ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION

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

ATLAS
MINING

Atlas Consolidated Mining & Development Corporation
9th Floor, Quad Alpha Centrum, 125 Pioneer Street,
Mandaluyong City 1554 Philippines
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NOTICE OF
ANNUAL GENERAL MEETING
OF STOCKHOLDERS

TO OUR STOCKHOLDERS:

The Annual General Meeting ("Meeting") of the stockholders of **ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION** ("Atlas") will be held at the EDSA Shangri-La Hotel in Mandaluyong City on 22 August 2012, Wednesday, at 10:00 a.m. with the following agenda:

I. Election of Directors
II. Approval of 2011 Audited Financial Statements
III. Presentation of Management's report to the Stockholders
IV. Approval of the minutes of the Annual General Stockholders' Meeting held on 9 November 2011
V. Ratification of acts and resolutions of the Board of Directors and Management
VI. Appointment of External Auditors
VII. Other Matters

The Atlas Board of Directors has fixed 6 July 2012 as the record date for the determination of the list of stockholders who are entitled to receive notice of and to vote at the Meeting. The list will be available for inspection thirty (30) calendar days prior to the date of the Meeting at the principal office of Atlas located at the 9th Floor, Quad Alpha Centrum,125 Pioneer Street, Mandaluyong City, Philippines 1554 ("Office").

Stockholders who can not attend the Meeting in person but wish to be represented thereat should deliver their proxies – in the form to be sent on or before 31 July 2012 – to the Office not later than 5:00 p.m. on 16 August 2012. All proxies received will be validated on 17 August 2012. The submission of a proxy will not affect your right to vote in person should you decide to attend the Meeting.

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

CARMEN-ROSE A. BASALLO-ESTAMPADOR
Assistant Corporate Secretary

16 July 2012

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS

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

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

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

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

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

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

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

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

8. **22 August 2012, 10:00 A.M., EDSA Shangri-La Hotel, Mandaluyong City**
   Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **31 July 2012**

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

Title of Each Class	Number of Shares of Common Stock Outstanding as of record date
Common Stock, ₱ 8.00 par value	**2,072,589,788**

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

Yes __/__ No ______

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

Philippine Stock Exchange, Inc. – Common Stock

PART I
Information required in Information Statement

A. GENERAL INFORMATION

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

(a) Date : 22 August 2012
Time : 10:00 A.M.
Place : EDSA Shangri-La Hotel

- Complete mailing address of the Company:

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

(b) Approximate date on which the Information Statement is first to be sent or given to security holders: 31 July 2012

Item 2. Dissenter's right of appraisal

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

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

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

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

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting securities and principal holders thereof

a) On 6 July 2012 (the "Record Date"), the Company had **1,799,491,628** issued and outstanding common shares with a par value of Ten Pesos (PhP10.00) per share. Each common share entitles the holder to one vote.

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

c) With respect to the election of directors –

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

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

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

d) Security ownership of certain owners and management

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

Title/Class of Shares	Name & Address of Record Owner and Relationship with the Company	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Holdings	%
Common	ALAKOR CORPORATION Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City - Not related to the Company except as stockholder * Mr. Alfredo C. Ramos has been	Record and beneficial owner	Filipino	454,281,461	25.24%

	appointed as proxy to represent and vote for the shares of Alakor Corporation at the Meeting				
Common	SM INVESTMENTS CORPORATION 10th Floor, One E-Com Center, Mall of Asia Complex, CBP-1A Pasay City - Not related to the Company except as stockholder * Mr. Hans T. Sy and/or Mr. Harley T. Sy and/or Ms. Virginia A. Yap have been appointed as proxy to represent and vote for the shares of SM Investments Corporation at the Meeting	Record and beneficial owner	Filipino	316,242,331	17.57%
Common	ANGLO PHILIPPINE HOLDINGS CORPORATION Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City - Not related to the Company except as stockholder * Mr. Alfredo C. Ramos has been appointed as proxy to represent and vote for the shares of Anglo Philippine Holdings Corporation at the Meeting	Record and beneficial owner	Filipino	171,450,500	9.53%
Common	ZENITH HOLDINGS CORPORATION Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City - Not related to the Company except as a stockholder * Mr. Alfredo C. Ramos has been appointed as proxy to represent and vote for the shares of Zenith Holdings Corporation at the Meeting	Record and beneficial owner	Filipino	111,196,319	6.18%

- As of 6 July 2012, only DFC Holdings, Inc. is known to the Company as an owner of shares of stock of the Company that are lodged with the Philippine Depository and Trust Corporation and which constitute more than 5% of the issued and outstanding capital stock.

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

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

Title of Class	Name of Directors / Officers	No. of Shares Held	Citizenship	Percent (%)	Nature of Ownership
Common	Alfredo C. Ramos	10,000,100	Filipino	0.56	Record Owner

Common	Martin C. Buckingham	24,553,301	British	1.36	Beneficial Owner
Common	Adrian Paulino S. Ramos	5,991,910	Filipino	0.33	Beneficial Owner
Common	Gerard Anton S. Ramos	8,201,000	Filipino	0.46	Beneficial Owner
Common	Hans T. Sy	1,001	Filipino	0.00	Beneficial Owner
Common	Frederic C. DyBuncio	1,001	Filipino	0.00	Beneficial Owner
Common	Jose T. Sio	1,001	Filipino	0.00	Beneficial Owner
Common	Isidro A. Consunji	1	Filipino	0.00	Beneficial Owner
Common	Fulgencio S. Factoran Jr.	110,000	Filipino		Beneficial Owner
Common	Alfredo R. Rosal Jr.	100	Filipino	0.00	Beneficial Owner
Common	Richard J. Gordon	1	Filipino	0.00	Beneficial Owner
Common	Roderico V. Puno	0	Filipino	0.00	N/A
Common	Noel T. Del Castillo	0	Filipino	0.00	N/A
Common	David M. dela Cruz	0	Filipino	0.00	N/A
Common	Rene G. de Ocampo	0	Filipino	0.00	N/A
Common	Jesus C. Valledor, Jr.	0	Filipino	0.00	N/A
Common	Carmen-Rose A. Basallo-Estampador	0	Filipino	0.00	N/A
	All Directors and Officers as a Group	***48,859,416***			

e) Changes in control

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

Item 5. Directors and Executive Officers

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

The incumbent directors of the Company are:

ALFREDO C. RAMOS	HANS T. SY
MARTIN C. BUCKINGHAM	ISIDRO A. CONSUNJI

ADRIAN PAULINO S. RAMOS	FREDERIC C. DYBUNCIO
GERARD ANTON S. RAMOS	JOSE T. SIO
FULGENCIO S. FACTORAN Jr.	RICHARD J. GORDON
ALFREDO R. ROSAL Jr.	

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

The incumbent officers of the Company are:

ALFREDO C. RAMOS	-	Chairman and President
HANS T. SY	-	Vice-Chairman
ADRIAN PAULINO S. RAMOS	-	Executive Vice-President
MARTIN C. BUCKINGHAM	-	Executive Vice-President
RODERICO V. PUNO	-	Corporate Secretary
NOEL T. DEL CASTILLO	-	Treasurer
DAVID M. DELA CRUZ	-	Vice-President - Chief Financial Officer
RENE G. DE OCAMPO	-	Vice-President - Human Resources
JESUS C. VALLEDOR	-	Assistant Vice-President - Administration and Comptrollership
CARMEN-ROSE A. BASALLO-ESTAMPADOR	-	Compliance Officer/Assistant Corporate Secretary/Assistant Vice-President – Legal Affairs, Compliance and Corporate Governance

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

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

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

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

Office/s	Name of Nominee	Citizenship	Age	Footnote Legends
Chairman of the Board of Directors/ President	Alfredo C. Ramos	Filipino	68	(a)
Vice-Chairman of the Board of Directors	Frederic C. DyBuncio	Filipino	52	(b)
Director /ExecutiveVice-President	Martin C. Buckingham	British	60	(c)
Director/Executive Vice-President	Adrian Paulino S. Ramos	Filipino	34	(d)
Director	Isidro A. Consunji	Filipino	63	(e)
Director	Gerard Anton S. Ramos	Filipino	38	(f)
Director	Jose T. Sio	Filipino	72	(g)
Independent Director	Fulgencio S. Factoran Jr.	Filipino	68	(h)
Independent Director	Richard J. Gordon	Filipino	66	(i)
Independent Director	Alfredo R. Rosal, Jr.	Filipino	64	(j)
Independent Director	Laurito E. Serrano	Filipino	51	(k)
Corporate Secretary	Roderico V. Puno	Filipino	48	
Treasurer	Noel T. del Castillo	Filipino	74	
Vice-President – Chief Financial Officer	David M. dela Cruz	Filipino	46	
Vice-President – Human Resources	Rene G. de Ocampo	Filipino	49	
Assistant Vice-President - Administration and Comptrollership	Jesus C. Valledor	Filipino	48	
Compliance Officer/Assistant Corporate Secretary/Assistant Vice-President – Legal Affairs, Compliance and Corporate Governance	Carmen-Rose A. Basallo-Estampador	Filipino	34	

(a) - Elected as Chairman of the Board of Directors and President on 9 November 2011; nominee of Alakor Corporation
("Alakor")
(b) - Elected as Director on 9 November 2011; nominee of SM Investments Corporation ("SMIC")
(c) - Elected as Director and Executive Vice-President on 9 November 2011; nominee of Alakor
(d) - Elected as Director and Vice-President on 9 November 2011; nominee of Alakor
(e) - Elected as Director on 20 April 2012; nominee of SMIC
(f) - Elected as Director on 9 November 2011; nominee of Alakor
(g) - Elected as Director on 9 November 2011; nominee of SMIC
(h) - Elected as Independent Director on 28 February 2012; nominee of Alakor and SMIC
(i) - Elected as Independent Director on 9 November 2011; nominee of Alakor
(j) - Elected as Independent Director on 9 November 2011; nominee of Alakor
(k) - Nominee of SMIC

➢ *Profiles of nominees*

ALFREDO C. RAMOS

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

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

FREDERIC C. DYBUNCIO

- Director of the Company since 12 August 2011

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

MARTIN C. BUCKINGHAM

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

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

ADRIAN PAULINO S. RAMOS

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

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

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

ISIDRO A. CONSUNJI

- Director of the Company since 20 April 2012

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

GERARD ANTON S. RAMOS

- Director of the Company since 18 July 2007

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

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

JOSE T. SIO

- Director of the Company since 12 August 2011

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

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

FULGENCIO S. FACTORAN Jr.

- Director of the Company since 28 February 2012

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

❖ He obtained his Bachelor of Laws degree from the University of the Philippines (Cum Laude; Valedictorian), and his Master of Laws degree from the Harvard Law School (Harvard University, Cambridge, Massachusetts).

❖ The law office of Factoran and Associates does not act as legal counsel of the Company.

RICHARD J. GORDON

- Independent Director of the Company since 5 April 2011

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

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

ALFREDO R. ROSAL JR.

- Independent Director of the Company since 31 March 2003

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

LAURITO E. SERRANO

- Nominee for Independent Director

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

RODERICO V. PUNO

- Corporate Secretary of the Company since 15 September 2006

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

NOEL T. DEL CASTILLO

- Treasurer of the Company since 22 July 2002

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

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

DAVID M. DELA CRUZ

- Vice-President and Chief Financial Officer of the Company since 16 January 2012

- ❖ Mr. dela Cruz has had extensive experience in the areas of investment banking, equities research, risk management, public accounting, and investor relations, having been previously connected as a corporate and project finance executive at Deutsche Morgan Grenfell (HK), as head of equities sales at the Lion Group of Malaysia's regional equity house, as head of strategic planning and investor relations at Sta. Lucia Land, Inc., as head of corporate credit risk management at BDO Unibank, Inc., and as senior member of the audit staff of SGV & Co.
- ❖ He attended the Mergers and Acquisitions program at Standford University in California, and has a master's degree in business administration from the De La Salle University where he also obtained his dual undergraduate degree in economics and accounting. He placed 9th in the May 1987 licensure examination for accountants.

RENE G. DE OCAMPO

- Vice-President of the Company (for Human Resources) since 2 January 2012

- ❖ Mr. de Ocampo has been an HR practitioner for the past two decades. He has broad experience in the fields of strategic hiring, employee engagement, manpower planning and development, and compensation and benefits structuring, which he gained from holding HR executive positions in multinational firms and member firms of local conglomerates across various industries.

JESUS C. VALLEDOR, JR.

- Assistant Vice-President of the Company (for Administration and Comptrollership) since 2006

- ❖ Mr. Valledor joined the Company as an accountant in 1988 and rose from the ranks to his present position.
- ❖ He obtained his license as a certified public accountant in 1985.

CARMEN ROSE A. BASALLO-ESTAMPADOR

- Assistant Corporate Secretary, Assistant Compliance Officer, and legal counsel of the Company since 15 September 2006
- Compliance Officer of the Company since 9 November 2011

- Assistant Vice-President of the Company (for Legal Affairs, Compliance, and Corporate Governance) since 1 July 2012

❖ Atty. Basallo-Estampador is concurrently the assistant corporate secretary of Carmen Copper Corporation. She served as corporate secretary of Berong Nickel Corporation from April 2007 to March 2011. Prior to joining the Company, she worked as a tax and corporate attorney for the Manila office of the multinational accounting firm KPMG.

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

➢ *Representations regarding the nominees*

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

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

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

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

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

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

g) Related-party transactions

2012

Name of Related Party/Relationship to the Company	*Nature of Transaction*	*Amount Involved*
SM Investments Corporation (owner of more than 5% of the Company's issued and outstanding capital stock)	Convertible Loan	PhP5,492,683,857.33 (the full amount of the obligation was converted into equity of the Company through the issuance to SM Investments Corporation of a total of 273,098,160 of the Company's shares of stock)

2011 **(As disclosed in the Notes to the 2011 Audited Consolidated Financial Statements of the Company and its subsidiaries)**

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 that are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors or its stockholders.

a. The Company's related-party transactions consist mainly of advances availed from or granted to related parties for administrative and operating costs and expenses, or assignment of receivables and payables.

   The statements of financial position of the Company reflect the following details pertaining to such related-party transactions:

	Nature of Relationship	2011	2010	2009
Advances to related parties:				
CCC	Subsidiary	**₱880,882**	₱602,816	₱631,473
Berong Nickel Corporation	Subsidiary	**107,607**	97,664	94,727
Atlas Exploration, Inc.	Subsidiary	**98,824**	62,304	48,757
Aquatlas, Inc.	Subsidiary	**30,980**	29,651	27,669
Ulugan Resources Holdings, Inc.	Subsidiary	**3,006**	3,006	3,006
Nickeline Resources Holdings, Inc.	Subsidiary	**1,224**	1,224	1,224
Ulugan Nickel Corporation	Subsidiary	**597**	597	597
Alakor Corporation	Stockholder	**30,202**	22,068	22,068
		₱1,153,322	₱819,330	₱829,521
Advances from related parties:				
The Philodrill Corporation	Stockholder	**₱73,213**	₱73,213	₱–
Alakor Corporation	Stockholder	**–**	65,687	743,808
Amosite Holdings, Inc.	Subsidiary	**2,818**	2,916	3,009
		₱76,031	₱141,816	₱746,817

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

b. Advances made by the Company to its officers and employees aggregated ₱8.632 million as of 31 December 2011, ₱9.840 million as of 31 December 2010, and ₱8.672 as of 31 December 2009.

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

Item 6. Compensation of directors and executive officers

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

Name and Position		**Aggregate annual cash compensation (PhP)**		
		Salaries	Other compensation	Bonuses
Alfredo C. Ramos -- President				
Martin C. Buckingham -- Executive Vice-President & CFO	2009	10,111,222	-0-	850,102
	2010	10,111,222	-0-	850,102
	2011	10,193,722	-0-	850,102
Adrian Paulino S. Ramos -- Vice-President				
Jesus C. Valledor -- Assistant Vice-President for Administration and Comptrollership				
Noel T. Del Castillo -- Treasurer				
All other officers as a group	2009	4,800,000	-0-	400,000
	2010	1,600,000	-0-	130,000
	2011	696,000	-0-	58,000

* For 2012, the estimated aggregate cash compensation to be paid (i) to the four most highly compensated officers amounts to PhP24,715,267.00, and (ii) to all officers as a group amounts to PhP10,645,000.00

<u>Atlas has not formally designated a Chief Executive Officer.</u>

b) Compensation of directors

In 2011, Atlas paid its directors a *per diem* of PhP5,000.00 for every meeting attended.

c) Stock Options

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

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

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

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

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

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

Name	***Position***	***No. of Shares***
Alfredo C. Ramos	Chairman and President	4,385,970
Martin C. Buckingham	Executive Vice-President and Director	3,508,770
Adrian Paulino S. Ramos	Executive Vice-President	2,631,570
Jesus C. Valledor	Assistant Vice President for Administration and Comptrollership	877,190
Other officers and directors as a group		3,491,236
TOTAL		**14,894,736**

Item 7. Independent public accountants

a) SYCIP GORRES VELAYO & COMPANY (“SGV”), with business address at 6760 Ayala Avenue, Makati City, is recommended to stockholders for appointment as independent accountant/external auditor of the Company for the current fiscal year. SGV was the Company’s independent accountant/external auditor for fiscal year 2011.

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

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

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

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

f) The incumbent members of the Company's Audit Committee are Atty. Alfredo R. Rosal Jr. (Chairman), Mr. Adrian Paulino S. Ramos and Mr. Jose T. Sio.

Item 8. Compensation Plans

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Issuance of securities

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

Item 10. Modification or Exchange of Securities

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

Item 11. Financial and other information

The information required under this Item 11 are contained in the accompanying annual report (Form 17-A).

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

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

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

Item 13. Acquisition or Disposition of Property

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

Item 14. Restatement of Accounts

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

D. OTHER MATTERS

Item 15. Action with respect to reports

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

a. Minutes of the Annual General Meeting of Stockholders held on 9 November 2011
b. Audited Financial Statements and Annual Report for the year ended 31 December 2011
c. Acts and resolutions of the Board of Directors and Management during the period beginning 9 November 2011 and ending on the date of the Meeting
d. Appointment of SGV&Co. as independent accountant/external auditor for 2012

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

The following were approved during the 9 November 2011 Annual General Stockholders' Meeting:

1) Audited Financial Statements for the fiscal year ended 31 December 2010
2) Minutes of the Annual General Stockholders' Meeting held on 25 June 2010
3) Acts and resolutions of the Board of Directors and Management during the period between 25 June 2010 and 9 November 2011
4) Listing with the Philippine Stock Exchange (PSE) of the Company's shares of stock that were issued to Alakor Corporation, Anglo Philippine Holdings Corporation, SM Investments Corporation and Zenith Holdings Corporation (the "Shares"), and the waiver of the Company's compliance with any requirement to conduct a rights offering with respect to its shares of stock as may be prescribed under the PSE's Revised Listing Rules in connection with the listing of the Shares
5) The terms of the issuance of the Company's shares of stock to Banco De Oro Unibank, Inc. (BDO) in the event of the conversion of the loan under the 25 July 2011 Secured Notes Facility Agreement between the Company and BDO covering the amount of PhP5,341,800,000.00
6) The agreements executed by the Company to secure (a) the obligations of Carmen Copper Corporation to BDO under their 15 December 2010 Omnibus Loan and Security Agreement, and (b) its own obligations under the 25 July 2011 Secured Notes Facility Agreement respecting the US$75,000,000.00 facility that it obtained from BDO

7) The increase in the authorized capital stock of the Company from PhP20,000,000,000.00 to PhP30,000,000,000.00, and the subscription of BDO and/or its assignee/s to the increase in the event of the election by BDO of the option to convert into equity the PhP5.3418 billion loan covered by the 25 July 2011 Secured Notes Facility Agreement
8) The implementation in tranches of a decrease in the Company's authorized capital stock through the reduction of the current par value of each share of stock of the Company by an amount not exceeding PhP2.00, and the reorganization of the Company's equity structure in a manner that will allow the partial elimination of the Company's accumulated deficit through the application of the additional paid-in capital that will be created from the decrease in authorized capital stock

As to item (c), the only material corporate action approved by the Company's Board of Directors during the period beginning 9 November 2011 and ending on the date of this information statement[1] was the issuance of 273,098,160 of the Company's shares of stock to SM Investments Corporation (SMIC) to implement the conversion into the Company's equity of the loan obligation covered by the 25 July 2011 Secured Notes Facility Agreement between the Company and BDO Unibank, Inc. ("BDO"), the rights to which were assigned by BDO to SMIC.

Copies of the minutes of the 9 November 2011 Annual General Meeting of Stockholders and the 2011 audited financial statements of the Company will be available at the venue and may be reviewed by the stockholders attending the Meeting.

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

Item 16. Matters Not Required to be Submitted

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

Item 17. Amendment of Charter

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

Item 18. Other proposed actions

Not applicable.

Item 19. Voting procedures

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

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

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

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

PART II
Information required in proxy form

Please see accompanying proxy form.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Mandaluyong on 16 July 2012.

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION

By:

CARMEN-ROSE A. BASALLO-ESTAMPADOR
Assistant Corporate Secretary

ATLAS CONSOLIDATED MINING & DEVELOPMENT CORPORATION
7th Floor Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City, Metro Manila, Philippines 1554
Telephone Nos.: (632) 635-2387, (632) 635-4495 Fax No.: (632) 635-2387 E-mail: info@atlasphilippines.com

PROXY

This solicitation is being made by ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION (the "Company") and the proxy will serve to constitute and appoint:

The incumbent Chairman of the Board of Directors of the Company, or in his absence, the Chairman of the 22 August 2012 Annual General Meeting of the Stockholders of the Company

as proxy to represent you and to vote all the shares registered in your name in the records of the Company and/or such shares as you are authorized to represent and vote in your capacity as administrator, executor or attorney-in-fact at the Annual General Meeting of the Company's Stockholders on 22 August 2012 (the "Meeting"), and any adjournment thereof, as fully to all intents and purposes as you might do if present and acting in person, thus, ratifying and confirming all that the proxy shall lawfully do or cause to be done by virtue of these presents.

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

The duly-executed proxy should be delivered to the Corporate Secretary or the Assistant Corporate Secretary at the principal office of the Company located at the 9th Floor Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City, Metro Manila, Philippines not later than 5:00 p.m. on 16 August 2012.

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

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

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

	APPROVE/ RATIFY	DISAPPROVE	ABSTAIN
1. Minutes of the Annual General Meeting of Stockholders held on 11 November 2011			
2. Audited Financial Statements and Annual Report for fiscal year 2011			
3. Acts and Resolutions of the Board of Directors and Management during the period beginning on 9 November 2011 (date of the last annual meeting) and ending on 22 August 2012			
4. Appointment of SGV & Co. as External Auditors for fiscal year 2012			

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

The following are the names of the persons who have been nominated for election to the Company's Board of Directors for the year 2012-2013. Please indicate how you intend for the proxy to vote on your behalf based on the instructions provided below:

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

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

IT IS HEREBY UNDERSTOOD THAT WITH RESPECT TO MATTERS/NOMINEES FOR WHICH THE CHOSEN ACTION WAS NOT INDICATED OR SPECIFIED PURSUANT TO THE ABOVE INSTRUCTIONS, THE PROXY SHALL CAST YOUR VOTE IN SUCH MANNER AS HE SHALL DEEM APPROPRIATE BASED ON THE RECOMMENDATION OF MANAGEMENT.

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

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

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

Validation of proxies shall be held on 17 August 2012 at the Company's principal office at the 9th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City, Metro Manila, Philippines 1550 under the supervision and control of the Corporate Secretary and/or the Assistant Corporate Secretary.

REVOCABILITY OF PROXY

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

PERSON MAKING THE SOLICITATION

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

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

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

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

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

____
Signature over printed name
of Stockholder/Authorized Representative

____
Number of Shares
Owned or Represented

____
Date

PART I. BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

(1) Business Development

Atlas Consolidated Mining & Development Corporation ("Atlas") was incorporated in accordance with Philippine law on 9 March 1935, initially under the name Masbate Consolidated Mining Company, Inc. as a result of the merger of the assets and equities of three pre-war mining companies, namely: Masbate Consolidated Mining Company Inc., Antamok Goldfields Mining Company, and IXL Mining Company. Its Articles of Incorporation were subsequently amended to reflect its present corporate name.

Atlas has never been involved in a bankruptcy, receivership, or any similar proceeding. During the past three (3) years, Atlas did not engage in (i) any transaction involving a material reclassification or reorganization, or (ii) any purchase or sale of a significant amount of assets not in the ordinary course of business, except for its acquisition of an additional 45.54% equity interest in its subsidiary Carmen Copper Corporation.

- *Significant Subsidiary*

Carmen Copper Corporation ("CCC") is the only significant subsidiary[2] of Atlas.

CCC was incorporated under Philippine law on 16 September 2004. CCC has never been involved in in a bankruptcy, receivership, or any similar proceeding. During the past three (3) years, CCC did not engage in (i) any transaction involving a material reclassification or reorganization, or (ii) any purchase or sale of a significant amount of assets not in the ordinary course of business.

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

(2) Business of Atlas and CCC

Atlas, through CCC as operating subsidiary, is engaged in metallic mining and mineral exploration and development. CCC, as the operator of Atlas's copper mines in the City of

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

Toledo, Province of Cebu (the "Toledo Copper Mine"), primarily produces and exports copper metal in concentrate and the principal by-products of copper mining and processing: gold and silver. It is also pursuing the development and commercial production of other marketable by-products such as pyrite, magnetite, and molybdenum.

CCC exports one hundred per cent (100%) of its copper production. Since the resumption of commercial mining operations at the Toledo copper mine in 2008, CCC has been shipping its copper concentrate output to smelters in China and South Korea pursuant to offtake agreements with MRI Trading AG ("MRI").

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

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

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

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

Except to the extent that CCC is required to obtain an export permit from the Mines and Geosciences Bureau for the shipment of its copper concentrate production to purchasers off-shore, CCC's products are not subject to any government examination prior to sale.

The extent of competition in the mining industry is largely defined by economic forces prevailing in the world market. These factors determine the cost and pricing structures of mining companies and give rise to price risks.

To manage commodity price risks, CCC enters into price fixing arrangements with MRI which are covered by the terms of the offtake agreements respecting CCC's sale of copper, and gold and silver by-products to MRI. Under such arrangements, the selling price is to be computed based on the average of the prices quoted at the London Metal Exchange over the stipulated quotational period, unless MRI exercises its option to fix the price in advance of the quotational period by agreement with CCC.

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

Atlas and/or individual claim owners having effective and enforceable operating agreements with Atlas.

While there have been news reports regarding the government's review of certain proposed fiscal policies which may result in an increase in the rate of excise taxes imposed upon the extraction of metallic minerals, no definitive legislation, regulation, or order has been promulgated in pursuit of such end. An escalation in the rate of taxes due on CCC's mining operations will naturally raise the cost of production. To address the risk of higher operating costs, CCC is aggressively pursuing plans to improve production efficiency.

Atlas has twenty three employees, of whom twelve are managerial or confidential while 11 are rank and file. CCC, on the other hand, has approximately three thousand two hundred employees. Around two thousand eight hundred of such employees are rank and file and are members of the certified rank-and-file union (Panaghiusa sa mga Mamumuo sa Carmen Copper) that has an existing Collective Bargaining Agreement (the "CBA") with CCC. The CBA which was executed on 29 September 2007 will expire on 29 September 2012. But the economic provisions thereunder were renegotiated and amended/supplemented in 2010 pursuant to the provisions of the Labor Code.

Neither Atlas nor CCC anticipates any material change in the number of its employees during the twelve months of 2012.

There has not been any labor dispute, or any threat thereof, in the last three years.

