COVER SHEET

PW00000115A

S.E.C. Registration Number

ATLAS CONSOLIDATED MINING AND

DEVELOPMENT CORPORATION

(Company's Full Name)

FIVE E-COM CENTER PALM COAST

AVENUE CORNER PACIFIC DRIVE

MALL OF ASIA COMPLEX PASAY

CITY METRO MANILA

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

MARIA ELEONOR A. SANTIAGO

Contact Person

(632)831-8000 local 25007

Company Telephone Number

12 31

Month Day

Fiscal Year

20-IS

FORM TYPE

Last Wednesday of April

Month Day

Annual Meeting

N/A

Secondary LicenseType, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

Remarks = pls. use black ink for scanning purposes

ATLAS Mining

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION

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

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that ***ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION*** ("AT" or the "Corporation") will hold its Annual General Meeting of Shareholders ("AGM" or the "Meeting") on 27 July 2017, 2:00 p.m. at the Function Room 1, SMX Convention Center Manila, Mall of Asia Complex, Pasay City (1300) for the transaction of the following business:

AGENDA

I. Call to Order
II. Proof of Notice of Meeting & Determination of Quorum
III. Approval of the Minutes of:
   - Annual General Meeting of Shareholders (AGM) on 29 April 2016; and
   - Special Shareholders' Meeting (SSM) on 21 February 2017
IV. Annual Report for 2016
V. Amendment to AT's Articles of Incorporation: Article VII, increase in the authorized capital stock (ACS)
VI. Issuance of 1,472,500,000 shares & waiver of the conduct of public or rights offering
VII. Election of Directors (including Independent Directors)
VIII. Ratification of acts and resolutions of the Board of Directors and Management
IX. Appointment of External Auditor
X. Other Matters
XI. Adjournment

Only Shareholders of record as of 1 April 2017 are entitled to receive notice of, and to vote at, the Meeting. The Shareholders' list is available for inspection at the principal office located at the 5F FiveE-com Center, Palm Coast Avenue corner Pacific Drive, Mall of Asia Complex, Pasay City (1300) (the "Office"). The Stock and Transfer book of the Corporation will not be closed.

Any Shareholder who wishes to authorize a proxy to act for and in his behalf during the Meeting must submit a duly accomplished proxy to the Office on or before 20 July 2017. Validation of proxies is set on 21 July 2017.

Please bring proper identification card/s to facilitate registration which will start at 1:00 p.m.

Pasay City, Metro Manila, 1 June 2017.

Thank you.

Maria Eleonor A. Santiago
Assistant Corporate Secretary

Atlas Consolidated Mining
and Development Corporation
P-502 and P-503,
5F Five E-Com Center,
Palm Coast Ave corner Pacific Drive,
Mall of Asia, Pasay City
Tel +632 831-8000 loc 25001
www.atlasmining.com.ph

EXPLANATION OF AGENDA ITEMS

Proof of Notice of Meeting and Determination of Quorum:

The Corporate Secretary will certify that copies of the Notice and Agenda of the AGM with the Information Statement and Proxy Form were sent to Shareholders of record as of 1 April 2017 as well as the date of publication of Notice in newspapers of general circulation. The Corporate Secretary will further certify the existence of a quorum. The Shareholders present, in person or by proxy, representing a majority of the outstanding capital stock shall constitute a quorum for the transaction of business.

Approval of the Minutes of the AGM on 29 April 2016 and SSM on 21 February 2017:

The Minutes of the AGM held on 29 April 2016 and SSM on 21 February 2017 will be posted at the Corporation's Website. A resolution approving the minutes will be presented to the Shareholders for approval.

2016 Annual Report and Audited Financial Statements:

The President will report on the Corporation's financial and operating results for the year 2016. The Audited Financial Statements (AFS) as of 31 December 2016 are embodied in the Information Statement to be sent to Shareholders at least 15 business days prior to the AGM. The AFS have been reviewed by the Audit and Risk Management Committee (ARMC), the Board of Directors (BOD) and audited by the external auditor. A resolution noting the Report and approving the AFS will be presented to the Shareholders for approval.

