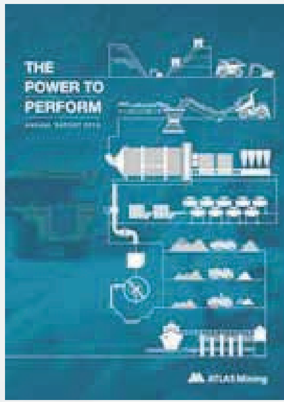
THE POWER TO PERFORM

ANNUAL REPORT 2013

ATLAS Mining



ABOUT THE COVER

The copper production process, as illustrated in our 2013 Annual Report, shows the improvements in the Company's processing circuit.

Atlas Mining is progressively geared to realize its vision of increasing its operational capacity and optimizing production efficiency as the Carmen Copper Expansion Project nears completion.

Indeed, Atlas Mining has proven that it has the POWER TO PERFORM.

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COMPANY BACKGROUND

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.

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.

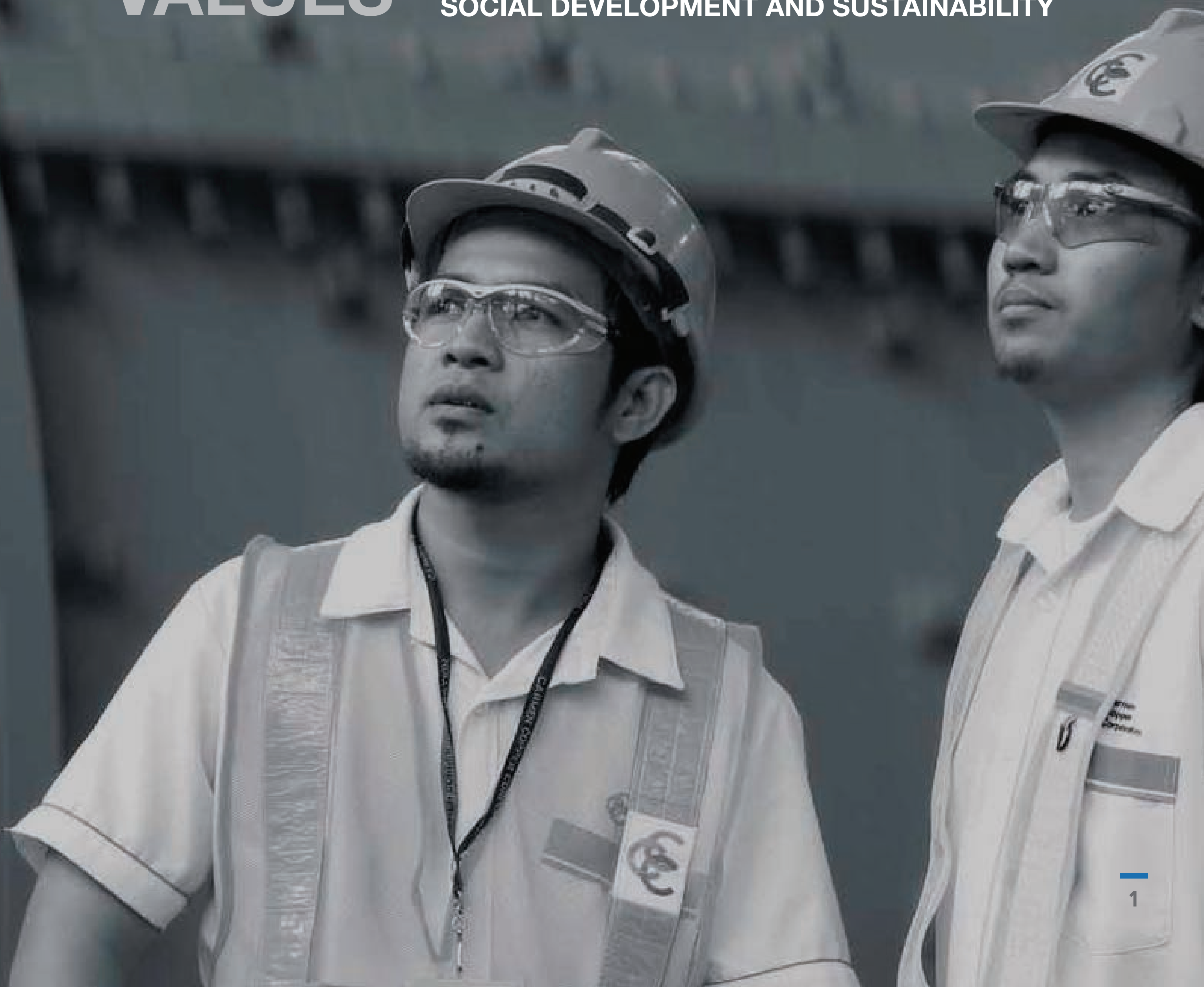
COMMITMENT TO SUSTAINABLE DEVELOPMENT

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.

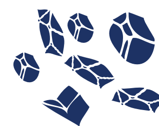
CORE VALUES

PROFESSIONALISM, GENUINE CONCERN FOR THE COMPANY, TEAM ORIENTATION, INNOVATION, CONCERN FOR SAFETY, SOCIAL DEVELOPMENT AND SUSTAINABILITY



OUR PERFORMANCE IN 2013

Profit



Php2.6B in core income despite weaker metal prices

Atlas Mining posted a core income of Php2.62 billion in 2013, realizing a 4% year-on-year growth despite lower realized metal prices.

91M pounds of copper in concentrate shipped in 2013, gold content up 51%

The total volume of copper shipments in 2013 reached 90.56 million pounds of copper metal in concentrate while gold metal in concentrate grew significantly by 51% to 19,555 ounces.

Distribution of dividends after 32 years

Atlas Mining distributed cash dividends at Php0.25 per share in 2013 – a first after 32 years – a testament to the Company's commitment to increase shareholder value as a result of stable operations and a healthy bottom line.

People

Invested Php44M for projects under the Social Development Management Program (SDMP)

Carmen Copper continued to invest in the development and growth of its host communities and promoted the value of sustainable livelihood, health and safety.

Constructed a spillway in Bagakay, Toledo City

In October 2013, Carmen Copper turned over a newly-constructed spillway to the residents of Barangay Bagakay in Toledo City. With this spillway, the residents can pass through safely in times of emergencies.

Dispatched Emergency Response Team to calamity-stricken areas

Carmen Copper sent a 24-man search, rescue and retrieval team to Bohol after a 7.2-magnitude earthquake last October 2013. A team was also organized to facilitate preparations for relief and rehabilitation operations in Northern Cebu after Typhoon Yolanda last November 2013.

Planet

Spent Php304M in Environmental Protection and Enhancement Program (EPEP)

Carmen Copper continued its commitment to establish and support environmental protection and enhancement activities such as plant nursery improvement, and waste management capital outlays.

110 hectares reforested, more than 150,000 seedlings planted

Carmen Copper regenerated areas near the Biga Orebody previously utilized for operations through its Mine Rehabilitation and Enhanced Watershed Research and Development project.

Carmen Copper releases its 1st Sustainability Report

In September 2013, Carmen Copper released its first Sustainability Report, providing insight to the Company's approach to sustainable business practices for 2012.

MESSAGE FROM

OUR CHAIRMAN AND PRESIDENT

With the full commissioning this year of the expanded plant, our operational competencies will be affirmed and our competitiveness will be strengthened.

Our power to perform is evident.

Dear Fellow Shareholders:

I have always believed that our potential can be pushed to the boundaries of our vision. Last year, Atlas Mining put this principle at work by showing how a bold plan can inspire a dedicated team of professionals to perform beyond expectations.

In 2013, our company aggressively pursued the expansion of its production capacity by upgrading and increasing the throughput of its mineral beneficiation plant, and by developing its ore processing circuit to produce marketable by-products for commercial distribution. At the same time, it drove the enhancement of operating efficiencies by implementing a mining program that allowed earlier access to higher-grade ore, and by optimizing its existing processing facilities. The magnitude of the undertaking given the challenging schedule and the convergence of various project activities could overwhelm, but our skilled and hardworking personnel buckled down through long hours and demanding deadlines.

The targets achieved through such feat of commitment enabled the reduction of operating costs and provided cushion against the decline in copper prices.

Upon these productivity milestones and the momentum from the previous year's financial results, our company delivered cash dividends in April 2013. This first profit distribution to shareholders in 32 years marked the beginning of the revival of Atlas Mining's position as an industry pillar and as a solid investment.

All these are testaments to Atlas Mining's ability to execute its strategies with purpose and precision. With the full commissioning this year of the expanded plant that is designed to increase processing capacity by 50%, our operational competencies will be affirmed and our competitiveness will be strengthened.

Our power to perform is evident.

I am confident that through the focused and disciplined governance of our managers, the concerted efforts of our workforce, and the support of all stakeholders, the productivity gains that we have realized and continue to realize will allow Atlas Mining to further expand its resource base in the long-term through exploration and acquisition.

On behalf of the Board of Directors and the management team of Atlas Mining, I thank you, our shareholders, for your unwavering trust. Our commitment to the success of our enterprise will always be fueled by the desire to create value for you.

ALFREDO C. RAMOS
Chairman and President

REPORT OF THE EXECUTIVE VICE PRESIDENT

We look forward to realizing the gains from the programs that we successfully implemented in previous years, as **we pursue a strategy that will enable us to realize significant profit margins and to nurture growth of shareholder value.**

Atlas Mining had a banner year in 2012 marked by significant production and financial milestones. In 2013, we aimed to raise the bar for performance targets to put the company in a stronger position to deliver more value to our shareholders. And we accomplished just that through a well-defined business plan that was implemented at each unit of the organization.

Record throughput in the plant

We have made a lot of headway in increasing our production. The additional units of ore crushing equipment installed in 2012, as well as other mechanical enhancements, helped maximize the throughput of Carmen Copper's existing plant capacity. As a result, production records were breached. During the third quarter of 2013, average daily milling capacity reached 44,997 tonnes per day, and quarterly copper metal output soared to 24.82 million pounds. Gold production also increased by an impressive rate of 97% to 6,053 ounces. In July 2013, the plant achieved a then record peak milling capacity of 50,000 tonnes in a day.

With the switch-on of the new processing circuit of the expanded plant last march, we are gearing for higher output levels in 2014.

Sustaining profitability despite lower copper prices

As desired metal prices did not materialize in 2013, we sharpened our focus on efficiency through asset optimization with the goal of slashing production costs. The results of such endeavor were reflected in our core income of Php2.62 billion and in the reduction of our cash costs by 8%. Our primary efficiency goal is to bring down cash cost to US$1.50 per pound of copper by the end of 2014. We are gaining ground on this target as evidenced by the drop in our per pound cash cost to US$1.78 in 2013.

Building a safer business

While we look back at our production achievements in 2013, we acknowledge that we faltered in sustaining the strong safety performance that marked the preceding two years. Two of our colleagues lost their lives to accidents in the workplace.

Managing operational risks remains foremost on our strategic agenda. As such, we are deeply committed to improving our safety performance in 2014 by ensuring stronger safety leadership and compliance.

Positive social impact

Hand-in-hand with our business objectives is our desire to be an integral contributor to the advancement and prosperity of our host communities, and of the larger national community. In 2013, we spent Php44 million for community development programs and Php304 million in environmental protection projects. We also dispatched emergency response teams to support in the aftermath of the Bohol earthquake and typhoon Yolanda.

Ongoing commitment

After navigating through a challenging year, we have emerged with greater confidence in our capacity and resilience as an organization. In 2014, we look forward to realizing the gains from the programs that we successfully implemented in previous years, as we pursue a strategy that will enable us to realize significant profit margins and to nurture growth of shareholder value.

For our achievements, we convey deep gratitude to all our stakeholders – the employees, investors, business partners, host communities, and national institutions that stand as the foundation of our drive to fulfil the mission and vision of Atlas Mining.

ADRIAN PAULINO S. RAMOS
Executive Vice President

OPERATIONAL RESULTS

Atlas Mining's 2013 performance was anchored on the improved operating efficiency of Carmen Copper which resulted into exceeding its nameplate plant capacity and lowering its operating cash costs.

CARMEN COPPER

Carmen Copper maintained its production momentum in 2013 producing a total of 91.51 million pounds of copper metal in concentrate, 2% higher year-on-year from 90 million pounds in 2012.

Dynamic Mining Operations

Mining operations moved a total of 92 million metric tonnes of materials from the Lutopan and Carmen open-pit mines with 17% or 16 million dry metric tonnes (dmt) consisting of extracted ore and 83% or 76 million of dmt of stripped waste materials. Waste stripping in the Lutopan Pit was scaled down in 2013 to 11.5 million dmt from 31.5 million dmt as stripping focused more on Carmen Pit development. This is in line with the plan to source higher grade ore from the Carmen Pit.

43,000
tonnes per day

7.5% higher than nameplate capacity

Improved milling efficiency

The Carmen Concentrator, Carmen Copper's processing plant, registered a total milling tonnage of 15.7 million dmt of copper ore in 2013, 3% higher year-on-year at a mill head grade of 0.322%. The plant's average daily milling capacity also increased from 41,500 tonnes per day (tpd) to 43,000 tpd. On some days in July 2013, the plant achieved a record peak milling capacity of 50,000 tpd.

THE POWER TO DELIVER

Lutopan open-pit mine

Biga Pit tailings storage facility

The efficiency achieved in 2013 was a result of the enhancements made on the plant such as the installation of four (4) secondary and tertiary crushers in 2012, and seven (7) units of vibrating screens installed in 2013.

Secured tailings storage and disposal system

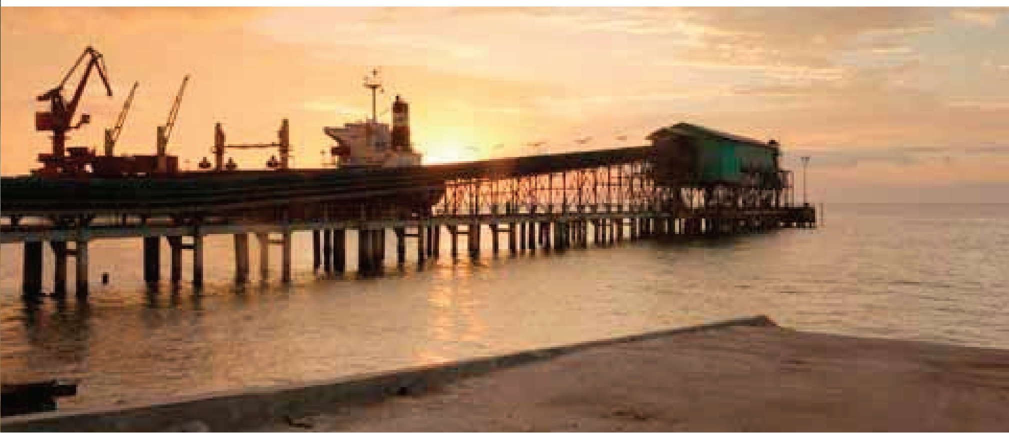
The Biga Pit tailings storage facility continues to prove as a strong, safe and secure facility for the mine. Any overflow of excess water due to build-up of tailings mass is being channelled through a decant tower and passes through a series of sedimentation ponds before it flows to a combination of subterranean and above-ground pipelines towards the Sigpit Creek. The pertinent water discharge permit issued by the Department of Environment and Natural Resources was secured 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 2013.

Declining power cost

With improved operational efficiencies, cash operating cost started to decline and average cost per tonne milled in 2013 decreased by 10%. For power in particular, consumption remained at 38 megawatts (MW) per month even with a 4% increase in average daily milling tonnage. There was a benefit realized from the Energy Conversion Agreement with Toledo Power Company (Toledo Power) with favorable coal prices in 2013. As a result, power rates were reduced by 5% from Php5.52 to Php5.25 per kilowatt hour. Power constitutes 22% of operating cash cost.

10% decrease in average cash cost per tonne milled



Sangi Port

Sangi Port Operations

In 2013, a total of 154,378 dmt of copper concentrate was 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 2013 such as extension of the transfer house conveyors, relocation of the drive house control room, installation of a belt feeder and exhaust fan at the copper bin and improvement of roadway to the loading berth.

BERONG NICKEL

Berong Nickel produced 616,032 wet metric tons (wmt) of nickel ore in 2013, slightly lower than in 2012 due to less operating months. All ore materials were mined from areas covered by tree-cutting permits granted in 2007 and 2008.

Twelve (12) shipments have been successfully completed between March and October 2013; eight (8) vessels were loaded with high grade 1.8 % Nickel in ore, three (3) were medium-grade shipments of 1.6 to 1.7% Nickel grade, and one (1) low-Nickel, high-Iron ore.

A total of 601,955 wmt was shipped during the 8-month shipping period with an average grade of 1.75%.

GROWTH

Atlas Mining is strengthening and growing its core operations by expanding operational capacity, optimizing efficiency and exploring existing and new mineral prospects.

CARMEN COPPER

Carmen Copper's expansion program to increase its mill plant capacity by 50% from 40,000 to 60,000 tpd will put it in a strong position to sustain long-term growth.

Mining Expansion

To augment the ramp-up of ore production and to access higher grade ore, Carmen Copper continued to accelerate the development of the Carmen Pit with 65 million DMT of waste stripped in 2013. Additional equipment was purchased to aid in the acceleration of the development of the Carmen Pit. Two (2) backhoe excavators, 10 dump trucks and two (2) hydraulic drill machines have already been delivered.

Milling Expansion

Construction and installation of new mill equipment was in full swing at the start of 2013 and substantially completed by year-end. As of end 2013, the expansion project is 97% accomplished.

