, Inc., Synchrotek Corporation and Morse Hydraulics
In 2012, CCC entered into a consignment agreement with (i) Shorr Industrial Sales, Inc. for the supply of parts and tools for heavy equipment, (ii) Synchrotek Corporation for the supply of filters and lubricants, and (iii) Morse Hydraulics for the supply of hydraulic hoses and fittings at established price list valid for one (1) year beginning July 1, 2012 to June 30, 2013. In July 2013 and 2014, the Company renewed its contract with Shorr Industrial Sales, Inc., Synchrotek Corporation and Morse Hydraulics valid for one (1) year until June 30, 2014 and 2015, respectively.

Orica Philippines, Inc. and and Le Price International Corporation
In 2013, CCC entered into a consignment agreement with Orica Philippines, Inc. for the supply of explosives and blasting accessories for use in mining and mine development activities and with Le Price International Corporation for the supply of a centralized lubrication, a filtration, a fire suppression and a refueling system. The consignment agreements with Orica Philippines, Inc. and Le Price International Corporation, which is valid until September 30, 2014 and July 31, 2014, respectively, ensures the availability of the goods covered thereby and pegs a price range for the supply of such goods during the period of effectivity. The consignment agreement with Orica Philippines, Inc. and Le Price International Corporation was renewed in September 2014 and July 2014, respectively and extended until September 30, 2015 and July 31, 2015, respectively.

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 Freight on Board (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 TMMI wherein TMMI will manage the operations of BNC with respect to the Mineral Properties and to any and all of the Mineral Production and Sharing Agreements (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 TMMI 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 TMMI 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 TMMI 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 Land Bank 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 statements of financial position. As at December 31, 2014 and 2013, BNC has ETF amounting to ₱208 and ₱207, respectively.

<u>MRF</u>
Pursuant to Section 181 of the Implementing Rules and Regulations of the Republic Act 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 Land Bank 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 Land Bank 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 statements of financial position. As at December 31, 2014 and 2013, BNC has RCF amounting to ₱5,169 and ₱5,159, respectively and MTF amounting to ₱150.

<u>Memorandum of Agreement (MOA) with Tagbanua Indigenous Peoples (IP)/Indigenous Cultural Community (ICC)</u>
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 Berong Aramaywan Tagbanua Association (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, 2014, 2013 and 2012 amounted to ₱4,854, ₱4,854 and ₱8,600, respectively. In 2014, 2013 and 2012, BNC has recognized royalty expense amounting to ₱11,081, ₱8,571 and ₱11,897, respectively.

<u>Service Agreement with Ivy Michelle Trading & Construction (IMTC)</u>
On May 10, 2011, a Service Agreement was entered into by BNC and IMTC, where the latter shall lease its equipment (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.

Others
<u>Purchase Commitments</u>
There were no unusual purchase commitments or losses on commitments entered into by the Group.

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33. **Other Matters**

a. <u>EO 79</u>
On July 12, 2012, EO 79 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. <u>Deed of Assignment and Exchange of Assets for Shares of Stock</u>
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. <u>Operating Agreement (the "Agreement") with CCC</u>
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.

In December 2014 and September 2013, the BOD of the Parent Company approved the waiver of its entitlement to receive from the CCC, pursuant to the Operating Agreement, royalties due from operations in 2014 and 2013, respectively.

d. Declaration of Cash Dividends
The Parent Company, upon the approval granted by its BOD on April 29, 2014 and March 8, 2013, declared cash dividends in the amount of ₱0.15 per share and ₱0.25 per share of its capital stock in 2014 and 2013, respectively. The dividends were paid to all stockholders of record as at May 14, 2014 and March 22, 2013, respectively.

e. Income from Sale of Services
In 2014, the Parent Company provided general consultancy services to DMCI in respect of transactions relating to DMCI's acquisition of equity interest in TMC. The agreed fee for such engagement amounted to ₱77,100.

34. **Supplemental Disclosure 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 ₱39,529 and ₱452,687 in 2014 and 2013, respectively.

SHAREHOLDER INFORMATION

KEY EVENTS FOR SHAREHOLDERS

- The Annual Stockholders' Meeting is scheduled every last Wednesday of April every year.
- Quarterly Results are scheduled to be released respectively in the months of May, August, and November, and;
- Annual results are scheduled to be released not later than April 1 of every year.

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SHAREHOLDER SERVICES AND ASSISTANCE

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SUSTAINABLE DEVELOPMENT

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