CCC is compliant with applicable environmental laws, regulations, and orders. In 2011, it successfully applied for the issuance of Environmental Compliance Certificates covering its mine waste dump expansion project and the construction of a decant water system for the tailings disposal facility located at the Biga pit. It has also completed reforestation of around fifty four hectares of barren waste dump land within the Biga-Lusong area. For the implementation of its 2011 Environmental and Enhancement Program, CCC incurred costs totaling PhP168,996,040.00.

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

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

ITEM 2. PROPERTIES

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

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

A. LAND, MACHINERIES AND EQUIPMENT

Particulars	Mortgage, Lien or Encumbrance	Location		Amount
Land	None	Toledo City	PhP	13,088,797
Machinery & Equipment				
Motor Vehicles	Mortgaged	Toledo City		75,674,304
Furniture & Fixtures	None	Toledo City		86,604
Machinery & Equipment	Mortgaged	Toledo City		4,751,055,266
TOTAL			PhP	**4,839,904,971**

The Atlas Group has substantial investment in machineries and equipment used in the processing of extracted copper ore. See Note 9 of the Notes to FS.

B. CEBU

i) APPROVED MPSAs

MPSA NUMBER	Location	Mortgage, Lien or Encumbrance	AREA COVERED (in hectares)			DATE OF APPROVAL	WORK PERFORMED
			Owned by ACMDC	Under Operating Agreement	Total Area		
1. MPSA-210-2005-VII	Toledo City, Cebu	none	119.1663	115.1212	234.2875	April 28, 2005	This MPSA covers the Carmen ore body where open pit mine development works are in progress
2. MPSA-264-2008-VII	Toledo City, Cebu	none	546.2330	101.7923	648.0253	July 9, 2008	This MPSA covers the Lutopan ore body which CCC has been mining for commercial production since 2008 based on the work program approved by the Mines and Geosciences Bureau (MGB)
3. MPSA-307-2009-VII	Toledo City, Cebu	none	1,274.1270	0	1,274.1270	December 23, 2009	Exploration activities in the area covered by this MPSA are in progress
Sub-total =			**1,939.5263**	**216.9135**	**2,156.4398**		

ii) PENDING MPSA APPLICATIONS

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

iii) EXPLORATION PERMIT APPLICATION

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

						evaluation by the MGB Central Office	
Sub-total =			**323.5254**	**-**	**323.5254**		
TOTAL CEBU =			**4,078.1587**	**4,483.7123**	**8,561.8710**		

C. AGUSAN DEL SUR/SURIGAO DEL SUR

EXPLORATION PERMIT APPLICATION NUMBER	Location	Mortgage, Lien or Encumbrance	AREA (in hectares) Owned by ACMDC	Under Operating Agreement	Total Area	STATUS OF APPLICATION	WORK PERFORMED
1. EPA-000073-XIII (02-02-05)	Agusan del Sur / Surigao del Sur	none	4,222.9041	213.4459	4,436.3500	Application documents are still under evaluation by the MGB Central Office	For exploration upon approval of APSA
TOTAL AGUSAN / SURIGAO DEL SUR =			**4,222.9041**	**213.4459**	**4,436.3500**		

D. PALAWAN

i) APPROVED MPSA

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

ii) MPSA APPLICATION

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

						Office	
3. AMA-IVB-147(Amd)	Palawan	none	-	2,493.0000	2,493.0000	Application documents are still under evaluation by the MGB Regional Office	
Sub-total =			**-**	**3.555.0000**	**3,555.0000**		

iii) EXPLORATION PERMIT APPLICATION

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

TOTAL PALAWAN =			**2,320.0000**	**25,439.6752**	**27,759.6752**		

TOTAL PHILIPPINES=	**10,621.0628**	**30,136.8334**	**40,757.8962**

ITEM 3. LEGAL PROCEEDINGS

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

On 21 November 2006, Atlas requested for a Bureau of Internal Revenue (BIR) ruling confirming that the period to collect the excise taxes due upon its mining operations in Masbate from July 1991 to August 1994 (the "Masbate Taxes") had already lapsed.

On 15 December 2006, the BIR issued Ruling No. DA-7222-2006 (the "Ruling") which confirmed, among others, that the government's right to collect the Masbate Taxes had already prescribed. Relying upon the authority of the Ruling, Atlas wrote-off from its books the Masbate Taxes which amount to PhP197.5 million.

On 13 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 11 August 2010 a Warrant of Destraint/Levy to enforce collection of the Masbate Taxes. To enjoin the action to collect, the Parent Company filed with the Court of Tax Appeals (CTA) a Petition for Review with an Application for Temporary Restraining Order and/or Writ of Preliminary Injunction and a Motion for the Suspension of Collection of Tax.

On 14 October 14 2010, the CTA issued an order granting the Parent Company's motion for the suspension of the collection of the Masbate Taxes (the "Order"). On 5 July 2011, the CTA denied the BIR's motion for the reconsideration of the Order.

As of 31 December 31 2011, the trial on the petition was still ongoing.

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

On 9 November 2011, the stockholders of Atlas convened for their annual general meeting for the year 2011.

At such meeting –

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

VIII. Grant of all authorities required for the listing with the Philippine Stock Exchange of Atlas shares of stock issued to Alakor Corporation, Anglo Philippine Holdings Corporation, SM Investments Corporation and Zenith Holdings Corporation

IX. Approval of the issuance of Atlas shares of stock to Banco De Oro Unibank, Inc. (BDO) in the event of the conversion of the loan under the 25 July 2011 Atlas-BDO Secured Notes Facility Agreement covering the amount of PhP5,341,800,000.00

X. Grant of all authorities required to ratify the agreements executed by Atlas to secure (a) the obligations of Carmen Copper Corporation to BDO under their 15 December 2010 Omnibus Loan and Security Agreement, and (b) its own obligations under the 25 July 2011 Secured Notes Facility Agreement respecting the US$75,000,000.00 loan facility provided by BDO

XI. Approval of the increase in the authorized capital stock of Atlas from PhP20,000,000,000.00 to PhP30,000,000,000.00 and the subscription of BDO and/or its assignee/s to the increase

XII. Grant of all authorities required (a) to effectuate and implement in tranches a decrease in Atlas's authorized capital stock through the reduction of the current par value of each Atlas share of stock by an amount not exceeding PhP2.00, and (b) to restructure Atlas's equity for the purpose of eliminating its accumulated deficit

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

ALFREDO C. RAMOS (Chairman)
HANS T. SY (Vice-Chairman)
MARTIN C. BUCKINGHAM
FREDERIC C. DYBUNCIO
ADRIAN PAULINO S. RAMOS
GERARD ANTON S. RAMOS
JOSE T. SIO
WALTER C. WASSMER
JEREMIAS L. DOLINO (Independent)
RICHARD J. GORDON (Independent)
ALFREDO R. ROSAL JR. (Independent)

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

(1) Market Information

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

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

Period	2012 (in PhP per share)		2011 (in PhP per share)		2010 (in PhP per share)	
	High	Low	High	Low	High	Low
First Quarter	19.82	16.84	15.80	15.26	13.00	9.20
Second Quarter	-	-	20.85	14.96	10.50	8.80
Third Quarter	-	-	25.20	14.70	16.52	9.40
Fourth Quarter	-	-	19.70	14.50	19.98	14.94

The closing price of Atlas shares of stock on 30 April 2012 as quoted by the PSE is PhP19.46 per share.

(2) Holders

As of 30 April 2012, there were a total of 21,210 individuals/entities holding Atlas shares of stock.

The Top 20 stockholders of Atlas as of 30 April 2012 were:

No.	Name	No. of Shares Held	% of Ownership
1	PCD Nominee Corporation	594,602,279	33.05%
2	Alakor Corporation	358,854,961	19.95%
3	SM Investments Corporation	316,242,331	17.58%
4	PCD Nominee Corporation (Non-Filipino)	171,914,304	9.56%
5	Anglo Philippine Holdings Corporation	171,450,500	9.53%
6	Zenith Holdings Corporation	111,196,400	6.18%
7	Cede & Co.	10,699,120	0.59%
8	Alfredo C. Ramos	10,000,100	0.56%
9	National Book Store Inc.	9,203,407	0.51%
10	The Bank Of Nova Scotia	4,425,254	0.25%
11	Bank Of Nova Scotia	2,950,169	0.16%
12	Globalfund Holdings, Inc.	1,787,000	0.10%
13	Metropolitan Bank And Trust Company	1,701,281	0.09%
14	Mitsubishi Metal Corporation	1,680,000	0.09%
15	Ernesto Chua Chiaco	1,570,000	0.09%
16	Lucio W. Yan &/Or Clara Yan	1,100,000	0.06%
17	Toledo City Government	1,000,000	0.06%
18	Asian Oceanic Holdings Phils. Inc.	972,501	0.05%
19	Donald R. Osborn	945,677	0.05%
20	Anscor Consolidated Corporation	839,313	0.05%
	TOTAL	**1,773,134,597**	**98.56%**

(3) Dividends

Atlas did not declare dividends at any time during the last two fiscal years on account of its accumulated deficit.

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

The table below provides the details of the issuances of Atlas shares of stock during the last two[3] fiscal years:

Purchaser	*Number of Shares Purchased*	*Date/s of Issuance of Shares*	*Consideration/Price per share*	*Basis of Exemption under the Securities Regulation Code*
2010				
BDO Unibank, Inc.	9,000,000	September 2010	Cash/PhP10.00	Section 10.1 (l) (notice of exemption is not required)
Abacus Securities Corporation	19,700,000	September 2010, October 2010, November 2010	Cash/PhP10.00	Section 10.1 (k) (notices of exemption were filed within ten days from the issuance of the shares)
Globalfund Holdings, Inc.	4,682,000	October 2010	Cash/PhP10.00	Section 10.1 (k) (notice of exemption was filed within ten days from the issuance of the shares)
Alakor Corporation	56,500,000	October 2010	Debt-to-Equity Conversion/PhP10.00	Section 10.1 (i) (notice of exemption is not required)
2011				
Abacus Securities	30,300,000	January 2011	Cash/PhP10.00	Section 10.1 (k) (notice of

[3] Atlas did not offer any of its securities for sale in 2009.

Corporation				exemption was filed within ten days from the issuance of the shares)
Alakor Corporation	117,050,000	July 2011	Debt-to-Equity Conversion/PhP10.00	Section 10.1 (k) (notice of exemption was filed within ten days from the issuance of the shares)
Anglo Philippine Holdings, Inc.	50,450,500	July 2011	Debt-to-Equity Conversion/PhP10.00	Section 10.1 (k) (notice of exemption was filed within ten days from the issuance of the shares)
SM Investments Corporation	316,242,331	August 2011	Cash/PhP19.56	Section 10.1 (i) (notice of exemption is not required)
Zenith Holdings Corporation	111,196,319	August 2011	Cash/PhP19.56	Section 10.1 (i) (notice of exemption is not required)

DISTRIBUTION OF ANNUAL REPORT TO REGISTERED SHAREHOLDERS

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

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

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS

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

PhP ('000)	**2011**	**2010**	**2009**
Retained Earnings/(Capital Deficiency)	2,517,311	(12,584,614)	(12,596,363)

The reversal in the financial position of the Atlas Group in 2011 was brought about (i) by the strong performance of CCC which posted a net income of PhP2.5 billion, and (ii) by the gain resulting from the recognition of the fair value of Atlas's previously held interest in CCC.

The table below shows the results of operations of the Atlas Group over the last three fiscal years:

PhP ('000)	**2011**	**2010**	**2009**
Consolidated Net Income	15,159,379	(847,171)	(2,772,790)

The losses incurred in 2010 and 2009 were primarily attributable (i) to the decline in the price of copper as a result of the financial crisis, and (ii) to the inability of CCC to optimize production. The significant improvement in the operating results that was achieved in 2011 was due largely to (i) more robust copper prices in the global market, and (ii) increased productivity.

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

Performance Indicators

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

	Consolidated		
Particulars	**Interim – 6/30/2012**	**12/31/2011**	12/31/2010
Current ratio	0.8145:1	0.29:1	0.82:1
Debt to equity	0.9079:1	0.74:1	0.62:1

Return on equity	5.30%	57.54%	-
Return on assets	2.98%	33.09%	-
Net profit margin	20.97%	317.46%	-

Carmen Copper Corporation			
Particulars	**Interim – 6/30/2012**	**12/31/2011**	12/31/2010
Current ratio	2.60:1	0.44:1	0.65:1
Debt to equity	1.68:1	1.27:1	1.93:1
Return on equity	16.85%	30.99%	11.84%
Return on assets	6.30%	13.67%	4.04%
Net profit margin	23.76%	22.06%	8.13%

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

2011 Material Events

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

Disclosure On Other Material Events

On 16 March 2012, CCC completed the issuance of US Dollar-denominated fixed-rate notes representing US$300 million of CCC's senior unsecured debt with a tenor of five (5) years and five (5) days (the "Notes"). The Notes, which were issued at a price equivalent to 98.95% of face value, will pay interest semi-annually at the rate of 6.5% per annum and will carry a yield to maturity of 6.75%. The net proceeds from the issuance of the Notes are intended (i) to refinance certain existing indebtedness of CCC, (ii) to fund CCC's capital and project expenditures, (iii) to enable Atlas to refinance a portion of its existing indebtedness in respect of which CCC has provided a suretyship, and (iv) to fund other general corporate purposes.

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

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

During the period subject of this report, CCC had capital expenditure commitments amounting to PhP709.3 million.

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

Liquidity and Capital Resources

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

- Net cash flow from operating activities - PhP 1,553,186
- Net cash flows used in investing activities - PhP 16,693,322
- Net cash flows from financing activities - PhP 15,279,633
- Net increase in cash and cash equivalents - PhP 123,495

Increase in cash from operating activities was a result of the increase in net income from operations due to higher production rates and commodity prices.

Net cash used in investing activities was a result of Atlas's acquisition of the 45.54% equity interest of CASOP Atlas B.V. and CASOP Atlas Corporation in CCC.

Net cash from financing activities arose from (i) the issuance of Atlas shares of stock to SM Investments Corporation and Zenith Holdings Corporation, and (ii) the availment of a US$75 million loan facility from BDO Unibank, Inc.

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

ITEM 7. FINANCIAL STATEMENTS

The 2011 audited financial statements of the Company are incorporated herein by reference.

Interim Report (30 June 2012)

The table below shows the consolidated results of operations of Atlas Consolidated Mining and Development Corporation ("Atlas") and its subsidiaries (collectively, the "Group") as of the second quarter of 2012 vis-à-vis those as of the second quarter of 2011:

	Second Quarter – 2012	*Second Quarter -2011*
Consolidated Net Income	PhP1.611 billion	PhP2.028 billion
Consolidated Revenues	PhP7.681 billion	PhP6.184 billion

The significant decline in consolidated net income was primarily attributable to higher costs and operating expenses amounting to ₱5.559 billion which is approximately ₱1.607 billion more than what was recorded as of the second quarter of 2011.

As a result of the appreciation of the Philippine Peso during the second quarter of 2012, Atlas booked a net unrealized foreign exchange gain amounting to ₱343 million.

Financial transactions involving embedded derivatives caused the Group to incur an unrealized mark-to-market gain amounting to PhP59 million and a realized mark-to-market loss amounting to PhP75 million.

Pursuant to the terms contained in the warrant instruments issued in 2009 to Spinnaker Global Opportunity Fund Limited, Spinnaker Global Emerging Markets Fund Limited, and Spinnaker Global Strategic Fund Limited (the "Spinnaker Group") respecting the right to subscribe to a total of 35,000,000 of Atlas's shares of stock at the price of PhP10.00 per share (the "Warrants"), the Spinnaker Group, upon written notice, exercised the Warrants in full last 12 March 2012.

On 6 June 2012, CCC signed a twelve-year Electric Power Purchase Agreement (the "EPPA") with Toledo Power Company (TPC). Pursuant to the terms of the EPPA, TPC will build and operate a 72-megawatt net output clean coal-fired power plant in Toledo City 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. While CCC and TPC await the start of the plant's operations, they have entered into an Energy Conversion Agreement (the "ECA") whereby CCC shall supply to TPC the coal needed to generate the electric power required by CCC.

On 25 June 2012, CCC reported that it has successfully produced copper ore from its higher-grade Carmen ore body.

On 6 July 2012, Atlas completed its capital restructuring exercise upon approval of the Securities and Exchange Commission of (i) the increase in its authorized capital stock from PhP20 billion to PhP30 billion, (ii) the subsequent decrease in the par value of its shares of stock from PhP10.00 to PhP8.00 per share, and (iii) the full elimination of its accumulated deficit amounting to approximately PhP12.7 billion through the application

of its additional paid-in capital, a portion of which represents the reduction surplus created from the par value decrease.
The increase will result in the issuance of 273,098,160 of Atlas's shares of stock to SM Investments Corporation as a subscriber thereto.

Carmen Copper Corporation (CCC)

CCC's operations during the second quarter of 2012 resulted in a net income of ₱1.661 billion. Revenues from CCC's sale of copper reached ₱6.988 billion, while those from the sale of gold amounted to ₱483 million.

During the quarter, CCC was able to complete nine (9) shipments of copper concentrate (44,651.327 dry metric tons) to smelters in China.

Berong Nickel Corporation (BNC)

BNC continued its nickel mining operations as of the second quarter of 2012 and was able to complete six (6) shipments of nickel laterite ore (having a total weight of 409,625 wet metric tons) to China. Nickel sales amounted to Php682 million as of 30 June 2012.

Please see Supplementary Schedule which contains a horizontal and vertical analysis of balance sheet (2nd quarter of 2012 vis-à-vis December 31, 2011) and income statement accounts (2nd quarter of 2012 vis-à-vis 2nd quarter of 2011).

Key Performance Indicators

The key performance indicators as of the second quarter of 2012 (compared to those as at 31 December 2011) are shown below:

	6/30/2012	12/31/2011
Current Ratio	**0.8145:1**	0.2911:1
Debt-to-Equity Ratio	**0.9079:1**	0.7390:1
Return on Equity	**5.30%**	51.65%
Return on Sales	**20.97%**	317.46%

- Current Ratio = Current Assets / Current Liabilities
- Debt-to-Equity Ratio = Total Liabilities / Total Stockholders' Equity
- Return on Equity = Parent Net Income as of the Quarter / Total Stockholders' Equity Attributable to Equity Holders of Parent Company
- Return on Sales = Consolidated Net Income for the Quarter / Total Consolidated Net Revenues for the Quarter

Liquidity and Capital Resources

Below is a summary of the Group's consolidated cash flow during the second quarter of 2012:

- Net cash flow used in operating activities - ₽ 2.912 billion
- Net cash flows used in investing activities - ₽ 3.446 billion
- Net cash flows from financing activities - ₽ 7.272 billion
- Net increase in cash and cash equivalents - ₽ 914 billion

The Group is not required to present a segment report.

Except as already reported herein, there is no material event subsequent to the end of the second quarter of 2012 that should be disclosed in this report.

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

The Group is not aware of (i) any uncertainties, trends, events or seasonal aspects that will significantly influence its liquidity, financial condition or results of its operations; (ii) any event that will trigger direct or contingent financial obligation that is material to the Group; or (iii) any material off-balance sheet transactions, that occurred as of the second quarter of 2012.

Financial Risk Management Objectives and Policies

The Group's main financial instruments are cash and cash equivalents, loans payable, long-term debt and other interest-bearing liabilities, and derivative assets and liabilities. It has various other financial assets and liabilities such as receivables and accounts payable and accrued liabilities which arise from the Group's operations.

The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk, commodity price risk and credit risk. The BOD reviews and adopts relevant policies for managing each of these risks and they are summarized as follows:

Foreign currency risk

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

As of June 30, 2012 and December 31, 2011, foreign currency-denominated assets and liabilities follow:

	June 30, 2012		12/31/2011	
	Foreign Currency ($)	Peso Equivalent (PhP)	Foreign Currency ($)	Peso Equivalent (PhP)
Cash and cash equivalents	25,295	1,065,404	5,691	249,493
Short - term investments	155,000	6,528,600	19,721	864,569
Receivables	9,397	395,802	12,227	536,032
Derivative assets	145	6,110	15,943	698,941
TOTAL	**189,837**	**7,995,916**	**53,582**	**2,349,035**

Commodity price risk
CCC's copper concentrate revenue are based on international commodity quotations (i.e., primarily on the LME) over which CCC has no significant influence or control. This exposes CCC's results of operations to commodity price volatilities that may significantly impact its cash inflows. CCC enters into derivative transactions as a means to mitigate the risk of fluctuations in the market prices of its mine products.

Equity price risk
Equity price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to equity price risk because of financial assets held by the Group, which are classified as AFS financial assets. Management believes that the fluctuation in the fair value of AFS financial assets will not have a significant effect on the consolidated financial statements.

Credit risk
Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligation. The Group's financial assets which are exposed to credit risk include its cash and cash equivalents, receivables, derivative asset and AFS financial assets with a maximum exposure equal to the carrying amount of these assets. With respect to cash and cash equivalents and AFS financial assets, credit risk is mitigated by the short-term and/or liquid nature of its cash investments placed with financial institutions of high credit standing.

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

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

		June 30, 2012		12/31/2011
Cash and cash equivalents	PhP	1,268,131	PhP	354,458
Short - term investments		6,528,600		864,585
Receivables		492,869		563,231
Derivative assets		6,110		698,968
AFS financial assets		4,927		4,927
TOTAL	**PhP**	**8,300,637**	**PhP**	**2,486,169**

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.

Set out below is a comparison of carrying amounts and fair values of all of the consolidated financial instruments:

	Carrying values						Fair values					
		6/30/12			12/31/11			6/30/12			12/31/11	
Financial Assets												
Cash	₱	1,268	m	₱	354	m	₱	1,268	m	₱	354	m
Short-term investments	₱	6,528	m	₱	865			6,528			865	
Receivable – net	₱	493	m	₱	563	m	₱	493	m	₱	563	m
Derivative assets (current and noncurrent)	₱	6	m	₱	699	m	₱	6	m	₱	699	m
Financial Liabilities												
Bonds payable	₱	12,636	m	₱	-	m	₱	12,636	m	₱	-	m
Account payable and accrued liabilities	₱	2,874	m	₱	3,100	m	₱	2,874	m	₱	3,100	m
Advances from and due to related parties	₱	628	m	₱	532	m	₱	628	m	₱	532	m
Long-term debt (current and noncurrent)	₱	597	m	₱	10,155	m	₱	597	m	₱	10,155	m

The carrying value of cash, receivables, trade and other payables, advances from and due to related parties, and long-term debt approximates their fair value due to the relatively short-term maturities of these financial instruments. The fair values of AFS investments were determined by reference to market quoted bid price as of balance sheet date.

ITEM 8. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

External Audit Fees and Services

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

The table below shows the aggregate amounts paid by the Atlas Group to SGV and Co. in 2011 and 2010 (i) for audit work pertaining to the annual financial statements of the Atlas Group, (ii) for services pertaining to the conduct of review with respect to CCC's tax compliance, and (iii) for other related services involving the examination of Atlas's or CCC's books of account:

Particulars		2011		2010
Audit fees	PhP	3,805,000	PhP	3,505,000
Agreed-upon procedures		90,000		200,000
Tax compliance review		700,000		-
TOTAL	PhP	4,595,000	PhP	3,705,000

- *Other Fees*

Except as described above, SGV and Co. did not perform any other service for the benefit of the Atlas Group in 2011 and 2010.

- *Approval by the Audit Committee of Audit Services*

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

Changes in and Disagreements with Accountants
On Accounting and Financial Disclosures
SGV and Co. has been Atlas's independent accountant since 1958. No independent accountant engaged by Atlas has resigned, or has declined to stand for re-election, or was dismissed.

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

PART III - CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

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

The incumbent directors of Atlas are:

ALFREDO C. RAMOS	HANS T. SY
MARTIN C. BUCKINGHAM	JOSE T. SIO
GERARD ANTON S. RAMOS	FREDERIC C. DYBUNCIO
ADRIAN PAULINO S. RAMOS	WALTER C. WASSMER
RICHARD J. GORDON	JEREMIAS L. DOLINO
ALFREDO R. ROSAL Jr.	

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

The incumbent officers of Atlas are:

ALFREDO C. RAMOS	-	Chairman and President
HANS T. SY	-	Vice-Chairman
MARTIN C. BUCKINGHAM	-	Executive Vice-President and Chief Financial Officer
ADRIAN PAULINO S. RAMOS	-	Vice-President
NOEL T. DEL CASTILLO	-	Treasurer
RODERICO V. PUNO	-	Corporate Secretary
JESUS C. VALLEDOR	-	Assistant Vice-President for Administration and Comptroller
CARMEN A. BASALLO-ESTAMPADOR	-	Compliance Officer and Assistant Corporate Secretary

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

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

Profile of Atlas's directors and officers

Office/s	Name of Nominee	Citizenship	Age
Chairman of the Board of Directors/ President	Alfredo C. Ramos	Filipino	68
Vice-Chairman of the Board of Directors	Hans T. Sy	Filipino	55
Director /Vice President	Adrian Paulino S. Ramos	Filipino	33
Director/Executive Vice-President/Chief Financial Officer	Martin C. Buckingham	British	59
Director	Jose T. Sio	Filipino	72
Director	Gerard Anton S. Ramos	Filipino	36
Director	Walter C. Wassmer	Filipino	54
Director	Frederic C. DyBuncio	Filipino	52
Independent Director	Jeremias L. Dolino	Filipino	65
Independent Director	Alfredo R. Rosal, Jr.	Filipino	64
Independent Director	Richard J. Gordon	Filipino	66
Corporate Secretary	Roderico V. Puno	Filipino	47
Treasurer	Noel T. del Castillo	Filipino	72
Assistant Vice President for Administration/Comptroller	Jesus C. Valledor	Filipino	49
Compliance Officer and Assistant Corporate Secretary	Carmen-Rose A. Basallo-Estampador	Filipino	34

ALFREDO C. RAMOS

- Director of Atlas since 1989
- Has been serving as President/Chairman of the Board of Directors of Atlas since 2 April 2003

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

HANS T. SY

- Director of Atlas since 12 August 2011
- Has been serving as Vice-Chairman of Atlas's Board of Directors since 12 August 2011

- ❖ Mr. Sy is concurrently holding the following positions:
  - o Director and President of SM Prime Holdings, Inc.
  - o Director and Chairman of the Board of Directors of China Banking Corporation
  - o Chairman of Tagaytay Highlands International Golf Club, Inc.
  - o Director of SM Land, Inc. (Formerly Shoemart, Inc.)
  - o Director of Highlands Prime, Inc.
  - o Adviser to the Board of Directors of SM Investments Corporation

- ❖ He obtained his bachelor's degree in Mechanical Engineering from the De La Salle University in 1978.

ADRIAN PAULINO S. RAMOS

- Director of Atlas since 18 July 2007
- Has been serving as Vice-President of Atlas since September 2006

- ❖ Mr. A.P.S. Ramos is concurrently holding the following positions (which he has held over the last five years):
  - o Vice-President of Carmen Copper Corporation and Alakor Corporation
  - o Director of Carmen Copper Corporation, Berong Nickel Corporation, Anglo Philippine Holdings Corporation, The Philodrill Corporation, United Paragon Mining Corporation, and Zenith Holdings Corporation
- ❖ He obtained his undergraduate degree in Business Management (Cum Laude) from the Ateneo de Manila University in 1999, and his master's degree in Business Administration (With Distinction) from Northwestern University's Kellogg School of Management in 2005.

MARTIN C. BUCKINGHAM

- Director of Atlas since 4 December 4 1996
- Has been serving as Executive Vice-President and Chief Financial Officer of Atlas since 22 July 2002

- ❖ Mr. Buckingham is concurrently an incumbent 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).