Amendment of AT's Articles of Incorporation (AOI):

The BOD resolution amending Article VII of AT's AOI will be presented to the Shareholders for their approval. The amendment pertains to the increase in the capital stock of AT to Php8.89billion divided into 8.89billion shares with a par value of Php1.00 per share of stock.

Waiver of the conduct of a rights or public offering:

The minority Shareholders present or represented at the Meeting will be asked to approve the waiver of the conduct of a rights or public offering for the 1,472,500,000 shares to be subscribed and issued equivalent to 25% of the aggregate increase in the capital stock of the Corporation from Php3b to Php8.89b divided into 8.89b shares of common stock.

Election of Directors (including Independent Directors):

The nominated directors were determined to be qualified and competent by the Nomination Committee after their qualifications were duly reviewed. The Corporation's Nomination Committee recommends their election. The list of nominees and their profiles are provided in the Information Statement and in the company website for examination by the Shareholders.

Ratification of acts and resolutions of the Board of Directors (BOD) and Management for 2016

All acts, resolutions and proceedings of the BOD, BOD Committees and the Management of AT from the date of the last AGM to the date of this Meeting, including all significant related party transactions, will be presented to the Shareholders for their approval and ratification.

Re-appointment of SGV as External Auditor

The BOD, based on the recommendation of the ARMC, endorses the re-appointment of Sycip Gorres Velayo & Company (SGV) as the Corporation's external auditor for 2017.

Other Matters

Other business as may properly come before the meeting may be raised. The Chairman will decide whether such business may be properly taken up in the meeting or in another Shareholders' meeting or other proper forum.

Comprehensive Corporate Disclosure on Share Issue:

A. Description of the proposed transaction including the timetable for implementation, and related regulatory requirements

Subscription and issuance of shares (the "Share Issue"), equivalent to 25% of the total increase in the Corporation's Authorized Capital Stock (ACS) by 5.89billion, from the initial ACS of Php3b to Php8.89b divided into 8.89b common shares, amending Article VII of the Corporation's Articles of Incorporation (AOI):

Subscriber	*Number of Shares to be subscribed*	*Percentage*	*Subscription Price at Php4.3842/share*	*Paid-Up*
SM Investments Corporation (SMIC)	598,049,708	41	Php2,621,969,531	Php655,492.383
Anglo Philippines Holdings Corp. (Anglo)	845,000,292	57	3,704,650,279	926,162,570
Alakor Corporation (Alakor)	29,450,000	2	129,114,690	32,278,673
Total	*1,472,500,000*	*100*	*Php6,455,734,500*	*Php1,613,933,625*

The proposed transaction shall be implemented after the 2017 Annual General Meeting of Shareholders (AGM) scheduled on 27 July 2017. The ACS increase and amendment to the AOI shall be presented and submitted to the Shareholders for their approval during the 2017 AGM. Subscription Agreements will be executed by AT and the Subscribers to cover up to the above stated total number of shares. Upon confirmation of the ACS increase and AOI amendment, the AOI amendment documents shall be submitted to Securities and Exchange Commission (SEC) for approval.

B. Rationale for the transaction including the benefits which are expected to be accrued to issuer as a result of the transaction

The Share Issue, which is equivalent to 25% of the aggregate increase in ACS, is to comply with the minimum requirement of the Corporation Code for increase in capital stock and amendment to Article VII of the AOI. The increase in the ACS will enable AT to have sufficient unissued shares of stock out of its ACS to allow the Corporation to issue Warrants and the Underlying Common Shares of Stock as a result of the exercise of the Warrants coupled with the flexibility to raise fresh funds. With available and sufficient unissued capital stock, AT will have the capability for any future capital initiative.

C. Aggregate value of consideration, how this is to be satisfied, including terms for payment on a deferred basis

The Subscription Aggregate Value (the "Issue Price") is Php6,455,734,500 based on the Subscription Price of Php4.3842/share. The required total paid up amount of Php1,613,933,625 will be remitted by the Subscribers to the Corporation upon execution of the Subscription Agreements with the balance upon call.

D. The basis upon which the consideration or the issue value was determined

The Subscription Price of Php4.3842/share is the 90-day Volume Weighted Average Price ("VWAP") preceding the Pricing Date of 16 November 2016.