Outotec Pty Ltd, a multinational engineering and technology firm, was engaged as the principal project partner of the in-house team. They provided the main engineering design for the expansion of the processing plant, and advanced engineering equipment installation and commissioning.

Initial pre-test and commissioning of the expanded processing plant was done in early 2014 and full commissioning was completed by March 2014.

97% project completion

THE POWER TO GROW

Night Shot of the Carmen Copper Expansion Project

New by-products

The molybdenum recovery circuit was completed in late 2013. Pre-commissioning and pre-testing started towards end-2013 and the final commissioning was completed in January 2014. The magnetite recovery plant was already operating on marginal basis and was temporarily discontinued for enhancement work by middle of 2014. Studies are being conducted on the economic recovery of pyrite.

Power

Carmen Copper secured a long-term power supply agreement with its existing power provider, Toledo Power for its additional 15MW electric power load requirement when the expansion project comes online. Toledo Power is constructing an 82-MW clean coal-fired power plant to support this additional requirement. The power plant is expected to be completed in 2014.

Tailings

Studies are underway to locate and explore potential areas within the mine to build the next-generation tailings storage facility for future expansion.

JAN 2013: Groundworks and civil engineering works

FEB 2013: Assembling of ball mill parts at laydown area no. 1

MAR 2013: Construction at the ball mill area

APR 2013: Installation of Ball Mill #9

MAY 2013: Installation of vibrating banana screens

JUN 2013: Installation of jaw crusher

JUL 2013: Civil works at the new TC300 flotation cells area

AUG 2013: Upgrading of tailings thickeners

SEP 2013: Installation of TC300 Rougher Flotation Cells

OCT 2013: Construction at the molybdenum plant project

NOV 2013: Installation of high-grade cleaners

DEC 2013: Installation of cyclones

Carmen Copper Expansion Project as of December 2013

EXPLORATION

The Atlas Exploration Group (AEG) engaged in more aggressive mineral exploration within the surrounding area of Carmen Copper and other selected key areas in the Philippines.

TOLEDO COPPER COMPLEX PROJECTS

The Toledo Copper Complex (TCC) remains as the primary target area for exploration. The main objective is to discover additional extensions and/or satellite deposits near the Lutopan and Carmen Orebodies and the Biga Deposit. Exploration activities in the area included extensive surface geological mapping and limited drilling.

- **SIGPIT GOLD PROJECT**
  Geotechnical drilling in Sigpit area was conducted as part of Carmen Copper strategic plan to assess the possibility of converting the area into a Tailings Storage Facility with the approval of the Mines and Geosciences Bureau Regional Office No. 7 on October 1, 2012. The project which involved the drilling of six (6) holes with combined depth of 3,393 meters was completed on the third quarter of 2013. Drill cores are significantly fractured indicating a highly faulted area. Some samples were analyzed for copper and gold to verify the results of preliminary drilling in the 1980s that intercepted interesting fairly high gold assay results of 0.98 to 98.8 grams per tonne. Recent results also yielded some high gold values which were sparsely distributed in silicified conglomerate and hydrothermal breccia. The extent of the gold mineralization will have to be confirmed with further detailed geological studies. Deeper drilling is also recommended to ascertain possible porphyry copper mineralization at depth which is usually associated with epithermal shallow gold mineralization.

- **WEST LUTOPAN PROJECT**
  West Lutopan is located two (2) kilometers northwest of Lutopan Orebody. Three (3) holes were drilled in 2010 to ascertain if there is significant mineralization at depth. However, results indicated only the presence of widely scattered traces of copper mineralization. Intermittent geological mapping were conducted along streams and selected river banks to identify the possible sources of the gold grains that occasional panners in the area have collected. However, the source of the gold grains have not been identified so far, thus detailed geological mapping will be scheduled in the area.

- **SOUTH LUTOPAN COPPER PROJECT**
  South Lutopan Prospect was originally planned to be drilled to verify the possible southwest extension of Lutopan Orebody probably occurring underneath the coal-bearing sedimentary rocks based on interpretation of the 2009 Aeromagnetic Survey. Topographic features also indicate that Lutopan and Carmen Faults may extend to the southwest.

- **KANAPNAPAN COPPER PROSPECT**
  Kanapnapan Copper Prospect is associated with a quartz diorite body located about two (2) kilometers southeast of the southern tip of the Biga porphyry copper deposit. Preliminary geological mapping and geochemical sampling have been completed and AEG is ready to proceed with drilling three (3) test holes with an aggregate length of 750 meters. The target is a typical porphyry copper deposit which could be an extension or satellite of the Biga copper deposit.

- **Media Once Copper-Gold Prospect** was re-mapped to locate the previously reported areas with quartz veins containing sphalerite and galena which are usually associated with gold mineralization. Detailed geological mapping will be continued.

- **Maypay Copper-Gold Project** is located approximately six (6) kilometers north of Carmen Orebody. A systematic and detailed geological mapping and geochemical soil grid sampling were undertaken. Some adits in the adjacent property were found to contain narrow quartz veins with gold. Follow-up exploration work was deferred to give priority to other projects.

- As reported in the 2007 Annual Report, the combined tonnage of 12 Mine Waste Dump sites totalled 1.2 billion metric tons. Considering the large tonnage and fairly high cut-off grades of previous Atlas Mining from 1955 to 1993, there is a high possibility of finding layers with copper contents ranging from 0.15 to 0.49%, thus the project is a possible source of "low cost ore" because if mined, no blasting will be needed. The Carmen Mine Waste Dump has been prioritized because of its proximity to the processing plant. The project was turned over to Carmen Copper's Mine Technical Services because this will require metallurgical testing to assess the feasibility of recovering copper from partly oxidized minerals. AEG will continue to assist as needed.

- AEG geologically assessed two (2) copper and gold prospects in Southern Cebu.

- All drilling programs will commence after the approval of relevant Exploration Permit Applications (EPA).

OUTSIDE CEBU PROJECT

Diwata Gold-Copper Project situated in San Miguel (near Tandag), Surigao del Sur, has been assessed to have high potential for porphyry copper and vein-type gold deposits. All seven (7) concerned barangays have agreed to sign the Memorandum of Agreement on the first quarter of 2013. The final approval from the National Commission on Indigenous Peoples (NCIP) has been delayed. The Certificate of Pre-condition (CP) may be issued on the first quarter of 2014.

MINE ACQUISITION PLAN AND ACTIVITIES

In 2013, AEG visited and examined mineral prospects in different parts of the Philippines with several indicating economic potential. These will be further studied as soon as possible. In addition, AEG will continue to evaluate other mineral properties/projects that have already been extensively explored, and also non-operating old mines which could be ready for mining preferably in less than five years.

RESPONSIBLE MINING

Atlas Mining remains steadfast on its commitment to achieve inclusive growth for our businesses. The Company continues to strive to have a long-lasting positive impact on the quality of life for our people and host communities through community initiatives, environmental projects and safety programs.

SOCIAL DEVELOPMENT AND MANAGEMENT

Carmen Copper

Carmen Copper ensures a meaningful and open engagement with its stakeholders for inclusive growth. In 2013, Php44 million was spent for its social development and management programs that reached four (4) host and 13 neighboring barangays in Toledo City, Cebu. Various projects were implemented to support educational programs, livelihood development, and health & social services in its host communities.

In 2013, Carmen Copper institutionalized a feeding program in six (6) elementary schools in the mountain barangays to complement the Department of Education's health and nutrition program. According to public school teachers in the beneficiary schools, the feeding program helped increase attendance and participation of pupils helping the schools attain a zero-dropout rate. Moreover, a one-storey two-clasroom school building was turned over to Pandongbato Elementery School in Media Once, Toledo City last August to address the scarcity of adequate learning spaces that will accommodate the growing enrollees every year.

PHP44M

was spent for social development and management programs that reached four (4) host and 13 neighboring barangays in Toledo City, Cebu.

A two-storey birthing center was also donated to Barangay Don Andres Soriano (DAS), Toledo City last August to improve access of underprivileged mothers and their newborn babies to reproductive and maternal health. Barangay Bagakay, meanwhile, benefits from the spillway constructed along Yogyogon River turned over last October 2013.

THE POWER TO REVITALIZE

Turnover of classrooms at Media Once Public School

Livelihood program

Newly-built birthing center in Barangay DAS

Relief operations in Northern Cebu after Typhoon Yolanda

In November 2013, super Typhoon Yolanda struck Visayas. Carmen Copper immediately organized a team composed of employees, members of the Carmen Copper Ladies Association and volunteers to conduct relief operations in the affected areas in Northern Cebu in coordination with the Cebu provincial government, local government units and the Office of Civil Defense. Food packs, relief packs and kiddie packs were prepared for distribution and generator sets were also donated. Carmen Copper also committed to adopt an island in support of the Cebu provincial government's rehabilitation plans for Yolanda-hit towns. Motorboats will be distributed to fishermen in Panitugan islet in Bantayan, Cebu to help in rebuilding their livelihood as fisherfolk.

Regular engagements with beneficiaries improve the understanding of potential issues regarding company operations and create opportunities that will align to the interest of stakeholders. In 2013, Carmen Copper aimed to further improve its stakeholder engagement procedure by participating in a multi-sector Barangay Development Council for the consultation of the company's social development and management programs for 2014 using the Social Investigation and Participatory Situation Analysis approach in development planning.

Berong Nickel

Berong Nickel continued its unwavering commitment in assisting its host communities through different projects and activities that address issues on human resource development,

Donation of shoes to Media Once Public School students

Shoe-making livelihood project

Students provided with new classrooms

Bangus breeding at Biga Pit

Turnover of new ambulance service vehicles

enterprise development, infrastructure support systems, better access to health and education services, and protection of socio-cultural values.

Education is one focus of the Company's community development programs. In 2013, four (4) new Alternative Learning System centers were constructed benefiting 35 learners, 10 para-teachers were provided to the local schools of Barangay Berong and Barangay Aramaywan, two (2) day care centers were built in Sitio Badlisan and Sitio Talabonggan, and three (3) school buses were donated to Barangay Berong and Barangay Aramaywan. Berong Nickel is also supporting 30 high school and 16 college students with full scholarships that cover tuition fees, books, project, food and lodging expenses. One of the college scholars passed the licensure exam for Mining Engineers and is now part of Berong Nickel's pool of technical staff.

Social development initiatives also increased in 2013 with continued assistance on livestock raising, vegetable gardening and handicrafts projects, and performed several trainings in coordination with the Technical Education and Skills Development Authority on fish processing, housekeeping, masonry & carpentry, reflexology, building & wiring electrician, and cosmetology.

During the Indigenous Peoples' month, Berong Nickel launched Alibata classes for the indigenous community aimed at preserving the cultural values of the locals in Berong, Palawan.

Rehabilitated Area 4 after reforestation project (2007)

Awarding of the 1st Runner-Up in the Best Mining Forest Competition - Metallic Category

Rehabilitated Area 4 after reforestation project (2013)

Slope farming at Barangay Biga

ENVIRONMENT

Carmen Copper

Continuing its commitment to minimize the ecological impact of its operations, and contribute to regenerating the environment, Carmen Copper spent more than Php304 million for the implementation of its key Environmental Protection and Enhancement Programs for 2013.

With the continued implementation of the Mine Rehabilitation and Enhanced Watershed Research and Development project, a total of 110 hectares (with an equivalent of 150,898 seedlings of assorted trees) were rehabilitated near the Biga Orebody. As a result, Carmen Copper was recognized by the Mines and Geosciences Bureau and the Philippine Mine Safety and Environment Association for the fourth consecutive year for its successful reforestation activities and was awarded first-runner up in the Best Mining Forest Competition – Metallic Category during the 60th Annual National Mining Safety and Environmental Conference in Baguio City last November 2013.

PHP304M

implementation of Environmental Protection and Enhancement Program

Carmen Copper also supported the government's National Greening Program in 2013 by distributing 38,803 seedlings to their neighbouring communities, government schools, local government units and various non-government organizations.

As a testament to Carmen Copper's commitment to environmental protection and enhancement, an arboretum or tree farm was established in 2010. Since then, 2,178 seedlings of combined premium, dipterocarps and rare native trees have been planted. There are about 16 different tree species surviving in the arboretum such as ipil, molave, narra, camagong, Cebu cinnamon and white lauan. The arboretum is already thriving and is currently being maintained.

Carmen Copper also participated in the Environmental Management Bureau's Adopt-a-River program in 2013. Cantabaco River of Barangay Cantabaco has already been identified and an initial clean-up operation was completed.

Company-operated nursery at Berong Nickel

Health workers at the Carmen Copper Hospital

Berong Nickel

Berong Nickel is currently maintaining two (2) rehabilitation projects with a combined area of 6.2 hectares. Approximately 3,300 seedlings were planted in the project site starting May until June 2013. Based on the regular site inspection, the survival rate of planted seedlings was more than 90%.

About 900 assorted seedlings were donated to the City Environment and Natural Resource Office to support the National Greening Program. By end-2013, Berong Nickel exceeded the mandated 197.5 hectares rehabilitation area by 12%.

New Mine Water Systems were also constructed in various locations to mitigate any potential impact of the mine operations to the water bodies in Berong, Palawan. The approximate holding capacity of all the mine water systems built in 2013 is 16,860 cubic meters. Also, more than 2,300 meters of geotextile cloth were utilized in the construction of new silt fences. Total volume of desilted materials reached 12,443 cubic meters.

SAFETY

Carmen Copper

Carmen Copper remained compliant with government's safety regulatory standards and permit requirements in 2013 particularly permits needed for equipment installations for the expansion of the Carmen Concentrator.

The health, safety and wellbeing of employees is a primary concern of Carmen Copper with the objective of zero harm especially the elimination of workplace fatalities.

Safety risks are addressed through strict enforcement of safety procedures, including measures on slope stability, continuous crack and ground displacements monitoring, and regular maintenance of all equipment and vehicles. Safety protocols are reinforced among all employees, workers, equipment operators, and contractors. Road and safety driving rules are also strictly implemented. Sufficient training and information dissemination are undertaken to promote a safe working environment.

In 2013, the Company recorded nine (9) lost-time accidents, two (2) of which were fatal. The accidental demise of the personnel as a result of incidents in the workplace was addressed through tighter monitoring of safety compliance for all activities within the mining complex and by extending support and counselling to those affected by the events.

Carmen Copper remains focused on putting emphasis on the health, safety and wellbeing of its people. As such, the Company is committed to improve its safety performance in 2014 through stronger safety leadership and compliance.

Employees undergoing emergency and safety training

Awarding of the Best Surface Miner for 2013 to Berong Nickel

In 2013, risk assessment processes were continually reviewed and safety protocols improved. In pursuit of operating based on international safety and environmental management standards and practices, Carmen Copper is already finalizing the documentation and preparations for the accreditation review for ISO 14001:2004 (Environmental Management System) and OSHAS 18001:2007 (Occupational Health and Safety).

An Incident Command System will also be employed in conformance with OSHAS 18001:2007 once Carmen Copper's ISO certification is obtained. This system will be used to monitor and coordinate fire truck crews, trained first aiders, department fire brigades, and mine rescuers to improve emergency response operations and support of various operating departments.

Emergency Preparedness

Aside from safety trainings, Carmen Copper also conducts crisis management training and exercises in compliance with the Annual Safety and Health Program submitted to the Mines and Geosciences Bureau to ensure that employees are prepared to handle emergency situations such as evacuation drills, defensive driving, and basic life support and standard first aid.

In addition, emergency response teams were organized and trained by the Loss Control Section to be on full alert and ready to respond to emergency situations not only in the mine camp and neighboring barangays, but also in nearby provinces where their assistance is needed.

In 17 October 2013, Carmen Copper dispatched a 24-man rescue team to assist in the search, rescue and retrieval operations in the aftermath of the 7.2 magnitude earthquake in Bohol. Carmen Copper along with other member companies of the Philippine Mine Safety and Environment Association were among the first teams to immediately provide support as soon as the earthquake's devastating impact was reported.

Berong Nickel

2013 was a banner year for Berong Nickel in terms of safety practices. It has been recognized by the Mines and Geosciences Bureau and the Philippine Mine Safety and Environment Association as the Safest Surface Operation, Safest Mining Operation (Metallic Category), and the Best Surface Miner for 2013. It was awarded last November 2013 during the 60th Annual National Mining Safety and Environmental Conference in Baguio City.

The most notable achievement of Berong Nickel in safety management for 2013 was that no lost time accident was reported. Total man-hours without lost time accident reached 2.09 million in 2013, and 7.02 million since July 2008.

BOARD OF DIRECTORS

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, Berong Nickel Corporation, Alakor Corporation, National Book Store, Inc., Anglo Philippine Holdings Corporation, The Philodrill Corporation, Vulcan Industrial and Mining Corporation, and United Paragon Mining Corporation. He has held these positions over the last five years. He obtained his bachelor's degree from the Ateneo de Manila University.

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.

MARTIN C. BUCKINGHAM

Director and Executive Vice President

- Member, Board of Directors since 4 December 1996
- Executive Vice-President since 22 July 2002

Mr. Buckingham is concurrently a director of Carmen Copper Corporation and Berong Nickel Corporation. He has held these positions over the last five years. He obtained his law degree from Cambridge University (United Kingdom).

ADRIAN PAULINO S. RAMOS

Director and Executive Vice President

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

Mr. Ramos is concurrently holding the following positions (which he has held over the last five years): Vice-President of Carmen Copper Corporation and Alakor Corporation, Director of Carmen Copper Corporation, Berong Nickel Corporation, Anglo Philippine Holdings Corporation, The Philodrill Corporation, United Paragon Mining Corporation, and Zenith Holdings Corporation. He obtained his undergraduate degree in Business Management (Cum Laude) from the Ateneo de Manila University, and his master's degree in Business Administration (With Distinction) from Northwestern University's Kellogg School of Management.