JOSE T. SIO

- Director of Atlas since 12 August 2011

- ❖ Mr. Sio is concurrently the Executive Vice-President and Chief Financial Officer of SM Investments Corporation which is the holding company of the SM Group. He is also currently a director of SM Keppel Land, Manila North Tollways Corporation, Belle Corporation 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.
- ❖ He obtained his bachelor's degree in Accountancy from the University of San Agustin in Iloilo City, and his master's degree in Business Administration from New York University.
- ❖ Awards and citations:

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

GERARD ANTON S. RAMOS

- Director of Atlas since 18 July 2007

- ❖ Mr. G.A.S. Ramos is concurrently holding the following positions (which he has held over the last five years):
  - Vice-President of Alakor Corporation
  - Assistant to the Vice-President of National Book Store, Inc.
  - Assistant Treasurer of Alakor Securities Corporation
  - Director of Zenith Holdings Corporation
- ❖ He obtained his bachelor's degree in Business Management form the Ateneo de Manila University in 1996.

WALTER C. WASSMER

- Director of Atlas since 25 June 2010

- ❖ Mr. Wassmer is concurrently holding the following positions:
  - Senior Executive Vice President of Banco De Oro Unibank, Inc.
  - Director of BDO Leasing and Finance, Inc., MDB Land, Inc., and Mabuhay Vinyl Corporation
  - President of L.P. Wassmer Trading, Inc.
  - Treasurer of WT&T, Inc.

- ❖ He has almost 30 years of experience in the banking industry, serving in various capacities for the country's biggest banks which include Equitable PCI Bank and Union Bank of the Philippines.
- ❖ He obtained his bachelor's degree in Commerce from De La Salle University and attended the Management Development Program of the Asian Institute of Management.

FREDERIC C. DYBUNCIO

- Director of Atlas since 12 August 2011

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

JEREMIAS L. DOLINO

- Director of Atlas since 9 November 2011

- ❖ Mr. Dolino is a career public servant with 41 years of experience in government service, particularly in the regulation of the mining industry. Prior to his retirement from public office, he held the post of Undersecretary for Line Bureaus (Mines and Geosciences Bureau and Environmental Management Bureau) at the Department of Environment and Natural Resources. He also served as the Director of the Mines and Geosciences Bureau from May 2005 until June 2006.
- ❖ He is a licensed mining engineer with a bachelor's degree in Mining Engineering from the Cebu Institute of Technology and a bachelor's degree in Geology from Adamson University.
- ❖ Awards and citations:
    - o Awarded as an Outstanding Professional in the field of Mining Engineering for 2007 by the Professional Regulations Commission
    - o Recognized as one of the Ten Outstanding Mining Engineers in 2006

ALFREDO R. ROSAL JR.

- Independent Director of Atlas since 31 March 2003

- ❖ Atty. Rosal is the Managing Partner of Rosal and Valera Law Offices. 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 law degree from the San Beda College of Law, and his master's degree in Business Administration from the University of the Philippines.
- ❖ Rosal and Valera Law Offices does not act as legal counsel of Atlas.

RICHARD J. GORDON

- Independent Director of Atlas since 5 April 2011

- ❖ Sen. Gordon served as a member of the House of Senate of the 13^{th} and 14^{th} 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 bachelor's degree in History and Government from the Ateneo de Manila University, and his law degree from the University of the Philippines-College of Law.

RODERICO V. PUNO

- Corporate Secretary of Atlas since 15 September 2006

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

NOEL T. DEL CASTILLO

- Treasurer of Atlas since 22 July 2002

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

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

JESUS C. VALLEDOR, JR.

- Assistant Vice-President for Administration and Comptroller of Atlas since 2006

- Mr. Valledor joined Atlas as an accountant in 1988 and rose from the ranks to his present position.
- He obtained his license as a certified public accountant in 1985.

CARMEN ROSE A. BASALLO-ESTAMPADOR

- Compliance Officer of Atlas since 9 November 2011
- Assistant Corporate Secretary since 2006
- Legal Counsel of Atlas since 2006

- Atty. Basallo-Estampador is concurrently the assistant corporate secretary of Carmen Copper Corporation and the corporate secretary of Crossings Department Store Corporation. She served as corporate secretary of Berong Nickel Corporation from April 2007 to March 2011. Prior to joining Atlas, she worked as a tax and corporate attorney for the Manila office of the multinational auditing firm KPMG.
- She obtained her undergraduate degree in Economics from the University of the Philippines-School of Economics, and her law degree from the University of the Philippines-College of Law.

ITEM 10. EXECUTIVE COMPENSATION

Compensation of Officers

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

Name and Position		Aggregate annual cash compensation (PhP)		
		Salaries	Other compensation	Bonuses
Alfredo C. Ramos -- President				
	2009	10,111,222	-0-	850,102
Martin C. Buckingham -- Executive Vice-President & CFO	2010	10,111,222	-0-	850,102
	2011	10,193,722	-0-	850,102
Adrian Paulino S. Ramos -- Vice-President				
Jesus C. Valledor -- Assistant Vice-President for Administration and Comptrollership				
Noel T. Del Castillo -- Treasurer				
	2009	4,800,000	-0-	400,000
All other officers as a group	2010	1,600,000	-0-	130,000
	2011	696,000	-0-	58,000

* For 2012, the estimated aggregate cash compensation to be paid (i) to the four most highly compensated officers amounts to PhP24,715,267.00, and (ii) to all officers as a group amounts to PhP10,645,000.00

<u>Atlas has not formally designated a Chief Executive Officer.</u>

<u>Compensation of Directors</u>

In 2011, Atlas paid its directors a *per diem* of PhP5,000.00 for every meeting attended.

<u>Stock Options</u>

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

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

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

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

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

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

Name	***Position***	***No. of Shares***
Alfredo C. Ramos	Chairman and President	4,385,970
Martin C. Buckingham	EVP and Director	3,508,770
Jesus C. Valledor	Assistant Vice President	877,190
Adrian Paulino S. Ramos	Vice President	2,631,570
Other officers and directors as a group		2,192,990
TOTAL		**13,596,490**

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT (as of 30 April 2012)

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

Title/Class of Shares	**Name & Address of Record Owner and Relationship with Atlas**	**Name of Beneficial Owner and Relationship with Record Owner**	**Citizenship**	**Holdings**	**%**
Common	ALAKOR CORPORATION Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City *owner of more than 10% of the outstanding capital stock of Atlas	Record and beneficial owner	Filipino	454,072,861	26%
Common	SM INVESTMENTS CORPORATION 10th Floor, One E-Com Center, Mall of Asia Complex, CBP-1A Pasay City *owner of more than 10% of the outstanding capital stock of Atlas	Record and beneficial owner	Filipino	316,242,331	17%
Common	ANGLO PHILIPPINE HOLDINGS CORPORATION Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City *owner of more than 5% of the outstanding capital stock of Atlas	Record and beneficial owner	Filipino	171,450,500	9%
Common	ZENITH HOLDINGS CORPORATION Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City *owner of more than 5% of the outstanding capital stock of Atlas	Record and beneficial owner	Filipino	111,196,319	6%

As of 30 April 2012, only DFC Holdings, Inc. is known to Atlas as an owner of Atlas shares of stock lodged with the Philippine Depository and Trust Corporation that constitute more than 5% of the issued and outstanding capital stock.

Atlas has no information as to person/s holding 5% or more of Atlas's securities that are held under a voting trust or similar agreement.

Security ownership of management

Title of Class	Name of Directors / Officers	No. of Shares Held	Citizenship	Percent (%)	Nature of Ownership
Common	Alfredo C. Ramos	10,000,100	Filipino	0.57	Record Owner
Common	Martin C. Buckingham	25,453,301	British	1.46	Beneficial Owner
Common	Adrian Paulino S. Ramos	6,010,110	Filipino	0.34	Beneficial Owner
Common	Gerard Anton S. Ramos	8,251,000	Filipino	0.47	Beneficial Owner
Common	Hans T. Sy	1,001	Filipino	0.00	Beneficial Owner
Common	Frederic C. DyBuncio	1,001	Filipino	0.00	Beneficial Owner
Common	Jose T. Sio	1,001	Filipino	0.00	Beneficial Owner
Common	Alfredo R. Rosal Jr.	100	Filipino	0.00	Beneficial Owner
Common	Richard J. Gordon	1	Filipino	0.00	Beneficial Owner
Common	Jeremias L. Dolino	200	Filipino	0.00	Beneficial Owner
Common	Roderico V. Puno	0	Filipino	0.00	N/A
Common	Noel T. Del Castillo	0	Filipino	0.00	Beneficial Owner
Common	Jesus C. Valledor, Jr.	0	Filipino	0.00	N/A
	All Directors and Officers as a Group	***49,767,615***			

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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 that are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors or its stockholders.

c. Atlas's related-party transactions consist mainly of advances availed from or granted to related parties for administrative and operating costs and expenses, or assignment of receivables and payables.

   The statements of financial position of Atlas reflect the following details pertaining to such related-party transactions:

	Nature of Relationship	***2011***	*2010*	*2009*
Advances to related parties:				
CCC	Subsidiary	***₱880,882***	*₱602,816*	*₱631,473*
Berong Nickel Corporation	Subsidiary	***107,607***	*97,664*	*94,727*
Atlas Exploration, Inc.	*Subsidiary*	***98,824***	*62,304*	*48,757*
Aquatlas, Inc.	*Subsidiary*	***30,980***	*29,651*	*27,669*

Ulugan Resources Holdings, Inc.	Subsidiary	***3,006***	*3,006*	*3,006*
Nickeline Resources Holdings, Inc.	Subsidiary	***1,224***	*1,224*	*1,224*
Ulugan Nickel Corporation	Subsidiary	***597***	*597*	*597*
Alakor Corporation	*Stockholder*	***30,202***	*22,068*	*22,068*
		₱1,153,322	*₱819,330*	*₱829,521*
Advances from related parties:				
The Philodrill Corporation	Stockholder	***₱73,213***	*₱73,213*	*₱–*
Alakor Corporation	Stockholder	–	*65,687*	*743,808*
Amosite Holdings, Inc.	Subsidiary	***2,818***	*2,916*	*3,009*
		₱76,031	₱141,816	*₱746,817*

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

d. Advances made by Atlas to its officers and employees aggregated ₱8.632 million as of 31 December 2011, ₱9.840 million as of 31 December 2010, and ₱8.672 as of 31 December 2009.

PART IV - CORPORATE GOVERNANCE

ITEM 13. CORPORATE GOVERNANCE

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

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

DISTRIBUTION OF ANNUAL REPORT TO REGISTERED SHAREHOLDERS

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

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

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED BALANCE SHEETS
(Pesos in Thousands, Except Par Value)

	Unaudited 6/30/2012	Audited 12/31/2011
ASSETS		
Current Assets		
Cash and cash equivalents	**1,268,131**	354,458
Short-term investments	**6,528,600**	864,585
Receivable - net	**492,869**	563,231
Derivative assets	**6,110**	477,573
Inventories - net	**881,969**	1,111,241
Prepayments and other current assets	**978,820**	497,691
Total Current Assets	**10,156,499**	3,868,779
Noncurrent Assets		
Goodwill	**25,987,065**	25,987,065
Property, plant and equipment - net	**16,055,801**	14,164,839
Derivative assets	**-**	221,395
Deferred tax assets	**86,963**	86,963
Available-for-sale (AFS) financial assets	**4,927**	4,927
Other noncurrent assets	**1,720,893**	1,478,154
Total Noncurrent Assets	**43,855,649**	41,943,343
TOTAL ASSETS	**54,012,148**	45,812,122

	Unaudited 6/30/2012	Audited 12/31/2011
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Loans payable	**8,629,800**	5,341,800
Accounts payable and accrued liabilities	**2,874,498**	3,100,386
Current portion of long-term debt	**337,506**	4,298,353
Advances from and due to related parties	**627,745**	531,700
Income tax payable	**-**	323
Derivative liabilities	**-**	18,929
Total Current Liabilities	**12,469,549**	13,291,491
Noncurrent Liabilities		
Bonds payable	**12,636,000**	**-**
Long-term debt – net of current portion	**259,153**	5,856,671
Retirement benefits liability	**137,644**	121,974
Liability for mine rehabilitation	**99,402**	96,896
Deferred income tax liabilities	**100,482**	100,482
Total Noncurrent Liabilities	**13,232,681**	6,176,023
Total Liabilities	**25,702,230**	19,467,514
Stockholders' Equity		
Capital stock - (P10 par value)	**17,994,916**	17,640,530
Additional paid in capital	**5,816,306**	5,816,306
Revaluation increment in land	**218,559**	218,559
Net unrealized gains on AFS investment	**1,464**	1,464
Retained earnings	**4,002,752**	2,517,311
Attributable to equity holders of the Parent Company	**28,033,998**	26,194,170
Minority interests	**275,920**	150,438
Total Stockholders' Equity	**28,309,918**	26,344,608
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**54,012,148**	45,812,122

ANNEX A

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(Pesos in Thousands, Except Per Share Amounts)

	Quarters Ended		Six Month Period Ended	
	6/30/2012	6/30/2011	**6/30/2012**	6/30/2011
REVENUES				
Sales				
Copper	**3,980,501**	3,047,212	**6,987,576**	6,460,216
Gold	**288,470**	128,131.24	**482,773**	254,923
Nickel	**496,998**	-	**681,540**	-
Magnetite	-	-	**12,026**	14,718
Miscellaneous	**2,774**	5,528	**6,648**	7,808
	4,768,744	3,180,871	**8,170,564**	6,737,665
Marketing charges	**(318,895)**	(288,742)	**(489,937)**	(553,229
	4,449,849	2,892,130	**7,680,627**	6,184,436
COSTS AND OPERATING EXPENSES				
Cost of sales	**1,816,556**	1,747,954	**3,968,673**	3,319,388
Operating expenses	**1,166,023**	330,685	**1,590,812**	633,451
	2,982,579	2,078,639	**5,559,485**	3,952,839
INCOME FROM OPERATIONS	**1,467,270**	813,491	**2,121,142**	2,231,597
OTHER INCOME (CHARGES)				
Finance charges	**(487,508)**	(92,357)	**(662,628)**	(187,307
Unrealized foreign exchange gain (loss)-net	**147,933**	2,625	**343,366**	52,339
Realized mark-to-market gain (loss) on derivative assets (liabilities) - net	**189,709**	10,561	**(15,846)**	(17,930
Interest income	**12,534**	732	**21,963**	1,634
Other income - net	**(16,628)**	(51,830)	**(197,074)**	(40,585
	(153,960)	(130,269)	**(510,219)**	(191,849
INCOME BEFORE INCOME TAX	**1,313,310**	683,222	**1,610,923**	**2,039,748**
PROVISION FOR INCOME TAX	**-**	(10,363)	**-**	(11,934
NET INCOME	**1,313,310**	672,859	**1,610,923**	2,027,814
Net income attributable to:				
Equity holders of the parent			**1,485,442**	1,074,776
Minority interests			**125,481**	953,037
			1,610,923	2,027,814
EARNINGS PER SHARE ATTRIBUTABLE TO PARENT COMPANY			**0.83**	0.92
***** Based on weighted average number of common shares outstanding			**1,799,492**	1,169,114

The interim financial statements were prepared in accordance with accounting principles generally accepted in the Philippines. The same accounting policies and methods of computations were followed in the preparation of the interim financial statements as used in the most recent annual financial statements.

No significant events and/or material changes have occurred subsequent to the end of the most recent fiscal year. Adjustments of a normal recurring nature which are in the opinion of management necessary to a fair statement of the results have been reflected in the unaudited interim financial statements. Other information that require disclosures in the interim financial statements have been omitted because they are not applicable.

ANNEX B

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Pesos in Thousands)

	Capital Stock	Additional Paid -in Capital	Premium on deemed disposal of an investment in subsidiary	Deposits on Subscriptions	Revaluation Increment in Property	Net Unrealized Gains on AFS Investments	Retained Earnings (Deficit)	Total
Balance at January 1, 2011	**11,388,139**	**975,485**	**633,258**	**3,028,293**	**218,559**	**1,464**	**(13,354,974)**	**2,890,22**
Issuance of shares	**303,000**			**(303,000)**			-	
Net income as of June 30, 2011	-	-	-	-	-	-	**1,074,776**	1,074,77
Balance at June 30, 2011	**11,691,139**	**975,485**	**633,258**	**2,725,293**	**218,559**	**1,464**	**(12,280,198)**	**3,965,00**
Balance at January 1, 2012	**17,640,530**	**5,816,306**	-	-	**218,559**	**1,464**	**2,517,311**	**26,194,17**
Issuance of shares	**354,386**	-	-	-	-	-	-	354,38
Net income as of June 30, 2012	-	-	-	-	-	-	1,485,442	1,485,44
Balance at June 30, 2012	**17,994,916**	**5,816,306**	-	-	**218,559**	**1,464**	**4,002,753**	**28,033,99**

ANNEX C

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Pesos in Thousands)

	Quarters Ended		Six Month Period Ended	
	6/30/2012	6/30/2011	**6/30/2012**	6/30/2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	**1,313,310**	683,223	**1,610,923**	2,039,748
Adjustments for:				
Interest expense	**487,508**	92,357	**662,628**	187,307
Depreciation and depletion	**438,299**	284,301	**800,709**	494,135
Net mark to market losses (gains)	**(189,709)**	7,234	**15,846**	(148,924)
Unrealized foreign exchange losses (gains)	**(147,933)**	(67,055)	**(343,366)**	(126,992)
Provision for mine rehabilitation	**1,253**		**2,506**	
Retirement benefit cost	**8,165**	379	**15,670**	8,053
Interest income	**(12,534)**	(732)	**(21,963)**	(1,634)
Loss on early extinguishment of debt	**-**	-	**176,362**	-
Provision for asset impairment	**-**	-	**220**	-
Operating income before working capital changes	**1,898,360**	999,707	**2,919,535**	2,451,693
Decrease (increase) in:				
Short-term investments	**1,172,394**	-	**(5,664,015)**	-
Receivable - net	**6,580**	(65,999)	**70,362**	(393,072)
Inventories - net	**529,214**	(159,743)	**466,271**	(118,575)
Prepayments and other current assets	**(271,844)**	(681,748)	**(481,129)**	(960,539)
Increase (decrease) in:				
Accounts payable and accrued liabilities	**(1,058,632)**	(176,403)	**(225,888)**	(500,853)
Derivative liabilities	**(50,837)**	-	**(18,929)**	(142,421)
Income tax payable	**(323)**	-	**(323)**	-
Cash from operations	**2,224,912**	(84,186)	**(2,934,116)**	336,233
Interest received	**12,534**	732	**21,963**	1,634
Net cash from operating activities	**2,237,446**	(83,454)	**(2,912,153)**	337,868
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease (increase) in:				
Other noncurrent assets	**(169,275)**	(142,470)	**(242,739)**	(171,208)
Additions to property, plant and equipment	**(1,635,156)**	(889,705)	**(3,203,361)**	(1,081,378)
Changes in minority interest	**-**	319,895	**-**	953,037
Net cash used in investing activities	**(1,804,431)**	(712,280)	**(3,446,100)**	(299,549)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of shares of stock	**4,386**	-	**354,386**	-
Loans proceeds (payment)	**(629,342)**	(273,707)	**6,821,495**	(555,475)
Net changes in amounts owed to related parties	**8,750**	44,714	**96,045**	(96,683)
Net cash used in financing activities	**(616,205)**	(228,993)	**7,271,927**	(652,158)
NET INCREASE (DECREASE) IN CASH	**(183,191)**	(1,024,726)	**913,673**	(613,839)
CASH AT BEGINNING OF YEAR			**354,458**	2,476,170
CASH, JUNE 30			**1,268,131**	1,862,331

ANNEX D

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

HORIZONTAL AND VERTICAL ANALYSIS

(Pesos in Thousands, Except Par Value)

	Unaudited 6/30/2012	Audited 12/31/2011	Horizontal Analysis Increase/ (Decrease)	Horizontal Analysis % of Change	Vertical Analysis 6/30/2012	Vertical Analysis 12/31/2011	Remarks
ASSETS							
Current Assets							
Cash and cash equivalents	**1,268,131**	354,458	913,673	258%	2%	1%	-
Short-term investments	**6,528,600**	864,585	5,664,015	655%	12%	2%	The increase pertains to the investment of USD155 million in short-term money market placements.
Receivable - net	**492,869**	563,231	(70,362)	-12%	1%	1%	Decrease in receivables was due largely to the collection of outstanding accounts from MRI Trading AG (MRI).
Derivative assets	**6,110**	477,573	(471,463)	-99%	0%	1%	The decrease was caused by a) the freestanding commodity put options as of December 31, 2011 were delivered during the 2nd quarter, and b) the USD140 million BDO loan with an embedded derivative in the prepayment option was settled using the proceeds of the USD300 million bonds.
Inventories - net	**881,969**	1,111,241	(229,272)	-21%	2%	2%	This is due to decrease in procured materials and supplies and the stockpiling of both copper concentrates from CCC and nickel ore from BNC.
Prepayments and other current assets	**891,857**	497,691	394,166	79%	2%	1%	Prepayments and other current assets went up due to the additional deposits made to various suppliers along with input tax on various purchases and prepayments.
Total Current Assets	**10,069,536**	3,868,779	6,200,757	160%	19%	8%	
Noncurrent Assets							
Goodwill	**25,987,065**	25,987,065	-	-	48%	57%	
Property, plant and equipment - net	**16,055,801**	14,164,839	1,890,962	13%	30%	30%	Increase refers to additional acquisition of fixed and movable assets and the capitalization of the cost of rehabilitation and improvement of mine facilities.
Derivative assets	**-**	221,395	(221,395)	-100%	0%	0%	Same as Derivative assets - current
Deferred tax assets	**86,963**	86,963	-	0%	0%	0%	-
Available-for-sale (AFS) financial assets	**4,927**	4,927	-	0%	0%	0%	-
Other noncurrent assets	**1,807,856**	1,478,154	329,702	22%	3%	3%	Increase was due to certain capitalized expenditures related to the issuance of CCC's USD300 million bonds as of the period.
Total Noncurrent Assets	**43,942,612**	41,943,343	1,999,269	5%	81%	92%	
TOTAL ASSETS	**54,012,148**	45,812,122	8,200,026	18%	100%	100%	

LIABILITIES AND STOCKHOLDERS' EQUITY
Current Liabilities

Loans payable	**8,629,800**	5,341,800	3,288,000	62%	16%	12%	The increment was due to the Parent Company's availment of BDO peso-denominated loan amounting to P129 million to finance its working capital requirements.
Accounts payable and accrued liabilities	**2,874,498**	3,100,386	(225,888)	-7%	5%	7%	-
Current portion of long-term debt	**337,506**	4,298,353	(3,960,847)	-92%	1%	9%	Apart from the reclassification of the current portion of the long-term debt and the restatement of foreign currency denominated loans, the bulk of the decrease was brought about by the prepayment by CCC of its USD140 million loan from BDO using the proceeds of the issued bonds.
Advances from and due to related parties	**627,745**	531,700	96,045	18%	1%	1%	The increase is connected to additional advances made by related parties.
Income tax payable	**-**	323	(323)	-100%	0%	0%	Liability was paid as of this period.
Derivative liabilities	**-**	18,929	(18,929)	-100%	0%	0%	The derivative liabilities relate to the outstanding commodity forward on copper concentrates to be delivered subsequent to the reporting date.
Total Current Liabilities	**12,469,549**	13,291,491	(821,942)	-6%	23%	29%	
Noncurrent Liabilities							
Bonds payable	**12,636,000**	**-**	12,636,000	100%	**23%**	**0%**	Issuance of US Dollar-denominated fixed-rate notes representing USD300 million senior unsecured debt with a tenor of five (5) years and five (5) days.
Long-term debt – net of current portion	**259,153**	5,856,671	(5,597,518)	-96%	0%	13%	Same as Current portion of long-term debt
Retirement benefits liability	**137,644**	121,974	15,670	13%	0%	0%	The increment is attributed to the additional accrual of pension costs.
Liability for mine rehabilitation	**99,402**	96,896	2,506	3%	0%	0%	-
Deferred income tax liabilities	**100,482**	100,482	-	0%	0%	0%	-
Total Noncurrent Liabilities	**13,232,681**	6,176,023	(5,579,342)	-90%	24%	13%	
Total Liabilities	**25,702,230**	19,467,514	(6,401,284)	-33%	48%	42%	
Stockholders' Equity							
Capital stock - (P10 par value)	**17,994,916**	17,640,530	354,386	2%	33%	39%	Issuance of shares as of the end of the quarter
Additional paid in capital	**5,816,306**	5,816,306	-	0%	11%	13%	
Revaluation increment in land	**218,559**	218,559	-	0%	0%	0%	
Net unrealized gains on AFS investment	**1,464**	1,464	-	0%	0%	0%	
Retained earnings	**4,002,752**	2,517,311	1,485,441	59%	7%	5%	Share in net income of Parent Company
Attributable to equity holders of the Parent Company	**28,033,998**	26,194,170	1,839,828	7%	52%	57%	
Minority interests	**275,920**	150,438	125,482	83%	1%	0%	Share in net income of minority
Total Stockholders' Equity	**28,309,918**	26,344,608	1,965,310	7%	52%	58%	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**54,012,148**	45,812,122	(4,435,974)	-10%	100%	100%	

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

HORIZONTAL AND VERTICAL ANALYSIS

(Pesos in Thousands, Except Per Share Amounts)

	Six Month Period Ended		**Increase/**	**% of**	**Vertical Analysis**	
	6/30/2012	6/30/2011	**(Decrease)**	**Change**	**(%)**	**Remarks**
REVENUES						
Sales						
Copper	**6,987,576**	6,460,216	527,361	8%	91%	The Company’s subsidiary, Carmen Copper Corporation (CCC), sold over 52% more copper concentrates this quarter (2012) than last year’s output of the same period but the average copper price received was 13% lowe than the previous year’s average price.
Gold	**482,773**	254,923	227,850	89%	6%	
Nickel	**681,540**	-	681,540	100%	9%	Mining production from Berong Nickel
Magnetite	**12,026**	14,718	(2,691)	0%	0%	
Miscellaneous	**6,648**	7,808	(1,160)	-15%	0%	
	8,170,564	6,737,665	**1,432,900**	**21%**	**106%**	
Marketing charges	**(489,937)**	(553,229)	63,292	-11%	-6%	
	7,680,627	6,184,436	1,496,191	24%	100%	
COSTS AND OPERATING EXPENSES						
Cost of sales	**3,968,673**	3,319,388	649,285	20%	52%	Cost and operating expenses went up by 41% with the expanded production level.
Operating expenses	**1,590,812**	633,451	957,361	151%	21%	
	5,559,485	3,952,839	1,606,646	41%	72%	
INCOME FROM OPERATIONS	**2,121,142**	2,231,597	(110,454)	-5%	28%	
OTHER INCOME (CHARGES)						
Finance charges	**(662,628)**	(187,307)	(475,321)	254%	-9%	
Unrealized foreign exchange gain (loss)-net	**343,366**	52,339	291,027	556%	4%	The upsurge pertains to finance charges on bonds and loans, effect of foreign currency translation, and loss on early extinguishment of loan.
Realized mark-to-market gain (loss) on derivative assets (liabilities)-net	**(15,846)**	(17,930)	2,084	-12%	0%	
Interest income	**21,963**	1,634	20,329	1244%	0%	
Other income - net	**(197,074)**	(40,585)	(156,489)	386%	-3%	
	(510,219)	(191,849)	(318,371)	166%	-7%	
INCOME BEFORE INCOME TAX	**1,610,923**	**2,039,748**	**(428,825)**	**-21%**	**21%**	
PROVISION FOR INCOME TAX	**-**	(11,934)	11,934	-100%	0%	
			-			
NET INCOME	**1,610,923**	2,027,814	(416,891)	-21%	21%	

ATLAS CONSOLIDATED MINING & DEVELOPMENT CORPORATION
9th Floor Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City, Metro Manila, Philippines
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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, 2011 and 2010, including additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