E. Detailed work program of the application of proceeds, timetable of disbursements and status of each project included in the work program. For debt retirement application, state which projects were financed by debt being retired, project cost, amount of project financed by debt and financing sources for the remaining cost of the project.

The proceeds will be used to partially pay the debt of Php1,800,000,000 AT incurred in 2015. The debt was used to fund the 2015 Waste Stripping Project of its wholly-owned subsidiary, Carmen Copper Corporation (CCC), with a total cost of Php3,604,000,000. The remaining cost not funded by debt was funded from cash generated from operations.

F. Identity and/or corporate background of the beneficial owners of the shares subscribed, including the following

Beneficial Owners/Subscribers	*Nature of Business*	*Nature of any material relationship with Issuer and the parties to the joint venture, their directors/officers or any of their affiliates*
SMIC	Management and Holding	None except as a Shareholder
Anglo	Oil and Mineral Exploration	None except as a Shareholder

Alakor Alakor	Farming, Real Estate, Securities &Trading	None except as a Shareholder

Organizational/Ownership Structure of Subscribers

Beneficial Owners/Subscribers	*Controlling Shareholders of Subscribers*	*Number of Shares Held*	*%*
SMIC	Sy Family	670,801,562	55.7
Anglo	Alakor Corporation	174,570,500	82.94
Alakor	Ramos Family	519,999,978	100

G. *For subscribers with no track record or with no operating history: the Subscriber must present a statement of active business pursuits and objectives which details the step undertaken and proposed to be undertaken by the Issuer in order to advance its business.* - Not applicable

H. *The interest which directors of the parties to the transaction have in the proposed transaction.* - None

I. *Statement as to the steps to be taken, if any, to safeguard the interests of any independent shareholders*

For the previous increase in AT's capital and the issuance of 313,626,203 shares in relation thereof, AT obtained the waiver of the requirement to conduct a rights or public offering of the Shares subscribed from the minority Shareholders, by a majority vote representing the outstanding shares held by said minority Shareholders present or represented during the 21 February 2017 Special Shareholders' Meeting (SSM). The same waiver will be sought by the Corporation from the minority Shareholders for the additional subscription and issuance of shares during the 2017 AGM.

J. *Any conditions precedent to closing of the transaction*

The following are the conditions precedent: (i) favorable consideration and affirmation of the Shareholders to the proposed additional increase in ACS, (ii) amendment to Article VII of the AOI including the Share Issue, (iii) waiver of the conduct of a rights or public offering for the additional shares to be subscribed by the minority Shareholders during the 2017 AGM, and (iv) subsequently, SEC approval to the aggregate increase in ACS and amendment to Article VII of the AOI.

K. *Change(s) in the composition of the Board of Directors and Management.* - None

L. *Effects on the following*

Ownership structure

Principal Shareholders	*Before*		*After*	
	Number of shares	*%*	*Number of shares*	*%*
SMIC	612,191,425	29.33	1,210,241,142	34
Anglo	174,570,500	8.37	1,019,570,792	28.64
Alakor	453,963,461	21.75	483,413,461	13.58
Public	846,307,378	40.55	846,307,378	23.78

Capital structure

Issued Shares			
Type of Security /Stock Symbol	*Before*	*After*	
AT	2,087,032,774	3,559,532,774	
Outstanding Shares			
Type of Security /Stock Symbol	*Before*	*After*	
AT	2,087,032,774	3,559,532,774	
Treasury Shares			
Type of Security /Stock Symbol	*Before*	*After*	
AT	0	0	
Listed Shares			

Type of Security /Stock Symbol	Before	After	
AT	2,087,032,774	2,087,032,774	

M. *Effect(s) on the public float.* - Decrease in public shareholding from 40.55% to 23.78% of the Outstanding Capital Stock.

N. *Effect(s) on foreign ownership level, if any.* - No effect on foreign ownership level, the Subscribers are all Filipinos.

O. *Other Relevant Information*

The updated Comprehensive Corporate Disclosure reflects the actual number of shares to be subscribed by/issued to the Subscribers in view of the additional increase in the Corporation's ACS and in compliance with the SEC rules. The changes will have an effect on total Issue Price and Ownership & Capital Structures of the Corporation after the completion of the transaction.