ISIDRO A. CONSUNJI

Director

- Member, Board of Directors since 20 April 2012

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

JOSE T. SIO
Director

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

Mr. Sio is concurrently the Executive Vice-President and Chief Finance Officer of SM Investments Corporation which is the holding company of the SM Group. He is also currently a Director of SM Keppel Land, Manila North Tollways Corporation, Belle Corporation and China Banking Corporation, and an adviser to the Board of Directors of Banco De Oro Unibank, Inc. Before joining the SM Group, he was a senior partner at SGV & Co. Several of his awards and citations are: the Best CFO at the Finance Asia Awards in 2011, CFO of the Year by The Asset (a Hong Kong-based financial magazine) in 2010, and by ING Bank N.V. (Manila) and Financial Executives Institute of the Philippines in 2009, recognized as one of the best international finance executives in The Asia 500: Leaders of the New Century in 2000, and as one of the CFO Superstars for 1997 by Global Finance (an American publication). He obtained his bachelor's degree in Accountancy from University of San Agustin in Iloilo City, and his master's degree in Business Administration from New York University.

GERARD ANTON S. RAMOS
Director

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

Mr. Ramos is concurrently holding the following positions (which he has held over the last five years): Vice-President of Alakor Corporation, Assistant to the Vice-President of National Book Store, Inc., Assistant Treasurer of Alakor Securities Corporation, and Director of Zenith Holdings Corporation. He is also an incumbent director of Carmen Copper Corporation. He obtained his bachelor's degree in Business Management from the Ateneo de Manila University.

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.

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.

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.

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

With an aggressive expansion program in 2013, fostering a robust governance structure that ensured sustainability of operations was paramount for Atlas Mining. Thus, as a testament to the organization's commitment to the adoption of best practices in corporate control and administration, the directors, officers, and employees of Atlas Mining worked on institutionalizing policies that bolstered the involvement of each unit in achieving the performance goals of the enterprise, and reinforced the duty to protect stakeholder interest.

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	Member
MARTIN C. BUCKINGHAM	Member
ISIDRO A. CONSUNJI	Member
ADRIAN PAULINO S. RAMOS	Member
JOSE T. SIO	Member

2) Audit and Risk Management Committee

The Audit and Risk Management Committee (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	Member
GERARD ANTON S. RAMOS	Member

** 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.*	Member
RICHARD J. GORDON*	Member

** 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	Member
ALFREDO R. ROSAL Jr.*	Member

** 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 2013.

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.*	4	4
RICHARD J. GORDON*	4	4
ALFREDO R. ROSAL Jr.*	4	4
LAURITO E. SERRANO*	4	4

** Independent Director*

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, 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 Audit and Risk Management Committee 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.

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

2013 marked the first full-year implementation of the internal audit plan that was developed by the internal audit group with the Audit and Risk Management Committee. 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.

Corporate 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.

In 2013, the human resources division spearheaded various team-building and training activities that enhanced 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, and by posting financial and operations reports on its official website.

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 2014, the group aims 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.

FINANCIAL PERFORMANCE REVIEW

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

FINANCIAL PERFORMANCE

Consolidated

FOR THE YEARS ENDED DECEMBER 31 (IN MILLION PESOS)	2013 Audited	2012 Audited
Gross Revenues	14,451	15,540
Cash Cost [1/]	9,046	9,798
EBITDA	5,405	5,742
Core Income [2/]	2,616	2,526
Net Income	1,896	3,435

[1/] *Includes mining and milling costs, general and administrative expenses, mine product taxes, and smelting charges*

[2/] *Net income after tax adjusted for non-recurring items, foreign exchange and mark-to-market adjustments . Year-to-date 2012 core income was restated from P2,539M to P2,526M to align with 2013 classification.*

Revenues

Atlas Mining registered consolidated gross revenues of P14,451 million in 2013, a 7% year-on-year decrease from the P15,540 million in 2012. Revenues were composed mainly of copper, gold and nickel sales.

REVENUES	2013 Audited	2012 Audited
Copper	12,432	13,413
Gold	1,136	906
Nickel & Others	883	1,222
Gross Revenues	**14,451**	**15,540**

The revenue decline was a result of lower realized metal prices. Copper sales, which comprised 86% of gross revenues, went down by 7% to P12,432 million in 2013 from P13,413 million in 2012. Nickel and other metal sales similarly weakened in 2013 by 28%. However, gold sales improved by 25% due to higher grade of gold in copper concentrate.

Cash Costs

Consolidated cash costs amounted to P9,046 million in 2013, lower by 8% compared to P9,798 million in 2012. The decrease was attributed to operational efficiencies attained in 2013 and decreasing prices of input materials such as power, tires fuel among others. With the significant reduction in cash costs, Atlas Mining was able to temper the effects of the weaker metal price environment.

EBITDA, Core Income and Net Income

EBITDA was lower by 6% in 2013 to P5,405 million from P5,742 million. However, EBITDA margin was maintained at 37% benefitting from the cost management strategies implemented in 2012.

Core income improved 4% to P2,616 million from P2,526 million. The significant increase in interest income and lower hedging cost was able to offset the higher financing and depreciation charges.

Atlas Mining ended 2013 with a consolidated net income of P1,896 million, 45% lower year-on-year due mainly to the recognition of an unrealized foreign exchange loss of P1.02 billion on US dollar-denominated debts. Reported net income in 2012 of P3.43 billion was partly attributable to the posting of an unrealized foreign exchange (FOREX) gain of P593 million.

FOREX	2013 Audited	2012 Audited
Forex gain/(loss)	(1,022)	593
Net Income	1,896	3,434
Net Income net of foreign exchange gain/loss	**2,918**	**2,841**

Without the effect of the unrealized foreign exchange gain or loss, net income would have increased by 3% year-on-year.

The unrealized FOREX loss resulted from the accounting translation of the US dollar-denominated debts of Atlas Mining as the Philippine peso depreciated against the US dollar in 2013. However, when the Philippine peso depreciates against the US dollar, the Philippine peso equivalent of the US dollar-based revenues also increases and this partly offsets the effect of the unrealized foreign exchange loss. If the Philippine peso appreciates against the US dollar as it did in 2012, an unrealized FOREX gain would be recognized.

Consolidated debt obligations are mostly US dollar-denominated to match US dollar revenues. This establishes a natural hedge against FOREX fluctuations. As such, when Atlas Mining settles its US dollar-denominated debts, there will be no actual or real FOREX effect as the US dollar-denominated debts are settled through US dollar-based cash holdings.

FOR THE YEARS AS OF DECEMBER 31 (IN MILLION PESOS)	2013	2012 (RESTATED)
Total assets	63,567	57,953
Current Assets	6,239	9,421
Non-Current Assets	57,328	48,532
Total cash holdings 1/	2,898	5,637
Total Liabilities	26,715	22,486
Current Liabilities	8,078	4,646
Non-Current Liabilities	18,637	17,839
Stockholders' Equity	36,591	35,467
Current Ratio 2/	0.77	2.03
Debt-to-Equity 3/	0.73	0.63

1/ Includes cash and cash equivalents, short-term cash investments
2/ Current assets over current liabilities
3/ Total liabilities over total stockholders' equity attributable to equity holders of Atlas

Financial Position

Total assets expanded by 10% year-on-year as of December 31, 2013 to P63,567 million. The P5,654 million growth in total assets was due to the 18% increment in non-current assets.

Current assets amounted to P6,239 million by end-2013. The 34% decline was brought about by the pre-termination of Carmen Copper's investments in short-term money market placements. About 33% of current assets were comprised of short-term investments. Total cash holdings (including short-term investments) by end-2013 amounted to P2,899 million. Resultantly, current ratio deteriorated to 0.77 times.

Non-current assets, which was composed of fixed assets (47%) and goodwill (33%), reached P57,328 million by end-2013, P8,796 million higher than the P48,532 million registered in 2012. The increase was due mainly to the 46% increase in fixed assets brought about by the capital expenditures for the expansion projects involving acquisition of mining equipment and plant machineries.

Total liabilities went up by 19% in 2013 to P26,715 million due to the overall increase in accounts payable, additional borrowings and FOREX translation adjustment. About 73% of liabilities are interest-bearing liabilities.

As of year-end 2013, 63% of total debt was in US dollars, while the rest was denominated in Philippine pesos. Debt-equity ratio remained healthy at 0.73 times.

CASH FLOW	2013	2012
Net cash flows from operating activities	7,754	3,553
Net cash flows used in investing activities	7,648	10,280
Net cash flows from financing activities	2,976	7,155
Cash Balance	866	655

Cash Flows

Consolidated net cash from operating activities in 2013 reached P4,754 million as a result of collection of receivables, and restrained costs and expenses. Net cash used in investing activities was lower at P7,648 million in 2013 despite investments in mining equipment due to proceeds from the pre-termination of short-term investments. Net cash provided by financing activities reached P2,976 million due mainly to additional loans for working capital requirements. Atlas Mining ended 2013 with cash balance of P866 million, 32% higher than the 2012 year-end balance of P655 million.

EBITDA, Core Income and Net Income

EBITDA closed at P5,501 million in 2013, a 5% decline from P5,791 million in 2012. EBITDA margin was maintained at 40%. Consequently, core income reached P3,250 million, a slight increase from P3,136 million in 2012.

Net income for 2013 reached P2,596 million, 22% lower than the P3,320 million bottom line registered in 2012 due to FOREX adjustments from US dollar-denominated debts. Net income margin slightly deteriorated to 19% from 23%.

Carmen Copper

FOR THE YEARS ENDED DECEMBER 31 (IN MILLION PESOS)	2013	2012
Gross Revenues	13,584	14,341
Cash Cost	8,083	8,550
EBITDA	5,501	5,791
Core Income	3,250	3,136
Net Income	2,596	3,320

Revenues

Total volume of copper shipments was maintained at 91 million pounds of copper metal in concentrate. Shipments of gold metal in concentrate, meanwhile, grew significantly by 51% to 19,555 ounces. However, this was offset by lower realized metal prices resulting in a 5% decrease in revenues to P13,584 million in 2013. The realized price of copper dropped 9% to an average of US$3.30 per pound, while realized price of gold registered 17% lower at US$1,385 per ounce.

Cash Costs

Total cash costs went down by 5% to P8,083 million in 2013. The decrease was attributable to production enhancements and cost efficiencies realized in 2013 despite higher average daily milling rate of 43,010 tonnes of copper ore per day in 2013 compared to 41,500 tonnes of copper ore per day in 2012. This resulted in lower cash cost per tonne milled in 2013 to P515 (US$12.08) from P563 (US$13.37) in 2012.

Berong Nickel

FOR THE YEARS ENDED DECEMBER 31 (IN MILLION PESOS)	2013	2012
Gross Revenues	860	1,190
Cash Costs	803	961
EBITDA	57	229
Core Income/(Loss)	(27)	200
Net Income/(Loss)	(33)	197

Revenues

Nickel sales contracted by 28% to P860 million in 2013 due to a decrease in nickel ore production resulting from less operating months. Berong Nickel shipped 601,955 wet metric tons of nickel ore in 2013, 23% higher compared to 777,366 wet metric tons in 2012.

Cash Costs

As a result of reduced operating months, total cash costs decreased by 16% to P803 million in 2013 from P961 million in 2012. However, cost per tonne improved to P1,318 in 2013 from P1,296 with the cost management strategies implemented during 2013

EBITDA, Core Income and Net Income

Lower production coupled with weak nickel prices in 2013 resulted in a significant drop in earnings. EBITDA went down by 75% to P57 million while higher interest and financing charges, depreciation and Philippine peso appreciation resulted in net loss of P33 million.

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.

In fulfilling the mandate embodied in its charter, the ARMC, acting as a collegial body, convened regular monthly meetings and accomplished the following in 2013:

- Preparation and submission of the Annual Corporate Governance Report pursuant to SEC Memorandum Circular No. 5, Series of 2013
- Review of the internal audits completed by the internal audit department in accordance with the Internal Audit Plan for the year 2013
- Development and approval of the Internal Audit Plan for the year 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 2012
- Assessment and confirmation of the scope of external audit review of SGV & Co for fiscal year 2013
- Assessment and negotiation of fees for audit services provided by SGV and Co to Atlas Mining and its subsidiaries for fiscal year 2013
- 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 internal audit reports with members of management and assessment of management action on audit findings
- Facilitation of discussions with the management team on the establishment of policies and guidelines on financial risk management, particularly in hedging or addressing risks relating to pricing, foreign currency exposures, asset insurance, changes in regulations, and natural calamities
- 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

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, 2013.

7 April 2014

LAURITO E. SERRANO
Chairman

ALFREDO R. ROSAL, JR.
Deputy Chairman

FREDERIC C. DYBUNCIO
Member

GERARD ANTON S. RAMOS
Member

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, 2013 and 2012, 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.

We are responsible for the preparation and fair presentation of the following schedules as at December 31, 2013 as required by the SRC Rule 68, as Amended (2011):

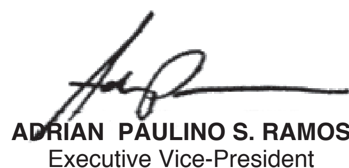
(1) Financial Ratios;
(2) Map of the Relationships of the Companies within the Group;
(3) Tabular Schedule of Effective Standards and Interpretations under the PFRS; and
(4) Reconciliation of Retained Earnings Available for Dividend Declaration

These schedules have been prepared in accordance with the requirements of SRC Rule 68, as Amended (2011) and other related issuances (e.g., Financial Reporting Bulletins) from the Securities and Exchange Commission.

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
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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, 2013 and 2012, 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, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

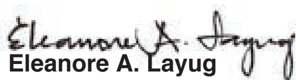
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements,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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Atlas Consolidated Mining and Development Corporation and Subsidiaries as at December 31, 2013 and 2012, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2013 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. 08-001998-97-2012,
January 11, 2012, valid until January 10, 2015
PTR No. 4225180, January 2, 2014, Makati City

March 14, 2014

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

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

	December 31, 2013	December 31, 2012 (As restated, Note 2)	January 1, 2012 (As restated, Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 4)	**₱866,359**	₱654,788	₱354,458
Short-term investments (Note 17)	**2,032,276**	4,982,395	864,585
Receivables (Note 5)	**1,059,598**	1,582,993	563,231
Derivative assets (Note 6)	**14,108**	–	477,573
Inventories (Note 7)	**1,653,196**	1,032,056	1,111,241
Other current assets (Note 8)	**613,258**	1,169,119	497,691
Total Current Assets	**6,238,795**	9,421,351	3,868,779
Noncurrent Assets			
Goodwill (Notes 11 and 12)	**19,026,119**	19,026,119	19,026,119
Property, plant and equipment (Note 10):			
At cost	**26,366,669**	17,935,263	13,849,281
At revalued amount	**315,558**	315,558	315,558
Mining rights (Note 11)	**9,145,204**	9,491,916	9,821,424
Deferred tax assets (Note 25)	**361,199**	83,635	103,934
Available-for-sale (AFS) financial assets (Note 13)	**5,599**	4,896	4,927
Derivative assets (Note 6)	**–**	–	221,395
Other noncurrent assets (Note 14)	**2,107,383**	1,674,444	1,478,154
Total Noncurrent Assets	**57,327,731**	48,531,831	44,820,792
TOTAL ASSETS	**₱63,566,526**	₱57,953,182	₱48,689,571
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable (Note 15)	**₱–**	₱–	₱5,341,800
Accounts payable and accrued liabilities (Note 16)	**3,436,432**	2,714,537	3,100,386
Current portion of long-term debt and other interest-bearing liabilities (Note 17)	**4,143,182**	1,585,243	4,298,353
Payable to related parties (Note 23)	**434,015**	324,354	531,700
Derivative liabilities (Note 6)	**925**	7,590	18,929
Income tax payable (Note 25)	**63,200**	14,648	323
Total Current Liabilities	**8,077,754**	4,646,372	13,291,491
Noncurrent Liabilities			
Long-term debt and other interest-bearing liabilities - net of current portion (Note 17)	**15,348,650**	14,473,422	5,856,671
Retirement benefits liability (Note 24)	**404,766**	311,905	178,094
Liability for mine rehabilitation cost (Note 18)	**46,382**	112,749	96,896
Deferred tax liabilities (Note 25)	**2,837,229**	2,941,243	3,046,910
Total Noncurrent Liabilities	**18,637,027**	17,839,319	9,178,571
Total Liabilities	**₱26,714,781**	₱22,485,691	₱22,470,062

(Forward)

	December 31, 2013	December 31, 2012 (As restated, Note 2)	January 1, 2012 (As restated, Note 2)
Equity			
Capital stock - ₱8 par value in 2013 and 2012, and ₱10 par value in 2011 (Note 19)	**₱16,608,969**	₱16,594,936	₱17,640,530
Additional paid-in capital (Note 19)	**7,063**	3,554	5,816,306
Revaluation increment on land (Note 10)	**218,559**	218,559	218,559
Unrealized gain on AFS financial assets - net (Note 13)	**10,460**	2,160	1,464
Remeasurement loss on retirement plan	**(96,760)**	(101,320)	(45,263)
Retained earnings (Notes 31)	**19,842,996**	18,447,515	2,439,066
Attributable to equity holders of the Parent Company	**36,591,287**	35,165,404	26,070,662
Non-controlling interest	**283,725**	302,087	148,847
	36,875,012	35,467,491	26,219,509
Less cost of 1,800,000 shares held by a subsidiary	**23,267**	–	–
Equity	**36,851,745**	35,467,491	26,219,509
TOTAL LIABILITIES AND EQUITY	**₱63,566,526**	₱57,953,182	₱48,689,571