Alfredo C. Ramos Chairman of the Board and President	**Adrian Paulino S. Ramos** Executive Vice President
Martin C. Buckingham Executive Vice President	**David M. Dela Cruz** Chief Financial Officer

SUBSCRIBED AND SWORN to before this JUL 09 2012 day of ______ affiants exhibiting to me their Tax Identification Numbers, as follows:

Name	TIN
Alfredo C. Ramos	132-017-513
Adrian Paulino S. Ramos	188-355-989
Martin C. Buckingham	Passport no. 099219951, Date of issue : December 30, 2010, Date of expiry : September 30, 2021, London
David M. Dela Cruz	110-183-747

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Book no. [illegible]
Series of 2012

ATTY. JOEL G. GORDOLA
NOTARY PUBLIC
NOTARIAL COMMISSION NO. 066
COMMISSION EXPIRES DEC. 31, 2012
PTR NO. 6010756, 1/03/2012, Q.C.
IBP NO. 823224 DEC 2, 2011, Q.C.
ROLL OF ATTORNEY NO. [illegible]

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BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-2

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, 2011, December 31, 2010 and January 1, 2010 and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2011, 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, 2011, December 31, 2010 and January 1, 2010, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2011 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

John Nai Peng C. Ong

John Nai Peng C. Ong
Partner
CPA Certificate No. 85588
SEC Accreditation No. 0327-AR-2 (Group A),
March 29, 2012, valid until March 28, 2015
Tax Identification No. 103-093-301
BIR Accreditation No. 08-001998-57-2009,
June 1, 2009, valid until May 31, 2012
PTR No. 3174817, January 2, 2012, Makati City

April 13, 2012

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands, Except Par Value Per Share)

	December 31		January 1
	2011	2010 As restated (see Note 2)	2010 As restated (see Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 4)	**₱354,458**	₱230,963	₱71,389
Short-term investments (Note 17)	**864,585**	–	–
Receivables (Note 5)	**563,231**	1,062,219	769,498
Derivative assets (Note 6)	**477,573**	–	–
Inventories (Note 7)	**1,111,241**	105,675	104,203
Other current assets (Note 8)	**497,691**	18,012	132,617
Total Current Assets	**3,868,779**	1,416,869	1,077,707
Noncurrent Assets			
Goodwill (Notes 2 and 12)	**25,987,065**	15,011	15,011
Property, plant and equipment (Note 10 and 11):			
At cost	**13,849,281**	690,150	746,781
At revalued amount	**315,558**	315,558	315,558
Derivative assets (Note 6)	**221,395**	–	–
Deferred tax assets (Note 25)	**86,963**	1,676	1,247
Available-for-sale (AFS) financial assets (Note 13)	**4,927**	4,927	5,215
Investment in an associate (Note 2)	**–**	2,259,620	1,958,808
Other noncurrent assets (Note 14)	**1,478,154**	129,993	80,972
Total Noncurrent Assets	**41,943,343**	3,416,935	3,123,592
TOTAL ASSETS	**₱45,812,122**	₱4,833,804	₱4,201,299
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable (Note 15)	**₱5,341,800**	₱–	₱506,405
Accounts payable and accrued liabilities (Note 16)	**3,100,386**	1,168,020	1,047,693
Current portion of long-term debt and other interest-bearing liabilities (Note 17)	**4,298,353**	–	–
Payable to related parties (Note 23)	**531,700**	561,567	1,268,830
Income tax payable	**323**	1,286	1,973
Derivative liabilities (Notes 6, 15 and 17)	**18,929**	–	478,256
Total Current Liabilities	**13,291,491**	1,730,873	3,303,157
Noncurrent Liabilities			
Long-term debt and other interest-bearing liabilities - net of current portion (Note 17)	**5,856,671**	–	758,792
Retirement benefits liability (Note 24)	**121,974**	14,569	13,360
Liability for mine rehabilitation cost (Note 18)	**96,896**	19,129	17,958
Deferred tax liabilities (Note 25)	**100,482**	93,742	102,626
Total Noncurrent Liabilities	**6,176,023**	127,440	892,736
Total Liabilities	**19,467,514**	1,858,313	4,195,893

(Forward)

	December 31		January 1
	2011	2010 As restated (see Note 2)	2010 As restated (see Note 2)
Equity			
Capital stock - ₱10 par value (Note 19)	**₱17,640,530**	₱11,388,139	₱10,489,319
Additional paid-in capital (Note 19)	**5,816,306**	830,666	789,563
Deposits for future stock subscriptions (Note 19)	**–**	3,028,293	150,960
Revaluation increment on land (Note 10)	**218,559**	218,559	218,559
Net unrealized gain on AFS financial assets (Note 13)	**1,464**	1,464	1
Retained earnings (deficit) (Note 19)	**2,517,311**	(12,584,614)	(11,826,003)
Attributable to equity holders of the Parent Company	**26,194,170**	2,882,507	(177,601)
Non-controlling interest	**150,438**	92,984	183,007
Equity	**26,344,608**	2,975,491	5,406
TOTAL LIABILITIES AND EQUITY	**₱45,812,122**	₱4,833,804	₱4,201,299

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		
	2011	2010 As restated (see Note 2)	2010 As restated (see Note 2)
INCOME			
REVENUE			
Copper (Note 6)	**₱4,369,989**	₱–	₱–
Gold (Note 6)	**241,146**	–	–
Beneficiated nickel ore and others	**589,652**	–	171,295
	5,200,787	–	171,295
Less smelting and related charges	**425,535**	14,004	96,418
	4,775,252	(14,004)	74,877
FAIR VALUE GAIN ON PREVIOUSLY HELD INTEREST (Note 2)	**13,788,051**	–	–
EQUITY IN NET EARNINGS (LOSS) OF AN ASSOCIATE (Note 2)	**1,247,884**	300,812	(1,079,654)
OTHER INCOME			
Realized gain on derivatives (Note 6)	**218,094**	–	–
Gain on settlement of liability (Notes 16 and 19)	**90,458**	–	–
Interest income (Note 4)	**1,296**	240	198
Foreign exchange gain	**–**	122,095	46,802
Other income (Note 32)	**277,627**	259,613	106,614
	20,398,662	668,756	(851,163)
EXPENSES			
COSTS AND EXPENSES			
Mining and milling costs (Note 21)	**3,395,225**	–	75,387
General and administrative expenses (Note 22)	**929,634**	312,517	541,035
Mine products taxes (Note 21)	**196,421**	–	5,139
OTHER CHARGES			
Unrealized loss on derivatives (Note 6 and 15)	**351,485**	–	–
Finance charges (Notes 15, 17 and 26)	**237,103**	387,750	208,898
Foreign exchange loss	**199,113**	–	–
Realized loss on derivatives (Note 6)	**–**	789,478	18,312
Security fee (Note 15)	**–**	32,450	28,146
Indemnity loss (Note 15)	**–**	–	465,000
Provision for impairment loss on AFS financial assets (Note 13)	**–**	–	15,891
	5,308,981	1,522,195	1,357,808
INCOME (LOSS) BEFORE INCOME TAX	**15,089,681**	(853,439)	(2,208,971)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)	**(69,698)**	(4,805)	11,734
NET INCOME (LOSS)	**15,159,379**	(848,634)	(2,220,705)
OTHER COMPREHENSIVE INCOME (Note 13)	**–**	1,463	–
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱15,159,379**	(₱847,171)	(₱2,220,705)
Total comprehensive income (loss)/net income (loss) attributable to:			
Equity holders of the Parent Company	**₱15,101,925**	(₱757,148)	(₱2,121,598)
Non-controlling interest	**57,454**	(90,023)	(99,107)
	₱15,159,379	(₱847,171)	(₱2,220,705)
EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (Note 28)			
Basic earnings (loss) per share	**₱10.7637**	(₱0.7128)	(₱2.0226)
Diluted earnings (loss) per share	**₱9.3723**	(₱0.7128)	(₱2.0226)

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, 2011, 2010 AND 2009

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company									
	Capital Stock	Additional Paid-in Capital (APIC) (Note 19)	Premium on Deemed Disposal of an Investment in a Subsidiary (Note 2)	Deposits for Future Stock Subscriptions (Note 19)	Revaluation Increment on Land (Note 10)	Net Unrealized Gain on AFS Financial Assets (Note 13)	Retained Earnings (Deficit)	Total	Non-controlling Interest	Total
BALANCES AT JANUARY 1, 2009, as previously reported	₱10,489,319	₱858,501	₱625,541	₱150,960	₱218,559	₱1	(₱10,474,765)	₱1,868,116	₱1,817,076	₱3,685,192
Effects of early adoption of PFRS 10, 11 and 12 (Note 2)	–	(144,819)	(625,541)	–	–	–	770,360	–	(1,534,961)	(1,534,961)
BALANCES AT JANUARY 1, 2009, as restated	10,489,319	713,682	–	150,960	218,559	1	(9,704,405)	1,868,116	282,115	2,150,231
Deposits for future stock subscriptions	–	–	–	–	–	–	–	–	1,232,683	1,232,683
Issuance of shares (Note 19)	–	–	–	–	–	–	–	–	154,492	154,492
Premium on deemed disposal	–	–	7,717	–	–	–	–	7,717	(7,717)	–
Increase in APIC from stock option plan (Note 20)	–	75,881	–	–	–	–	–	75,881	–	75,881
Net loss/total comprehensive loss for the year	–	–	–	–	–	–	(2,121,598)	(2,121,598)	(651,192)	(2,772,790)
Effect of early adoption of PFRS 10, 11 and 12 (Note 2)	–	–	(7,717)	–	–	–	–	(7,717)	(827,374)	(835,091)
BALANCES AT DECEMBER 31, 2009, as restated	₱10,489,319	₱789,563	₱–	₱150,960	₱218,559	₱1	(₱11,826,003)	(₱177,601)	₱183,007	₱5,406
BALANCES AT DECEMBER 31, 2009, as previously reported	₱10,489,319	₱934,382	₱633,258	₱150,960	₱218,559	₱1	(₱12,596,363)	(₱169,884)	₱2,545,342	₱2,375,458
Effects of early adoption of PFRS 10, 11 and 12 (Note 2)	–	(144,819)	(633,258)	–	–	–	770,360	(7,717)	(2,362,335)	(2,370,052)
BALANCES AT DECEMBER 31, 2009, as restated	10,489,319	789,563	–	150,960	218,559	1	(11,826,003)	(177,601)	183,007	5,406
Deposits for future stock subscriptions	–	–	–	2,877,333	–	–	–	2,877,333	–	2,877,333
Issuance of shares (Note 19)	898,820	–	–	–	–	–	–	898,820	–	898,820
Increase in APIC from stock option plan (Note 20)	–	41,103	–	–	–	–	–	41,103	–	41,103
Net loss/ total comprehensive loss for the year	–	–	–	–	–	1,463	(758,611)	(757,148)	(90,023)	(847,171)
BALANCES AT DECEMBER 31, 2010, as restated	₱11,388,139	₱830,666	₱–	₱3,028,293	₱218,559	₱1,464	(₱12,584,614)	₱2,882,507	₱92,984	₱2,975,491
BALANCES AT DECEMBER 31, 2010, as restated	₱11,388,139	₱830,666	₱–	₱3,028,293	₱218,559	₱1,464	(₱12,584,614)	₱2,882,507	₱92,984	₱2,975,491
Issuance of shares (Note 19)	6,252,391	4,985,640	–	(2,877,333)	–	–	–	8,360,698	–	8,360,698
Reversal of deposits for future stock subscriptions (Note 19)	–	–	–	(150,960)	–	–	–	(150,960)		(150,960)
Net income/total comprehensive income for the year	–	–	–	–	–	–	15,101,925	15,101,925	57,454	15,159,379
BALANCES AT DECEMBER 31, 2011	₱17,640,530	₱5,816,306	₱–	₱–	₱218,559	₱1,464	₱2,517,311	₱26,194,170	₱150,438	₱26,344,608

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		
	2011	2010 As restated (see Note 2)	2009 As restated (see Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱15,089,681**	(₱853,439)	(₱2,208,971)
Adjustments for:			
Depreciation and depletion (Notes 10)	**499,006**	57,131	55,726
Unrealized loss on derivatives (Note 6)	**351,485**	–	–
Finance charge (Note 27)	**237,103**	387,750	208,898
Net unrealized foreign exchange loss (gain)	**119,144**	(122,249)	(42,979)
Retirement benefits costs (Notes 24)	**25,807**	1,924	1,265
Impairment loss on:			
Property, plant and equipment (see Note 10)	**93,818**	–	–
Input VAT (Note 15)	**69,226**	–	–
Receivables (Note 5)	**1,688**	770	–
Available-for-sale financial assets	–	–	15,891
Fair value gain on previously held interest (Note 2)	**(13,788,051)**	–	–
Equity in net earnings (loss) in an associate (Note 2)	**(1,247,884)**	(300,812)	1,079,654
Net realized loss (gain) on derivatives (Note 6)	**(218,094)**	789,478	18,312
Gain on settlement of liabilities	**(90,458)**	–	–
Interest income	**(1,296)**	–	(198)
Change in accounting estimate for liability on mine rehabilitation cost (Note 18)	**(417)**	–	–
Share-based compensation expense (Note 20)	–	41,103	75,881
Security fee (Note 15)	–	32,450	28,146
Indemnity loss	–	–	465,000
Loss (gain) on disposals of property and equipment	–	327	(348)
Operating income (loss) before working capital changes	**1,140,758**	34,433	(303,723)
Decrease (increase) in:			
Receivables	**959,696**	(327,767)	(719,544)
Short-term investments	**(864,585)**	–	–
Inventories	**(275,368)**	(1,472)	75,788
Other current assets	**519,653**	114,605	50,998
Increase in accounts payable and accrued liabilities	**204,632**	252,829	14,678
Net cash generated from (used in) operations	**1,684,786**	72,628	(881,803)
Interest received	**1,296**	–	198
Interest paid	**(124,575)**	(387,750)	(207,799)
Income taxes paid	**(4,279)**	(5,192)	(2,169)
Retirement benefits paid	**(4,042)**	(716)	–
Net cash flows from (used) in operating activities	**1,553,186**	(321,030)	(1,091,573)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash outflow on step acquisition of a subsidiary (Note 2)	**(14,054,342)**	–	–
Proceeds of disposal of property, plant and equipment	–	600	1,181
Acquisitions of property, plant and equipment (Notes 10 and 33)	**(2,603,494)**	(1,427)	(7,732)
Increase in other noncurrent assets	**(34,486)**	(47,853)	(35,575)
Net cash flows used in investing activities	**(16,692,322)**	(48,680)	(42,126)

(Forward)

	Years Ended December 31		
	2011	2010 As restated (see Note 2)	2009 As restated (see Note 2)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loan drawdown and other interest bearing liabilities (Note 17)	**₱8,942,904**	₱–	₱774,919
Issuance of shares (Note 19)	**8,360,698**	1,806,598	–
Payment of loans and long-term debt and other interest bearing liabilities (Notes 15 and 17)	**(1,312,753)**	(1,265,140)	–
Increase (decrease) in payable to related parties	**(711,216)**	(5,444)	331,908
Net cash flows from financing activities	**15,279,633**	536,014	1,106,827
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(17,002)**	(6,730)	12,873
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**123,495**	159,574	(13,999)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**230,963**	71,389	85,388
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱354,458**	₱230,963	₱71,389

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Per Share Data or Where Otherwise Indicated)

1. Corporate Information, Business Operations, and Authorization for the Issuance of Financial Statements

Corporate Information

Atlas Consolidated Mining and Development Corporation (the Parent Company) was incorporated and was registered with the Philippine Securities and Exchange Commission (SEC) as "Masbate Consolidated Mining Company, Inc." on March 9, 1935 as a result of the merger of assets and equities of three pre-war mining companies, namely, Masbate Consolidated Mining Company, Antamok Goldfields Mining Company and IXL Mining Company. Thereafter, it amended its articles of incorporation to reflect the present corporate name. The Parent Company, through its subsidiaries, is engaged in mineral and metallic mining and exploration, and primarily produces nickel, copper concentrates and gold with silver, magnetite and pyrites as by-products.

The Parent Company's shares of stock are listed at the Philippine Stock Exchange (PSE) and its corporate life was extended up to March 2035. The registered business address of the Parent Company is Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City.

A major restructuring of the Parent Company's assets was undertaken in 2004 and 2005 with the creation of three special-purpose subsidiaries to develop the Toledo Copper Project, Berong Nickel Project and the Toledo-Cebu Bulk Water and Reservoir Project. As a result, Carmen Copper Corporation (CCC), Berong Nickel Corporation (BNC) and AquAtlas, Inc. (AI) were incorporated and, subsequently, were positioned to attract project financing, as well as specialist management and operating expertise. In addition, the Parent Company incorporated a wholly owned subsidiary, Atlas Exploration, Inc. (AEI) to host, explore and develop copper, gold, nickel and other mineral exploration properties. AEI will also explore for other metalliferous and industrial minerals to increase and diversify the mineral holdings and portfolio of the Parent Company.

The Parent Company has effective control in nine (9) subsidiaries as of December 31, 2011 and eight (8) subsidiaries as of December 31, 2010 and 2009 (see Note 2). Its subsidiaries are engaged in mining, professional services, bulk water supply and as holding companies. The Parent Company has no geographical segments as these entities were incorporated and are operating within the Philippines.

The Parent Company's subsidiaries, their respective nature of business and percentage of ownership in 2011, 2010 and 2009 follow:

Subsidiaries	Nature of Business	Percentage of Ownership **2011**	2010	2009
Atlas Exploration, Inc. (AEI)	Incorporated in the Philippines on August 26, 2005 to engage in the business of searching, prospecting, exploring and locating ores and mineral resources and other exploration work.	**100.00**	100.00	100.00

(Forward)

Subsidiaries	Nature of Business	Percentage of Ownership **2011**	2010	2009
AquAtlas, Inc. (AI)	Incorporated in the Philippines on May 26, 2005 to provide and supply wholesale or bulk water to local water districts and other customers.	**100.00**	100.00	100.00
Amosite Holdings, Inc. (AHI)	Incorporated in the Philippines on October 17, 2006 to hold assets for investment purposes.	**100.00**	100.00	100.00
Carmen Copper Corporation (CCC; see Note 2)	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**	–	–
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	60.00
Ulugan Resources Holding, Inc. (URHI)	Incorporated in the Philippines on June 23, 2005 to deal in and with personal properties and securities.	**70.00**	70.00	70.00
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	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	42.00
Berong Nickel Corporation (BNC)	Incorporated in the Philippines on September 27, 2004 to explore, develop and mine the Berong Mineral Properties located in the province of Palawan.	**25.20**	25.20	25.20

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

a. *Atlas Exploration, Inc.*
AEI incurred a net loss of ₱34,526 in 2011 and a capital deficiency of ₱98,446 as of December 31, 2011. While AEI continues to pursue means by which it can address its capital deficiency, it shall rely upon the financial support of its Parent Company to enable it to operate as a going concern and meet its obligations for at least twelve months. In 2011, AEI engaged in the following exploration activities:

- *Assessment of the mine waste dumps in the Toledo Copper Complex (TCC), Cebu*
AEI was able to finalize the plans for drilling, including the identification of drill hole locations in Carmen 1, Biga 2 and Biga 1 mine waste dumps as well as access roads. The 68-meter hole with combined meterage of 1088 meters and metallurgical testing of selected samples will determine if the mineralized rock fragment in some layers of the mine waste dumps can be recovered by flotation or by other methods.

- *Exploration for possible Extension/Satellites of Lutopan/Carmen Orebodies and Biga Mineral Resources in TCC*
  AEI commenced its drilling in West Lutopan. AEI is also planning to conduct geophysical survey in selected areas like Sigpit South Lutopan and Kanapnapan to determine the presence of any geologic indicators of copper/gold mineralization.

b. *AquAtlas, Inc.*
AI incurred a net loss of ₱1,423 in 2011 and a capital deficiency of ₱31,392 as of December 31, 2011. AI intends to address such capital deficiency by pursuing its plan of engaging in the business of supplying bulk water. AI shall rely on the continuing financial support of its Parent Company to enable it to operate as a going concern and meet its obligations for at least twelve months. In 2011, several potential project partners expressed their interest in building the infrastructures required for the establishment of a bulk water supply facility and a hydropower facility.

c. *Carmen Copper Corporation*
On 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 May 5, 2006, the Parent Company entered into an Operating Agreement with CCC 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.

d. *Amosite Holdings, Inc.*
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. *Berong Nickel Corporation*
On February 12, 2010, the Mines and Geosciences Bureau (MGB) issued in favor of BNC an exploration permit designated as EP-002-2010-IVB (the "EP") which covers an area of approximately 1,069 hectares situated in the municipalities of Quezon and Aborlan in the province of Palawan. The EP is valid for a period of two (2) years reckoned from date of issuance.

On November 5, 2010, the Board of Investments (BOI) approved the extension of the period of availment by BNC of the income tax holiday (ITH) incentive enjoyed by BOI-registered enterprises. Such extension allows BNC to claim ITH until May 27, 2012. In addition, BNC benefits from the automatic value added tax zero-rating of its purchase of goods and services from domestic suppliers on account of the certification by the BOI that one hundred per cent (100%) of its sales are export sales.

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.

f. *TMM Management, Inc.*
In 2011, TMMI's service income and net income amounted to ₱30,010 and ₱1,711, respectively.

g. *Ulugan Resources Holding, Inc./Ulugan Nickel Corporation/Nickeline Resources Holdings, Inc.*
These Companies have not started commercial operations as of December 31, 2011.

Authorization for the Issuance of the Consolidated Financial Statements
The consolidated financial statements of the Parent Company and its subsidiaries (the Group) were authorized for issue by the Board of Directors (BOD) on April 13, 2012.

2. Significant Accounting Policies and Financial Reporting Practices

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

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as of December 31 of each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Parent Company controls an investee if and only if the Parent Company has all of the following:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the Parent Company's returns.

Subsidiaries are deconsolidated from the date on which control ceases.

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

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

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

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

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

Business Combinations and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with PAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised 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 recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended PFRS and Philippine interpretations from International Financial Reporting Interpretations Committee (IFRIC) and improvements to PFRS effective as of January 1, 2011 and early adoption of PFRS 10, *Consolidated Financial Statements*, PFRS 11, *Joint Arrangements* and PFRS 12, *Disclosures of Interest with Other Entities*.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

- PFRS 12, *Disclosure of Interests with Other Entities*
  PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

The above standards are effective for annual periods beginning on or after January 1, 2013, with early application permitted. When adopted, the Standards are applied retrospectively.

The Group decided to early adopt PFRS 10, 11 and 12 in its 2011 financial statements, effective May 12, 2011 as its date of initial application since the Parent Company believes that the early adoption of these standards will reflect the economic and underlying substance of the changes in ownership in its subsidiaries on its consolidated financial statements. A reassessment of control was performed by the Parent Company in accordance with the provision of PFRS 10 and as a result, the Parent Company determined that it had significant influence in CCC and not control based on certain agreement with the previous shareholders of CCC. The Parent Company applied PFRS 10 retrospectively under the transitional provision of PFRS 10.

The comparative figures for the 2010 and 2009 consolidated financial statements were restated to reflect the changes in the accounting policies.

a. The reconciliation of equity and income, showing the effect of the early adoption of PFRS 10, 11 and 12 as reflected in the following consolidated statement of financial position and consolidated statement of comprehensive income:

Reconciliation of Statement of Financial Position at December 31, 2010 and 2009 (in ₱)

2010

	As previously reported	Effect of early adoption	As Restated
ASSETS			
Current Assets			
Cash and cash equivalents	2,476,170	(2,245,207)	230,963
Receivables	314,743	747,476	1,062,219
Derivative assets	29,862	(29,862)	–
Inventories	637,684	(532,009)	105,675
Other current assets	322,102	(304,090)	18,012
Total Current Assets	3,780,561	(2,363,692)	1,416,869
Noncurrent Assets			
Goodwill	15,011	–	15,011
Property, plant and equipment	11,797,113	(10,791,405)	1,005,708
Derivative assets	703,295	(703,295)	–
Deferred tax assets	–	1,676	1,676
AFS financial assets	4,927	–	4,927
Investment in an associate	–	2,259,620	2,259,620
Other noncurrent assets	1,343,600	(1,213,607)	129,993
Total Noncurrent Assets	13,863,946	(10,447,011)	3,416,935
TOTAL ASSETS	17,644,507	(12,810,703)	4,833,804
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	2,624,819	(1,456,799)	1,168,020
Current portion of long-term debt and other interest bearing liabilities	1,662,395	(1,662,395)	–
Payable to related parties	1,330,760	(769,193)	561,567
Income tax payable	1,286	–	1,286
Derivative liabilities	147,044	(147,044)	–
Total Current Liabilities	5,766,304	(4,035,431)	1,730,873
Noncurrent Liabilities			
Long-term debt and other interest bearing liabilities - net of current portion	5,824,466	(5,824,466)	–
Retirement benefits liability	100,209	(85,640)	14,569
Liability for mine rehabilitation cost	96,146	(77,017)	19,129
Deferred tax liabilities	93,668	74	93,742
Total Noncurrent Liabilities	6,114,489	(5,987,049)	127,440
Total Liabilities	11,880,793	(10,022,480)	1,858,313
Equity			
Capital stock - ₱10 par value	11,388,139	–	11,388,139
Additional paid-in capital	975,485	(144,819)	830,666
Premium on deemed disposal of an investment in a subsidiary	633,258	(633,258)	–
Deposits for future stock subscriptions	3,028,293	–	3,028,293
Revaluation increment on land	218,559	–	218,559
Net unrealized gain on AFS financial assets	1,464	–	1,464
Retained earnings (deficit)	(13,354,974)	770,360	(12,584,614)
Attributable to equity holders of the Parent Company	2,890,224	(7,717)	2,882,507
Non-controlling interest	2,873,490	(2,780,506)	92,984
Equity	5,763,714	(2,788,223)	2,975,491
TOTAL LIABILITIES AND EQUITY	17,644,507	(12,810,703)	4,833,804

2009

	As previously reported	Effect of early adoption	As Restated
ASSETS			
Current Assets			
Cash and cash equivalents	301,355	(229,966)	71,389
Receivables	292,156	477,342	769,498
Derivative assets	32,720	(32,720)	–
Inventories	778,493	(674,290)	104,203
Other current assets	563,219	(430,602)	132,617
Total Current Assets	1,967,943	(890,236)	1,077,707
Noncurrent Assets			
Goodwill	15,011	–	15,011
Property, plant and equipment	10,898,720	(9,836,381)	1,062,339
Deferred tax assets	–	1,247	1,247
AFS financial assets	5,215	–	5,215
Investment in an associate	–	1,958,808	1,958,808
Other noncurrent assets	1,042,570	(961,598)	80,972
Total Noncurrent Assets	11,961,516	(8,837,924)	3,123,592
TOTAL ASSETS	13,929,459	(9,728,160)	4,201,299
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable	977,585	(471,180)	506,405
Accounts payable and accrued liabilities	2,737,515	(1,689,822)	1,047,693
Current portion of long-term debt and other interest bearing liabilities	924,000	(924,000)	–
Payable to related parties	1,851,725	(582,895)	1,268,830
Income tax payable	2,015	(42)	1,973
Derivative liabilities	772,818	(294,562)	478,256
Total Current Liabilities	7,265,658	(3,962,501)	3,303,157
Noncurrent Liabilities			
Long-term debt and other interest bearing liabilities - net of current portion	3,992,792	(3,234,000)	758,792
Retirement benefits liability	70,952	(57,592)	13,360
Liability for mine rehabilitation cost	121,973	(104,015)	17,958
Deferred income tax liabilities	102,626	–	102,626
Total Noncurrent Liabilities	4,288,343	(3,395,607)	892,736
Total Liabilities	11,554,001	(7,358,108)	4,195,893
Equity			
Capital stock - ₱10 par value	10,489,319	–	10,489,319
Additional paid-in capital	934,382	(144,819)	789,563
Premium on deemed disposal of an investment in a subsidiary	633,258	(633,258)	–
Deposits for future stock subscriptions	150,960	–	150,960
Revaluation increment of land	218,559	–	218,559
Net unrealized gain on AFS financial assets	1	–	1
Retained earnings (deficit)	(12,596,363)	770,360	(11,826,003)
Attributable to equity holders of the Parent Company	(169,884)	(7,717)	(177,601)
Non-controlling interest	2,545,342	(2,362,335)	183,007
Equity	2,375,458	(2,370,052)	5,406
TOTAL LIABILITIES AND EQUITY	13,929,459	(9,728,160)	4,201,299