Given the additional increase in AT's ACS from the initial Php3billion divided into 3billion shares at Php1.00 par value to ultimately Php8.89b divided into 8.89b shares at Php1.00 par value, the summary of the update:

1. Total amount of Issue Price and aggregate number of shares to be issued increased from Php1,375,000,000 divided into 313,626,203 shares to Php6,455,734,500 divided into 1,472,500,000 shares and paid up from the initial Php343,750,000 to Php1,613,933,625.

   Subscription Agreements executed by Shareholders for the previous 313,626,203 shares contain the following relevant details: (a) number of shares subscribed by each Subscribers and amount of Subscription Price, please see above first paragraph, item 1 and item 2 below; (b) Subscription Price is Php4.3842 per share, 90-day VWAP preceding the Pricing Date; (c) AT will recognize as additional paid-in capital ("APIC") the difference between the total par value of the shares to be issued and total Issue Price; and (d) Parties agree to cooperate and do all things necessary and appropriate and execute all documents to implement the transactions contemplated in the Subscription Agreement.

2. The total number of shares to be subscribed by/issued to the Subscribers shall be up to and not exceeding the 25% statutory requirement for the increase in capital stock: SMIC from 282,263,583 shares to 598,049,708 shares; Anglo from 27,500,000 shares to 845,000,292 shares; and Alakor from 6,875,000 shares to 29,450,000 shares.

3. As a consequence of the increase in the final number of shares for subscription and Share Issue, the Ownership Structure of AT will likewise move upward as reflected in Item XI above while the Capital Structure of the Corporation, both Issued and Outstanding shares, will increase from 2,087,032,774 to 3,559,532,774 shares.

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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 **PW0000115A**

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

6. **5th Floor, FiveE-Com Center, Palm Coast Ave. corner Pacific Drive, Mall of Asia Complex, Pasay City** **1300**
   Address of principal office Postal Code

7. Registrant's telephone number **(632) 831-8000 ext. 25007**

8. **27 July 2017, 2:00 p.m.; Function Room 1, SMX Convention Center Manila, Mall of Asia Complex, Pasay City (1300)**
   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: **10 June 2017**

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, ₱ 1.00 par value	**2,087,032,774**

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

A. GENERAL INFORMATION

Item 1. Date, Time and Place of Annual General Meeting of the Shareholders (“AGM” or the “Meeting”)

The Annual General Meeting of the Shareholders (“AGM” or the “Meeting”) of Atlas Consolidated Mining and Development Corporation (“AT” or the “Corporation”) will be held on 27 July 2017, 2:00 p.m. at the Function Room 1, SMX Convention Center Manila, Mall of Asia Complex, Pasay City (1300).

AT’s mailing address is *5F FiveE-com Center, Palm Coast Avenue corner Pacific Drive, Mall of Asia Complex, Pasay City (1300).*

AT Information Statement for said Meeting is approximately to be released on 10 June 2017.

Item 2. Dissenter’s Right of Appraisal

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

As a rule, any Shareholder of AT who shall oppose and vote against any action with respect to which it/he/she may invoke its/his/her appraisal right may exercise such right in the following instances: (i) in case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any Shareholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (ii) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of AT property and assets as provided in the Code; and (iii) in case of merger or consolidation.

Said appraisal right may be exercised by AT Shareholders who shall have voted against the proposed corporate action, by making a written demand on AT within thirty (30) days after the date on which the vote was taken for payment of the fair value of its/his/her shares. Failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or affected, AT shall pay to such Shareholder, upon surrender of the certificate or certificates of stock representing its/his/her shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

No matter will be presented for Shareholders’ approval during the AGM that may occasion the exercise of the right of appraisal.

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

No person who (i) has been a director or executive officer of AT, at any time since the beginning of the last fiscal year, or (ii) 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 in the Meeting. No incumbent director of the Corporation has given notice of his intention to oppose any action and/or matter to be taken up at the Meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting securities and principal holders thereof

As of 1 April 2017, AT has *2,087,032,774* issued and outstanding common shares. Each common share entitles the Shareholder to notice of and to one (1) vote either in person or by proxy at the AGM.