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		
	2013	2012 (As restated, Note 2)	2011 (As restated, Note 2)
REVENUE			
Copper (Note 6)	**₱12,431,869**	₱13,412,754	₱4,369,989
Gold (Note 6)	**1,135,791**	905,560	241,146
Beneficiated nickel ore and others (Note 32)	**883,089**	1,221,649	589,652
	14,450,749	15,539,963	5,200,787
Less smelting and related charges	**947,518**	1,080,642	425,535
	13,503,231	14,459,321	4,775,252
Fair Value Gain on Previously Held Interest (Note 11)	**–**	–	13,788,051
Equity in Net Earnings of an Associate (Note 11)	**–**	–	1,247,884
COSTS AND EXPENSES			
Mining and milling costs (Note 21)	**8,011,314**	8,669,962	3,391,459
General and administrative expenses (Note 22)	**1,474,387**	1,469,499	923,071
Mine products taxes (Note 21)	**280,942**	307,266	196,421
	9,766,643	10,446,727	4,510,951
OTHER INCOME (CHARGES)			
Foreign exchange gains (losses) - net	**(1,021,655)**	592,966	(199,113)
Finance charges (Note 26)	**(987,203)**	(1,216,450)	(245,142)
Depletion of mining rights (Note 11)	**(346,712)**	(329,508)	(122,785)
Interest income (Note 4)	**157,639**	213,753	1,296
Gain on settlement of liability (Note 16)	**79,275**	519,548	90,458
Realized gain (loss) on derivatives - net (Note 6)	**(44,998)**	(437,608)	218,094
Unrealized loss on derivatives (Note 6)	**–**	(7,590)	(351,485)
Others - net	**10,765**	60,058	277,627
	(2,152,889)	(604,831)	(331,050)
INCOME BEFORE INCOME TAX	**1,583,699**	3,407,763	14,969,186
BENEFIT FROM INCOME TAX (Note 25)	**(312,257)**	(30,738)	(123,504)
NET INCOME	**₱1,895,956**	₱3,438,501	₱15,092,690
Total net income attributable to:			
Equity holders of the Parent Company	**₱1,914,318**	₱3,285,261	₱15,033,645
Non-controlling interest	**(18,362)**	153,240	59,045
	₱1,895,956	₱3,438,501	₱15,092,690

	Years Ended December 31		
	2013	2012 (As restated, Note 2)	2011 (As restated, Note 2)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to consolidated statements of income:			
Re-measurement gain (loss) on retirement plan (Note 2)	**₱4,560**	(₱56,057)	(46,183)
Item that may be reclassified subsequently to consolidated statements of income:			
Unrealized loss on AFS financial asset (Note 13)	**8,300**	696	–
	12,860	(55,361)	(46,183)
TOTAL COMPREHENSIVE INCOME	**₱1,908,816**	₱3,383,140	₱15,046,507
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	**₱1,927,178**	₱3,229,900	₱14,987,462
Non-controlling interest	**(18,362)**	153,240	59,045
	₱1,908,816	₱3,383,140	₱15,046,507
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (Note 28)			
Basic earnings per share	**₱0.9223**	₱1.7017	₱10.7149
Diluted earnings per share	**₱0.8458**	₱1.5495	₱9.3299

See accompanying Notes to Consolidated Financial Statements.

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011
(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company									
	Capital Stock	Additional Paid-in Capital (APIC)	Revaluation Increment on Land	Net Unrealized Gain on AFS Financial Assets	Re-measurement Gain (Loss) on Retirement Plan (Note 2)	Retained Earnings (Deficit)	Total	Non-controlling Interest	Shares held by a Subsidiary	Total
BALANCES AT JANUARY 1, 2013, as previously reported	₱16,594,936	₱3,554	₱218,559	₱2,160	₱–	₱18,434,748	₱35,253,957	₱304,308	₱–	₱35,558,265
Effect of adoption of Revised PAS 19 (Note 12)	–	–	–	–	(101,320)	12,767	(88,553)	(2,221)	–	(90,774)
BALANCES AT JANUARY 1, 2013, as restated	**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 19a)	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**
BALANCES AT JANUARY 1, 2012, as previously reported	₱17,640,530	₱5,816,306	₱218,559	₱1,464	₱–	₱2,431,361	₱26,108,220	₱150,438	₱–	₱26,258,658
Effect of adoption of Revised PAS 19 (Note 12)	–	–	–	–	(45,263)	7,705	(37,558)	(1,591)	–	(39,149)
BALANCES AT JANUARY 1, 2012, as restated	**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 (Note 12)	–	–	–	–	(56,057)		(56,057)	–	–	(56,057)
Issuance of shares (Note 19)	3,099,586	2,765,256	–	–	–	–	5,864,842	–	–	5,864,842
Equity restructuring (Note 19)	(4,145,180)	(8,578,008)	–	–	–	12,723,188	–	–	–	–
BALANCES AT DECEMBER 31, 2012, as restated	**₱16,594,936**	**₱3,554**	**₱218,559**	**₱2,160**	**(₱101,320)**	**₱18,447,515**	**₱35,165,404**	**₱302,087**	**₱–**	**₱35,467,491**
BALANCES AT JANUARY 1, 2011, as previously reported	₱11,388,139	₱830,666	₱218,559	₱1,464	₱3,028,293	₱–	(₱12,584,614)	₱2,882,507	₱92,984	₱2,975,491
Effect of adoption of Revised PAS 19 (Note 12)	–	–	–	–	–	920	(9,965)	(9,045)	(3,182)	(12,227)
BALANCES AT JANUARY 1, 2011, as restated	11,388,139	830,666	218,559	1,464	3,028,293	920	(12,594,579)	2,873,462	89,802	2,963,264
Net income	–	–	–	–	–	–	15,033,645	15,033,645	59,045	15,092,690
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	–	15,033,645	15,033,645	59,045	15,092,690
Effect of adoption of Revised PAS 19 (Note 12)	–	–	–	–	–	(46,183)	–	(46,183)	–	(46,183)
Issuance of shares	6,252,391	4,985,640	–	–	(2,877,333)	–	–	8,360,698	–	8,360,698
Reversal of deposit for future stock subscriptions	–	–	–	–	(150,960)	–	–	(150,960)	–	(150,960)
BALANCES AT DECEMBER 31, 2011, as restated	₱17,640,530	₱5,816,306	₱218,559	₱1,464	₱–	(₱45,263)	₱2,439,066	₱26,070,662	₱148,847	₱26,219,509

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		
	2013	2012 (As restated)	2011 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,583,699**	₱3,407,763	₱14,969,186
Adjustments for:			
Depreciation and depletion (Notes 10 and 11)	**1,680,221**	2,115,904	621,791
Finance charge (Notes 26 and 34)	**968,780**	1,206,221	237,103
Net realized loss (gain) on derivatives (Note 6)	**–**	430,018	(218,094)
Retirement benefits costs (Notes 24)	**105,127**	60,855	23,517
Loss on asset write-down (see Note 10)	**–**	20,552	93,818
Impairment loss on:			
Input valued-added tax (VAT) (Note 14)	**14,576**	–	69,226
Receivables (Note 5)	**9,536**	–	1,688
Unrealized loss on derivatives (Note 6)	**44,998**	7,590	351,485
Net unrealized foreign exchange loss (gain)	**1,021,655**	(592,964)	119,144
Gain on settlement of liabilities (Note 16)	**(79,275)**	(519,548)	(90,458)
Interest income (Notes 4 and 17a)	**(157,639)**	(213,753)	(1,296)
Fair value gain on previously held interest (Note 11)	**–**	–	(13,788,051)
Equity in net loss in an associate	**–**	–	(1,247,884)
Change in accounting estimate for liability on mine rehabilitation cost (Note 18)	**(71,766)**	–	(417)
Gain on sale of AFS financial assets	**(2,330)**	–	–
Operating income before working capital changes	**5,117,582**	5,922,638	1,140,758
Decrease (increase) in:			
Receivables	**523,395**	(873,919)	959,696
Other current assets	**555,861**	(777,621)	519,653
Inventories	**(621,140)**	79,185	(275,368)
Derivative asset and liability	**(14,108)**	250,021	–
Increase (decrease) in:			
Accounts payable and accrued liabilities	**721,894**	(122,976)	125,527
Derivative liabilities	**(6,665)**	–	–
Net cash generated from operations	**6,276,819**	4,477,328	2,470,266
Interest received	**181,272**	54,880	1,296
Interest paid	**(1,398,488)**	(956,075)	(124,575)
Income taxes paid	**(301,064)**	(15,319)	(4,279)
Settlements and payments of retirement benefits (Note 24)	**(4,157)**	(8,087)	(4,042)
Net cash flows from (used in) operating activities	**4,754,382**	3,552,727	2,338,666
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment (Note 10)	**(10,175,522)**	(5,862,543)	(2,524,389)
Proceeds (additions) of short-term investments (Note 17)	**2,950,119**	(4,339,832)	(864,585)
Net cash outflow on step acquisition of a subsidiary (Note 2)	**–**	–	(14,054,342)
Proceeds of disposal of AFS financial assets	**9,926**	–	–
Increase in other noncurrent assets	**(432,939)**	(77,543)	(34,486)
Net cash flows used in investing activities	**(7,648,416)**	(10,279,918)	(17,477,802)

(Forward)

	Years Ended December 31		
	2013	2012 (As restated)	2011 As restated (see Note 11)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of loan and long-term debt (Note 17)	**₱4,512,502**	₱11,993,727	₱8,942,904
Issuance of shares (Note 19)	**17,543**	372,158	8,360,698
Payment of loans and long-term debt and other interest bearing liabilities (Notes 15 and 17)	**(1,079,335)**	(5,003,726)	(1,312,753)
Movement in payable to related parties	**109,661**	(207,346)	(711,216)
Dividends paid	**(518,837)**	–	–
Purchase of put option	**(65,770)**	–	–
Net cash flows from financing activities	**2,975,764**	7,154,813	15,279,633
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**129,841**	(127,292)	(17,002)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**211,571**	300,330	123,495
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**654,788**	354,458	230,963
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱866,359**	₱654,788	₱354,458

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information, Business Operations, and Authorization for the Issuance 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 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 nine (9) subsidiaries as at December 31, 2013 and 2012. These subsidiaries are engaged in or are registered to engage in mining, professional services, asset and equity acquisition and bulk water supply. The parent company has no geographical segments as these entities were incorporated and are operating within the Philippines.

The table below contains the details of the parent company's equity interest in its subsidiaries, and a description of the nature of the business of each of such subsidiaries:

Subsidiaries	Nature of Business	Percentage of Ownership 2013	2012
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
TMM Management, Inc. (TMMI)	Incorporated in the Philippines on September 28, 2004 to provide management, investment and technical advice to companies.	**60.00**	60.00
Ulugan Resources Holding, Inc. (URHI)	Incorporated in the Philippines on June 23, 2005 to deal in and with personal properties and securities of every kind and description of any government, municipality, political subdivision or agency, corporation, association or entity; exercising any and all interest in respect of any of such securities; and promoting, managing, and participating in and act as agent for the purchase and sale of any securities as may be allowed by law.	**70.00**	70.00

Subsidiaries	Nature of Business	Percentage of Ownership 2013	2012
Indirect subsidiaries of the Parent Company under URHI*:			
Ulugan Nickel Corporation (UNC)	Incorporated in the Philippines on June 23, 2005 to explore, develop and mine the Ulugan mineral properties located in the province of Palawan.	**42.00**	42.00
Nickeline Resources Holdings, Inc. (NRHI)	Incorporated in the Philippines on August 15, 2005 to deal in and with any kind of shares and securities and to exercise all the rights, powers and privileges of ownership or interest in respect to them.	**42.00**	42.00
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 2013, AEI was engaged in preparatory activities for the geotechnical survey of the Sigpit gold prospect and for the drilling at the southern extension of the Lutopan orebody. AEI incurred a net loss of ₱402 and had a cumulative capital deficiency of ₱102,507 as at December 31, 2013. AEI is considering the settlement of its outstanding debt to the parent company through a debt to equity conversion or merger.

b. *AI*
In 2013, 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 recognized a net income of ₱96 in 2013 and had a cumulative capital deficiency of ₱31,592. AI is considering the settlement of its outstanding debt to the parent company through a debt to equity conversion or merger.

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 September 2013 and February 2012, 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 2013 and 2012, respectively.

In July 2011, the parent company acquired all of the equity interest of CASOP Atlas BV and CASOP Atlas Corporation 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 December 7, 2012, CCC's BOD authorized the declaration of cash dividends out of its retained earnings to stockholders of record as at December 31, 2011 amounting to ₱1,000,000. The dividend is unpaid as at December 31, 2012.

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. The dividend amounting to ₱450,189 is unpaid as at December 31, 2013.

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

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.

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

f. *TMMI*
TMMI recorded a net income of ₱874 in 2013 and incurred a net loss of ₱1,085 in 2012.

g. *URHI, UNC and NRHI*
These subsidiaries have not started commercial operations as at December 31, 2013.

Authorization for the Issuance of the Consolidated Financial Statements
The consolidated financial statements of the parent company and its subsidiaries (the Group) as at December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013 were authorized for issue by the BOD on March 14, 2014.

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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, put option contracts and AFS financial assets, 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 consolidated financial statements provide comparative information in respect of the previous period. In addition, the parent company presents an additional consolidated statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the consolidated financial statements. An additional consolidated statement of financial position as at January 1, 2012 is presented in these consolidated financial statements due to retrospective application of certain accounting policies (refer to notes below under Philippine Accounting Standards (PAS) 19 Revised).

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 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 Company applied, for the first time, certain standards and amendments that require restatement of previous financial statements. These include PAS 19, *Employee Benefits* (Revised 2011), PFRS 13, *Fair Value Measurement* and amendments to PAS 1, *Presentation of Financial Statements.*

Several other amendments apply for the first time in 2013. However, they do not impact the annual financial statements of the Group.

The nature and the impact of each new standard and amendment are described below:

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

  This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

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

  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;

  c) The net amounts presented in the statement of financial position;

  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:

     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and

     ii. Amounts related to financial collateral (including cash collateral); and

  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments affect disclosures only and have no impact on the Group's financial position or performance. As the Group is not setting off financial instruments in accordance with PAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the Group.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

  As a result of the guidance in PFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Group has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 30.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income* (Amendments)
  The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance.

- PAS 19, *Employee Benefits* (Revised)

  On January 1, 2013, the Group adopted the Revised PAS 19, Employee Benefits.

  For defined benefit plans, the Revised PAS 19 requires all actuarial gains and losses to be recognized in OCI and unvested past service costs previously recognized over the average vesting period to be recognized immediately in profit or loss when incurred.

  Prior to adoption of the Revised PAS 19, the Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses at the end of the previous period exceeded ten percent (10%) of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the Revised PAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in OCI and all past service costs in profit or loss in the period they occur.

  The Revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net defined benefit liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

  The Revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the Revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

  Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact on the Group's financial position and financial performance.

  The changes in accounting policies have been applied retrospectively. The effects of adoption on the consolidated financial statements are as follows:

	As at December 31, 2013		
	Under previous PAS 19	Increase (decrease)	As restated
Statements of financial position:			
Retirement benefits liability	₱282,003	₱122,763	₱404,766
Deferred tax assets	324,370	36,829	361,199
Re-measurement loss on retirement plan (net of deferred tax assets)	–	(96,760)	(96,760)
Retained earnings	19,832,170	10,826	19,842,996

	As at December 31, 2012		
	As previously reported	Increase (decrease)	As restated
Consolidated statements of financial position:			
Retirement benefits liability	₱180,515	₱131,390	₱311,905
Deferred tax assets	43,019	40,616	83,635
Remeasurement loss on retirement plan (net of deferred tax assets)	–	(101,320)	(101,320)
Retained earnings	18,434,748	12,767	18,447,515

	As at January 1, 2012		
	As previously reported	Increase (decrease)	As restated
Consolidated statements of financial position:			
Retirement benefits liability	₱121,974	₱56,120	₱178,094
Deferred tax assets	86,863	16,971	103,934
Remeasurement loss on retirement plan (net of deferred tax assets)	–	(45,263)	(45,263)
Retained earnings	2,431,361	7,705	2,439,066

Consolidated statements of comprehensive income:	For the year ended December 31, 2013	For the year ended December 31, 2012	For the year ended December 31, 2011
Increase (decrease) in:			
Net retirement benefits costs	(₱518)	(₱7,231)	(₱11,007)
Provision for income tax	155	2,169	3,302
Net income	363	5,062	7,705
Remeasurements of retirement benefits liability	8,109	(80,081)	(64,661)
Income tax effects	(2,433)	24,024	19,398
Other comprehensive loss	5,676	(56,057)	(45,263)

The transition adjustments were split between OCI and retained earnings on the transition date. The Revised PAS 19 has been applied retrospectively from January 1, 2012, in accordance with its transitional provisions. Consequently, the Group has restated its reported results throughout the comparative periods presented and reported the cumulative effect as at January 1, 2012 as adjustment to opening balances.

Change of Presentation
Upon adoption of the Revised PAS 19, the presentation of the consolidated statement of comprehensive income was updated to reflect these changes. Net interest is now shown under finance charges line item (previously under personnel costs under mining and milling costs and general and administrative expenses). This presentation better reflects the nature of net interest since it corresponds to the compounding effect of the long-term net defined benefit liability (net defined benefit asset).

The adoption did not have a material effect on the consolidated statement of cash flows. The effect on the earnings per share and disclosures on segment information for the years ended December 31, 2013, 2012 and 2011 is not material.