Reconciliation of Statement of Comprehensive Income for 2010 and 2009 (in ₱)

2010

	As previously reported	Effect of early adoption	As Restated
INCOME			
REVENUE			
Copper	8,423,182	(8,423,182)	–
Gold	422,769	(422,769)	–
Silver	5,000	(5,000)	–
Beneficiated nickel ore and others	–	–	–
	8,850,951	(8,850,951)	–
Less smelting and related charges	618,032	(604,028)	14,004
	8,232,919	(8,246,923)	(14,004)
EQUITY IN NET EARNINGS OF AN ASSOCIATE	–	300,812	300,812
OTHER INCOME			
Interest income	1,138	(898)	240
Net foreign exchange gain	298,424	(176,327)	122,095
Other income - net	73,884	185,969	259,613
	8,606,365	(7,937,607)	668,756
EXPENSES			
COSTS AND EXPENSES			
Mining and milling costs	5,597,565	(5,597,565)	–
General and administrative expenses	1,033,078	(720,561)	312,517
Mine products taxes	184,614	(184,614)	–
OTHER CHARGES			
Unrealized losses on derivatives	135,836	(135,836)	–
Finance charges	1,446,142	(1,058,392)	387,750
Realized loss on derivatives	501,340	288,138	789,478
Security fee	32,450	–	32,450
Provision for impairment loss on AFS financial assets	108,579	(108,579)	–
	9,039,604	(7,517,409)	1,522,195
LOSS BEFORE INCOME TAX	(433,239)	(420,200)	(853,439)
PROVISION FOR INCOME TAX	(2,776)	(2,029)	(4,805)
NET LOSS	(430,463)	(418,171)	(848,634)
OTHER COMPREHENSIVE INCOME	1,463	–	1,463
TOTAL COMPREHENSIVE LOSS	(429,000)	(418,171)	(847,171)
Total comprehensive income (loss)/net income (loss) attributable to:			
Equity holders of the Parent Company	(757,148)	–	(757,148)
Non-controlling interest	328,148	(418,171)	(90,023)
	(429,000)	(418,171)	(847,171)

2009

	As previously reported	Effect of early adoption	As Restated
INCOME			
REVENUE			
Copper	4,308,244	(4,308,244)	–
Gold	210,766	(210,766)	–
Silver	–	–	–
Beneficiated nickel ore and others	171,295	–	171,295
	4,690,305	(4,519,010)	171,295
Less smelting and related charges	504,707	(408,289)	96,418
	4,185,598	(4,110,721)	74,877
EQUITY IN NET LOSS OF AN ASSOCIATE	–	(1,079,654)	(1,079,654)
OTHER INCOME			
Interest income	988	(790)	198
Net foreign exchange gain	120,418	(73,616)	46,802
Other income – net	24,177	82,437	106,614
	4,331,181	(5,182,344)	(851,163)
EXPENSES			
COSTS AND EXPENSES			
Mining and milling costs	3,635,185	(3,559,798)	75,387
General and administrative expenses	953,560	(412,525)	541,035
Mine products taxes	73,321	(68,182)	5,139
OTHER CHARGES			
Unrealized loss on derivatives	1,161,974	(1,161,974)	–
Finance charges	427,893	(218,995)	208,898
Realized loss on derivatives	270,734	(252,422)	18,312
Security fee	28,146	–	28,146
Indemnity loss	465,000	–	465,000
Probable losses	59,526	(59,526)	–
Loss on asset disposal	1,007	(1,007)	–
Provision for impairment loss on AFS	15,891	–	15,891
	7,092,237	(5,734,429)	1,357,808
LOSS BEFORE INCOME TAX	(2,761,056)	552,085	(2,208,971)
PROVISION FOR INCOME TAX	11,734	–	11,734
NET LOSS	(2,772,790)	552,085	(2,220,705)
OTHER COMPREHENSIVEINCOME	–	–	–
TOTAL COMPREHENSIVE LOSS	(2,772,790)	552,085	(2,220,705)
Total comprehensive income (loss)/net income (loss) attributable to:			
Equity holders of the Parent Company	(2,121,598)	–	(2,121,598)
Non-controlling interest	(651,192)	552,085	(99,107)
	(2,772,790)	552,085	(2,220,705)

b. The effect of the early adoption of PFRS 10, 11 and 12 on basic and diluted earnings (loss) is shown as follows:

Basic earnings (loss)/ Diluted earnings (loss) per share	As previously reported	As restated
2010	(₱0.7128)	(₱0.7128)
2009	(₱2.0226)	(₱2.0226)

c. The effects of the early adoption of PFRS 10, 11 and 12 on the December 31, 2010 and 2009 consolidated cash flow statements are as follows:

	As previously reported	As restated
2010		
Net cash flows from (used in) operating activities	982,459	(321,030)
Net cash flows used in investing activities	(2,318,673)	(48,680)
Net cash flows from financing activities	3,577,221	536,014
2009		
Net cash flows used in operating activities	(679,049)	(1,091,573)
Net cash flows used in investing activities	(2,210,870)	(42,126)
Net cash flows from financing activities	2,271,448	1,106,827

d. As a result of the early adoption of PFRS 10, 11 and 12, the Parent Company's investment in CCC was recognized as an investment in an associate and was accounted for using the equity method. The details of the investment in an associate are as follows:

	2011	2010 As restated	2009 As restated
Acquisition costs:			
Balance at beginning of year	**₱2,881,572**	₱2,881,572	₱2,696,819
Additional investment	**–**	–	184,753
Step acquisition during the year	**(2,881,572)**	–	–
Balance at end of year	**–**	2,881,572	2,881,572
Accumulated equity in net earnings (losses):			
Balance at beginning of year	**(621,952)**	(922,764)	156,890
Equity in net earnings (losses) for the year	**1,247,884**	300,812	(1,079,654)
Step acquisition during the year	**(625,932)**	–	–
Balance at end of year	**–**	(621,952)	(922,764)
	₱–	₱2,259,620	₱1,958,808

The following presents a summary of CCC's financial information is as follows:

	July 2011	December 31, 2010	December 31, 2009
Assets			
Total Current Assets	**₱4,876,312**	₱3,187,784	₱1,701,856
Total Noncurrent Assets	**13,151,921**	13,392,957	11,511,387
Total Assets	**₱18,028,233**	₱16,580,741	₱13,213,243
Liabilities			
Total Current Liabilities	**2,864,599**	4,935,288	4,829,419
Total Noncurrent Liabilities	**7,213,924**	5,987,122	3,395,605
Total Liabilities	**₱10,078,523**	₱10,922,410	₱8,225,024
Revenue	**₱12,223,963**	₱8,850,951	₱4,519,010
Cost and Expenses	**9,762,047**	8,178,808	6,181,251
Income (loss) before income tax	**2,461,916**	672,143	(1,662,241)
Provision (benefit) for income tax expense	**(79,456)**	2,030	43
Other comprehensive income	**–**	–	–
Total Comprehensive Income (Loss)	**₱2,541,372**	₱670,113	(₱1,662,284)

Step Acquisition of CCC

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

a. As at the acquisition date on July 2011, the Parent Company adjusted its 54.46% previously held interest in CCC at fair value. The fair value of the previously held interest amounted to ₱17,913,764 while the carrying value of the investment in CCC amounted to ₱4,125,713 as of July 2011. The fair value gain on the previously held interest amounting to ₱13,788,051 was recognized in the consolidated profit or loss.

b. The purchase price allocation was prepared on a preliminary basis as the fair values are being finalized. The total acquisition cost of $368,000 (₱16,008,000) was allocated to the preliminary fair values of assets and liabilities at the date of acquisition. The following are the preliminary fair values of the identifiable assets and liabilities assumed:

ASSETS	
Current Assets	
Cash and cash equivalents	₱1,953,658
Receivables	454,505
Derivatives assets	733,157
Inventories	730,197
Other current assets	1,004,795
Total Current Assets	4,876,312
Noncurrent Assets	
Property, plant and equipment	11,779,531
Other noncurrent assets	1,372,390
Total Noncurrent Assets	13,151,921
TOTAL ASSETS	₱18,028,233
LIABILITIES	
Current liabilities	
Accounts payable and other liabilities	₱2,859,976
Derivative liabilities	4,623
Total Current Liabilities	2,864,599
Noncurrent liabilities	
Long term debt and other interest bearing liabilities	7,055,020
Liability for mine rehabilitation cost	80,121
Retirement benefits liability	78,783
Total Noncurrent Liabilities	7,213,924
TOTAL LIABILITIES	₱10,078,523
NET ASSETS	₱7,949,710

Net assets of CCC	₱7,949,710
Goodwill arising from the acquisition (see Note 12b)	25,972,054
Fair value of previously held interest (see Note 2a)	(17,913,764)
Acquisition cost	₱16,008,000

The accounting for the fair value of all identifiable assets and liabilities is ongoing as of reporting date, therefore the reported amounts of CCC as of December 31, 2011 are provisional amounts and may change during the measurement period which shall not exceed one year from the date of acquisition of July 2011. During the measurement period, the Parent Company shall recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of July 2011 and, if known, would have resulted in the recognition of those assets and liabilities as of that date.

c. The revenue, net of smelting and related charges and net income of CCC from acquisition date to December 31, 2011 that is included in the consolidated statement of comprehensive income amounted to ₱4,262,587 and ₱249,995, respectively. The equity in net earnings in CCC from January 1, 2011 up to the date of acquisition on July 2011 amounted to ₱1,247,884.

Cash flow on acquisition:

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

d. Had the acquisition occurred as of January 1, 2011, 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	
Unrealized loss on derivatives	208,421
Finance charges	728,809
	10,461,707
INCOME BEFORE INCOME TAX	15,089,681
BENEFIT FROM INCOME TAX	69,698
NET INCOME	15,159,379
OTHER COMPREHENSIVE INCOME	–
TOTAL COMPREHENSIVE INCOME	₱15,159,379

Except as otherwise indicated, the adoption of the following standards and amendments did not have any impact on the financial position or performance of the Group.

- PAS 24, *Related Party Transactions (Amendment)*
  The amendment to PAS 24 clarifies the definitions of a related party. The new definitions emphasizes a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity.

- PAS 32, *Financial Instruments: Presentation (Amendment)*
  The amendment alters the definition of a financial liability in PAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

- Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement (Amendment)*
  The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognized as a pension asset.

Improvements to PFRSs (issued 2010)
Improvements to PFRSs, an omnibus of amendments to standards, deal primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any significant impact on the financial position or performance of the Group.

- PFRS 3 *Business Combinations*: The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

- PFRS 7, *Financial Instruments - Disclosures:* The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

- PAS 1, *Presentation of Financial Statements:* The amendment clarifies that an entity may present an analysis of each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

Other amendments resulting from the 2010 Improvements to PFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- PFRS 3, *Business Combinations* (Contingent consideration arising from business combination prior to adoption of PFRS 3 (as revised in 2008))
- PFRS 3, *Business Combinations* (Un-replaced and voluntarily replaced share-based payment awards)
- PAS 27, *Consolidated and Separate Financial Statements*
- PAS 34, *Interim Financial Statements*

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes* (determining the fair value of award credits)
- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

Standards Issued but not yet Effective

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

- PAS 1, *Financial Statement Presentation - Presentation of Items of Other Comprehensive Income (OCI)*

  The amendments to PAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendment affects presentation only and has therefore no impact on the Group's financial position or performance.

- PAS 12, *Income Taxes - Recovery of Underlying Assets*

  The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in PAS 40, *Investment Property,* should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, *Property, Plant and Equipment,* always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after January 1, 2012. The Group will consider the impact of the amendment upon effectivity.

- PAS 19, *Employee Benefits (Amendment)*

  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The amendment has no impact on the Group's financial position or performance.

- PAS 27, *Separate Financial Statements (as revised in 2011)*
As a consequence of the new PFRS 10, *Consolidated Financial Statement* 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 separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The amendment has no impact on the Group's financial position or performance.

- PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*
As a consequence of the new PFRS 11, *Joint Arrangements,* and PFRS 12, PAS 28, *Investment in Associates,* has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The amendment has no impact on the Group's financial position or performance.

- PFRS 7*, Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements*
The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after July 1, 2011. The amendment has no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement*
PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after January 1, 2013. The Group is currently assessing the impact that this standard will have on the financial position and performance.

- PFRS 9*, Financial Instruments: Classification and Measurement*
PFRS 9 as issued reflects the first phase on the replacement of PAS 39, *Financial Instruments, Recognition and Measurement,* and applies to classification and measurement of financial assets and financial liabilities s defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. In subsequent phases, hedge accounting and impairment of financial assets will be addressed with the completion of this project expected on the first half of 2012. 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 classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is

recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The interpretation has no significant impact on the Group's financial position and performance.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*

  This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset. This interpretation becomes effective for annual periods beginning on or after January 1, 2013. The Group is currently assessing the impact of this interpretation.

Cash and Cash Equivalents

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

Revenue Recognition

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

Copper, Gold and Silver Concentrate Sales

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

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

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

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

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

Expenses
Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized in the consolidated statement of comprehensive income when the services are used or the expenses are incurred.

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

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

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

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

The Group has no financial assets classified as HTM investments as of December 31, 2011, 2010 and 2009.

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 and derivative liabilities as of December 31, 2011, 2010 and 2009.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets. As of December 31, 2011, 2010 and 2009, the Group's loans and receivables consist of "cash and cash equivalents", "short-term investments" and "receivables".

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

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

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

For a financial asset reclassified out of the AFS category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the profit or loss.

The Group's AFS financial asset pertains to its investment in equity shares as of December 31, 2011, 2010 and 2009.

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

The Group's financial liabilities at FVPL pertain to the derivative liability in the consolidated statement of financial position in 2009.

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

As of December 31, 2011, 2010 and 2009, other financial liabilities consist of "accounts payable and accrued liabilities", "loans payable" , "payable to related parties" and "long-term debt and other interest-bearing liabilities".

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

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

Derivatives and Hedging
Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes a party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL. Changes in fair values are included in profit or loss.

The Group recognized bifurcated derivative assets arising from the provisionally-priced commodity sales contracts as of December 31, 2011, 2010 and 2009 and derivative liabilities on copper sales transactions, and prepayment option on long term debt as of December 31, 2011 and 2010 and 2009.

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

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

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

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

AFS financial assets
For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 30% or more and 'prolonged' as greater than 12 months for quoted equity securities. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized on that investment is removed from other comprehensive income and recognized in profit or loss.

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

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

Derecognition of Financial Assets and Financial Liabilities

Financial assets

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

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

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

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

Financial liabilities

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

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

Inventories

Mine products inventory, which consists of copper concentrates containing copper, gold and silver, and materials, fuels and supplies used in the rehabilitation of the assets, 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 final product. In the case of materials, fuels and supplies, NRV is the value of the inventories when sold at their condition at the reporting date. Cost is determined using the following methods:

Copper concentrate
The cost of copper concentrate containing copper, gold and silver is determined using the weighted average method.

Beneficiated nickel silicate ore
Cost of beneficiated nickel ore is determined by the moving average production cost during the period for beneficiated nickel ore exceeding a determined cut-off grade and moving average method for fuel and supplies. NRV for beneficiated nickel ore is the estimated selling price 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 consist of consumable bearing and grinding balls, coolant and lubricants for the concentrators, concentrator supplies like floatation regent to process the extracted ores, spare parts for concentrator machineries, crushers and conveyors, supplies such as diesel and gasoline fuels used by dump tracks and drilling machineries in extracting and transporting the ores and explosives, blasting and accessories for open pit mining. NRV is the value of the inventories when sold at their condition at the reporting date. Cost is determined using the weighted average method.

Investment in an Associate
The Parent Company's investment in its associate is accounted for under the equity method of accounting. An associate is an entity in which the Parent Company has significant influence and which is neither a subsidiary nor a joint arrangement. The investment in an associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Parent Company's share in the net assets of the associate, less any impairment in value. The consolidated statement of comprehensive income includes the Parent Company's share in the results of operation of the associate. Unrealized gains arising from transaction with the associate are eliminated to the extent of the Parent Company's interest in the associate, against its investment in associate. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

An investment is accounted for using the equity method from the day it becomes an associate. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the investee's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized. Any excess of the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment, and is instead included as income in the determination of the share in the earnings of the investees.

Input Value-Added Tax (VAT)
Input VAT represents VAT imposed on the Group by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations. Deferred Input VAT represents Input VAT on purchase of capital goods exceeding one million pesos. The related Input VAT is recognized over five years or the useful life of the capital goods, whichever is shorter.

The input VAT is recognized as an asset and will be used to offset against the Group's current output VAT liabilities and any excess will be claimed as tax credits. Input VAT is stated at its estimated NRV.

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

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

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/Deficit" account.

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 the profit or loss.

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

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

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

The estimated recoverable reserves, useful lives, and depreciation and depletion methods are reviewed periodically to ensure that the estimated recoverable reserves, periods and methods of depreciation and depletion are consistent with the expected pattern of economic benefits from the items of property, plant and equipment. Property, plant and equipment also include the estimated costs of rehabilitating the mine site, for which the Group is constructively liable. These costs, included under mine development costs, are amortized using the units-of-production method based on the estimated recoverable mine reserves until the Group actually incurs these costs in the future.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognized.

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

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

Mine Development Costs and Construction in Progress

Mine development costs are stated at cost, which includes cost of construction of property, plant and equipment, borrowing costs and other direct costs. 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. Mine development costs, except for cost attributable to current operations, and construction in progress are not depreciated or depleted until such time as the relevant assets are completed and become available for use. Mine development costs attributed to operations are depleted using the units-of-production method based on estimated recoverable reserves in tonnes.

Deferred Mine Exploration Costs

An impairment review is performed, either individually or at the CGU level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the financial period in which this is determined. Exploration assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the following conditions is met:

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

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.

Impairment of Nonfinancial Assets
The Group assesses at each reporting date whether there is an indication that a nonfinancial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the Group's profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount on a systematic basis over its remaining useful life.

Liability for Mine Rehabilitation
Rehabilitation of the mined-out areas is performed progressively and charged to costs as part of normal operating activity. In addition, an assessment is made at each operation of the discounted cost at reporting date of any future rehabilitation work that will be incurred as a result of currently existing circumstances and regulations, and a provision is accumulated for this operation. This provision is charged on a proportionate basis to production over the shorter of the life of the operation or the term of the mining rights. The estimated cost of rehabilitation is assessed on a regular basis. Rehabilitation costs include reforestation of areas affected by operations, clean-up of polluted materials, dismantling of temporary facilities and monitoring of sites for a period of five (5) years after completion of operations. Any changes in estimates are dealt with on a prospective basis.

Convertible Loans Payable
Convertible loans payable 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 in equity.

When the embedded option in convertible loans payable is denominated in a currency other than the functional currency of the Group, the option is classified as a liability. The option is mark-to-market with subsequent gains and losses being recognized in profit or loss.

Issue costs are apportioned between the liability and equity components of the convertible bonds where appropriate based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity. The interest expense on the liability component is calculated by applying the effective interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loans payable.

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

Stripping costs incurred subsequently during the production stage of its operation are deferred for those operations where this is the most appropriate basis for matching the cost against the related economic benefits and the effect is material. This is generally the case where there are fluctuations in stripping costs over the estimated life of the mine. The amount of stripping costs deferred is based on the strip ratio obtained by dividing the tonnage of waste mined either by the quantity of ore mined or by the quantity of minerals contained in the ore. Stripping costs incurred in the period are deferred to the extent that the current period ratio exceeds the estimated life of the mine strip ratio. Such deferred costs are then charged to profit or loss to the extent that, in subsequent periods, the current period ratio falls short of the life of mine (or pit) ratio. The estimated life of mine (or pit) ratio is based on economically recoverable reserves of the mine (or pit). Changes are accounted for prospectively, from the date of the change. Deferred stripping costs are included as part of 'Mine and mining properties'. These form part of the total investment in the relevant cash generating units, which are reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

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

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

Foreign Currency-denominated Transactions
Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the rate of exchange at the reporting date. Foreign currency gains or losses are recognized in the profit or loss.

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

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

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

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

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in the Group's profit or loss on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized.

Income Taxes
Current income tax
Current income tax assets and current income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as of the reporting date.

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

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

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

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

<u>Share-based Payments</u>
Certain officers and employees of the Group receive additional remuneration in the form of share-based payments, whereby equity instruments (or “equity-settled transactions”) are awarded in recognition of their services. The cost of equity-settled transactions with employees is measured by reference to their fair value at the date they are granted, determined using the acceptable valuation techniques.

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

The profit or loss charge or credit for the period represents the movement in cumulative expense recognized as the beginning and end of that period. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which awards are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. An additional expense is likewise recognized for any modification which increases the total fair value of the share-based payment arrangement or which is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. If a new award, however, is substituted for the cancelled awards and designated as a replacement award, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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

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

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

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

Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions. Retained earnings may be are 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.

Business Segment
For management purposes, the Group is organized into two major operating segments (mining and non-mining businesses) according to the nature of products and the services provided with each segment representing a strategic business unit that offers different products and serves different markets. The entities are the basis upon which the Group reports its primary segment information. Financial information on business segments is presented in Note 27.

Basic Earnings (Loss) Per Share
Basic earnings (loss) per share amounts are calculated by dividing net income (loss) attributable to the equity holders of the Parent Company by the weighted average number of common shares outstanding during the year.

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

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

Where the Group expects a provision to be reimbursed, reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement.

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

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

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

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to exercise judgment, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Accounting assumptions, estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effects on amounts recognized in the consolidated financial statements.

Determination of functional currency
Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency has been determined to be the Philippine Peso. The Peso is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the costs of operation by the Group.

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

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

Financial assets are classified into the following categories:

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

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

- Financial liabilities at FVPL
- Other financial liabilities

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

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

a. the ownership of the asset does not transfer at the end of the lease term;
b. the Group has no option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;

c. the lease term is not for the major part of the economic life of the asset even if title is not transferred; and
d. at the inception of the lease, the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased asset.

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 2011, 2010 and 2009 are 2.91%, 2.54% and 3.55%, respectively. Average depletion rate used by BNC is 3.40% in 2011 and nil in 2010 and 2009.

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.

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

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

Estimates and Assumptions

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

Estimating fair value of financial assets and financial liabilities

PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of accounting judgment and estimates. While significant components of fair value measurement are determined using verifiable objective evidence (e.g., foreign exchange rates, interest rates, and volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and financial liabilities would directly affect net income (see Note 29).

Estimating allowance for impairment losses of loans and receivables

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

Allowance for impairment of receivables amounted to ₱40,599, ₱38,911 and ₱40,893 as of December 31, 2011, 2010 and 2009, respectively. Receivables, net of allowance for impairment losses, amounted to ₱563,231, ₱1,062,219 and ₱769,498 as of December 31, 2011, 2010 and 2009, 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 fair value less cost to sell 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; CCC's significant customer) and the weight and assay for metal content in estimating the fair value less cost to sell of mine products inventory. Any changes in the assay for metal content of the mine products inventory is accounted for and adjusted accordingly.

Beneficiated Nickel Ore Reserves

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and require complex geological judgment to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgment made in estimating the size and grade of the ore body. Changes in the reserve estimates may impact upon the carrying value of deferred mine exploration costs, property, plant and equipment, provision for mine rehabilitation and decommissioning, recognition of deferred income 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 ₱333,626, ₱335,857, and ₱336,283 as of December 31, 2011, 2010 and 2009, respectively, had been fully provided with an allowance for impairment. Materials and supplies inventory, at lower of cost and NRV, amounted to ₱1,111,241, ₱105,675 and ₱104,203 as of December 31, 2011, 2010 and 2009, respectively (see Note 7).

Impairment of AFS financial assets
The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 30% or more and 'prolonged' as greater than 12 months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted securities. In 2009, the Parent Company recognized an impairment of ₱15,891 for its investment in Toledo Mining Corporation (TMC). AFS financial assets amounted to ₱4,927 as of December 31, 2011 and 2010, and ₱5,215 as of December 31, 2009 (see Note 13).

Estimating useful lives of property, plant and equipment
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 2011, 2010 and 2009. The net book value of property, plant and equipment amounted to ₱13,766,494, ₱629,620 and ₱686,251 as of December 31, 2011, 2010 and 2009, respectively (see Note 10).

Determining appraised value of land
The appraised value of land is based on a valuation by an independent appraiser firm, which management believes holds a recognized and relevant professional qualification and has recent experience in the location and category of the land being valued. The appraiser firm used the market data approach in determining the appraised value of land. As of December 31, 2011, the fair value of the land amounted to ₱315,888 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 recoverability of deferred mine exploration costs
The application of the Group's accounting policy for deferred mine exploration costs requires judgment and estimates in determining whether it is likely that the future economic benefits are certain, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after mine explorations costs are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written-off in the consolidated statement of comprehensive income in the period when the new information becomes available.

The Group's reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. An impairment loss is recognized when the carrying values of these assets are not recoverable and exceeds their fair value. In 2011, 2010 and 2009, there was no impairment loss on the Group's deferred mine exploration costs (see Note 14)

Estimating impairment of property, plant and equipment
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.

Estimating impairment of other nonfinancial assets
The Group determines whether its nonfinancial assets are impaired at least on an annual basis. This requires an estimation of recoverable amount, which is the higher of an asset's or cash-generating unit's fair value less cost to sell and value-in-use. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and to choose an appropriate discount rate in order to calculate the present value of those cash flows. Estimating the fair value less cost to sell is based on the information available to reflect the amount that the Group could obtain as of the reporting date. In determining this amount, the Group considers the outcome of recent transactions for similar assets within the same industry.

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

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units to which the goodwill relates. Where recoverable amount of the cash-generating units is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as of reporting date. Based on the management assessment, no impairment loss on goodwill needs to be recognized as of December 31, 2011, 2010 and 2009.

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

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

Estimating mine rehabilitation costs
The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the consolidated statement of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognised as part of an asset measured in accordance with PAS 16 *Property, Plant and Equipment*. 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.

Measurement of mine products sales
Except when the shipment is price-fixed, 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 ₱4,775,252, nil and ₱74,877 in 2011, 2010 and 2009, respectively.

Estimating realizability of deferred tax assets
The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized. The Group recognized deferred tax assets amounting to ₱86,963, ₱1,676 and ₱1,247 as of December 31, 2011, 2010 and 2009, respectively (see Note 25).

Estimating retirement benefits costs
The determination of the Group's obligation and cost of pension is dependent on the selection of certain assumptions in calculating such amounts. Those assumptions are described in Note 24 and include, among others discount rates and future salary increase rates. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the Group's recognized expenses and recorded obligation in such future periods. While management believes that its assumption are reasonable and appropriate, significant differences in the actual experience or significant change in the assumptions may materially effect the Group's retirement benefits liability.

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

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

Estimating recoverability of mine development costs
Mineral property acquisition costs are capitalized until the viability of the mineral interest is determined. Exploration, evaluation and pre-feasibility costs are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case, subsequent exploration costs and the costs incurred to develop a property are capitalized. The Group reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. Mine development costs amounted to ₱6,202,653 in 2011 and ₱324,646 in 2010 and 2009 (see Note 10). Mine development costs includes "Mine and mining properties", "Development costs" and "Mine rehabilitation costs" in the property, plant and equipment account in the consolidated statement of financial position. An impairment loss is recognized when the carrying value of those assets is not recoverable and exceeds its fair value (see Note 10).