Nationality	*Class of Voting Shares*	*Number of Shares*	*Percentage (%)*
Filipino	Common	1,988,996,467	95.30%
Non-Filipino	Common	98,036,307	4.70%
Total Number of Shares Entitled to Vote		2,087,032,774	100.00%

The Record Date for purposes of determining the Shareholders entitled to receive notice of and to vote at the AGM is 1 April 2017.

With respect to the election of Directors:

1. Each Shareholder shall have cumulative voting rights.
2. Each Shareholder 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 Shareholder shall not exceed the number of shares registered in its/his/her name multiplied by the number of directors to be elected.
3. No condition precedent to the exercise of a Shareholder's right to cumulative voting exists.

The Corporation is not soliciting discretionary authority to cumulate votes.

Security Ownership of Certain Record and Beneficial Owners of more than 5% of AT common shares of stock as of 31 May 2017:

Title or Class of Shares	Name & Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	*Holdings*[1]	*Percent of Class (%)*
Common	SM Investments Corporation ("SMIC")[2] 10th Floor, One E-Com Center Mall of Asia Complex, Pasay City (Shareholder)	SMIC	Filipino	612,191,435	29.33%
Common	Alakor Corporation ("Alakor")[3] Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City (Shareholder)	Alakor	Filipino	453,963,461	21.75%
Common	Anglo Philippine Holdings Corporation ("Anglo")[4] Quad Alpha Centrum 125 Pioneer St., Mandaluyong City (Shareholder)	Anglo	Filipino	174,570,500	8.36%
Common	PCD Nominee Corp.[5] (Filipino)	Clients of PCD Nominee Corp.[6]	Filipino	1,706,505,905	81.77%

[1] *The listed beneficial or record owner has no right to acquire within 30 days, from options, warrants, rights, privileges or similar obligations or otherwise coming from AT.*

[2] *The President and Executive Director of SMIC, have the power to vote the common shares of SMIC in AT.*

[3] *The Chairman of the Board of Directors/President of Alakor, has the power to vote the common shares of Alakor in AT.*

[4] *The Chairman of the Board of Directors of Anglo, has the power to vote the common shares of Anglo in AT.*

[5] *The Corporation has no information as to the beneficial owners of the shares of stocks held by the PCD Nominee Corp. other than: (i) SMIC with 612,191,435 shares (29.33%) and (ii) Alakor with 453,963,461 shares (21.75%)*

[6] *The clients of the PCD Nominee Corporation have the power to decide how their shares are to be voted. There are no other individual stockholders who own more than 5% of the Corporation*

Security ownership of Directors and Executive Officers of AT as of 31 May 2017

Title of Class	Name of Directors / Officers and Position	No. of Shares Held[7]	Citizenship	Percent (%)	Nature of Ownership
Common	Alfredo C. Ramos Director/Chairman of the Board	464,196,895	Filipino	22.24	Record & Beneficial Owner
Common	Frederic C. DyBuncio Director/Vice-Chairman	1,001	Filipino	0.00	Beneficial Owner
Common	Martin C. Buckingham Director/Executive Vice-President	20,105,801	British	0.96	Beneficial Owner
Common	Isidro A. Consunji Director	95,991,305	Filipino	4.60	Beneficial Owner
Common	Adrian Paulino S. Ramos Director/President	5,823,010	Filipino	0.28	Beneficial Owner
Common	Gerard Anton S. Ramos Director	6,271,000	Filipino	0.30	Beneficial Owner
Common	Jose T. Sio Director	1,001	Filipino	0.00	Beneficial Owner
Common	Fulgencio S. Factoran, Jr. Independent Director	110,000	Filipino	0.01	Beneficial Owner
Common	Richard J. Gordon[8] Independent Director	1	Filipino	0.00	Beneficial Owner
Common	Jay Y. Yuvallos[9] Independent Director	5,000	Filipino	0.00	Beneficial Owner
Common	Alfredo R. Rosal, Jr. Independent Director	1	Filipino	0.00	Beneficial Owner
Common	Laurito E. Serrano Independent Director	2,000	Filipino	0.00	Beneficial Owner
Common	Roderico V. Puno Corporate Secretary	0	Filipino	0.00	N/A
Common	Fernando A. Rimando Chief Financial Officer & VP-Finance	0	Filipino	0.00	N/A
Common	Maria Eleonor A. Santiago Asst. Corporate Secretary/Compliance Officer/Head, Corporate Legal Affairs & Corporate Governance	0	Filipino	0.00	N/A
Common	Leila Marie P. Cabañes Treasurer	0	Filipino	0.00	N/A
	All Directors and Officers as a Group	592,507,014		28.39%	