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The amendment does not have an impact on the Group.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. This amendment has no impact on the Group's financial position or performance as it currently accounts for its investments in associates, if any, using equity accounting method.

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal costs (“stripping costs”) that are incurred in surface mining activity during the production phase of the mine (“production stripping costs”). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a noncurrent asset, only if certain criteria are met (“stripping activity asset”). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The adoption has no significant effect on disclosures and no impact on the financial position or performance since the Group’s current policy is also the same with IFRIC 20.

- PFRS 1, First-time Adoption of International Financial Reporting Standards - *Government Loans* (Amendments)
  The amendments to PFRS 1 require first-time adopters to apply the requirements of PAS 20, Accounting for *Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to PFRS. However, entities may choose to apply the requirements of PAS 39, and PAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for those loans. These amendments are not relevant to the Group.

Annual Improvements to PFRSs (2009-2011 cycle)

The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The Group adopted these amendments for the current year.

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

- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
  These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. As a result, the Group has not included a complete comparative information in respect of the opening consolidated statement of financial position as at January 1, 2012. The amendments affect disclosures only and have no impact on the Group’s financial position or performance.

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

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

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

Standards and Interpretation Issued but not yet Effective

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13 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. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group’s financial position or performance.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
  These amendments are effective for annual periods beginning on or after January 1, 2014. They 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). This amendment is not relevant to the Group.

- Philippine Interpretation IFRIC 21, *Levies*
  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. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that IFRIC 21 will have material financial impact in future consolidated financial statements.

- 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. These amendments are effective for annual periods beginning on or after January 1, 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

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

  The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The amendment is not relevant to the Group.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment – Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment has no impact to the Group.

- PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. 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 require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement – Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

- PAS 16, *Property, Plant and Equipment – Revaluation Method – Proportionate Restatement of Accumulated Depreciation*
  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance.

- PAS 24, *Related Party Disclosures – Key Management Personnel*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Amortization*
  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Meaning of "Effective PFRSs"*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the consolidated financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively.

- PFRS 13, *Fair Value Measurement – Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively. The amendment has no impact on the Group's financial position or performance.

- PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at 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 liabilities designated as at FVPL using the FVO, 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.

  On hedge accounting, 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 financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. 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 Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board 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 impact on the consolidated financial statements of the Group.

Summary of Significant Accounting Policies

Presentation of Consolidated Financial Statements
The Group has elected to present all items of recognized income and expense in one single consolidated statement of comprehensive income.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from the dates of acquisition and that are subject to an insignificant risk of change in value.

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

Initial Recognition and Classification of Financial Instruments
Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those financial assets and liabilities at 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.

The Group has no financial assets classified as HTM investments as at December 31, 2013 and 2012.

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 Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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 financial statement 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 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.

The Group's financial assets and liabilities at FVPL consist of derivative assets, derivative liabilities and put option contracts as at December 31, 2013 and 2012, respectively.

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, 2013 and 2012, the Group's loans and receivables consist of "Cash and cash equivalents", "Short-term investments" and "Receivables".

AFS Financial Assets
AFS financial assets include investments in equity and debt securities. Equity investments classified as AFS 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.

The Group's AFS financial assets pertain to its investment in equity shares as at December 31, 2013 and 2012.

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

The Group's financial liabilities at FVPL pertain to the derivative liabilities in the consolidated statement of financial position in 2013 and 2012.

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, 2013 and 2012, 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.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

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

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

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

Derivatives and Hedging

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

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

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

a. fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability; or

b. cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecast transaction; or

c. hedges of a net investment in a foreign operation.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the 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. The Group recognized bifurcated derivative assets and derivative liabilities arising from the provisionally priced commodity sales contracts as at December 31, 2013 and 2012.

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 to suppliers, advances 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
Machinery and equipment	3 - 10
Buildings and improvements	5 - 25
Roadways and bridges	5 - 40
Transportation equipment	5 - 7
Furniture and fixtures	5

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

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.

Capital Stock and Additional Paid-in Capital

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

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

Retained Earnings
The amount included in retained earnings includes profit (loss) attributable to the parent company's equity holders and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the Parent Company's stockholders. Interim dividends, if any, are deducted from equity when 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.

OCI
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.

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

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

The terms of metal in concentrate sales contracts with third parties contain provisional pricing arrangements whereby the selling price for metal in concentrate is based on prevailing LME spot prices on a specified future date after shipment to the customer (the "quotation period"). Adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement. The period between provisional invoicing and final settlement can be between one (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.

Employee Benefits
The net defined retirement benefits liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), 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. It is the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions of the Group.

Determination of Control
The parent company determines control when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The parent company controls an entity if and only if the parent company has all of the following:

a. power over the entity;
b. exposure, or rights, to variable returns from its involvement with the entity; and
c. the ability to use its power over the entity to affect the amount of the parent company's returns.

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 2013 and 2012 amounted to ₱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 assets

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

- Financial liabilities at FVPL
- Other financial liabilities

The Group determines the classification at initial recognition and re-evaluates this classification, where allowed and appropriate, at each 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 2013, 2012 and 2011 are 3.65%, 3.36% and 2.91%, respectively. Average depletion rate used by BNC in 2013, 2012 and 2011 are 5.54%, 6.32% and 3.40%, respectively.

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

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

Estimating Allowance for Impairment Losses of Loans and Receivables
The Group assesses on a regular basis if there is objective evidence of impairment of loans and receivables. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The determination of impairment requires the Group to estimate the future cash flows based on certain assumptions, as well as to use judgment in selecting an appropriate rate in discounting. In addition, the Group considers factors such as the Group's length of relationship with the customers and the customers' current credit status to determine the amount of allowance that will be recorded in the receivables account. The Group uses specific impairment on its loans and receivables. The 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 ₱29,099 and ₱39,871 as at December 31, 2013 and 2012, respectively. Receivables, net of allowance for impairment losses, amounted to ₱1,059,958 and ₱1,582,993 as at December 31, 2013 and 2012, 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) and Mitsui & Co., Ltd.(Mitsui) and the weight and assay for metal content in estimating the fair value less cost to sell of mine products inventory. Any changes in the assay for metal content of the mine products inventory is accounted for and adjusted accordingly.

Beneficiated Nickel Ore Reserves
Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its ore reserves based on information compiled by appropriately qualified

persons relating to the geological data on the size, depth and shape of the ore body, and require complex geological judgment to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgment made in estimating the size and grade of the ore body. Changes in the reserve estimates may impact upon the carrying value of deferred mine exploration costs, property, plant and equipment, liability for mine rehabilitation cost, recognition of deferred tax assets, and depreciation and depletion charges.

Estimating Allowance for Obsolescence of Materials and Supplies Inventory
The Group provides allowance for materials and supplies whenever utility of inventories becomes lower than cost due to damage, inventory losses, physical deterioration, obsolescence, changes in price levels or other causes. Materials and supplies inventory amounting to ₱332,678 and ₱324,024 as at December 31, 2013 and 2012, respectively, had been fully provided with an allowance for impairment losses (see Note 7).

Inventories at lower of cost and NRV, amounted to ₱1,653,196 and ₱1,032,056 as at December 31, 2013 and 2012, 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, 2013 and 2012. 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, 2013 and 2012.

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 2013 and 2012. The net book values of property, plant and equipment amounted to ₱26,366,669 and ₱17,935,263 as at December 31, 2013 and 2012, 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, 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 nil, ₱20,552 and ₱93,818 in 2013, 2012 and 2011, 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 ₱5,834,050 and ₱5,997,431 as at December 31, 2013 and 2012 (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 2013 and 2012, there was no impairment loss on the Group's deferred mine exploration costs (see Note 14).

Estimating Realizability of Deferred Tax Assets
The Group reviews the carrying amounts of deferred tax assets at each end of the reporting period and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized. As at December 31, 2013 and 2012, the Group has deductible temporary differences, NOLCO and excess MCIT amounting to ₱646,338 and ₱504,863, respectively (see Note 25c). No deferred tax asset was recognized for a portion of NOLCO and excess MCIT and temporary differences as management believes that the Group will not be able to realize in the future the carryforward benefits of NOLCO and excess MCIT prior to their expiration. As at December 31, 2013 and 2012, deferred tax asset amounting to ₱1,018,454 and ₱717,095 was recognized as management believes that sufficient future taxable profits will be available against which benefits of deferred tax assets can be utilized (see Note 25d).

Impairment of AFS Financial Assets
The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 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 assets amounted to ₱5,599 and ₱4,896 as at December 31, 2013 and 2012, respectively (see Note 13).

Estimating Impairment of Other Nonfinancial Assets
The Group determines whether its nonfinancial assets are impaired at least on an annual basis. This requires an estimation of recoverable amount, which is the higher of an asset's or 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 ₱139,432 and ₱124,856 in 2013 and 2012, respectively (see Note 14).

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 reporting period. Retirement benefits liability amounted to ₱404,766 and ₱311,905 as at December 31, 2013 and 2012, respectively. Retirement benefits cost amounted to ₱105,127, ₱60,855 and ₱23,517 in 2013, 2012 and 2011, 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 on 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, 2013 and 2012 amounted to ₱46,382 and ₱112,749, 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 2013, 2012 and 2011.

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 ₱13,503,231, ₱14,459,321 and ₱4,775,252 in 2013, 2012 and 2011, respectively (see Note 6).

4. Cash and Cash Equivalents

	2013	2012
Cash on hand	**₱4,086**	₱3,181
Cash in banks	**862,273**	544,144
Short-term investments	**–**	107,463
	₱866,359	₱654,788

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three (3) months from the date of placement depending on the immediate cash requirements of the Group and earn interest at the respective short-term investments rates.

Interest income earned from these cash and cash equivalents amounted to ₱767, ₱7,621 and ₱1,296 in 2013, 2012 and 2011, respectively.

The Group has US dollar (US$)-denominated cash and cash equivalents amounting to US$4,173 and US$2,756 as at December 31, 2013 and 2012, respectively. The Group has Japanese yen (JP¥)-denominated cash and cash equivalents amounting to JP¥2,082 and JP¥3,289 as at December 31, 2013 and 2012, respectively. The Group has Great Britain Pound (GB£)-denominated cash and cash equivalents amounting to GB£139 and nil as at December 31, 2013 and 2012, respectively (see Note 29).

5. Receivables

	2013	2012
Trade (see Note 6)	**₱824,180**	₱1,311,345
Interest (see Note 17a)	**135,240**	158,873
Nontrade	**66,169**	91,942
Receivables from:		
Related parties (see Note 23a)	**31,540**	30,614
Officers and employees (see Note 23f)	**31,568**	30,539
Total	**1,088,697**	1,622,864
Less allowance for impairment losses	**29,099**	39,871
	₱1,059,598	₱1,582,993

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

Nontrade and other 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.

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

Most of the receivables of the Group consist of individually significant accounts and were therefore subject to the specific impairment approach. The Group recognized allowance for impairment losses amounting to ₱9,536, nil and ₱1,688 in 2013, 2012 and 2011, 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.

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

	2013	2012
Balances at beginning of year	**₱39,871**	₱40,599
Written off	**(20,308)**	(728)
Provision (see Note 22)	**9,536**	–
Balances at end of year	**₱29,099**	₱39,871

The Group has US$ receivables amounting to US$21,448 and US$30,068 as at December 31, 2013 and 2012, 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. As at December 31, 2013, the Group 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 its derivatives at fair value and any changes in the fair value is recorded in the statement of comprehensive income.

Pricing Agreements

MRI, PASAR and Mitsui

In the normal course of selling its copper concentrate, the Group entered into (i) several contracts of purchase with MRI ("MRI Contract") and PASAR ("PASAR Contract") in 2013 and in prior years, and (ii) one (1) contract of purchase with Mitsui ("Mitsui Contract") in 2013 (collectively, the "Copper Contracts"), whereby it agreed to sell a fixed volume of copper concentrate based on LME prices (as published in the Metal Bulletin) and as averaged over the quotational period (QP) as defined in the MRI Contract, PASAR Contract and Mitsui 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, the Group and MRI and PASAR have the option to price-fix in advance of the QP the payable copper contents of the concentrate to be delivered, subject to adjustments during the QP. If the option to price-fix prior to the QP is exercised, (i) the fixed price and the volume to which the fixed price applies will be confirmed in writing by the parties, and (ii) with respect to sales of copper concentrate to MRI, an addendum to the MRI Contract will be executed to confirm the actual volume of the copper shipped based on the fixed price.

Freestanding Derivatives
Commodity Put Options
In 2013 and 2012, the Group purchased LME put options through Jefferies Prudential for the delivery of 35,950 tons and 33,325 tons of copper concentrates with a total premium amounting to US$1.53 million and US$6.43 million, respectively. As at December 31, 2013, the outstanding notional quantity of the put options is 14,000 tons with a strike price of US$6,000 per ton and maturities from February to May 2014. The positive fair value of the outstanding put options amounted to ₱3.0 million and was recognized as "Derivative assets" as at December 31, 2013. Unrealized loss on derivatives recognized in the consolidated statement of comprehensive income amounted to ₱27.8 million in 2013. The Group has no outstanding commodity put option as at December 31, 2012.

Foreign Currency Forwards
In 2012, the Group entered into foreign currency forwards amounting to ¥780.3 million and Euro (EU€) 8.5 million. The Group used these foreign currency forwards to hedge its exposure to US$. Realized gain on foreign currency forwards amounted to ₱20.5 million. No foreign currency forwards were outstanding as at December 31, 2013 and 2012.

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 the Group's pricing agreements with MRI, PASAR and Mitsui, the copper sales will be provisionally priced at shipment subject to price and quantity adjustment after the QP. Under the Copper Contracts, the Group 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). The Group recognized an unrealized loss and gain on the related derivative liability and asset amounting to ₱0.9 million and ₱11.1 million, respectively, on its deliveries in 2013, and unrealized loss on derivative liability amounting to ₱7.6 million on its deliveries in 2012.

Prepayment Option

BDO Unibank, Inc. (BDO)
In 2010, the Group bifurcated a prepayment option contained in the terms of the December 15, 2010 Omnibus Loan and Security Agreement that it executed with BDO (the "OLSA"). The prepayment option is accounted for at FVPL and the initial prepayment option amount of ₱721.9 million is treated as an effective interest adjustment on the loan.

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

Bonds Payable
On March 16, 2012, the Group completed the issuance of US$-denominated fixed-rate notes representing US$300 million of the Group'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 the Group 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.

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

7. Inventories

	2013	2012
At cost:		
Mine products	**₱345,105**	₱247,401
Materials and supplies	**1,299,836**	782,282
At NRV:		
Materials and supplies and others	**8,255**	2,373
	₱1,653,196	₱1,032,056

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

Materials and Supplies
Cost of materials and supplies from the parent company carried at NRV amounting to ₱332,678 and ₱324,024 as at December 31, 2013 and 2012, 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 part of mining and milling costs in the consolidated statements of comprehensive income amounted to ₱3,380,482, ₱3,314,158 and ₱1,294,094 in 2013, 2012 and 2011, respectively (see Note 21).

8. Other Current Assets

	2013	2012
Deposits to suppliers	**₱557,472**	₱1,117,153
Advances for acquisition of rights to Exploration Permit Application (EPA; see Note 9)	**30,692**	28,473
Prepayments	**25,094**	23,493
	₱613,258	₱1,169,119

Deposits to Suppliers
Deposits to suppliers are non-financial assets arising 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.

Deposits to suppliers are advance payments to suppliers as contracts with suppliers generally require advance payments equivalent to 10% to 60% of the contract price. Amounts deposited will be applied as part of the full payment of the contract price upon completion of the contract.

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

The Group has US$ deposits to suppliers amounting to US$7,405 and US$8,805 as at December 31, 2013 and 2012, respectively. The Group has JP¥ deposits to suppliers amounting to JP¥513 and JP¥4,560 as at December 31, 2013 and 2012, respectively. The Group has EU€ deposits to suppliers amounting to EU€810 and EU€8,932 as at December 31, 2013 and 2012, respectively. The Group has Australian dollar (AU$) deposits to suppliers amounting to AU$1,354 and AU$2,394 as at December 31, 2013 and 2012, respectively (see Note 29).