Provisions and contingencies
The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Group's management and legal counsel believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements. Accordingly, no provision for probable losses arising from contingencies was recognized by the Group in 2011, 2010 and 2009.

4. **Cash and Cash Equivalents**

	December 31		January 1
		2010 As restated (see Note 2)	2010 As restated (see Note 2)
	2011		
Cash on hand and in banks	**₱354,458**	₱230,743	₱51,291
Cash equivalents	–	220	20,098
	₱354,458	₱230,963	₱71,389

Cash in banks earn interest at the respective bank deposit rates and cash equivalents at the respective short-term investment rates. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Group.

Interest income earned from cash in bank and cash equivalents amounted to ₱1,296, ₱240 and ₱198 in 2011, 2010 and 2009, respectively.

5. **Receivables**

	December 31		January 1
		2010 As restated (see Note 2)	2010 As restated (see Note 2)
	2011		
Trade (see Note 6)	**₱446,596**	₱15,705	₱24,531
Advances to suppliers	**61,790**	121	129
Receivable from related parties (see Note 23a)	**33,219**	897,004	741,141
Receivable from officers and employees (see Note 23f)	**19,938**	10,660	10,361
Non-trade	**22,321**	19,156	16,373
Subscription receivable (see Note 19)	–	141,710	–
Others	**19,966**	16,774	17,856
Total	**603,830**	1,101,130	810,391
Less allowance for impairment losses	**40,599**	38,911	40,893
	₱563,231	₱1,062,219	₱769,498

Trade receivables are noninterest-bearing and are normally settled on terms ranging from 15 to 30 days. Other receivables are noninterest-bearing advances to subcontractors and third parties and are due and demandable. Receivable from officers and employees pertain to unliquidated advances and are collectible upon demand.

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

	December 31		January 1
	2011	2010 As restated (see Note 2)	2010 As restated (see Note 2)
Beginning of year	**₱38,911**	40,893	₱44,009
Add provision for the year (see Note 22)	**1,688**	770	–
Less write-off	–	(2,752)	(3,116)
	₱40,599	₱38,911	₱40,893

6. Pricing Agreements, Hedging and Derivative Financial Instruments

Hedging Objectives

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

Pricing Agreements

In the normal course of selling its copper concentrates, CCC enters into several Contracts of Purchase with MRI Trading AG ("MRI Contract"), whereby it agrees to sell a specified volume of copper concentrates with prices based on the LME as published in the Metal Bulletin and as averaged over the quotational period (QP), together with the weight and assay for metal content to be determined by an appointed independent surveyor. CCC and MRI have the option to price-fix in advance of the QP month, adjusted to the actual QP month with MRI, the payable copper contents pertaining only to the concentrate to be shipped under the MRI Contract. If the parties exercise the right to price-fix prior to the QP month, the prices will have to be mutually agreed with MRI and confirmed in writing advising the volume and price. Thereafter, an addendum will be issued to the contract confirming the volume of payable copper priced.

Freestanding Derivatives

Commodity Forwards

CCC's price-fixed in advance of the QP the payable copper content of 15,000 dry metric ton (dmt) of concentrates. These price-fixed agreements qualify as commodity forward contracts that will be accounted for as at fair value through profit or loss. CCC does not have outstanding copper forward contracts as of December 31, 2011.

Commodity Put Options
In 2011, CCC purchased put option agreements from the LME through Jefferies Prudential for the delivery of 41,050 tons of copper concentrates with a total premium amounting to $10.8 million. This amount was advanced by MRI (see Note 17f). As of December 31, 2011, the outstanding notional quantity of the put options is 10,800 tons with a strike price of $8,000 per ton and maturities from February to April 2012. The positive fair value of the outstanding put options classified as current derivative assets amounted to ₱243.1 million and was recognized as derivative asset as of December 31, 2011.

Embedded Derivatives
Provisional Pricing
Based on CCC's pricing agreements with MRI, wherein copper sales will be provisionally priced at shipment subject to price and quantity adjustment after the QP, the MRI contracts which are price-fixed have been assessed as having embedded derivatives that are not clearly and closely related once the commodities have been delivered, and which are required to be bifurcated on said date. CCC recognized a derivative liability and unrealized losses on derivatives of ₱18.9 million as of December 31, 2011.

Prepayment Option
In 2010, CCC bifurcated a prepayment option embedded in its Banco de Oro Unibank, Inc (BDO) loan facility. The prepayment option is accounted for as at fair value through profit or loss and the initial prepayment option amount of ₱721.9 million is treated as an effective interest adjustment on the loan (see Note 17b). Derivative asset arising from prepayment option amounted to ₱234.4 million and ₱221.4 million, classified as current and noncurrent, respectively, as of December 31, 2011. Unrealized loss on derivatives of ₱247.4 million was recognized in the consolidated statement of comprehensive income in 2011.

7. Inventories

	December 31		Januar y 1
	2011	2010 As restated (see Note 2)	2010 As restated (see Note 2)
At cost:			
Mine products	**₱553,457**	₱103,502	₱103,502
Materials and supplies	**553,316**	–	–
At NRV:			
Materials and supplies and others	**4,468**	2,173	701
	₱1,111,241	₱105,675	₱104,203

Materials and supplies carried at NRV amounting to ₱333,173, ₱335,857 and ₱336,283 in 2011, 2010 and 2009, respectively, are fully provided with allowance for impairment losses.

8. Other Current Assets

	December 31		January 1
	2011	2010 As restated (see Note 2)	2010 As restated (see Note 2)
Deposits to suppliers	**₱452,530**	₱60	₱60
Advances for acquisition of mining rights (see Note 9)	**10,000**	10,000	10,000
Prepaid insurance	**5,816**	–	–
Prepaid rent	**1,278**	397	779
Others	**28,067**	7,555	121,778
	₱497,691	₱18,012	₱132,617

Deposits to suppliers are advance payments to suppliers as insurance in case of default. Others include debt service account restricted for the BDO loan amounting to ₱115,500 as of December 31, 2009 (see Note 17h).

9. Advances for Acquisition of Mining Rights

On November 3, 2004, the Parent Company entered into a Heads of Agreement with Multicrest Mining and Development Corporation (Multicrest) to acquire a 100% interest in the rights and interests attached to the Exploration Permit Application (EPA) that Multicrest has lodged with the Mines and Geosciences Bureau (MGB) (the “Multicrest Agreement”). The EPA covers an area measuring approximately 16,130.4 hectares which is situated in the City of Puerto Princesa in the Province of Palawan. The EPA, denominated as EPA IVB-11, is known as the Tagkawayan Project (the Project), with an approximate area of 16,130.4 Has. Under the Agreement, the Parent Company will pay ₱5,000 for the right to exercise the option to acquire a 100% interest in the Project. In consideration for the payment, the Parent Company will be granted the exclusive right to explore or work in the Project for two years from the issuance of the EPA and its renewal, subject to extension. If, by the second anniversary of the Effective Date, as defined in the Agreement, the Parent Company has not exercised the option to purchase, the Parent Company may continue to maintain its rights and interests in the Project and work for another two years by payment to Multicrest the sum of ₱1,400 and ₱5,500 on every anniversary of the Effective Date until the start of Commercial Production under an MPSA or Financial or Technical Assistance Agreement (FTAA) that may be granted.

On January 19, 2005, the Parent Company, Minoro Mining and Exploration Company (MMEC), Natasa Mining Limited (formerly known as Investika), and Toledo Mining Corporation (TMC) entered into a Joint Venture Agreement, whereby the Parent Company granted UNC the exclusive privilege and right to explore, develop, mine, operate, produce, utilize, process and dispose of all the minerals and the products and by-products that may be produced, extracted, gathered, recovered, unearthed, or found within the Project under an EPA, MPSA or FTAA with the Government of the Philippines.

On July 19, 2007, UNC advanced the amount of ₱10,000 to Multicrest which is chargeable against the amount due under the Agreement and subject to the condition that the latter will assist UNC to secure all required endorsements and clearances for the approval of the EPA. In the event that no EPA is issued or the option is not exercised, then Multicrest will repay the whole amount upon demand by UNC. As at December 31, 2011, BNC has not yet obtained the EP (see Note 8).

10. **Property, Plant and Equipment**

December 31, 2011:

	At Cost									
	Land	**Mine Development Costs**	**Machinery and Equipment**	**Roadways and Bridges**	**Transportation Equipment**	**Furniture and Fixtures**	**Buildings and Improvements**	**Construction in Progress**	**Total**	**At Revalued Amount Land**
Balances at beginning of year	**₱60,530**	**₱348,371**	**₱190,634**	**₱–**	**₱23,516**	**₱33,542**	**₱253,936**	**₱–**	**₱910,529**	**₱315,888**
Additions (Note 2)	**22,257**	**5,959,265**	**5,175,020**	**173,722**	**56,378**	**3,002**	**827,878**	**1,547,294**	**13,764,816**	**–**
Reclassifications and disposals	**–**	**(12,861)**	**–**	**–**	**–**	**–**	**–**	**–**	**(12,861)**	**–**
Balances at end of year	**82,787**	**6,294,775**	**5,365,654**	**173,722**	**79,894**	**36,544**	**1,081,814**	**1,547,294**	**14,662,484**	**315,888**
Accumulated Depreciation, Depletion and amortization									**-**	
Balances at beginning of year	**–**	**23,725**	**79,503**	**–**	**16,132**	**24,017**	**77,002**	**–**	**220,379**	**–**
Depreciation (see Notes 22 and 23)	**–**	**68,397**	**319,607**	**12,725**	**15,576**	**5,503**	**77,198**	**–**	**499,006**	**–**
Reclassifications and disposals	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balances at end of year		**92,122**	**399,110**	**12,725**	**31,708**	**29,520**	**154,200**	**-**	**719,385**	**-**
Balances at beginning of year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**330**
Provision for impairment loss (see Note 21)	**–**	**–**	**93,818**	**–**	**–**	**–**	**–**	**–**	**93,818**	**–**
Balances at end of year	**–**	**–**	**93,818**	**–**	**–**	**–**	**–**	**–**	**93,818**	**330**
Net Book Values	**₱82,787**	**₱6,202,653**	**₱4,872,726**	**₱160,997**	**₱48,186**	**₱7,024**	**₱927,614**	**₱1,547,294**	**₱13,849,281**	**₱315,558**

December 31, 2010 (as restated; see Note 2)

	At Cost									
	Land	Mine Development Cost	Machinery and Equipment	Roadways and Bridges	Transportation Equipment	Furniture and Fixtures	Buildings and Improvements	Construction in Progress	Total	At Revalued Amount Land
Balances at beginning of year	₱60,530	₱348,371	₱190,634	₱–	₱24,980	₱32,115	₱249,494	₱4,442	₱910,566	₱315,888
Additions (Note 2)	–	–	–	–	–	1,427	–	–	1,427	–
Reclassifications and disposals	–	–	–	–	(1,464)	–	4,442	(4,442)	(1,464)	–
Balances at end of year	60,530	348,371	190,634	–	23,516	33,542	253,936	–	910,529	315,888
Accumulated Depreciation, Depletion and Amortization										
Balances at beginning of year	–	23,725	56,589	–	11,923	18,448	53,100	–	163,785	–
Depreciation (see Notes 22 and 23)	–	–	22,914	–	4,746	5,569	23,902	–	57,131	–
Reclassifications and disposals	–	–	–	–	(537)	–	–	–	(537)	–
Balances at end of year	–	23,725	79,503	–	16,132	24,017	77,002	–	220,379	–
Allowance for asset write-downs, beginning and end of year	–	–	–	–	–	–	–	–	–	330
Net Book Values	₱60,530	₱324,646	₱111,131	₱–	₱7,384	₱9,525	₱176,934	₱–	₱690,150	₱315,558

December 31, 2009 (as restated; see Note 2):

	At Cost									
	Land	Mine Development Cost	Machinery and Equipment	Roadways and Bridges	Transportation Equipment	Furniture and Fixtures	Buildings and Improvements	Construction in Progress	Total	At Revalued Amount Land
Balances at beginning of year	₱60,530	₱348,371	₱183,519	₱–	₱26,158	₱31,670	₱236,134	₱17,630	₱904,012	₱337,956
Additions (Note 2)	–	–	7,115	–	–	445	–	172	7,732	–
Reclassifications and disposals	–	–	–	–	(1,178)	–	13,360	(13,360)	(1,178)	(22,068)
Balances at end of year	60,530	348,371	190,634	–	24,980	32,115	249,494	4,442	910,566	315,888
Accumulated Depreciation, Depletion and Amortization										
Balances at beginning of year	–	23,725	34,863	–	7,192	12,088	30,534	–	108,402	–
Depreciation (see Notes 22 and 23)	–	–	21,726	–	5,074	6,360	22,566	–	55,726	–
Reclassifications and others	–	–	–	–	(343)	–	–	–	(343)	–
Balances at end of year	–	23,725	56,589	–	11,923	18,448	53,100	–	163,785	–
Allowance for asset write-downs, beginning and end of year	–	–	–	–	–	–	–	–	–	330
Net Book Values	₱60,530	₱324,646	₱134,045	₱–	₱13,057	₱13,667	₱196,394	₱4,442	₱746,781	₱315,558

In 2011, mine development costs consist of the following:

	Mine and Mining Properties	Development Costs	Mine Rehabilitation Costs	Total
Cost				
January 1	**₱348,371**	**₱–**	**₱–**	**₱348,371**
Additions and reclassifications (Note 2)	**1,128,801**	**4,772,863**	**57,601**	**5,959,265**
Disposals	**(12,861)**	**–**	**–**	**(12,861)**
December 31	**1,464,311**	**4,772,863**	**57,601**	**6,294,775**
Accumulated Depletion				
January 1	**23,725**	**–**	**–**	**23,725**
Depletion	**24,486**	**43,355**	**556**	**68,397**
December 31	**48,211**	**43,355**	**556**	**92,122**
Net Book Values	**₱1,416,100**	**₱4,729,508**	**₱57,045**	**₱6,202,653**

Mine development cost as amounting to ₱324,646 consist of mine and mining properties and mine rehabilitation cost amounting to ₱309,787 and ₱14,859, respectively, in 2010 and 2009.

Revaluation increment on land
As of December 31, 2011, the fair value of the land amounted to ₱315,888 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.

Borrowing Costs
Borrowing costs capitalized in "Construction in Progress" amounted to ₱79.1 million at an interest of 8.0% in 2011.

Fully depreciated property and equipment
Fully depreciated property and equipment amounting to ₱39,912, ₱4,775 and ₱573 as of December 31, 2011, 2010 and 2009, respectively, are retained in the Group's records until they are disposed. No further depreciation and amortization are charged to current operations for these items. These assets are in the books and are still used by the Group.

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

Commitments
The carrying value of the property, plant and equipment pledged as collaterals for various borrowings by the Parent Company and CCC (see Notes 15 and 17) amounted to ₱13,211,589 as of December 31, 2011.

11. Mining Rights

Mine Development Cost includes mining rights amounting to ₱73,543 as of December 31, 2011 and ₱76,128 as of December 31, 2010 and 2009 which pertain to BNC's acquisition costs of property rights on the Berong Nickel Project. In 2011, BNC recognized depletion expense amounting to ₱2,585. There was no depletion of mining rights in 2010 and 2009 (see Note 10).

On January 19, 2005, the Parent Company, MMEC, Investika and TMC entered into a Venture Agreement covering all mining tenements or applications for mining tenements, MPSA and EP covering the areas known as the Berong Mineral Properties and the Ulugan Mineral Properties held by the Parent Company and/or APHI and/or Multicrest Mining Corporation.

The Venture Agreement provides that the Parent Company and/or MMEC grant to Investika and/or TMC the right to earn a percentage equity in BNC upon fulfillment of certain conditions, including the granting of advances to BNC and the Parent Company. The Parent Company and MMEC shall transfer the title or mining rights or applications over the Berong Mineral Properties (collectively "mining rights") held and maintained either by the Parent Company or APHI to BNC from the funds provided equally by TMC and Investika.

12. Goodwill

a. *Goodwill - AHI*
On May 16, 2007, the Parent Company's BOD approved the execution and implementation of the Deed of Sale of the Shares of Stock entered into between the Parent Company and APHI on the sale to the Parent Company of APHI's 75,000 common shares in AHI or equivalent to 99.99% of AHI's total issued and outstanding shares for ₱77,510. AHI is the holder of rights to certain properties which will be needed in the operations of the Toledo Copper Mines. The execution of the purchase of shares of stock of AHI was undertaken pursuant to the Memorandum of Agreement entered into by the Parent Company with APHI on May 4, 2006 embodying the mechanics for the Parent Company's acquisition of rights over the AHI properties. At the time of the acquisition, the estimated fair value of the net identifiable assets of AHI, consisting substantially of parcels of land, amounted to ₱62,500, resulting in a goodwill of ₱15,011, which was recognized in the consolidated statement of financial position. No impairment loss on goodwill was recognized in 2011, 2010 and 2009.

b. *Goodwill - CCC*
As more fully disclosed in Note 2, on July 2011, the Parent Company entered into a purchase agreement with CASOP for its 45.54% percent interest in CCC. As a result of the acquisition, the Group recognized provisional fair values of identifiable assets and liabilities, including a goodwill amounting to ₱25,972,054 and the provisional amounts may change during the measurement period.

13. AFS Financial Assets

	December 31		January 1
	2011	2010 As restated (see Note 2)	2010 As restated (see Note 2)
Toledo Mining Corporation (TMC)	**₱4,905**	₱4,905	₱–
Philippine Long Distance Telecommunications (PLDT)	**22**	22	5,215
	₱4,927	₱4,927	₱5,215

In 2010, the Parent Company recognized other comprehensive income resulting from the recovery in fair value of AFS financial assets from TMC amounting to ₱1,463. No other comprehensive income or decline was recognized in 2011 as the fair value of the AFS investment did not change significantly.

In 2009, the Parent Company recognized an impairment loss amounting to ₱15,891 on its investment due to the significant decline in its fair value.

There were no significant changes on the fair values of the AFS financial assets in 2011.

14. **Other Noncurrent Assets**

	December 31		January 1
	2011	2010 As restated (see Note 2)	2010 As restated (see Note 2)
Input VAT (net of accumulated allowance for possible losses of ₱124.9 million as of 2011)	**₱1,406,611**	₱74,657	₱54,194
Deferred mine exploration costs	**49,249**	47,024	18,442
Mine rehabilitation funds	**5,220**	5,618	8,336
Others	**17,074**	2,694	–
	₱1,478,154	₱129,993	₱80,972

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 CCC's current output VAT liabilities. Any excess will be claimed as tax credits. Input VAT is stated at its estimated NRV. In 2011, CCC recognized a provision for impairment loss on input VAT amounting to ₱69,226 (see Note 22).

Deferred mine exploration costs

Deferred mine exploration costs include exploration expenditures of BNC in relation to the Berong Nickel Project (see Note 11). Management had established that economically recoverable reserves exist in the area, resulting in the decision to develop the area for commercial mining operation. Deferred mine exploration costs were transferred to property, plant and equipment in 2007. BNC started to explore and develop the area adjacent to the Berong Nickel Project in 2008.

Mine rehabilitation funds

Mine rehabilitation funds include the rehabilitation trust funds which receive cash contributions to accumulate fund for CCC's and BNC's rehabilitation liability relating to the eventual closure of the mine site and to ensure payment of compensable damages caused by mine waste. The rehabilitation trust funds are deposited in a government depository bank and withdrawal from such funds shall be upon written approval from the appropriate authority. The rehabilitation trust funds were opened by virtue of the requirements of the Mine Rehabilitation Fund Committee - Department of Environment and Natural Resources (DENR) Reg. VII.

Others

Others as of December 31, 2011, significantly consist of BNC's restricted cash in bank and security tender deposits amounting to ₱9,070, the Parent Company's advances to Longos Project and Nesbitan Gold Project amounting to ₱4,296 and CCC's noncurrent receivables, deposits for returnable containers and prepaid materials and supplies amounting to ₱3,708.

15. **Loans Payable**

Loans payable consists of:

	December 31		January 1
	2011	2010 As restated (see Note 2)	2010 As restated (see Note 2)
Banco de Oro Unibank, Inc.	**₱5,341,800**	₱–	₱–
Anglo Philippine Holding Corporation (APHC)	–	–	506,405
	₱5,341,800	₱–	₱506,405

a. Banco de Oro Unibank, Inc

₱5.3 billion loan payable

On July 28, 2011, the Parent Company availed from BDO a Philippine Peso-denominated convertible loan facility covering the amount of ₱5,341,800 (the "Convertible Loan"). The proceeds of the Convertibe Loan were used to finance (i) the Parent Company's acquisition of the entire equity interest of CASOP Atlas B.V. and CASOP Atlas Corporation (collectively, "CASOP") in CCC, and (ii) CCC's working capital requirements. The Convertible 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.

The Convertible Loan (i) has an initial term of 90 days which 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 Convertible Loan requires the Parent Company to, among others, maintain a debt service coverage of not less than 1.5:1 while the loan obligation remains outstanding.

BDO has an option to convert all or a portion of all amounts outstanding under the Convertible Loan prior to maturity. The loan is convertible to 273,098,160 common shares of the Parent Company. The embedded conversion option is treated as an equity instrument with zero value on initial recognition.

Interest expense recognized on the Convertible Loan amounted to ₱92,591 in 2011. On January 24, 2012, the term of the Convertible Loan was extended to move the maturity date to the end of the third 90-day period since the issuance of the note evidencing the loan obligation in 2011.

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

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

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

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

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

In July 2010, APHC agreed to extend the term of the Anglo Loan under the same terms and conditions which include the accrual of interest at the rate of 15% per annum and the settlement of the Anglo Loan through lump sum cash payment or through the conversion of the Anglo Loan into equity of the Parent Company. Realized loss on derivatives related to the Anglo Loan amounted to ₱307,719 in 2010. Interest expense amounted to ₱78,336 and ₱45,808 in 2010 and 2009, respectively.

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

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

16. **Accounts Payable and Accrued Liabilities**

	December 31		January 1
	2011	2010 As restated (see Note 2)	2010 As restated (see Note 2)
Trade	**₱1,062,823**	₱69,771	₱89,923
Nontrade	**738,276**	806,430	763,181
Accrued expenses	**602,997**	9,811	7,994
Interest (see Notes 15 and 17)	**144,346**	171,796	66,819
MRI (see Note 6)	**376,020**	–	–
Government payables	**175,924**	110,212	119,776
	₱3,100,386	₱1,168,020	₱1,047,693

Trade payables are noninterest bearing payables to various suppliers and are normally settled on terms ranging from 30 to 60 days.

Nontrade payables consist mainly of the payable to Toledo Power Corporation (TPC) and payable to TMC amounting to ₱438,249 and ₱81,299, as of December 31, 2011, 2010 and 2009, respectively. Negotiations regarding the settlement of the liability to TPC are still ongoing (see Note 32e).

Payables to 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 23b).

Accrued expenses as of December 31, 2011 consist largely of accruals for suppliers and contractors, utilities, insurance, personnel costs and professional fees amounting to ₱285,238, ₱180,234, ₱46,526, ₱29,033 and ₱28,731, respectively, which are normally settled within six months.

MRI payables pertain to CCC's US dollar denominated borrowings against the provisional shipments of copper concentrates which bear interest at a rate equivalent to one month LIBOR rate plus 3.5% per annum. Total outstanding borrowings from MRI, including the loan availed to finance the put options in 2011 (see Note 17f) amounted to ₱554.8 million as of December 31, 2011.

17. Long-Term Debt

Long-term debt consists of the following:

	December 31		January 1
	2011	2010 As restated (see Note 2)	2010 As restated (see Note 2)
US$75 million BDO loan (see Note 17a)	**₱3,288,000**	₱–	₱–
US$140 million BDO loan (see Note 17b)	**5,795,884**	–	–
BDO Leasing (see Note 17c)	**248,951**	–	–
MBTC and ORIX (see Note 17d)	**14,294**	–	–
FLSmidth Krebs Pacific(see Note 17g)	**142,893**	–	–
BDO and Global Fund Holdings Inc. (Global Fund Inc) (see Note 17h)	**–**	–	758,792
	9,490,022	–	758,792
Less noncurrent portion	**(5,856,671)**	–	(758,792)
	3,633,351	–	–
Other interest-bearing liabilities			
Maxima (see Note 17e)	**486,183**	–	–
MRI (see Note 17f)	**178,819**	–	–
	₱4,298,353	₱–	₱–

a. Banco de Oro Unibank, Inc. (US$75 million BDO loan)
On July 28, 2011, the Parent Company availed from BDO a US dollar-denominated loan facility debt covering the amount of US$75 million ("the BDO Facility"). The proceeds from the BDO Facility were used to finance (i) the Parent Company's acquisition of the entire equity interest of CASOP Atlas B.V. and CASOP Atlas Corporation in CCC, and (ii) CCC's working capital requirements.

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

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

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

- Maintenance during the term of the long-term debt, a debt service coverage of not 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 consist of short-term investments amounting to ₱194,067 as of December 31, 2011.

As of December 31, 2011, the Parent Company has ascertained its compliance with the covenants respecting the BDO Facility.

Interest expense recognized on the BDO Facility amounted to ₱107,308 in 2011.

b. <u>Banco de Oro Unibank, Inc. (US$140 million BDO loan)</u>
In December 2010, CCC availed from BDO a US dollar-denominated loan amounting to $140,000 (the “BDO Loan”). The BDO Loan (i) is payable in 27 equal monthly installments starting October 2011, (ii) accrues interest at the rate of 8% per annum, and (iii) is secured by mortgages on real properties and chattels of the Company (see Note 10), cash collaterals, pledge over ACMDC’s shares of stock in CCC, and a guarantee provided by ACMDC for which the Company paid ACMDC a guarantee fee amounting to ₱11,850 in 2010. Cash securities consist of short-term investments amounting to ₱670.5 million and ₱678.2 million as of December 31, 2011 and 2010, respectively.

As of December 31, 2011 and 2010, the carrying balance of the BDO Loan of CCC amounted to ₱5,795.9 million and ₱7,403.6 million, respectively.

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

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

As of December 31, 2011 was compliant with the covenants under the BDO Loan Agreement.

The BDO Loan has a prepayment feature which was bifurcated and accounted for as at fair value through profit or loss (see Note 6) with the initial prepayment value of ₱703,295 being amortized over its term using the effective interest method.

c. BDO Leasing & Finance, Inc. (BDO Leasing)
From August to November 2011, CCC availed of peso denominated loans amounting to ₱304.3 million payable within 24 months with interest of 10% per annum. The loan is secured by a chattel mortgage covering the mining equipment purchased using its proceeds. As of December 31, 2011, the outstanding balance of this loan amounted to ₱248,951.

d. Metropolitan Bank and Trust Company (MBTC) and Orix Metro Leasing and Finance Corporation (ORIX).
On various dates in 2010, CCC availed of peso denominated loans from MBTC and ORIX payable within a period of 3 to 4 years. The loan is secured by a chattel mortgage covering the transportation equipment purchased using its proceeds. As of December 31, 2011, the outstanding balance of this loan amounted to ₱14,294.

e. Maxima Machineries, Inc. (Maxima)
In June 2011, CCC availed of a US dollar denominated loan amounting to $13.7 million payable in 12 months from bill of lading date of the equipment with interest of 8% per annum. The loan is secured by a chattel mortgage covering the mining equipment purchased using its proceeds (see Note 10). As of December 31, 2011, the outstanding balance of this loan amounted to ₱486,183.