AT has no information as to person/s holding five percent (5%) or more of its securities which are held under a voting trust or similar agreement.

Changes in control

There has been no change in the control of the Corporation since the beginning of its last fiscal year.

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[7] *The listed beneficial or record owner has no right to acquire within 30 days, from options, warrants, rights, privileges or similar obligations or otherwise coming from the Corporation.*

[8] *Resigned on 1 July 2016*

[9] *Elected on 9 August 2016*

Item 5. Directors and Executive Officers

a) Information on:

(1) Directors and Executive Officers

The Corporation's Board of Directors ("BOD") is composed of eleven (11) members, elected by the Shareholders at the AGM to hold office until removed or replaced by a duly-elected and qualified candidates. Directors of the Corporation elected on 29 April 2016 are:

Alfredo C. Ramos	Frederic C. DyBuncio
Adrian Paulino S. Ramos	Martin C. Buckingham
Gerard Anton S. Ramos	Isidro A. Consunji
Jose T. Sio	Fulgencio S. Factoran Jr.
Laurito E. Serrano	Alfredo R. Rosal, Jr.
Richard J. Gordon[10]	

In August 2016, Mr. Jay Y. Yuvallos replaced Atty. Richard J. Gordon who resigned after being elected as one of the Senators of the Republic of the Philippines during the May 2016 elections.

Principal officers of the Corporation are appointed/elected annually by the BOD during its organizational meeting following the AGM, each to hold office until removed or replaced by a duly-elected/appointed and qualified candidate. The incumbent principal officers are:

Alfredo C. Ramos	-	Chairman
Frederic C. DyBuncio	-	Vice Chairman
Adrian Paulino S. Ramos	-	President
Martin C. Buckingham	-	Executive Vice President
Roderico V. Puno	-	Corporate Secretary
Leila Marie P. Cabañes	-	Treasurer
Fernando A. Rimando	-	Vice President-Finance/Chief Financial Officer
Maria Eleonor A. Santiago	-	Assistant Corporate Secretary/Compliance Officer/ Head, Legal Affairs and Corporate Governance

(2) The Corporation has no significant employees.

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

(4) The Corporation is not aware of any legal proceeding of the nature required to be disclosed under Part IV, Paragraph (A), (4) of Annex C, Securities Regulation Code ("SRC") Rule 12, with respect to directors and executive officers of the Corporation during the past five (5) years up to the date of this report that are material to an evaluation of the ability or integrity of any director or executive officer, except for the pendency of a preliminary investigation with the Preliminary Investigation and Administrative Bureau, Office of the Ombudsman for alleged violation of the provisions of Republic Act No. 3019 for nominees Fulgencio Factoran and Emilio S. de Quiros.

(5) The Corporation believes that the incumbent Independent Directors, Atty. Fulgencio S. Factoran Jr., Messrs. Laurito E. Serrano and Jay Y. Yuvallos continue to qualify as such pursuant to SRC Rule 38. To the best of the Corporation's knowledge, all the nominees for Independent Directors, Atty. Factoran and Messrs. Serrano, Yuvallos and de Quiros, possess the qualifications and none of the disqualifications for the position of Independent Director.

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[10] *Resigned 1 July 2016*

(6) No Independent Director has exceeded the term limit as stated in SEC Memorandum Circular (MC) No. 6, Series of 2011 and SEC MC No.5, Series of 2017 re: Term Limit of Independent Directors.