9. Advances for Acquisition of EPA

On November 3, 2004, the Group 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 Group 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 Group 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, 2013:

	At Cost									
	Land	Mine Development Costs	Machinery and Equipment	Roadways and Bridges	Trans-portation Equipment	Furniture and Fixtures	Buildings and Improve-ments	Construc-tion In-progress	Total	At Revalued Amount Land
Revalued amount/cost:										
Balances at beginning of year	₱82,787	₱6,327,788	₱7,482,793	₱182,903	₱108,408	₱43,749	₱993,689	₱5,020,199	₱20,242,316	₱315,888
Additions	20,939	239	254,754	–	68,528	3,408	95	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	672,338	12,555	–	–	40,507	(866,714)	–	–
Retirement	–	–	(2,175)	–	–	–	–	–	(2,175)	–
Disposals	–	–	(2,151)	–	–	–	–	–	(2,151)	–
Balances at end of year	103,726	6,400,244	8,405,559	195,458	176,936	47,157	1,034,291	13,981,044	30,344,415	315,888
Accumulated depreciation, depletion and amortization:										
Balances at beginning of year	–	330,357	1,429,789	42,097	56,053	33,541	300,846	–	2,192,683	–
Depreciation, depletion and amortization (see Notes 21 and 22)	–	241,295	1,281,611	31,382	26,819	3,067	96,047	–	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	2,707,330	73,479	82,872	36,608	396,893	–	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	₱5,583,859	₱121,979	₱94,064	₱10,549	₱637,398	₱13,981,044	₱26,366,669	₱315,558

December 31, 2012:

	At Cost									
	Land	Mine Development Costs	Machinery and Equipment	Roadways and Bridges	Trans-portation Equipment	Furniture and Fixtures	Buildings and Improve-ments	Construc-tion In-progress	Total	At Revalued Amount Land
Revalued amount/cost:										
Balances at beginning of year	₱82,787	₱6,295,553	₱5,365,261	₱173,722	₱79,893	₱37,215	₱1,081,814	₱1,500,820	₱14,617,065	₱315,888
Additions	–	252	1,834,953	–	33,915	6,534	71,335	3,980,642	5,927,631	–
Change in estimate in liability for mine rehabilitation cost (see Note 18)	–	10,718	–	–	–	–	–	–	10,718	–
Reclassifications	–	21,265	595,677	9,181	(5,400)	–	(159,460)	(461,263)	–	–
Retirement	–	–	(312,703)	–	–	–	–	–	(312,703)	–
Disposals	–	–	(395)	–	–	–	–	–	(395)	–
Balances at end of year	82,787	6,327,788	7,482,793	182,903	108,408	43,749	993,689	5,020,199	20,242,316	315,888
Accumulated depreciation, depletion and amortization:										
Balances at beginning of year	–	92,901	398,925	12,725	31,708	29,018	154,200	–	719,477	–
Depreciation, depletion and amortization (see Notes 21 and 22)	–	237,456	1,343,962	29,372	24,345	4,523	146,646	–	1,786,304	–
Retirement	–	–	(312,703)	–	–	–	–	–	(312,703)	–
Disposals	–	–	(395)	–	–	–	–	–	(395)	–
Balances at end of year	–	330,357	1,429,789	42,097	56,053	33,541	300,846	–	2,192,683	–
Allowance for asset write-downs:										
Balances at beginning of year	–	–	93,818	–	–	–	–	–	93,818	330
Provision for asset write-downs (see Note 21)	–	–	20,552	–	–	–	–	–	20,552	–
Balances at end of year	–	–	114,370	–	–	–	–	–	114,370	330
Net book values	₱82,787	₱5,997,431	₱5,938,634	₱140,806	₱52,355	₱10,208	₱692,843	₱5,020,199	₱17,935,263	₱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 is expected to be completed in March 2014. The estimated percentage of completion of this project is 97% and 30% as at December 31, 2013 and 2012, respectively. Construction in-progress to improve existing capacity includes cost of various projects at different percentages of completion as at December 31, 2013 and December 31, 2012, respectively.

Additions for expansion project
Additions for expansion project under "Machinery and Equipment" amounted to nil and ₱1,006.9 million in 2013 and 2012, respectively.

Additions for existing capacity
Additions for existing capacity under "Machinery and Equipment" amounted to ₱298.7 million and ₱839.6 million in 2013 and 2012, respectively. Additions for existing capacity under "Buildings and Improvements" amounted to nil and ₱67.7 million in 2013 and 2012, respectively.

Mine development costs consist of the following:

December 31, 2013:

	Mine and Mining Properties	**Development Costs**	**Mine Rehabilitation Costs (see Note 18)**	**Total**
Cost:				
Balances at beginning of year	**₱1,464,563**	**₱4,794,128**	**₱69,097**	**₱6,327,788**
Additions and 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**

December 31, 2012:

	Mine and Mining Properties	Development Costs	Mine Rehabilitation Costs (see Note 18)	Total
Cost:				
Balances at beginning of year	₱1,464,311	₱4,772,863	₱58,379	₱6,295,553
Additions and reclassifications	252	21,265	–	21,517
Change in accounting estimate (see Note 18)	–	–	10,718	10,718
Balances at end of year	1,464,563	4,794,128	69,097	6,327,788
Accumulated depletion:				
Balances at beginning of year	48,211	43,355	1,335	92,901
Depletion	56,448	179,095	1,913	237,456
Balances at end of year	104,659	222,450	3,248	330,357
Net book values	₱1,359,904	₱4,571,678	₱65,849	₱5,997,431

Revaluation Increment on Land
The fair value of the land amounted to ₱315,888 as at December 31, 2013 and 2012 based on the latest valuation obtained in 2011 by the Group. 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 in 2013 and 2012.

Fully Depreciated Property, Plant and Equipment
Fully depreciated property, plant and equipment still used by the Group amounted to ₱584,716 and ₱239,714 as at December 31, 2013 and 2012, 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 "Construction in-progress" amounted to ₱452,700 and ₱13,390 in 2013 and 2012, respectively, at an interest of 6.5% to 8.0% for both 2013 and 2012, respectively.

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 nil, ₱20,552 and ₱93,818 in 2013, 2012 and 2011, 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 ₱2,368,500 and ₱16,882,200 as at December 31, 2013 and 2012, respectively (see Notes 15 and 17).

Commitments
The Group has capital expenditure commitments amounting to ₱1,149,800 and ₱1,361,400 as at December 31, 2013 and 2012, respectively.

11. Business Combination

In July 2011 (Acquisition Date), the parent company purchased an aggregate 45.54% equity interest of CASOP Atlas Corporation and CASOP Atlas B.V. in CCC. Total acquisition cost amounted to 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 at the 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 ₱346,712 and ₱329,508 in 2013 and 2012, respectively. The Group recognized the related deferred tax liability amounting to ₱104,014 and ₱98,852 in 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). No impairment loss on goodwill was recognized in 2013, 2012 and 2011.

12. Goodwill

	2013	2012
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 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 2013, 2012 and 2011.

13. AFS Financial Assets

The Group's AFS financial assets consist of investments in:

	2013	2012
Philippine Long Distance Telephone Company (PLDT)	**₱5,599**	₱22
Toledo Mining Corporation (TMC)	**–**	4,874
	₱5,599	₱4,896

The Group's AFS financial assets are quoted equity instruments and are carried at fair market value.

Movements in fair market value of quoted equity instruments follow:

	2013	2012
Balances at beginning of year	**₱4,896**	₱4,927
Valuation gain (loss)	**5,577**	(31)
Disposals	**(4,874)**	–
Balances at end of year	**₱5,599**	₱4,896

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

	2013	2012
Balances at beginning of year	**₱2,160**	₱1,464
Movements:		
Increase (decrease) in fair value of AFS financial assets	**5,577**	696
Recovery of impairment loss	**4,882**	–
Unrealized gains transferred from equity to parent company statements of comprehensive income	**(2,159)**	–
	8,300	696
Balances at end of year	**₱10,460**	₱2,160

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 ₱2,230 in the consolidated statements of comprehensive income.

	2013	2012	2011
Quoted equity instrument:			
Unrealized gains transferred from equity to consolidated statements of comprehensive income	**₱2,159**	₱–	₱–
Gain (loss) on disposals of quoted equity instrument	**171**	–	–
	₱2,330	₱–	₱–

There was no dividend income earned from the quoted equity instruments in 2013, 2012 and 2011. There was no impairment loss recognized in 2013, 2012 and 2011.

14. Other Noncurrent Assets

	2013	2012
Input VAT (net of accumulated allowance for possible losses of ₱139,432 and ₱124,856 as at December 31, 2013 and 2012, respectively)	**₱2,011,755**	₱1,602,838
Deferred mine exploration costs	**65,472**	49,249
MRF	**15,128**	14,467
Others	**15,028**	7,890
	₱2,107,383	₱1,674,444

Input VAT

Input VAT represents the VAT imposed under Philippine tax laws upon the sale of goods and services which is passed on to the Group by its suppliers. The input VAT is recognized as an asset and will be used to offset against the Group's current output VAT liabilities. Any excess will be claimed as tax credits. Input VAT is stated at its estimated NRV. Input VAT, net of allowance for possible losses, amounting to ₱2,011,755 will be claimed by the Group as tax credits.

Deferred Mine Exploration Costs
Deferred mine exploration costs pertain to BNC's exploration expenditures on the Moorsom, Dangla and Longpoint Project (adjacent area covering the Berong Nickel Project) (see Note 9). Management has established that economically recoverable reserves exist in the area, resulting in the decision to develop the area for commercial mining operation. BNC started to explore and develop the area adjacent to the Berong Nickel Project in 2008. No allowance for impairment was recognized as at December 31, 2013 and 2012. The parent company also incurred deferred mine exploration costs amounting to ₱16,223 in 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.

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15. Loans Payable

BDO ₱5.3 billion loan payable
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 nil, ₱36,575 and ₱92,591 in 2013, 2012 and 2011, respectively. The accrued interest payable amounted to ₱24,056 and ₱24,152 as at December 31, 2013 and 2012, respectively.

BDO ₱129 million Loan Payable
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).

16. Accounts Payable and Accrued Liabilities

	2013	2012
Trade	**₱1,899,547**	₱937,928
Accrued expenses:		
Contracted services	**201,442**	550,142
Power and other utilities	**128,540**	89,563
Personnel	**85,644**	89,220
Others	**512,872**	228,791
Interest (see Notes 15, 17 and 23)	**270,203**	252,524
Nontrade	**197,073**	425,696
Government payables	**141,111**	135,542
Payable to buyers (see Note 6)	**–**	5,131
	₱3,436,432	₱2,714,537

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.

Nontrade
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, 2013 and 2012. These are normally settled within six (6) months.

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

MRI payables pertain to the CCC's US$ denominated borrowings against its shipments of copper concentrates which bear interest at one month LIBOR rate plus 3.5% per annum. Accrued interest amounted to nil and ₱2,215 as at December 31, 2013 and 2012 respectively. Total outstanding borrowings from GHL and MRI, including the loan availed to finance the put options in 2011 amounted to nil and ₱5,131 as at December 31, 2013 and 2012, respectively.

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

The related interest expense recognized related to trust receipts amounted to ₱4,801, ₱469 and nil in 2013, 2012 and 2011, respectively.

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:

	2013	2012
Long-term debt:		
Bonds Payable	**₱13,059,825**	₱11,993,727
US$75 million BDO Loan	**2,106,497**	2,701,761
BDO Leasing & Finance, Inc. (BDO Leasing)	**1,210,622**	916,764
United Coconut Planters Bank (UCPB)	**790,231**	369,450
Land Bank of the Philippines (Land Bank)	**510,543**	–
Standard Chartered Bank (SCB)	**443,950**	–
LBP Leasing Corp (LBP Leasing)	**300,000**	–
MayBank	**297,447**	–
Security Bank	**288,568**	–
Bank of China	**266,370**	–
SBM Leasing, Inc. (SBM Leasing)	**210,301**	–
Atlas Copco Customer Finance AB (Atlas Copco)	**5,210**	33,725
Metropolitan Bank and Trust Company (MBTC) and Orix Metro Leasing and Finance Corporation (ORIX)	**2,268**	7,935
FLSmidth Krebs Pacific (FLS)	**–**	35,303
	19,491,832	16,058,665
Less noncurrent portion	**15,348,650**	14,473,422
	₱4,143,182	₱1,585,243

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

	2013	2012
Due in:		
2013	**₱–**	₱1,585,243
2014	**4,143,182**	1,028,740
2015	**1,544,912**	13,444,682
2016 and thereafter	**13,803,738**	–
	₱19,491,832	₱16,058,665

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"). 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 ₱238,068 and ₱224,578 as at December 31, 2013 and 2012, respectively (see Note 16). The interest expense recognized from bonds amounted to ₱1,076,777, ₱778,126 and nil in 2013, 2012 and 2011, respectively. CCC capitalized interest expense in relation to the Bonds Payable under "Construction in-progress", amounting to ₱452,700 and ₱13,390 in 2013 and 2012, respectively, at interest rates of 6.5% to 8% in 2013 and 2012 (see Note 10).

The Bonds Payable have an identified call option as they may be redeemed fully prior to maturity at a redemption price equal to 100% of the principal amount plus applicable premium and accrued and unpaid interest. No derivative asset was recognized on such prepayment option since it was assessed to be clearly and closely related to the host contract. The Bonds Payable also contains an equity clawback option that allows CCC to redeem up to 35% of the Bonds Payable at any time prior to March 21, 2015, at a redemption price of 106.5% of the principal amount plus accrued and unpaid interest, using the net proceeds of an equity offering (see Note 6).

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

- *Incurrence of indebtedness other than permitted indebtedness* - CCC may incur indebtedness other than those permitted under Clause 4.6(b) of the Indenture if at the time of incurrence and the receipt and application of the proceeds therefrom, (i) no default, as such is defined in the Indenture ("Default"), has occurred or is continuing, and (ii) the Fixed Charge Coverage Ratio ("FCCR") of CCC is not less than 2.5 to 1.0 (the "Incurrence Conditions"). FCCR is the ratio of (1) the aggregate amount of earnings before interest, taxes, depreciation and amortization for the most recent four (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 ascertained its compliance with the above covenants as at December 31, 2013 and 2012.

Short-term Investments
A portion of the proceeds from the issuance of the Bonds Payable was put in multiple time deposit accounts that have a five-year maturity period reckoned from the date of placement and can be terminated anytime. Such deposits are classified as short-term investments in the consolidated statements of financial position amounting to ₱1,775,800 and ₱4,740,313 as at December 31, 2013 and 2012, respectively. Interest income earned from short-term investments amounted to ₱156,099 and ₱206,132 in 2013 and 2012, respectively. Interest receivable amounted to ₱135,240 and ₱158,873 as at December 31, 2013 and 2012, 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 also created in favor of BDO mortgage liens over the real properties and chattels of CCC to secure the performance of the long-term debt agreement. The BDO Facility is also secured by a pledge of the shares of CCC that were purchased by the parent company. Such purchase was funded partly by the proceeds from the BDO Facility.

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

- Maintenance of a debt service coverage during the term of the BDO Facility (debt service coverage ratio must not be less than 1.5:1);
- Declaration and payment of dividends or any distribution to shareholders; change in ownership and voting control structure; selling, leasing, transferring, or otherwise disposing of all or substantially all of its properties and assets; or any significant portion thereof other than in the ordinary course of business; consolidation or merger with any corporation; and investment in the shares of stock of any corporation other than its affiliates.
- Cash securities (which are classified as short-term investments).

The related interest expense recognized amounted to ₱187,377, ₱237,308 and ₱107,308 in 2013 2012 and 2011, respectively. The accrued interest payable amounted to ₱1,616 and ₱2,073 as at December 31, 2013 and 2012, respectively.

Short-term Investments
Restricted cash securities classified as short-term investments amounted to ₱256,476 and ₱242,082 as at December 31, 2013 and 2012, respectively.

As at December 31, 2013 and 2012, the parent company has ascertained its compliance with the covenants respecting the BDO Facility.

c. BDO Leasing

From August 2011 to December 2013, 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 24 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 ₱82,362, ₱120,801 and nil in 2013, 2012 and 2011, respectively. The accrued interest payable amounted to ₱1,959 and nil as at December 31, 2013 and 2012, respectively.

d. 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, the Company obtained from UCPB various short-term credit facility covering the amount of US$17.8 million which was used to finance working capital requirements. The amount drawn from the facility is payable within 12 months and accrues interest at the rate of 3.5% to 4% per annum. The related interest expense recognized amounted to ₱22,683, ₱2,809 and nil in 2013, 2012 and 2011, respectively. The accrued interest payable amounted to ₱849 and ₱1,219 as at December 31, 2013 and 2012, respectively.

e. 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. The related interest expense recognized amounted to ₱10,820 in 2013and nil for both 2012 and 2011. The accrued interest payable amounted to ₱498 and nil as at December 31, 2013 and 2012, respectively.

f. 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. The related interest expense recognized amounted to ₱699 in 2013 and nil for both 2012 and 2011. The accrued interest payable amounted to ₱699 and nil as at December 31, 2013 and 2012, respectively.

g. 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 ₱3,330 in 2013 and nil for both 2012 and 2011. The accrued interest payable amounted to nil as at December 31, 2013 and 2012.

h. MayBank
From September to October 2013, CCC obtained from MayBank a short-term credit facility covering the amount of US$6.7 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 2.64% to 2.65% per annum. The related interest expense recognized amounted to ₱2,261 in 2013 and nil for both 2012 and 2011. The accrued interest payable amounted to ₱419 and nil as at December 31, 2013 and 2012, respectively.

i. Security Bank
From February to October 2013, CCC obtained from Security Bank a short-term credit facility covering the amount of US$11.3 million which was used to finance working capital requirements. The amount drawn from the facility is payable within 12 months and accrues interest at the rate of 2.25% to 2.60% per annum. The related interest expense recognized amounted to ₱4,784 in 2013 and nil for both 2012 and 2011. The accrued interest payable amounted to ₱216 and nil as at December 31, 2013 and 2012, respectively.

j. 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 2.3789% per annum. The related interest expense recognized amounted to ₱1,068 in 2013 and nil for both 2012 and 2011. The accrued interest payable amounted to ₱401 and nil as at December 31, 2013 and 2012, respectively.

k. 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 ₱13,086 in 2013 and nil for both 2012 and 2011. The accrued interest payable amounted to nil as at December 31, 2013 and 2012.

l. 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 ₱1,425 and ₱3,466 and nil in 2013, 2012 and 2011, respectively. The accrued interest payable amounted to nil as at December 31, 2013 and 2012.

m. 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. The related interest expense recognized amounted to ₱513 and ₱1,311 and ₱1,395 in 2013, 2012 and 2011, respectively. The accrued interest payable amounted to nil as at December 31, 2013 and 2012.

n. FLS
On March 29, 2011, CCC availed from FLS a US$-denominated loan facility for the amount of 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. The related interest expense recognized amounted to ₱805 and ₱10,194 and nil in 2013, 2012 and 2011, respectively. The accrued interest payable amounted to nil as at December 31, 2013 and 2012.

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 effective interest 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.