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

g. FLSmidth Krebs Pacific.
In March, 2011, CCC availed of a US dollar denominated loan amounting to $4.7 million payable in 24 months with interest of 11% per annum. The loan is secured by a chattel mortgage covering the crushers and auxiliary equipment purchased using its proceeds (see Note 10). As of December 31, 2011, the outstanding balance of this loan amounted to ₱142,893.

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

Under the terms of the BDO Loan Agreement, the BDO Loan accrued interest at the rate of 10% per annum. Interest amounted to ₱141,716 and ₱18,686 in 2011 and 2010, respectively.

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

Establishment of Accounts
Pursuant to the BDO Loan Agreement, the Parent Company established a Debt Service Account (DSA) using a portion of the proceeds of the BDO Loan. The initial cash deposit amounting to ₱115,500 (US$2,500) is restricted by BDO. As long as the BDO Loan remains outstanding, the DSA is required to have a minimum maintaining balance equal to the aggregate amount of interest payments due on all outstanding advances for two interest periods. This cash in bank deposit is not classified as part of cash but still qualifies as part of the Parent Company's current assets (see Note 8).

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

As of December 31, 2010, the ₱115,500 DSA account is no longer restricted due to the extinguishment of the BDO loan in October 20, 2010 and thus reclassified from "Other current asset" and forms part of "cash and cash equivalents" (see Note 8).

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

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

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

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

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

Put Option
If, during the term of the BDO Loan Agreement, the events giving rise to mandatory conversion do not take place (*i.e.,* the Parent Company's shares fail to trade at a volume weighted average price of ₱13 per day for twenty (20) consecutive days), BDO and Globalfund shall have the option to require the Parent Company or the Principal Shareholders to purchase the notes representing the BDO Loan (the "Notes") at a price equal to US$34,630 in lieu of the repayment of the US$25,000 principal amount of the loan. In the event that the Parent Company is unable to purchase the Notes on the put option exercise date, the Principal Shareholders shall purchase the Notes and shall pay for the put option price through the assignment to BDO and Globalfund of such number of shares which are to be taken from the pledged shares and which have an aggregate market value equal to the put option price of US$34,630.

The combined values of the convertible and put options have negative fair values amounting to ₱411,000 and ₱398,000 at inception and as of December 31, 2009, respectively, resulting in the recognition of a derivative liability and an unrealized gain on derivatives of ₱398,457 and ₱12,740, respectively, as of December 31, 2009.

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

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

On December 30, 2010, Alakor exercised its option to convert the Indemnity Obligation by executing with the Parent Company a Deed of Assignment with Subscription Agreement which embodies the assignment by Alakor to the Parent Company of its rights to the Indemnity Obligation as payment for its subscription to a total of 117,050,000 of the Parent Company's shares. The conversion by Alakor resulted in the full extinguishment of the Indemnity Obligation. As of December 31, 2010, the total converted amount is presented in the Deposits for Future Stock Subscriptions (see Note 19b).

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

18. **Liability for Mine Rehabilitation Cost**

	December 31		January 1
	2011	2010 As restated (see Note 2)	2010 As restated (see Note 2)
Balances at beginning of year	**₱19,129**	₱17,958	₱16,859
Additions during the year (Note 2)	**77,017**	–	–
Accretion of interest (see Note 26)	**1,167**	1,171	1,099
Change in accounting estimate	**(417)**	–	–
Balances at end of year	**₱96,896**	₱19,129	₱17,958

Mine rehabilitation cost consists of rehabilitation cost from BNC and CCC.

CCC and BNC revised the assumptions used in 2011, taking into consideration the discount rate and estimated future cash outflow. The change resulted in the increase in mine rehabilitation cost amounting to ₱17,756 in CCC.

In 2011, BNC made changes to its estimated cost to rehabilitate the mine site resulting to a decrease in provision for mine rehabilitation and decommissioning and capitalized mining property amounting to ₱12,860 in BNC.

CCC's carrying value of capitalized asset retirement obligation amounted to ₱57,045 as of December 31, 2011 (see Note 10).

BNC's carrying value of capitalized mine rehabilitation cost amounted to ₱1,998 in 2011 and, ₱14,859 in 2010 and 2009, respectively.

Discount rates used by the CCC are 5.8%, 7.1% and 4.9% for 2011, 2010 and 2009, respectively.

19. **Capital Stock and Deposits for Future Stock Subscriptions**

a. Capital Stock

The table below presents the details of the Parent Company's authorized and issued and outstanding capital stock as of December 31, 2011 and December 31, 2010:

	December 31, 2011		December 31, 2010		December 31, 2009	
	No. of Shares	**Amount**	No. of Shares	Amount	No. of Shares	Amount
Authorized - ₱10 par value	**2,000,000,000**	**₱20,000,000**	1,420,000,000	₱14,200,000	1,200,000,000	₱12,000,000
Issued and outstanding	**1,764,053,032**	**17,640,530**	1,138,813,882	11,388,139	1,048,931,882	10,489,319

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. Another tranche of increase was approved by the SEC on September 5, 2011 which resulted in the Parent Company having an authorized capital stock of ₱20,000,000.

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

In September 2010, the Parent Company issued a total of 9,000,000 of its shares to BDO pursuant to BDO's partial exercise of the warrants covering the right to subscribe to the Parent Company's shares at the price of ₱10 per share which were issued in accordance with the terms of the BDO Loan Agreement (see Note 17h).

In October 2010, the Parent Company issued a total of 4,682,000 of its shares to Globalfund pursuant to Globalfund's full exercise of the warrants covering the right to subscribe to the Parent Company's shares at the price of ₱10 per share which were issued in accordance with the terms of the BDO Loan Agreement. On the same month, the Parent Company issued 56,500,000 common shares for the conversion of loan for Alakor (see Note 15b).

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

Also during the month of October 2010, the Parent Company issued 56,500,000 of its shares of stock to Alakor following the conversion into equity of the indemnity obligation amounting to ₱56,500 which was incurred by the Parent Company on account of the payment by Alakor for its benefit of the fees for the extension of the term of the loan (the "Extension Fees") under the bridge loan facility agreement executed by the Parent Company with the funds managed by the Spinnaker Capital Group ("Spinnaker"). The Extension Fees were paid by Alakor through the transfer to Spinnaker of a total of 56,500,000 of its shares of stock in the Parent Company (see Note 15b).

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

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

The summary of issuances of capital stock as of December 31, 2011 are as follows:

Name of Stockholder	No. of Shares	Capital Stock	APIC
Abacus	30,300,000	₱303,000	₱–
Alakor (see Note 17h)	117,050,000	1,170,500	511,867
APHC (see Note 15c)	50,450,500	504,505	387,461
SM Investment Corporation	316,242,331	3,162,423	3,023,275
Zenith Holdings Corporation	111,196,319	1,111,963	1,063,037
		₱6,252,391	₱4,985,640

As of December 31, 2011, 2010 and 2009, the common shares of the Parent Company are held by 21,296; 21,610 and 15,686 equity holders, respectively.

b. Deposits for Future Stock Subscriptions
The deposits for future stock subscriptions consist of converted loans of TMC in 2007, converted loans of Alakor and APHC and subscriptions of Abacus in 2010 are as follows:

	Alakor (see Note 17h)	APHC (see Note 15c)	Abacus (see Note 19a)	TMC (see Note 16)	Total
December 31, 2010	₱1,682,367	₱891,966	₱303,000	₱150,960	₱3,028,293
Issuance of shares	(1,682,367)	(891,966)	(303,000)	–	(2,877,333)
Reclassification to liability	–	–	–	(150,960)	(150,960)
December 31, 2011	₱–	₱–	₱–	₱–	₱–

The Parent Company recognized deposits for future stock subscriptions at the end of 2010 despite having sufficient authorized and unissued capital stock to cover the share issuances to the entities who exercised their rights under debt-to-equity conversion options in 2010. This was because such conversions required SEC approval - which was only granted in 2011 - prior to implementation.

c. Retained Earnings
The Group's retained earnings include fair value gain on previously held interest amounting to ₱13,788,051, which are not available for dividend declaration.

20. Comprehensive Stock Option Plan

On July 18, 2007, the Parent Company's stockholders and BOD approved and ratified the stock option plan for the Parent Company's "qualified employees" as defined thereunder. The salient terms and features of the stock option plan, among others, are as follows:

i. Participants: directors, officers, managers and key consultants of the Parent Company and its significantly owned subsidiaries;

ii. Number of underlying shares: 50,000,000 common shares to be taken out of the unissued portion of the Parent Company's authorized capital stock; 25,000,000 of the underlying shares have already been earmarked for the first-tranche optionees comprising of the Parent Company's directors and officers upon the approval of the Parent Company's stockholders during the annual general meeting held on July 18, 2007;

iii. Option period: Three years from the date the stock option is awarded to the optionees;

iv. Vesting period: 1/3 of the options granted will vest in each year; and

v. Exercise price: ₱10.00 per share which was benchmarked on the average closing price of the Parent Company's shares of stock as traded on the Philippine Stock Exchange during the period between September 6, 2006 (the date of the annual general meeting of the Parent Company's stockholders during which the stock option plan was first approved) and June 18, 2007 (the date of the BOD meeting during which the terms of the stock option plan were approved); such average closing price was ₱11.05 (the exercise price represents the average closing price discounted at the rate of 9.50%).

The Parent Company uses the Black-Scholes model to compute for the fair value of the stock options based on the following assumptions as of July 18, 2007:

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

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

Share-based compensation expense presented as part of additional paid-in capital amounted to nil in 2011 and ₱41,103 in 2010 and 2009, respectively.

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

Mining and milling costs

	2011	2010 As restated (see Note 2)	2009 As restated (see Note 2)
Materials and supplies	**₱1,294,094**	₱–	₱75,387
Communication, light and water	**850,947**		
Contracted services	**473,319**	–	–
Depreciation, depletion and amortization (see Note 10)	**376,978**	–	–
Personnel costs	**197,811**	–	–
Provision for asset write-downs (see Note 10)	**93,818**	–	–
Other costs	**108,258**	–	–
	₱3,395,225	₱–	₱75,387

Materials and supplies 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

	2011	2010 As restated (see Note 2)	2009 As restated (see Note 2)
Royalties (see Note 1 and 33)	**₱100,046**	₱–	₱5,139
Excise taxes	**96,375**	–	–
	₱196,421	₱–	₱5,139

22. **General and Administrative Expenses**

	2011	2010 As restated (see Note 2)	2009 As restated (see Note 2)
Personnel costs	**₱226,743**	₱110,687	₱153,112
Professional fees	**155,888**	22,351	204,726
Depreciation and amortization (see Note 10)	**98,861**	57,131	55,726
Taxes and licenses	**79,911**	33,042	30,465
Provision for impairment loss on input VAT (see Note 14)	**69,226**	–	–
Rentals (see Note 33)	**43,652**	13,816	9,585
PSE listing, assessment and other processing fees	**26,583**	–	1,072
Transportation and travel	**26,553**	17,607	19,913
Communication, light and water	**19,827**	4,673	5,368
Entertainment, amusement and recreation	**19,162**	4,392	6,575
Repairs and maintenance	**5,996**	2,701	2,059
Office supplies	**5,470**	2,156	899
Provision for impairment loss on receivables (see Note 5)	**1,688**	770	–
Others	**150,074**	43,191	51,535
	₱929,634	₱312,517	₱541,035

In 2011, others consist significantly of drilling expenses, insurance fees, general consumption items, environmental and community development expense and training and seminars.

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

	2011	2010 As restated (see Note 2)	2009 As restated (see Note 2)
Salaries and wages	**₱318,755**	₱104,953	₱146,496
Retirement benefits costs (see Notes 2 and 24)	**19,404**	1,924	1,265
Other employee benefits	**86,395**	3,810	5,351
	₱424,554	₱110,687	₱153,112

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 enterprises and their key management personnel, directors or its stockholders.

a. The Group's transactions consist mainly of receivable and payable to related parties, to cover administrative and operating costs and expenses.

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

		December 31		January 1
	Nature of Relationship	**2011**	2010 As restated (see Note 2)	2010 As restated (see Note 2)
Receivable from related parties:				
CCC	Associate/Subsidiary	**₱–**	₱874,936	₱719,073
Alakor (see Note 15b)	Stockholder	**33,219**	22,068	22,068
		₱33,219	₱897,004	₱741,141
Payable to related parties:				
TMC	Related party	**₱458,453**	₱420,474	₱444,436
The Philodrill Corporation (Philodrill) (see Note 23d)	Related party	**73,247**	73,213	–
CCC	Associate/Subsidiary	**–**	2,193	2,118
Investika	Related party	**–**	–	78,468
Alakor (see Note 15)	Stockholder	**–**	65,687	743,808
		₱531,700	₱561,567	₱1,268,830

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

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

b. Advances from TMC pertain to the Parent Company's share in the operating expenses of BNC that was advanced by TMC for the account of the Parent Company. 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 "Conversion Option").

   On May 31, 2007, TMC notified the Parent Company of its intention to exercise the Conversion Option with respect to a portion of the TMC Loan amounting to US$2,750 by subscribing to a total of 12,980,000 shares of stock of the Parent Company at the price of ₱10.00 per share. Following such notice, the Parent Company re-classified as deposit for future stock subscription (the "Deposit on Subscription") the Peso equivalent of the portion of the TMC Loan subject of the exercise of the Conversion Option which 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 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.

c. In November 2008, the Parent Company contributed ₱22,068 for the payment of the purchase price of certain parcels of land which were conveyed by the Social Security System to Alakor. As the Parent Company was unable to participate in the transaction covering the conveyance of the properties, the amount contributed was treated as advances to Alakor which shall be repaid under terms to be subsequently determined and subject to the provisions of existing loan agreements executed by the Parent Company (see Note 16 and 19b).

d. On January 22, 2010, the Parent Company obtained a US$1,670 loan from Philodrill which accrues interest at the rate of 10% per annum. As of December 31, 2011, the loan is still outstanding.

e. In July 2011, CCC agreed to provide security for the loan obligations of the Parent Company to BDO under the BDO Facility and the Convertible Loan (see Notes 15 and 17). The Company (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 Convertible Loan .

f. Receivable from officers and employees as of December 31, 2011, 2010 and 2009 amounting to ₱19,938, ₱10,660 and ₱10,361, respectively, pertain to the receivable and loans extended by the Group to its officers and employees and are due and demandable (see Note 5).

g. *Compensation of Key Management Personnel*

The Group considers all senior officers as key management personnel.

	2011	2010 As restated (see Note 2)	2009 As restated (see Note 2)
Short-term benefits	**₱38,059**	₱18,009	₱15,634
Retirement benefits	**7,917**	2,372	2,343
	₱45,976	₱20,381	₱17,977

24. Retirement Benefits Costs

In 2010 and 2009, the Parent Company and BNC have unfunded defined benefit retirement plans covering substantially all of their employees. In 2011, the retirement benefit cost included an unfunded defined retirement plan for CCC employees. The following tables summarize the components of retirement benefits cost recognized in the consolidated statements of comprehensive income and the amounts recognized in the consolidated statement of financial position.

The details of retirement benefits costs follow:

	2011	2010 As restated (see Note 2)	2009 As restated (see Note 2)
Current service cost	**₱35,155**	₱1,447	₱1,090
Interest cost	**8,039**	842	735
Amortizations for:			
Past service cost (non-vested)	**29**	–	–
Past service cost (vested)	**–**	–	–
Net actuarial (gain) loss recognized in the year	**3,528**	(365)	(560)
Curtailment gain	**(20,944)**	–	–
Retirement benefit cost	**₱25,807**	₱1,924	₱1,265

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

	December 31		January 1
	2011	2010 As restated (see Note 2)	2010 As restated (see Note 2)
Balances at beginning of year	**₱14,569**	₱13,361	₱12,096
Additions due to acquisition (see Note 2)	**85,640**	–	–
Retirement benefits costs	**25,807**	1,924	1,264
Benefits paid	**(4,042)**	(716)	–
Balances at end of year	**₱121,974**	₱14,569	₱13,360

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

	December 31		January 1
	2011	2010 As restated (see Note 2)	2010 As restated (see Note 2)
Beginning of year	**₱12,743**	₱8,162	5,393
Additions due to acquisition (see Note 2)	**83,195**	–	–
Current service cost	**35,155**	1,447	1,090
Actuarial loss	**72,792**	3,008	944
Interest cost	**8,039**	842	735
Benefits paid	**(4,042)**	(716)	–
Past service cost	**–**	–	–
Effect of curtailment	**(32,060)**	–	–
End of year	**₱175,822**	₱12,743	₱8,162

The details of accrued benefit cost are as follows:

	December 31		January 1
	2011	2010 As restated (see Note 2)	2010 As restated (see Note 2)
Defined benefits obligation	**₱175,822**	₱12,743	₱8,162
Fair value of plan assets	**–**	–	–
	175,822	12,743	8,162
Unrecognized net actuarial gains	**(53,848)**	1,826	5,198
Balances at end of year	**₱121,974**	₱14,569	₱13,360

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

	2011	2010 As restated (see Note 2)	2009 As restated (see Note 2)	2008 As restated (see Note 2)	2007 As restated (see Note 2)
Discount rate	**7.18%**	8.86%	13.62%	10.00%	6.38%
Future salary increase	**8.33%**	10.00%	10.00%	10.00%	10.00%

Amounts for the current and previous periods are as follows:

	2011	2010 As restated (see Note 2)	2009 As restated (see Note 2)	2008 As restated (see Note 2)	2007 As restated (see Note 2)
Present value of the defined benefit retirement obligation	**₱175,822**	₱12,743	₱8,162	₱5,393	₱9,730
Experience adjustments on defined benefit retirement obligation	**67,023**	1,968	944	(4,205)	(13,032)

25. **Income Taxes**

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

	2011	2010 As restated (see Note 2)	2009 As restated (see Note 2)
Current	**₱8,849**	₱4,571	₱3,176
Deferred	**(78,547)**	(9,376)	8,558
	(₱69,698)	(₱4,805)	₱11,734

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

	2011	2010 As restated (see Note 2)	2009 As restated (see Note 2)
RCIT	**₱731**	₱543	₱1,058
Excess of MCIT over RCIT	**8,118**	4,028	2,118
	₱8,849	₱4,571	₱3,176

c. The Group has the following carryforward benefits of NOLCO and MCIT and deductible temporary differences 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.

	2011	2010 As restated (see Note 2)	2009 As restated (see Note 2)
Carryforward benefits of:			
NOLCO	**₱1,375,022**	₱807,993	₱652,140
MCIT	**16,294**	7,069	14,301
Allowance for impairment losses on:			
Inventories	**333,626**	335,857	336,283
Property, plant and equipment	**202,397**	–	–
Input VAT	**124,856**	–	–
Receivables	**40,599**	38,911	40,893
Land	**330**	330	330
Retirement benefits liability	**121,974**	14,569	13,360
Unrealized foreign exchange loss	**3,328**	–	125
Total	**₱2,218,426**	₱1,204,729	₱1,057,432

c. Deferred income tax assets consist of the tax effects of:

	2011	2010 As restated (see Note 2)	2009 As restated (see Note 2)
Provision for impairment losses:			
Input VAT	**₱61,003**	₱–	₱–
Trade receivables	**3,277**	–	–
Allowance for inventory losses	**669**	–	–
Retirement benefits liability	**20,417**	–	–
Unrealized foreign exchange loss	**1,219**	19	–
Accumulated depletion of mining property	**327**	317	–
Provision for mine and rehabilitation and decommissioning	**35**	1,281	1,247
Accrued rent	**16**	–	–
NOLCO	**–**	59	–
	₱86,963	₱1,676	₱1,247

Deferred income tax liabilities consist of the tax effects of:

	2011	2010 As restated (see Note 2)	2009 As restated (see Note 2)
Revaluation increment on land	**₱93,668**	₱93,668	₱93,668
Unrealized foreign exchange gains	**6,814**	74	8,958
	₱100,482	₱93,742	₱102,626

d. As of December 31, 2011, 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
2011	2014	₱124,110	₱8,118
2010	2013	171,872	6,059
2009	2012	1,079,040	2,117
		₱1,375,022	₱16,294

Movements in NOLCO and MCIT are as follows:

	December 31		January 1
	2011	2010 As restated (see Note 2)	2010 As restated (see Note 2)
NOLCO:			
Beginning of year	**₱807,993**	₱652,140	₱421,167
Additions	**807,748**	171,871	466,079
Application	**(30,878)**	–	–
Expirations	**(209,841)**	(16,018)	(235,106)
End of year	**₱1,375,022**	₱807,993	₱652,140

(Forward)

	December 31		January 1
	2011	2010 As restated (see Note 2)	2010 As restated (see Note 2)
MCIT:			
Beginning of year	**₱7,069**	₱14,301	₱13,751
Additions	**10,216**	4,029	2,075
Expirations	**(991)**	(11,261)	(1,525)
End of year	**₱16,294**	₱7,069	₱14,301

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

	2011	2010 As restated (see Note 2)	2009 As restated (see Note 2)
Provision for income tax at statutory income tax rates	**₱4,526,904**	(₱256,032)	(₱662,691)
Additions to (reductions in) income tax resulting from:			
Nondeductible expenses	**161,579**	252,574	157,357
Movements on unrecognized DTA	**76,046**	44,189	134,405
Equity in net earnings in an associate	**(374,365)**	(90,244)	323,896
Operating (income) loss under income tax holiday	**(257,630)**	44,780	58,826
Realized gain on derivatives	**(65,428)**	–	–
Interest income subjected to final tax and others	**(389)**	(72)	(59)
	(₱69,698)	(₱4,805)	₱11,734

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

CCC is registered with the Board of Investments (BOI) on a non-pioneer status as a new producer of copper concentrate and is entitled to an income tax holiday (ITH) incentive, among other incentives, for a period of four years from November 2007 to November 2011. In June 2011, the period of availability of the ITH incentive was extended until October 31, 2012 by the BOI on account of CCC's use of the indigenous materials. CCC may still apply for further extension of the ITH period if it is able to establish eligibility under the criteria set for such purpose.

26. Finance Charge

	2011	2010 As restated (see Note 2)	2009 As restated (see Note 2)
Interest expense on loans (see Notes 15 and 17)	**₱235,936**	₱386,579	₱207,799
Accretion of interest on liability for mine rehabilitation (see Note 18)	**1,167**	1,171	1,099
	₱237,103	₱387,750	₱208,898

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.

2011

	Mining	Non-Mining	Total	Eliminations	Consolidated
Segment revenue					
From external customers	**₱4,775,252**	**₱–**	**₱4,775,252**	**₱–**	**₱4,775,252**
From intersegment sales/services	**–**	**30,010**	**30,010**	**(30,010)**	**–**
	₱4,775,252	**₱30,010**	**₱4,805,262**	**(₱30,010)**	**₱4,775,252**
Segment results					
Income before income tax	**₱3,621,470**	**₱736**	**₱3,622,206**	**₱11,467,475**	**₱15,089,681**
Provision for (benefit from) income tax	**(70,431)**	**733**	**(69,698)**	**–**	**(69,698)**
Net income	**₱3,691,901**	**₱3**	**₱3,691,904**	**₱11,467,475**	**₱15,159,379**
Assets					
Segment assets	**₱40,365,987**	**₱199,370**	**₱40,565,357**	**(₱20,740,300)**	**₱19,825,057**
Investments	**18,382,461**	**113,575**	**18,496,036**	**(18,496,036)**	**–**
Goodwill	**–**	**–**	**–**	**25,987,065**	**25,987,065**
	₱58,748,448	**₱312,945**	**₱59,061,393**	**(₱13,249,271)**	**₱45,812,122**
Liabilities					
Segment liabilities	**₱20,743,665**	**₱153,907**	**₱20,897,572**	**(₱1,632,125)**	**₱19,265,447**
Unallocated liabilities	**202,067**	**–**	**202,067**	**–**	**202,067**
	₱20,945,732	**₱153,907**	**₱21,099,639**	**(₱1,632,125)**	**₱19,467,514**
Other segment information					
Depreciation, depletion, and amortization	**₱475,629**	**₱23,377**	**₱499,006**	**₱–**	**₱499,006**
Finance charges	**235,936**	**–**	**235,936**	**–**	**235,936**

2010 As restated (see Note 2)

	Mining	Non-Mining	Total	Eliminations	Consolidated
Segment revenue					
From external customers	₱–	₱–	₱–	₱–	₱–
From intersegment sales/services	–	–	–	–	–
	₱–	₱–	₱–	₱–	₱–
Segment results					
Loss before income tax	(₱1,153,860)	(₱329)	(₱1,154,189)	₱300,750	(₱853,439)
Provision for (benefit from) income tax	(5,341)	536	(4,805)	–	(4,805)
Net loss	(₱1,148,519)	(₱865)	(₱1,149,384)	₱300,750	(₱848,634)
Assets					
Segment assets	₱2,683,470	₱75,678	₱2,759,148	(₱199,975)	₱2,559,173
Investments	2,374,461	–	2,374,461	(114,841)	2,259,620
Goodwill	–	–	–	15,011	15,011
	₱5,057,931	₱75,678	₱5,133,609	(₱299,805)	₱4,833,804
Liabilities					
Segment liabilities	₱1,902,041	₱34,059	₱1,936,100	(₱195,147)	₱1,740,953
Unallocated liabilities	117,360	–	117,360	–	117,360
	₱2,019,401	₱34,059	₱2,053,460	(₱195,147)	₱1,858,313
Other segment information					
Depreciation, depletion, and amortization	₱56,836	₱295	₱57,131	₱–	₱57,131
Finance charges	386,579	–	386,579	–	386,579

2009 As restated (see Note 2)

	Mining	Non-Mining	Total	Eliminations	Consolidated
Segment revenue					
From external customers	₱74,877	₱–	₱74,877	₱–	₱74,877
From intersegment sales/services	20	31,538	31,558	(31,558)	–
	₱74,897	₱31,538	₱106,435	(₱31,558)	₱74,877
Segment results					
Loss before income tax	(₱2,233,513)	(₱329)	(₱2,233,842)	₱24,871	(₱2,208,971)
Provision for income tax (benefit from)	10,689	1,045	11,734	–	11,734
Net loss	(₱2,244,202)	₱1,374	(₱2,245,576)	₱24,871	(₱2,220,705)
Assets					
Segment assets	₱2,331,420	₱82,879	₱2,414,299	(₱186,819)	₱2,227,480
Investments	2,374,461	–	2,374,461	(415,653)	1,958,808
Goodwill	–	–	–	15,011	15,011
	₱4,705,881	₱82,879	₱4,788,760	(₱587,461)	₱4,201,299
Liabilities					
Segment liabilities	₱4,212,419	₱40,396	₱4,252,815	(₱181,993)	₱4,070,822
Unallocated liabilities	125,071	–	125,071	–	125,071
	₱4,337,490	₱40,396	₱4,377,886	(₱181,993)	₱4,195,893
Other segment information					
Depreciation, depletion, and amortization	₱55,114	₱612	₱55,726	₱–	₱55,726
Finance charges	207,799	–	207,799	–	207,799

The consolidated revenue in the above tables includes the non-mining revenue, which consist of management fees, which are presented as other income in the consolidated statement of comprehensive income since these are not significant.