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

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

Office/s	*Name of Nominee*	*Citizenship*	*Age*
Chairman of the Board of Directors	Alfredo C. Ramos	Filipino	73
Vice Chairman of the Board of Directors	Frederic C. DyBuncio	Filipino	57
Director/ President	Adrian Paulino S. Ramos	Filipino	38
Director/Executive Vice President	Martin C. Buckingham	British	64
Director	Isidro A. Consunji	Filipino	68
Director	Gerard Anton S. Ramos	Filipino	42
Director	Jose T. Sio	Filipino	77
Independent Director	Fulgencio S. Factoran Jr.	Filipino	73
Independent Director	Emilio S. de Quiros, Jr.	Filipino	68
Independent Director	Laurito E. Serrano	Filipino	56
Independent Director	Jay Y. Yuvallos	Filipino	50
Corporate Secretary	Roderico V. Puno	Filipino	53
Vice President-Finance/Chief Financial Officer	Fernando A. Rimando	Filipino	50
Compliance Officer/Assistant Corporate Secretary/ Head, Legal Affairs and Corporate Governance	Maria Eleonor A. Santiago	Filipino	50
Treasurer	Leila Marie P. Cabañes	Filipino	38

A brief write-up on the business experience of the incumbent Directors, the new nominee for Independent Director as well as the Executive Officers of the Corporation:

Board of Directors

Alfredo C. Ramos has been a member of the Board of Directors ("BOD") of AT since 1989, and has served as its Chairman and President since 2 April 2013 until his resignation from the latter's post last 1 April 2015. He is concurrently the incumbent (i) Chairman of the BOD of Carmen Copper Corporation ("CCC"), Anglo Philippine Holdings Corporation ("Anglo"), Anvil Publishing, Inc., NBS Express, Inc., and The Philodrill Corporation ; (ii) Vice-Chairman of the BODs of MRT Development Corporation, Shang Properties, Inc. and Toledo Mining Corporation; (iii) Chairman and President of Alakor Corporation ("Alakor"), National Book Store, Inc. ("NBSI"), NBS Subic, Inc., Vulcan Industrial and Mining Corporation, and United Paragon Mining Corporation; (iv) President of Abacus Book & Card Corporation, Crossings Department Store Corporation, MRT Holdings Corporation, Power Books, Inc., TMM Management, Inc., and Zenith Holdings Corporation; (v) Treasurer and Trustee of Studium Theologiae Foundation, Inc.; and (vi) Director of the Chamber of Mines of the Philippines ("COMP"). He has held these positions over the last five (5) years. Mr. Ramos obtained his bachelor's degree from the Ateneo de Manila University.

Frederic C. DyBuncio has been a member of the BOD of AT since 12 August 2011, and has served as its Vice-Chairman since 22 August 2012. He is concurrently the (i) President,/Chief Executive Officer ("CEO") of SM Investments Corporation ("SMIC"); (ii) Adviser to the BOD of Belle Corporation and its subsidiary Premium Leisure Corp.; and (ii) Vice Chairman of the BOD of CCC; Prior to holding the post, he was a career banker who spent over 20 years with JPMorgan Chase and its predecessor institutions. He graduated from Ateneo de Manila University with a Bachelor of Science Degree in Business Management and finished a Master's Degree in Business Administration program from the Asian Institute of Management ("AIM").

Adrian Paulino S. Ramos has been a member of the BOD since 18 July 2007, and has served as its President since 1 April 2015. He is concurrently the (i) Executive Vice-President/CFO and Director of Anglo; (ii) Vice-President and Director of Alakor; (iii) Vice President/CFO of National Bookstore, Inc.; (iv) Corporate Secretary/Director of Alakor Securities Corporation and Trafalgar Investment Corp.; (v) Director of CCC, The Philodrill Corporation, Vulcan Industrial & Mining Corporation, United Paragon Mining Corporation and Zenith Holdings Corporation. He graduated from Ateneo de Manila University with a Bachelor of Science Degree in Business Management (Honors Program, Cum Laude) and finished a Master's Degree in Business Administration (with

Distinction) from the Kellogg School of Management, Northwestern University, Majors in Decision Sciences, Analytical Consulting and Accounting Information and Management.