18. Liability for Mine Rehabilitation Cost

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

	2013	2012
Balances at beginning of year	**₱112,749**	₱96,896
Change in accounting estimate	**(71,895)**	10,718
Accretion of interest (see Note 26)	**5,528**	5,135
Balances at end of year	**₱46,382**	₱112,749

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.

In 2013 and 2012, the CCC changed its future rehabilitation cost projections. As at December 31, 2013 and 2012, change in the liability for mine rehabilitation cost amounted to (₱71,766) and ₱10,718, respectively, were recognized as a result of the change in estimate. In 2013, total reduction in "Mine development costs" classified under "Property, plant and equipment" amounted to ₱69,097 million (see Note 10) as a result of the change in estimate, while remaining amount of ₱8,256 was credited in the consolidated statements of comprehensive income.

CCC
In 2013 and 2012, CCC changed its estimated future cash flow in accordance with the terms of its Final Mine Rehabilitation and Decommissioning Plan (FMRDP) pursuant to which CCC shall make its first annual cash provision amounting to ₱19.4 million beginning 2014. Discount rates used by CCC are 5.1% and 5.8% for 2013 and 2012, respectively. The change in accounting estimate resulted to change in liability for mine rehabilitation cost amounting to (₱71,895) and ₱10,718 in 2013 and 2012, respectively.

BNC
Discount rate used by BNC is 5.77 % for both 2013 and 2012.

Mine Rehabilitation Costs
CCC's carrying value of capitalized mine rehabilitation costs amounted to nil and ₱65,849 as at December 31, 2013 and 2012, respectively (see Note 10).

BNC's carrying value of capitalized mine rehabilitation costs amounted to ₱63,872 and ₱67,580 as at December 31, 2013 and 2012, respectively, classified as part of "Mine and mining properties" (see Note 10).

19. Capital Stock and Deposits for Future Stock Subscriptions

a. Capital Stock

The table below presents the details of the authorized and issued and outstanding capital stock as at:

	December 31, 2013		December 31, 2012	
	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	**2,076,121,170**	**16,608,969**	2,074,366,980	16,594,936

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 2013 and 2012 are as follows:

2013

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

2012

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

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

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

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, 2013, the Group has retained earnings in an amount exceeding its paid up capital. The retention of surplus profit is on account of: (i) the restriction under the indenture respecting the Bonds Payable on the declaration of dividends exceeding 50% of cumulative net income from January 1, 2012 until December 31, 2013 of CCC; (ii) the allocation of earnings for the completion of the expansion and enhancement of the CCC's processing plant; and (iii) the earmarking of funds for substantial capital expenditures necessary to sustain operations. The BOD of CCC approved the budget for the expansion projects during the meetings held on December 7, 2012 and December 11, 2013.

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.

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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 of July 18, 2007:

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

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

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

21. Mining and Milling Costs and Mine Products Taxes

Mining and milling costs consists of:

	2013	2012 (As restated)	2011 (As restated)
Materials and supplies (see Note 7)	**₱3,380,482**	₱3,314,158	₱1,294,094
Communication, light and water	**1,769,152**	2,105,432	850,947
Depreciation, depletion and amortization (see Note 10)	**1,537,276**	1,592,860	376,978
Personnel costs	**652,613**	574,007	194,045
Contracted services	**479,945**	359,921	473,319
Provision for asset write-downs (see Note 10)	**–**	20,552	93,818
Other costs	**191,846**	703,032	108,258
	₱8,011,314	₱8,669,962	₱3,391,459

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

	2013	2012	2011
Excise taxes	**₱272,371**	₱295,369	₱96,375
Royalties (see Notes 1c and 33e)	**8,571**	11,897	100,046
	₱280,942	₱307,266	₱196,421

22. General and Administrative Expenses

	2013	2012 (As restated)	2011 (As restated)
Personnel costs	**₱636,814**	₱575,046	₱220,180
Taxes and licenses	**175,279**	167,162	79,911
Rentals	**159,423**	75,510	43,652
Depreciation and amortization (see Note 10)	**133,921**	179,242	98,861
Professional fees	**69,984**	132,570	155,888
Transportation and travel	**37,378**	38,857	26,553
Entertainment, amusement and recreation	**27,288**	21,266	19,162
Communication, light and water	**22,639**	47,735	19,827
Provision for possible losses on input VAT (see Note 14)	**14,576**	–	69,226
Repairs and maintenance	**9,725**	11,958	5,996
Office supplies	**9,666**	8,984	5,470
Provision for impairment losses on receivables (see Note 5)	**9,536**	–	1,688
PSE listing, assessment and other processing fees	**–**	–	26,583
Others	**168,158**	211,169	150,074
	₱1,474,387	₱1,469,499	₱923,071

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 consisted of the following:

	2013	2012 (As restated)	2011 (As restated)
Salaries and wages	**₱1,018,206**	₱930,684	₱318,755
Retirement benefits cost (see Note 24)	**86,704**	50,626	15,478
Other employee benefits	**184,517**	167,743	79,632
	₱1,289,427	₱1,149,053	₱413,865

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:

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

	2012			
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Subsidiaries				
Receivables				
CCC	₱2,466	₱19,928	On demand; noninterest- bearing	Unsecured, no impairment, no guarantee
AEI	1,037	102,244	On demand; noninterest- bearing	Unsecured, no impairment, no guarantee
AI	367	31,336	On demand; noninterest- bearing	Unsecured, no impairment, no guarantee
BNC	–	100,759	On demand; noninterest- bearing	Unsecured, no impairment, no guarantee
UNC	–	597	On demand; noninterest- bearing	Unsecured, no impairment, no guarantee
URHI	–	1,224	On demand; noninterest- bearing	Unsecured, no impairment, no guarantee
NRHI	–	3,006	On demand; noninterest- bearing	Unsecured, no impairment, no guarantee
Payables: increase (decrease)				
AHI	–	2,725	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:

	2013			
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Affiliates				
Receivables (see Note 5)				
Alakor	**₱–**	**₱27,722**	On demand; noninterest- bearing	Unsecured, no impairment, no guarantee
TMC	**1,668**	**3,818**	On demand; noninterest- bearing	Unsecured, no impairment, 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

	2012			
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Affiliates				
Receivables (see Note 5)				
Alakor	₱–	₱28,464	On demand; noninterest- bearing	Unsecured, no impairment, no guarantee
TMC	2,150	2,150	On demand; noninterest- bearing	Unsecured, no impairment, no guarantee
	₱2,150	₱30,614		
Payables				
TMC	₱–	₱321,338	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 parent company's share in the operating expenses of BNC that was advanced by TMC for the account of the parent company (see Note 16).

c. In November 2008, the parent company contributed ₱22,068 for the payment of the purchase price of certain parcels of land that were conveyed by the 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 shall be repaid under terms to be subsequently determined and subject to the provisions of existing loan agreements executed by the parent company.

d. In December 2010, the parent company issued a promissory note to Philodrill Corporation for the principal amount of 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 amounting to nil and ₱3,102 in 2013 and 2012, respectively. 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 and the 2011 BDO Loan (see Note 17). CCC (i) executed an irrevocable suretyship in favor of BDO whereby it became solidarily liable with the parent company for the discharge of all obligations under the BDO Facility, and (ii) created in favor of BDO mortgage liens over its real properties and chattels to secure the performance of the parent company's obligations under the 2011 BDO Loan.

f. Receivable from officers and employees as at December 31, 2013 and 2012 amounting to ₱31,568 and ₱30,539, respectively, pertain to the receivable extended by the Group to its officers and employees and unliquidated advances used in the Group's operations. These receivables from officers and employees are due and demandable (see Note 5).

g. Compensation of Key Management Personnel

The Group considers all senior officers as key management personnel.

	2013	2012	2011
Short-term benefits	**₱144,164**	₱106,644	₱38,059
Retirement benefits	**7,382**	7,869	7,917
	₱151,546	₱114,513	₱45,976

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

24. Retirement Benefits Liability

The Group has an unfunded defined retirement benefits plan covering substantially all of its employees. The plan provides a retirement of amount equal to 100% of final monthly basic salary for every year of service, with credit given for an incomplete year at the rate of one-twelfth of a full year's credit for each completed month.

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 cost 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 cost follows:

	2013	2012 (As restated)	2011 (As restated)
Current service cost	**₱86,704**	₱52,827	₱35,155
Interest cost (see Note 26)	**18,423**	10,229	8,039
Curtailment gain	**–**	(2,201)	(19,677)
	₱105,127	₱60,855	₱23,517

Retirement benefits cost for 2012 and 2011 are restated under Revised PAS 19 and do not correspond to the figures in 2012 and 2011 consolidated financial statements.

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

	2013	December 31, 2012 (As restated)	January 1, 2012 (As restated)
Balances at beginning of year	**311,905**	₱178,094	₱21,832
Additions due to acquisition	**–**	–	83,195
Current service cost	**86,704**	52,827	35,155
Effect of curtailment	**–**	(6,377)	(32,060)
Interest cost (see Note 26)	**18,423**	10,229	8,039
Re-measurement of actuarial gain (loss) - experience adjustments	**(10,492)**	28,720	10,518
Re-measurement of actuarial loss - financial assumptions	**2,383**	52,360	55,457
Re-measurement of actuarial gain - demographic assumptions	**–**	(585)	–
Benefits paid	**(4,157)**	(3,363)	(4,042)
Balances at end of year	**₱404,766**	₱311,905	₱178,094

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 cost and retirement benefits liability for the Group's defined retirement benefits plan are shown below:

	2013	December 31, 2012 (As restated)	January 1, 2012 (As restated)
Discount rate	**6.06%**	5.91%	5.74%
Expected rate of salary increase	**10.00%**	10.0%	10.0%
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 analysis below has 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)	2013
Discount rates	+1%	(45,224)
	-1%	99,921

	Increase (decrease)	2013
Salary increase rate	+1%	93,891

The Group does not expect to contribute to the defined benefit pension plan in 2014. 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, 2013:

Less than one (1) year	₱10,701,002
More than one (1) year to five (5) years	70,556,552
More than five (5) years to ten (10) years	261,634,066
More than ten (10) years to fifteen (15) years	483,920,356
More than fifteen (15) years to twenty (20) years	783,020,341
More than twenty (20) years	13,123,080,415
	₱14,732,912,732

The average duration of the defined retirement benefits liability as at December 31, 2013 and 2012 is 31 years and 19 years, respectively.

25. Income Taxes

a. The components of the benefit from income tax are as follow:

	2013	2012 (As restated)	2011 (As restated)
Current	**₱75,785**	₱29,644	₱8,849
Deferred	**(388,042)**	(60,382)	(132,353)
	(₱312,257)	(₱30,738)	(₱123,504)

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

	2013	2012	2011
RCIT	**₱65,181**	₱416	₱731
Excess of MCIT over RCIT	**10,604**	29,228	8,118
	₱75,785	₱29,644	₱8,849

c. The Group has the following carryforward benefits of NOLCO and MCIT and deductible temporary differences from the parent company, AI, AHI, URHI, UNCI and NRHI for which no deferred tax assets were recognized as it is not probable that sufficient future taxable profits will be available against which the benefits can be utilized.

	2013	2012
Carryforward benefits of:		
NOLCO	**₱255,617**	₱114,034
MCIT	**24,561**	25,173
Allowance for impairment losses on:		
Inventories	**318,246**	321,792
Receivables	**29,095**	29,095
Land	**330**	330
Retirement benefits liability	**18,489**	14,439
	₱646,338	₱504,863

d. The Group's net deferred tax assets as at December 31, 2013 and 2012 are as follows:

	2013	2012 (As restated)
Deferred tax assets:		
Unrealized foreign exchange losses	**₱719,347**	₱428,761
Provision for impairment losses:		
Allowance for assets write-down	**66,885**	104,342
Trade receivables	**1**	3,233
Allowance for inventory losses	**4,330**	669
Input VAT	**41,736**	–
Customer's deposits	**6,543**	–
NOLCO	**₱41,169**	₱55,810
Unrealized loss on derivatives	**8,644**	–
Retirement benefits liability	**115,884**	90,439
Liability for mine rehabilitation cost	**13,915**	33,825
Accrued rent	**–**	16
	1,018,454	717,095
Deferred tax liability:		
Unrealized foreign exchange gains	**653,668**	633,202
Others	**3,587**	258
	657,255	633,460
	₱361,199	₱83,635

e. The Group's deferred tax liabilities as at December 31, 2013 and 2012 are as follows:

	2013	2012
Mining rights	**₱2,743,561**	₱2,847,575
Revaluation increment on land	**93,668**	93,668
	₱2,837,229	₱2,941,243

f. As at December 31, 2013, 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
2013	2016	₱256,672	₱7,115
2012	2015	12,065	10,997
2011	2014	124,110	8,118
		₱392,847	₱26,230

Movements in NOLCO and MCIT are as follows:

	2013	2012
NOLCO:		
Beginning of year	**₱308,046**	₱1,375,022
Additions	**256,672**	12,065
Expirations	**(171,795)**	(1,060,559)
Applications	**(76)**	(18,482)
End of year	**₱392,847**	₱308,046

	2013	2012
MCIT:		
Beginning of year	**₱25,173**	₱16,294
Additions	**7,115**	10,997
Expirations	**(3,040)**	(2,118)
Applications	**(3,018)**	–
End of year	**₱26,230**	₱25,173

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

	2013	2012 (As restated)	2011 (As restated)
Provision for income tax at statutory income tax rates	**₱879,250**	₱1,418,088	₱4,507,040
Additions to (reductions in) income tax resulting from:			
Expired NOLCO	**4,714**	169	–
Operating (income) loss under income tax holiday (ITH)	**(905,958)**	(999,720)	(257,630)
Nondeductible expenses	**(181,311)**	(255,044)	218,632
Depletion of mining rights	**(104,014)**	(98,852)	(36,836)
Movements on unrecognized DTA	**42,443**	(31,253)	21,887
Fair value gain on previously held interest	**–**	–	(4,136,415)
Equity in net earnings in an associate	**–**	–	(374,365)
Realized gain on derivatives	**–**	–	(65,428)
Interest income subjected to final tax and others	**(47,381)**	(64,126)	(389)
	(₱312,257)	(₱30,738)	(₱123,504)

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 ₱40.9 million and ₱69.4 million in 2013 and 2012, 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.

BOI Incentives availed by BNC
On November 5, 2010, the BOI approved the extension of the period of availment by BNC of the ITH incentive enjoyed by BOI-registered enterprises. Such extension allows BNC to claim ITH until May 27, 2012. In addition, BNC benefits from the automatic 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

	2013	2012	2011
Interest expense on loans and long-term debt and other interest-bearing liabilities (see Notes 15 and 17)	**₱963,252**	₱1,201,086	₱235,936
Interest cost on retirement liability (see Note 24)	**18,423**	10,229	8,039
Accretion of interest on liability for mine rehabilitation cost (see Note 18)	**5,528**	5,135	1,167
	₱987,203	₱1,216,450	₱245,152

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.

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**

	Mining	Non-Mining	Total	Eliminations	Consolidated
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	**55,578,686**	**199,888**	**55,778,574**	**7,787,952**	**63,566,526**
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	**25,084,548**	**159,436**	**25,243,984**	**1,470,796**	**26,714,780**
Other segment information					
Depreciation, depletion and amortization	**1,670,733**	**464**	**1,671,196**	**–**	**1,671,197**
Finance charges	**968,780**	**–**	**–**	**–**	**968,780**

2012

	Mining	Non-Mining	Total	Eliminations	Consolidated
Segment revenue					
From external customers	₱14,450,427	₱–	₱14,450,427	₱–	₱14,450,427
From intersegment sales/services	–	28,534	28,534	(19,640)	8,894
	14,450,427	28,534	14,478,961	(19,640)	14,459,321
Segment results					
Income before income tax	4,736,298	973	4,737,271	(1,329,508)	3,407,763
Provision for (benefit from) income tax	67,661	453	68,114	(98,852)	(30,738)
Net income	4,668,637	520	4,669,157	(1,230,656)	3,438,501
Assets					
Segment assets	60,272,704	86,601	60,359,305	(2,406,123)	57,953,182
Investments	18,382,461	113,575	18,496,036	(18,496,036)	–
Goodwill	–	–	–	19,026,119	19,026,119
Mining rights	–	–	–	9,491,916	9,491,916
Liabilities					
Segment liabilities	20,849,187	153,959	21,003,146	1,351,155	22,354,301
Other segment information					
Depreciation, depletion, and amortization	1,442,281	313	1,442,594	329,508	1,772,102
Finance charges	1,206,221	–	1,206,221	–	1,206,221

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:

	2013	2012 (As restated)	2011 (As restated)
Net income attributable to equity holders of the Parent	**₱1,914,318**	₱3,285,261	₱15,033,645
Divided by basic weighted average number of common shares outstanding (in thousands)	**2,075,596**	1,930,527	1,403,047
	₱0.9223	₱1.7017	₱10.7149

Diluted earnings per share is computed as follows:

	2013	2012 (As restated)	2011 (As restated)
Net income attributable to equity holders of the Parent	**₱1,914,318**	₱3,285,261	₱15,033,645
Divided by diluted weighted average number of common shares outstanding (in thousands)*	**2,263,420**	2,120,105	1,611,335
	₱0.8458	₱1.5495	₱9.3299

**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:

	2013	2012	2011
Basic weighted average number of common shares outstanding	**2,075,596**	1,930,527	1,403,047
Adjustments:			
Convertible loans (see Notes 15 and 17)	**166,794**	166,794	183,288
Stock options (see Note 20)	**21,030**	22,784	25,000
Diluted weighted average number of common shares outstanding	**2,263,420**	2,120,105	1,611,335