28. **Basic/Diluted Earnings (Loss) Per Share**

Basic earnings (loss) per share is computed as follows:

	2011	2010 As restated (see Note 2)	2009 As restated (see Note 2)
Net income (loss) attributable to equity holders of the Parent Company	**₱15,101,925**	(₱758,611)	(₱2,121,598)
Divided by weighted average number of common shares outstanding (in thousands)	**1,403,047**	1,064,287	1,048,932
	₱10.7637	(₱0.7128)	(₱2.0226)

Diluted earnings (loss) per share is computed as follows:

	2011	2010 As restated (see Note 2)	2009 As restated (see Note 2)
Net income (loss) attributable to equity holders of the Parent Company	**₱15,101,925**	(₱758,611)	(₱2,121,598)
Divided by weighted average number of common shares outstanding (in thousands)	**1,611,335**	1,064,287	1,048,932
	₱9.3723	(₱0.7128)	(₱2.0226)

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

	2011	2010 As restated (see Note 2)	2009 As restated (see Note 2)
Basic earnings per share	**1,403,047**	1,064,287	1,048,932
Adjustments:			
Convertible loans (see Note 15a and 17a)	**183,288**	–	–
Stock options (see Note 20)	**25,000**	–	–
Diluted earnings per share	**1,611,335**	1,064,287	1,048,932

In 2010 and 2009, as the Group is in a net loss position, the stock option and convertible loans are antidilutive and are ignored in the calculation of diluted loss per share; therefore, the basic and diluted loss per share are the same. There have been no other transactions involving common shares or potential common shares between the reporting date and the date of completion of these consolidated financial statements.

29. Financial Risk Management Objectives and Policies

The Group's main financial instruments are cash and cash equivalents, loans payable, long-term debt and other interest-bearing liabilities, and derivative assets and liabilities. It has various other financial assets and liabilities such as receivables and accounts payable and accrued liabilities which arise from the Group's operations.

The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk, commodity price risk and credit risk. The BOD reviews and adopts relevant policies for managing each of these risks and they are summarized as follows:

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

As of December 31, 2011, 2010 and 2009, foreign currency-denominated assets and liabilities follow:

	2011		2010 As restated (see Note 2)		2009 As restated (see Note 2)	
	Foreign Currency	**Peso Equivalent**	Foreign Currency	Peso Equivalent	Foreign Currency	Peso Equivalent
Cash and cash equivalents*	**US$5,691**	**₱249,493**	US$474	₱20,780	US$575	₱26,565
Short - term investments	**19,721**	**864,569**	–	–	–	–
Receivables	**12,227**	**536,031**	4,455	195,307	194	8,963
Derivative assets	**15,943**	**698,941**	–	–	–	–
	53,582	**2,349,034**	4,929	216,087	769	35,528

**Excluding cash on hand*

The exchange rates used were ₱43.84 to US$1 at December 31, 2011 and 2010, and ₱46.20 at December 31, 2009.

The following table summarizes the impact on income before income tax of reasonably possible changes in the exchange rates of US$ against the Peso as of December 31, 2011, 2010 and 2009:

	US$ Appreciates/(Depreciates)	Increase/(Decrease)
2011	**2.60%**	**₱111,564**
	(6.50%)	**(278,911)**
2010 As restated (see Note 2)	4.20%	(₱106,770)
	(4.20%)	106,770
2009 As restated (see Note 2)	2.06%	(₱37,212)
	(2.06%)	37,212

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

Commodity price risk
CCC's copper concentrate revenue are based on international commodity quotations (i.e., primarily on the LME) over which CCC has no significant influence or control. This exposes CCC's results of operations to commodity price volatilities that may significantly impact its cash inflows. CCC enters into derivative transactions as a means to mitigate the risk of fluctuations in the market prices of its mine products.

Shown below is CCC's sensitivity to changes in the copper prices arising from its copper derivatives as of December 31, 2011:

December 31, 2011:

Change in Copper Prices	Effect on Income Before Income Tax
Increase by 10%	(₱234,158,070)
Decrease by 10%	366,437,982

Equity price risk
Equity price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to equity price risk because of financial assets held by the Group, which are classified as AFS financial assets. Management believes that the fluctuation in the fair value of AFS financial assets will not have a significant effect on the consolidated financial statements.

Credit risk
Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligation. The Group's financial assets which are exposed to credit risk include its cash and cash equivalents, receivables, derivative asset and AFS financial assets with a maximum exposure equal to the carrying amount of these assets.

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

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

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

	2011	2010 As restated (see Note 2)	2009 As restated (see Note 2)
Cash and cash equivalents *	**₱349,921**	₱229,528	₱70,153
Short-term investment	**864,585**	–	–
Receivables	**563,231**	1,062,219	769,498
Derivative assets	**698,968**	–	–
AFS financial assets	**4,927**	4,927	5,215
	₱2,481,632	₱1,296,674	₱844,866

**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 of December 31, 2011, 2010 and 2009, based on credit rating system follows:

December 31, 2011:

	Neither past due nor impaired			Past Due		
	High Grade	**Standard Grade**	**Substandard Grade**	**But Not Impaired**	**Impaired**	**Total**
Loans and receivables:						
Cash and cash equivalents *	**₱349,921**	**₱–**	**₱–**	**₱–**	**₱–**	**₱349,921**
Short-term investments	**864,585**	**–**	**–**	**–**	**–**	**864,585**
Receivables	**493,248**	**–**	**–**	**69,983**	**40,599**	**603,830**
Derivative assets	**698,968**	**–**	**–**	**–**		**698,968**
AFS financial asset	**4,927**	**–**	**–**	**–**	**–**	**4,927**
	₱2,411,649	**₱–**	**₱–**	**₱69,983**	**₱40,599**	**₱2,522,231**

**Excluding cash on hand*

December 31, 2010 As restated (see Note 2):

	Neither past due nor impaired			Past Due		
	High Grade	Standard Grade	Substandard Grade	But Not Impaired	Impaired	Total
Loans and receivables:						
Cash and cash equivalents *	₱229,528	₱–	₱–	₱–	₱–	₱229,528
Short-term investments	–	–	–	–	–	–
Receivables	1,053,320	–	–	8,899	38,911	1,101,130
AFS financial asset	4,927	–	–	–	–	4,927
	₱1,287,775	₱–	₱–	₱8,899	₱38,911	₱1,335,585

**Excluding cash on hand*

December 31, 2009 As restated (see Note 2):

	Neither past due nor impaired			Past Due		
	High Grade	Standard Grade	Substandard Grade	But Not Impaired	Impaired	Total
Loans and receivables:						
Cash and cash equivalents *	₱70,153	₱–	₱–	₱–	₱–	₱70,153
Short-term investments	–	–	–	–	–	–
Receivables	765,047	–	–	4,451	40,893	810,391
AFS financial asset	5,215	–	–	–	–	5,215
	₱840,415	₱–	₱–	₱4,451	₱40,893	₱885,759

**Excluding cash on hand*

High grade receivables pertain to those receivables from clients or customers that consistently pay before the maturity date. Standard grade receivable includes those that are collected on their due dates even without an effort from the Group to follow them up while receivables which are collected on their due dates provided that the Group made a persistent effort to collect them are included under substandard grade receivables. Past due receivables and advances include those that are either past due but still collectible or determined to be individually impaired.

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

- Cash in banks and AFS financial asset are classified as "High Grade" since cash is placed in high profile banking institutions while the concentration of AFS financial asset are invested in blue chip shares of stock; and
- Receivables are classified as "Standard Grade" since the collection of the balances depends on the availability of funds of existing and active parties, except for items specifically identified below as past due but not impaired.

The aging analysis of the past due but not impaired receivables and impaired receivables of the Group as of December 31, 2011 and 2010 follows:

The aging analysis of the Group's FVPL, loans and receivables and AFS financial asset are as follows:

December 31, 2011:

	Neither past due nor Impaired	Past due but not impaired: Less than 30 days	30 - 60 days	More than 60 Days	Impaired	Total
FVPL						
Derivative assets	**₱698,968**	**₱–**	**₱–**	**₱–**	**₱–**	**₱698,968**
Loans and receivables:						
Cash and cash equivalents *	**349,921**	**–**	**–**	**–**	**–**	**349,921**
Short-term investments	**864,585**	**–**	**–**	**–**	**–**	**864,585**
Receivables	**493,248**	**30,869**	**2,729**	**36,385**	**40,599**	**603,830**
AFS financial asset	**4,927**	**–**	**–**	**–**	**–**	**4,927**
	₱2,411,649	**₱30,869**	**₱2,729**	**₱36,385**	**₱40,599**	**₱2,522,231**

**Excluding cash on hand*

December 31, 2010 As restated (see Note 2):

	Neither past due nor Impaired	Past due but not impaired: Less than 30 days	30 - 60 days	More than 60 Days	Impaired	Total
Loans and receivables:						
Cash and cash equivalents *	₱229,528	₱–	₱–	₱–	₱–	₱229,528
Short-term investments	–	–	–	–	–	–
Receivables	1,053,320	2,511	427	5,961	38,911	1,101,130
AFS financial asset	4,927	–	–	–	–	4,927
	₱1,287,775	₱2,511	₱427	₱5,961	₱38,911	₱1,335,585

**Excluding cash on hand*

December 31, 2009 As restated (see Note 2):

	Neither past due nor Impaired	Past due but not impaired: Less than 30 days	30 - 60 days	More than 60 Days	Impaired	Total
Loans and receivables:						
Cash and cash equivalents *	₱70,153	₱–	₱–	₱–	₱–	₱70,153
Short-term investments	–	–	–	–	–	–
Receivables	765,047	218	1,035	3,198	40,893	810,391
AFS financial asset	5,215	–	–	–	–	5,215
	₱840,415	₱218	₱1,035	₱3,198	₱40,893	₱885,759

**Excluding cash on hand*

Impairment assessment
The main consideration for the loan impairment assessment include whether any payments of principal or interest are overdue by more than one year or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract.

The Group determines the allowance appropriate for each individually significant receivable on an individual basis. Items considered when determining allowance amounts include the availability of other financial support and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention. Impaired financial assets as of December 31, 2011, 2010 and 2009 relate to overdue accounts.

Liquidity Risk
Liquidity risk is such risk where the Group becomes unable to meet its payment obligations when they fall due under normal and stress circumstances. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group also manages its liquidity risk on a consolidated basis based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

The tables below summarizes the maturity profile of the financial liabilities of the Group, as well as financial assets considered by management as part of its liquidity risk management based on remaining undiscounted contractual obligations as of December 31, 2011 and 2010 follow:

December 31, 2011

	On demand	**Within 1 year**	**1 to <3 years**	**> 3 years**	**Total**
Loans and receivables:					
Cash and cash equivalents	**₱354,458**	**₱–**	**₱–**	**₱–**	**₱354,458**
Short-term investments	**864,585**	**–**	**–**	**–**	**864,585**
Receivables	**52,678**	**510,553**	**–**	**–**	**563,231**
Derivatives asset at FVPL	**–**	**477,573**	**221,395**	**–**	**698,968**
AFS Financial Assets	**4,927**	**–**	**–**	**–**	**4,927**
	1,276,648	**988,126**	**221,395**	**–**	**2,486,169**
Financial liabilities:					
Accounts payable and accrued liabilities **	**–**	**2,926,151**	**–**	**–**	**2,926,151**
Payables to related parties	**531,700**	**–**	**–**	**–**	**531,700**
Loans payable	**–**	**5,341,800**	**–**	**–**	**5,341,800**
Long-term debt and other interest-bearing liabilities	**–**	**4,298,353**	**5,856,671**	**–**	**10,155,024**
Derivative liabilities	**–**	**18,929**		**–**	**18,929**
	531,700	**12,585,233**	**5,856,671**	**–**	**18,973,604**
	₱744,948	**(₱11,597,107)**	**(₱5,635,276)**	**₱–**	**(₱16,487,435)**

***Excluding government payables*

December 31, 2010 As restated (see Note 2)

	On demand	Within 1 year	1 to <3 years	> 3 years	Total
Loans and receivables:					
Cash and cash equivalents	₱230,963	₱–	₱–	₱–	₱230,963
Short-term investments	–	–	–	–	–
Receivables	907,352	154,868	–	–	1,062,220
Derivatives	–	–	–	–	–
AFS financial assets	4,927	–	–	–	4,927
	1,143,242	154,868	–	–	1,298,110
Financial liabilities:					
Accounts payable and accrued liabilities **	–	1,062,119	–	–	1,062,119
Payables to related parties	561,567	–	–	–	561,567
Loans payable	–	–	–	–	–
Long-term debt and other interest-bearing liabilities	–	–	–	–	–
Derivative liabilities	–	–	–	–	–
	561,567	1,062,119	–	–	1,623,686
	₱581,675	(₱907,251)	₱–	₱–	(₱325,576)

***Excluding government payables*

December 31, 2009 As restated (see Note 2)

	On demand	Within 1 year	1 to <3 years	> 3 years	Total
Loans and receivables:					
Cash and cash equivalents	₱71,389	₱–	₱–	₱–	₱71,389
Short-term investments	–	–	–	–	–
Receivables	765,047	4,451	–	–	769,498
Derivatives	–	–	–	–	–
AFS financial assets	5,215	–	–	–	5,215
	₱841,651	₱4,451	₱–	₱–	₱846,102
Financial liabilities:					
Accounts payable and accrued liabilities **	–	908,150	–	–	908,150
Payables to related parties	1,268,830	–	–	–	1,268,830
Loans payable	–	506,405	–	–	506,405
Long-term debt and other interest-bearing liabilities	–	–	758,792	–	758,792
Derivative liabilities	–	478,256	–	–	478,256
	1,268,830	1,892,811	758,792	–	3,920,433
	(₱427,179)	(₱1,888,360)	(₱758,792)	₱–	(₱3,074,331)

***Excluding government payables*

30. Financial Instruments

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

Fair Values of Financial Instruments

The following table shows the carrying values and fair values of the Group's financial assets and liabilities:

	Carrying Values			Fair Values		
	2011	2010 As restated (see Note 2)	2009 As restated (see Note 2)	**2011**	2010 As restated (see Note 2)	2009 As restated (see Note 2)
Financial Assets						
Loans and receivables:						
Cash and cash equivalents	**₱354,458**	₱230,963	₱71,389	**₱354,458**	₱230,963	₱71,389
Short-term investments	**864,585**	–	–	**864,585**	–	–
Receivables	**563,231**	1,062,219	769,498	**563,231**	1,062,219	769,498
Derivative asset at FVPL	**698,968**	–	–	**698,968**	–	–
AFS financial asset	**4,927**	4,927	5,215	**4,927**	4,927	5,215
	₱2,486,169	₱1,298,109	₱846,102	**₱2,486,169**	₱1,298,109	₱846,102
Financial Liabilities						
Accounts payable and accrued liabilities*	**₱2,926,151**	₱1,062,119	₱908,150	**₱2,926,151**	₱1,062,119	₱908,150
Payable to related parties	**531,700**	561,567	1,268,830	**531,700**	561,567	1,268,830
Loans payable	**5,341,800**	–	506,405	**5,341,800**	–	506,405
Long-term debt and other interest-bearing liabilities	**10,155,024**	–	758,792	**8,700,011**	–	758,792
Derivative liabilities	**18,929**	–	478,256	**18,929**	–	478,256
	₱18,973,604	₱1,623,686	₱3,920,433	**₱17,518,591**	₱1,623,686	₱3,920,433

**excluding government payables*

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

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

AFS financial assets
The fair values were determined with reference to market quoted bid price as of reporting date.

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

Long-term debt and other interest-bearing liabilities
The fair value of long-term debt is computed using the discounted cash flow method, with credit-adjusted zero coupon rates as discount rate.

Derivative instruments
Fair values are estimated based on acceptable valuation models. All valuation inputs used such as volatility, copper spot and forward prices, discount rates, and foreign currency exchange rates are considered market observable obtained from an internationally recognized financial service provider.

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

The fair value hierarchy of the financial assets and liabilities as of December 31, 2011 is presented in the following table:

	Level 1	Level 2	Level 3	Total
AFS financial assets	₱4,927	₱–	₱–	₱4,927
Derivative assets	–	698,968	–	698,968
Derivative liabilities	–	18,929	–	18,929
Total	₱4,927	₱717,897	₱–	₱722,824

There were no transfers between levels of fair value measurement as of December 31, 2011. The Group has no financial assets and liabilities measured under Level 3.

31. **Capital Management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during 2011 and 2010.

The Group has no externally imposed requirements as of December 31, 2011, 2010 and 2009.

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

	2011	2010 As restated (see Note 2)	2009 As restated (see Note 2)
Capital stock	**₱17,640,530**	₱11,388,139	₱10,489,319
Additional paid-in capital	**5,816,306**	830,666	789,563
Deposits for future stock subscriptions	**–**	3,028,293	150,960
Retained earnings (deficit)	**2,517,311**	(12,584,614)	(11,826,003)
	₱25,974,147	₱2,662,484	(₱396,161)

32. **Other Matters**

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

b. Deed of assignment and exchange of assets for shares of stock
In 2006, CCC entered into an Operating Agreement with the Parent Company for the conveyance to CCC of rights over the Toledo minesite, certain fixed assets and surface rights for a royalty fee mutually agreed by the parties. The agreement may be terminated by CCC upon 30 days prior written notice.

c. Changes in ownership interest in CCC
On May 5, 2006, CCC entered into a Convertible Loan and Security Agreement (CLSA) with CASOP Atlas II, Ltd (CASOP Atlas) amounting to US$5 million. The loan is convertible into voting preferred shares at any time prior to maturity date or to the date of early repayment into not less than 5.17% up to not more than 5.7% of the total issued and outstanding shares of CCC. On October 11, 2006, CCC and CASOP Atlas entered into an Amendment to the CLSA to increase the amount of the convertible loan to US$18 million.

In an Assignment Agreement dated March 16, 2007, CASOP Atlas assigned the amended CLSA to CASOP Atlas BV (CASOP BV). On the same date, CASOP BV assigned 2% of the amended CLSA loan to CASOP Atlas Corporation (CAC).

In 2007, CASOP BV and CAC (collectively known as CASOP) exercised its right to convert its loan to 294.14 million and 4.70 million of voting preferred shares, respectively. As a result, CCC became 65.53%, 34.09% and 0.38% owned by ACMDC, CASOP BV and CAC, respectively. As of December 31, 2007, all the issued and outstanding voting preferred shares were owned by CASOP. In September 2007, CCC amended its bylaws to present the approval and participation of ACMDC and CASOP on the operations of CCC.

In October 2008, ACMDC agreed with CASOP to a schedule of cash advances for infusion to CCC amounting to US$48 million. The advances may be converted into common equity of CCC. Of the amount US$48 million contributed by CASOP, US$24.95 million is convertible at the option of CASOP into 308,170,751 of CCC's common shares. In 2009, CASOP exercised its right to convert its advances to CCC's common shares.

As a result, CCC became 54.46%, 37.80% and 7.73% owned by ACMDC, CASOP BV and CASOP Atlas, respectively. As of December 31, 2009, all the issued and outstanding preferred shares are owned by CASOP.

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

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

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

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

Royalty income recognized under Other Income in the consolidated statement of comprehensive income amounted to ₱244,479, ₱184,519, ₱77,890 in 2011, 2010 and 2009, respectively.

e. Agreements with TPC and THC
In February 2002, TPC and its wholly owned subsidiary, Toledo Holdings Corporation (THC) executed in favor of the Parent Company a Deed of Release and Quitclaim (the "Settlement Agreement") which was intended to effectuate the full settlement of certain loan obligations of the Parent Company to TPC in consideration of the conveyance by the Parent Company to THC of (i) a portion of an area covered by two foreshore leases, (ii) three deep wells, and (iii) portions of particular cadastral lots located in Toledo City, Cebu. The Parent Company's BOD, however, withheld ratification of the Settlement Agreement on account of the following considerations:

- The Parent Company believes that a more satisfactory and balanced settlement can be reached with TPC to the advantage of all parties concerned;
- The Settlement Agreement covered only a portion of the obligations to TPC; and

- Certain properties that were to be conveyed pursuant to the Settlement Agreement are required for the mining operations of CCC
- Accordingly, the Parent Company did not record the transactions contemplated under the Settlement Agreement.

Negotiations regarding the revised terms of the settlement of the Parent Company's obligations to TPC amounting to ₱438,249 were still ongoing as of April 13, 2011 (see Note 10). Accordingly, such amount was recognized as a liability as of December 31, 2011 and 2010.

f. BDO Loan Facility
On January 20, 2011, the Parent Company entered into a convertible loan facility and security agreement with BDO covering the principal amount of US$10 million. The proceeds of the facility were not drawn prior to the expiration of the period of availment in 2011.

g. Contingencies
On November 21, 2006, the Parent Company requested for a Bureau of Internal Revenue (BIR) ruling confirming that the period to collect the excise taxes due upon the Parent Company's mining operations in Masbate from July 1991 to August 1994 (the "Masbate Taxes") had already lapsed.

On December 15, 2006, the BIR issued Ruling No. DA-7222-2006 (the "Ruling") which confirmed, among others, that the government's right to collect the Masbate Taxes had already prescribed. Relying upon the authority of the Ruling, the Parent Company wrote-off from its books the amount corresponding to the Masbate Taxes.

On July 13, 2010, the Commissioner of Internal Revenue issued a memorandum order on the revocation of the Ruling. Following such revocation, the BIR issued on August 11, 2010 a Warrant of Destraint or Levy to enforce collection of the Masbate Taxes amounting to ₱197,595. To enjoin the action to collect, the Parent Company filed with the Court of Tax Appeals (CTA) a Petition for Review with an Application for Temporary Restraining Order and/or Writ of Preliminary Injunction and a Motion for the Suspension of Collection of Tax.

On October 14, 2010, the CTA issued an order granting the Parent Company's motion for the suspension of the collection of the Masbate Taxes. On July 5, 2011, the CTA denied the BIR's motion for the reconsideration of the October 14, 2010 Order.

As of December 31, 2011, the trial on the petition was still ongoing. Upon the opinion of the Parent Company's legal counsel that the probability of an unfavorable outcome cannot be assessed at this stage of the proceedings, management determined that there was no basis to provide for any contingent liability pertaining to the payment of the Masbate Excise Tax as of December 31, 2011.

33. Commitments and Contingencies

CCC

Power Agreements

- 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 the Company of at least 6 months before the expiration date. The EPPA will expire in January 2014.

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

Waste Mining Service Agreement
In April 2010, CCC entered into a waste mining service agreement, as amended, with Galeo Equipment and Mining Company, Inc. for waste loading and hauling works at CCC's Lutopan Open Pit at specified pricing formulas. The agreement can be terminated by either party upon 30 days prior written notice.

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.

Legal Contingencies
CCC is a party to minor labor cases arising from its operations. CCC's management and legal counsel believe that the eventual resolution of these cases will not have a material effect on CCC's financial statements. Accordingly, no provision for probable losses was recognized by CCC in 2011, 2010 and 2009.

Collective Bargaining Agreement
CCC has a collective bargaining agreement (CBA) with labor organizations for all regular employees and workers directly employed by CCC. The CBA provisions is effective for a period of five years beginning September 2007 to September 2012.

BNC
Management Agreement
On January 19, 2005, BNC entered into a management agreement with TMI wherein TMI will manage the operations of BNC with respect to the Mineral Properties and to any and all of the MPSA which shall be executed by BNC and the Government of the Republic of the Philippines. In consideration for such services, BNC will pay a monthly management fee of ₱200.

On July 1, 2008, BNC amended the management agreement wherein TMI shall be entitled to charge an additional monthly fee equivalent to up to five percent (5%) of the operating costs and expenses incurred at the end of each calendar month. Provided, further, that TMI may charge an additional fee for other special services outside the scope of the agreement at a rate to be agreed upon in advance by the parties. The rate will depend on the specialized nature of such services that BNC may require from TMI from time to time.

Environmental Compliance Certificate (ECC)
On June 14, 2006, the DENR, through the Environmental Management Bureau, granted BNC, the ECC for the Berong Project.

BNC, in compliance with the terms of the ECC, has set up an Environmental Trust Fund (ETF) on April 27, 2007, in the amount of ₱200 at the Landbank of the Philippines (LBP) Makati Branch. The ETF is a readily replenishable fund for compensation or indemnification of damages to life and property that may be caused by the project. The fund is included under "Other noncurrent assets" account in the consolidated statement of financial position. As at December 31, 2011 and 2010, BNC has ETF amounting to ₱206 and ₱ 205, respectively.

Service Agreement with China Nickel Corporation (CNC)
On April 13, 2007, BNC entered into a service agreement with CNC, wherein CNC will provide marketing support services to BNC which includes identification of material and equipment sourcing opportunities, monitoring of nickel industry developments, advice on appropriate methods of marketing ore and procuring sales contracts, and identification of investment opportunities. All such services will be provided outside the Philippines.

MRF
Pursuant to Section 181 of the Implementing Rules and Regulations of the Republic Act (R.A.) No. 7492, better known as the "Philippine Mining Act of 1995", BNC has opened a Rehabilitation Cash Fund (RCF) on November 22, 2007, amounting to ₱5,000 at the LBP Makati Branch. Such trust fund is set to ensure compliance with the approved rehabilitation activities and schedules of the project. In addition to RCF, BNC has also set up a Monitoring Trust Fund (MTF) amounting to ₱100,000 at the LBP Makati Branch on April 27, 2007. Such fund shall be used to cover the maintenance and other operating budget of the MTF Committee and is subject to periodic replenishments. The fund is included under "Other noncurrent assets" account in the statement of financial position. As at December 31, 2011 and 2010, BNC has RCF amounting to ₱5,128 and ₱5,107, and MTF amounting to ₱150 and ₱110, respectively.

Memorandum of Agreement (MOA) with Tagbanua Indigenous Peoples (IP)/Indigenous Cultural Community (ICC)
In 2005, BNC, Tagbanua IPs/ICCs and National Commission on Indigenous Peoples entered into a MOA. The MOA relate exclusively to the areas applied for and disclosed to the Tagbanua IPs/ICCs of Berong Aramaywan, Quezon, Province of Palawan and shall cover and apply exclusively to all the activities, processes, operations and other related issues under the MPSA application of BNC. Under the MOA, the Tagbanua IPs/ICCs has the right to receive from BNC a royalty payment equivalent to 1% of the gross revenues based on the provisions of the Mining Act subject to devaluation of the Philippine peso. The said royalty is paid to BATA, a formal organization created by the IPs upon signing of the MOA, who is responsible in determining the share of every individual member in accordance with their customary laws and practices.

Total royalty payments to BATA for the years ended December 31, 2011 and 2010 amounted to ₱1,138 and ₱1,453, respectively. In 2011 and 2010, BNC has recognized royalty expense amounting to ₱5,776 and nil, respectively.

Service Agreement with Ivy Michelle Trading & Construction (IMTC)
On May 10, 2011, a Service Agreement was entered into by BNC and IMTC, where the latter shall lease its equipments (e.g., dumptrucks, bulldozers compactor, excavator, wheel loader, water truck, etc.) for a fee. IMTC shall also undertake the loading and hauling activities in accordance with the production, shipping plans and procedures scheduled and prescribed by BNC. Further, IMTC shall also load and haul the waste or low grade nickel ore materials from the open pits to the designated stockpiles. The Service Agreement is valid for six months and renewable for another term, under the same conditions, or as may be agreed upon by both parties.

Sales Agreement with Shaanxi
In 2011, BNC entered into various sales agreement with Shaanxi to sell and deliver nickel laterite ores. Selling price of nickel laterite ores depends on its ore grading. High grade (1.8% to 1.9% nickel content) and low grade (1.45% to 1.5% nickel content) ores are priced at US$65 and US$23, respectively, per wet metric ton (WMT). These sales agreements are subject to price adjustments depending on the final nickel and moisture content agreed by both parties. In 2011, BNC exported to Shaanxi a total of 262,281 WMT of nickel laterite ores.

Sales Contract with Guangxi Yinyi Science and Technic Mine Metallurgy Co., Ltd. (Guangxi)
On November 12, 2011, BNC has entered into a general purchase and supply contract with Guangxi to sell and deliver 50,000 WMT (+ 10% in quantity) of 1.79% to 1.82% nickel laterite ores valid only for one shipment for US$46 per WMT. The contract is subject to price adjustments depending also on the final nickel and moisture content agreed by both parties. In 2011, BNC exported to Guangxi a total of 54,979 WMT of nickel laterite ores.

Others
Purchase Commitments
There were no unusual purchase commitments or losses on commitments entered into by the Group.