29. Financial Risk Management Objectives and Policies

The Group's main financial instruments are cash and cash equivalents, 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, credit risk, commodity risk, equity price risk, concentration risk and liquidity risk. The BOD reviews and adopts relevant policies for managing each of these risks and they are summarized as follows:

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 and cash equivalents, 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, 2013 and 2012, foreign currency-denominated assets and liabilities follow:

	2013		2012	
	Original Currency	**Peso Equivalent**	Original Currency	Peso Equivalent
Assets				
Cash and cash equivalents*	**US$4,173**	**₱182,725**	US$2,756	₱113,128
	GB£139	**10,101**	GB£–	–
	JP¥2,082	**888**	JP¥3,289	1,574
Short-term investments	**US$45,777**	**2,032,276**	US$115,477	4,740,313
Receivables	**US$21,448**	**952,182**	US$30,068	1,234,293
Derivative assets	**US$318**	**14,108**	US$–	–
	US$71,716	**₱3,181,291**	US$148,301	₱6,087,734
	GB£139	**₱10,101**	GB£–	₱–
	JP¥2,082	**₱888**	JP¥3,289	₱1,574
Liabilities				
Trade payables and accrued expenses	**US$19,185**	**₱851,719**	US$7,019	₱288,144
	AU$50	**1,956**	AU$557	23,764
	EU€167	**10,144**	EU€–	–
	CD$273	**11,390**	CD$–	–
	JP¥–	**–**	JP¥371,510	177,842
Long-term debt	**US$358,617**	**15,921,818**	US$302,855	12,432,205
Derivative liabilities	**US$21**	**921**	US$185	7,590
	US$377,823	**₱16,774,458**	US$310,059	₱12,727,939
	AU$50	**₱1,956**	AU$557	₱23,764
	CD$273	**₱11,390**	CD$–	₱–
	JP¥–	**₱–**	JP¥371,510	₱177,842
Net Liabilities in US$	**US$306,107**	**₱13,593,167**	US$161,758	₱6,640,202
Net Assets (Liabilities) in JP¥	**JP¥2,595**	**₱1,105**	(JP¥363,661)	(₱173,952)
Net Liabilities in CD$	**CD$273**	**₱11,390**	CD$–	₱–
Net Liabilities in GB£	**GB£139**	**₱10,101**	GB£–	₱–

**Excluding cash on hand*

As at December 31, 2013 and 2012, foreign exchange closing rates follow

	2013	2012
US$	44.395	41.05
AU$	39.458	42.672
JP¥	0.423	0.478
CD$	41.722	41.394
GB£	72.896	66.263

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 ₱0.55and 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, while strengthening of ₱0.75 and a weakening of ₱0.72 against the US$, a strengthening of ₱1.01 and weakening of ₱0.85 against AU$, a strengthening of ₱0.02 and weakening of ₱0.01 against JP¥, for 2012. Sensitivity of the Group's pre-tax income to foreign currency risks are as follows:

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£.

Year ended December 31, 2012:

- An increase of ₱201,323 in the pre-tax income if peso strengthens by ₱0.75 against the US$. A decrease of ₱193,941 in the pre-tax income if peso weakens by ₱0.723 against the US$.
- An increase of ₱1,557 in the pre-tax income if peso weakens by ₱ 0.848 against the AU$. A decrease of ₱1,861 in the pre-tax income if the value of peso strengthens by ₱1.01295 against the AU$.
- An increase of ₱7,510 in the pre-tax income if peso strengthens by ₱0.02 against the JP¥. A decrease of ₱4,164 in the pre-tax income if the value of peso weakens by ₱0.01 against the JP¥.

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, 2013 and 2012:

December 31, 2013:

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

December 31, 2012:

Change in Copper Prices	Effect on Income Before Income Tax
Increase by 24%	₱192,244,161
Decrease by 24%	(192,244,161)

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 and cash equivalents, 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 cash equivalents and AFS financial assets, credit risk is mitigated by the short-term and/or liquid nature of its cash investments placed with financial institutions of high credit standing.

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

	2013	2012
Cash and cash equivalents*	**₱862,273**	₱651,607
Short-term investments	**2,032,276**	4,982,395
Trade receivables	**824,180**	1,311,345
Interest receivables	**135,240**	158,873
Derivative assets	**14,108**	–
AFS financial assets	**5,599**	4,896
MRF under "Other noncurrent assets"	**15,128**	14,467
	₱3,888,804	₱7,123,583

**Excluding cash on hand*

Credit Quality Per Class of Financial Assets
The credit quality by class of asset for the Group's financial assets as at December 31, 2013 and 2012 based on credit rating system follows:

December 31, 2013:

	Neither past due nor impaired			**Past Due But Not Impaired**	
	High Grade	**Standard Grade**	**Substandard Grade**		**Total**
Loans and receivables:					
Cash and cash equivalents*	**₱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**
MRF under "Other noncurrent assets"	**15,128**	**–**	**–**	**–**	**15,128**
Derivative assets	**14,108**	**–**	**–**	**–**	**14,108**
AFS financial assets	**–**	**–**	**5,599**	**–**	**5,599**
	₱3,883,205	**₱–**	**₱5,599**	**₱–**	**₱3,888,804**

**Excluding cash on hand*

December 31, 2012:

	Neither past due nor impaired			Past Due But Not Impaired	
	High Grade	Standard Grade	Substandard Grade		Total
Loans and receivables:					
Cash and cash equivalents*	₱651,607	₱–	₱–	₱–	₱651,607
Short-term investments	4,982,395	–	–	–	4,982,395
Trade receivables	1,311,345	–	–	–	1,311,345
Interest receivables	158,873	–	–	–	158,873
MRF under "Other noncurrent assets"	14,467	–	–	–	14,467
AFS financial assets	–	–	4,896	–	4,896
	₱7,118,687	₱–	₱4,896	₱–	₱7,123,583

**Excluding cash on hand*

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

- Cash and cash equivalents, short-term investments and related interest receivables and MRF 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, 2013:

	Neither past due nor Impaired	Past due but not impaired			
		Less than 30 days	30 - 60 Days	More than 60 Days	Total
Loans and receivables:					
Cash and cash equivalents *	**₱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
MRF under "Other noncurrent assets"	**15,128**	–	–	–	15,128
Derivative assets	**14,108**	–	–	–	14,108
AFS financial asset	**5,599**	–	–	–	5,599
	₱3,064,624	₱–	₱824,180	₱–	₱3,888,804

**Excluding cash on hand*

December 31, 2012:

	Neither past due nor Impaired	Past due but not impaired			
		Less than 30 days	30 – 60 Days	More than 60 Days	Total
Loans and receivables:					
Cash and cash equivalents *	**₱651,607**	₱–	₱–	₱–	₱651,607
Short-term investments	**4,982,395**	–	–	–	4,982,395
Trade receivables	**–**	–	1,311,345	–	1,311,345
Interest receivables	**158,873**	–	–	–	158,873
MRF under "Other noncurrent assets"	**14,467**	–	–	–	14,467
AFS financial asset	**4,896**	–	–	–	4,896
	₱5,812,238	₱–	₱1,311,345	₱–	₱7,123,583

**Excluding cash on hand*

Concentration Risk

In 2013 and 2012, 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 Company 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, 2013 and 2012 follow:

December 31, 2013:

	On demand	**Within 1 year**	**1 to <3 years**	**> 3 years**	**Total**
Loans and receivables:					
Cash and cash equivalents	**₱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**
MRF under "Other noncurrent assets"	**15,128**	**–**	**–**	**–**	**15,128**
Derivative assets	**14,108**	**–**	**–**	**–**	**14,108**
AFS financial asset	**5,599**	**–**	**–**	**–**	**5,599**
	₱3,068,710	**₱824,180**	**₱–**	**₱–**	**₱3,892,890**
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**
	₱2,634,695	**(₱6,614,763)**	**(₱15,348,650)**	**₱–**	**(₱19,328,718)**

***Excluding government payables*

December 31, 2012:

	On demand	Within 1 year	1 to <3 years	> 3 years	Total
Loans and receivables:					
Cash and cash equivalents	₱654,788	₱–	₱–	₱–	₱654,788
Short-term investments	4,982,395	–	–	–	4,982,395
Trade receivables	–	1,311,345	–	–	1,311,345
Interest receivables	158,873	–	–	–	158,873
MRF under "Other noncurrent assets"	14,467	–	–	–	14,467
AFS Financial Assets	4,896	–	–	–	4,896
	5,815,419	1,311,345	–	–	7,126,764
Financial liabilities:					
Accounts payable and accrued liabilities **	–	2,489,229	–	–	2,489,229
Payable to related parties	324,354	–	–	–	324,354
Long-term debt and other interest-bearing liabilities	–	9,640,153	5,856,671	–	15,496,824
Derivative liabilities	–	7,590	–	–	7,590
	324,354	12,136,972	5,856,671	–	18,317,997
	₱5,491,065	(₱10,825,627)	(₱5,856,671)	₱–	(₱11,191,233)

***Excluding government payables*

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's mix of fixed and floating interest rate debt is 100:0 in 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, 2013 and 2012.

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	
	2013	2012	**2013**	2012
Other Financial Liabilities				
Long-term debt and other interest-bearing liabilities:				
Bonds Payable	**₱13,059,825**	₱11,993,727	**₱12,918,340**	₱12,234,201
US$75 million BDO Loan	**2,106,497**	2,701,761	**2,305,142**	3,052,382
BDO Leasing	**1,210,622**	916,764	**1,299,587**	1,006,718
SBM Leasing	**210,301**	–	**228,205**	–
LBP Leasing	**300,000**	–	**331,416**	–
	16,887,245	15,612,252	**17,082,690**	16,293,301

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

AFS Financial Assets
The fair value of quoted equity instrument is determined by reference to market bid quotes at the end of the reporting period. AFS financial assets are 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 Company's net income:

	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 quotational period specified for each sales contract discounted with the risk free rate of return. Derivative assets and liabilities are carried at fair value.

The Group uses the following hierarchy for determining and disclosing the fair value by valuation technique:
- Quoted prices in active markets for identical liability (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those inputs for the liability that are not based on observable market data (unobservable inputs) (Level 3).

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

December 31, 2013

	Level 1	**Level 2**	**Level 3**	**Total**
Asset measured at fair value:				
AFS financial assets	**₱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)**

December 31, 2012

	Level 1	Level 2	Level 3	Total
Asset measured at fair value:				
AFS financial assets	₱4,896	₱–	₱–	₱4,896
Liability measured at fair value:				
Derivative liabilities	–	(7,590)	–	(7,590)
Liability for which fair values are disclosed:				
Long-term debt and other interest-bearing liabilities	(12,234,201)	–	(4,059,100)	(16,293,301)
Total	(₱12,234,201)	(₱7,590)	(₱4,059,100)	(₱16,300,891)

There were no transfers between levels of fair value measurement as at December 31, 2013 and 2012.

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 2013 and 2012.

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

	2013	2012 (As restated)
Capital stock	**₱16,608,969**	₱16,594,936
Additional paid-in capital	**7,063**	3,554
Long-term debt and other interest-bearing liabilities	**19,491,832**	15,496,824
Retained earnings	**19,842,996**	18,447,515
	₱55,950,860	₱50,542,829

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") that confirmed, among others, that the government's right to collect the Masbate Taxes had already prescribed. Relying upon the authority of the Ruling, the parent company wrote-off from its books the amount corresponding to the Masbate Taxes.

On July 13, 2010, the Commissioner of Internal Revenue issued a memorandum order on the revocation of the Ruling. Following such revocation, the BIR issued on August 19, 2010 a Warrant of Distraint or Levy (the WDL) 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 (the Petition) 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.

On October 1, 2013, the CTA granted the Petition and cancelled the WDL. The motion for reconsideration filed by the BIR with respect to such decision was denied by the CTA on November 27, 2013. The BIR has elevated the case to the CTA en banc for review.

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, 2013.

CCC

Power Agreements

- On June 5, 2012, CCC signed a twelve year Electric Power Purchase Agreement (the "EPPA") with Toledo Power Company. Pursuant to the terms of the EPPA, Toledo Power Company will build and operate a 72-megawatt net output clean coal-fired power plant in Toledo City (the "Plant") that will guarantee the supply of up to 60 megawatts of electric power to CCC's mining operations upon its commissioning which is expected by the end of December 2014.

  On even date, CCC and Toledo Power Company executed an Energy Conversion Agreement whereby CCC shall supply to Toledo Power Company the fuel needed to generate the electric power that it will require for its operations until the commissioning of the Plant.

- In December 2009, CCC entered into a power agreement with Toledo Power Company for the supply of electricity at certain and established pricing formula for a period of 3 years and renewable upon advance notice by CCC of at least 6 months before the expiration date. The EPPA will expire in January 2014.

- In June 2008, CCC entered into a power supply agreement with Cebu III Electric Cooperative, Inc. for the supply of 2MW of firm electric power at agreed prices. The agreement may be terminated by either party upon 30 days prior notice.

Total utilities expenses related to the above power agreements amounted ₱1,801,605 and ₱2,107,868 in 2013 and 2012, 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 ₱1,810,914 and ₱1,609,086 in 2013 and 2012, 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 ₱894,789 and ₱1,908,927 in 2013 and 2012, 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 2013, 2012 and 2011.

Collective Bargaining Agreement

CCC has an existing collective bargaining agreement (CBA) with its rank-and-file union that was executed in October 2012. The economic provisions of the CBA are subject to re-negotiation on the third anniversary of the CBA's execution. The CBA shall be valid, as to the representation aspect, for a period of five years.

Social Development and Management Program (SDMP)
CCC has a five-year SDMP in compliance with Department of Environment and Natural Resources (DENR) Administrative Order 96-40, as amended. CCC has been implementing its SDMP as approved by the MGB.

Consignment Agreement
In 2012, CCC entered into a consignment agreement with Synchrotek Corporation for the supply of filters and lubricants and with Morse Hydraulics for the supply of hydraulic hoses and fittings at established price list valid for one year beginning July 1, 2012 to June 30, 2013. In July 2013, the CCC renewed its contract with Synchrotek Corporation valid for one (1) year beginning July 1, 2013 to June 30, 2014.

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, 2013 and 2012, BNC has ETF amounting to ₱207 and ₱206, respectively.

MRF
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, 2013 and 2012, BNC has RCF amounting to ₱5,159 and ₱5,147, respectively and MTF amounting to ₱150.

Memorandum of Agreement (MOA) with Tagbanua Indigenous Peoples (IP)/Indigenous Cultural Community (ICC)
In 2005, BNC, Tagbanua IPs/ICCs and National Commission on Indigenous Peoples entered into a MOA. The MOA relate exclusively to the areas applied for and disclosed to the Tagbanua IPs/ICCs of Berong Aramaywan, Quezon, Province of Palawan and shall cover and apply exclusively to all the activities, processes, operations and other related issues under the MPSA application of BNC. Under the MOA, the Tagbanua IPs/ICCs has the right to receive from BNC a royalty payment equivalent to 1% of the gross revenues based on the provisions of the Mining Act subject to devaluation of the Philippine peso.

The said royalty is paid to 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, 2013, 2012 and 2011 amounted to ₱4.9 million, ₱8.6 million and ₱1.1 million, respectively. In 2013, 2012 and 2011, BNC has recognized royalty expense amounting to ₱8,571, ₱11,897 and ₱5,776, respectively.

Service Agreement with Ivy Michelle Trading & Construction (IMTC)
On May 10, 2011, a Service Agreement was entered into by BNC and IMTC, where the latter shall lease its 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
Purchase Commitments
There were no unusual purchase commitments or losses on commitments entered into by the Group.

33. Other Matters

a. EO 79
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 MPSA. Pursuant to Section 1 of EO 79, a mining contract, such as an MPSA, that was approved before the effectivity of the EO shall continue to be valid, binding and enforceable so long as the contractor thereunder strictly complies with existing laws, rules and regulations and the terms and conditions under the mining contract.

b. Deed of Assignment and Exchange of Assets for Shares of Stock
In 2006, CCC entered into an Operating Agreement with the parent company for the conveyance to CCC of rights over the Toledo minesite, certain fixed assets and surface rights for a royalty fee mutually agreed by the parties. The agreement may be terminated by CCC upon 30 days prior written notice.

c. Operating Agreement (the "Agreement") with CCC
On May 5, 2006, the parent company entered into the Agreement with CCC wherein the parent company conveyed to CCC its exploration, development and utilization rights with respect to certain mining rights and claims (the "Toledo Mine Rights") and the right to rehabilitate, operate and/or maintain certain of its Fixed Assets.

In consideration of CCC's use of the Toledo Mine Rights, the Agreement provides that CCC shall pay the parent company a fee equal to 10% of the sum of the following:

a. royalty payments to third party claim holders of the Toledo Mine Rights;
b. lease payments to third party owners of the relevant portions of the parcels of land covered by the surface rights; and
c. real property tax payments on the parcels of land covered by the surface rights and on the relevant fixed assets.

On March 10, 2010, the parent company and CCC agreed on a royalty payment arrangement and on the computation of the basis of royalty income which is 2% of the gross sale by CCC of copper concentrates.

In September 2013 and February 2012, 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 2013 and 2012, respectively.

d. Declaration of Cash Dividends
The parent company, upon the approval granted by its BOD on March 8, 2013, declared cash dividends in the amount of ₱0.25 per share of its capital stock. The dividends were paid on April 19, 2013 to all stockholders of record as at March 22, 2013.

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 ₱452,687 and ₱17,929 in 2013 and 2012, 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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For inquiries regarding dividend payment, change of address and account status, and lost or damaged stock certificates, please write or call:

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34th Floor Rufino Pacific Tower,
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