Martin C. Buckingham has been a member of the BOD of AT since 4 December 1996, and has served as its Executive Vice-President since 22 July 2002. He is concurrently a Director and Executive Vice-President of CCC and has held this position over the last five years. He obtained his law degree from Cambridge University (United Kingdom).

Isidro A. Consunji has been a member of the BOD of AT and CCC since 22 April 2012. He is concurrently the Chief Executive Officer (CEO) of Semirara Mining Corporation and President/CEO of DMCI Holdings, Inc. 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 AIM.

Gerard Anton S. Ramos has been a member of the BOD since 18 July 2007. He is concurrently holding the positions of (i) Director/Vice-President of Alakor Corporation and United Paragon; (ii) Director/Vice-President/Corporate Secretary of National Bookstore, Inc.; (iii) Director/Executive Vice-President/ Investments of Anglo; (iv) Director/General Manager of Tipo Valley Realty Inc.; (v) Director/Vice-President/Treasurer of Alakor Securities Corporation; and (vi) Director of the CCC and Philodrill Corporation. He obtained his Bachelor's Degree in Business Management from the Ateneo de Manila University.

Jose T. Sio has been a member of the BOD since 12 August 2011. Mr. Sio is a Certified Public Accountant and holds a Bachelor of Science Degree in Commerce (major in Accounting) from the University of San Agustin. He obtained his Master's in Business Administration from New York University, USA. He is the Chairman of the Board of Directors of SMIC. Likewise, he is a member of the BOD of the following companies listed in the Philippine Stock Exchange ("PSE") (i) China Banking Corporation; (ii) Belle Corporation and Adviser to the BOD of BDO Unibank, Inc., and Premium Leisure Corporation. Mr. Sio also serves as Director of the following companies not listed in the PSE: (i) OCLP (Ortigas) Holdings, Inc., (ii) CCC, (iii) Manila North Tollways Corporation, (iv) CityMall Commercial Centers Inc., and (v) First Asia Realty Development Corporation.

Mr. Sio was a senior partner of SGV from 1977 to 1990. He was voted as CFO of the year in 2009 by the Financial Executives of the Philippines (FINEX). He was also awarded as Best CFO (Philippines) in various years by Hong Kong–based publications such as Alpha Southeast Asia, Corporate Governance Asia, Finance Asia, and The Asset.

Fulgencio S. Factoran, Jr. has been an Independent Director since 28 February 2012 and member of the Compensation and Remuneration Committee of the BOD. His business affiliations are the following: (i) Chairman of the Board of Directors/member of the BOD of the Agility Group of Companies (Agility Logistics Holding, Inc., Agility Holding Company, Inc., Agility Logistics Distribution, Inc., Agility International Logistics, Inc., Agility Solutions, Inc. and Agility Subic, Inc.). He is the Principal Partner of Factoran and Associates Law Offices since 1996 until present. He is a Trustee of Philippine Educational Theater Association (PETA) and a Co-founder and past President of Movement of Attorneys for Brotherhood, Integrity, and Nationalism Inc. (MABINI).

He held several government positions under the Corazon Aquino administration such as Deputy Executive Secretary at the Office of the President of the Philippines, Secretary of the Department of Environment and Natural Resources (DENR), Chairman of the Board of Trustees of the National Electrification Administration (NEA); Chairman of the Board of Directors of the Philippines Charity Sweepstakes Office (PCSO); Member, Board of Trustees of the Development Academy of the Philippines (DAP). He also served as a member of the Board of Trustees of Government Service Insurance System (GSIS) from 1998 to 2004. He received his Bachelor of Arts in Humanities and Bachelor of Laws degrees, the latter as Valedictorian, from the University of the Philippines 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 AT.

Laurito E. Serrano has served as an Independent Director since 22 August 2012. He concurrently sits as a member of the BOD of Philippine Veterans Bank, Pacific Online Systems, Inc., MRT Development Corporation and APC Group, Inc. He is also an Independent Director of CCC, Resorts World Manila and MIC Investments Corporation. His professional experience which span over 28 years cover, among others, financial advisory, project development engagements, transaction structuring, public debt/equity offerings, asset securitization and monetization, business acquisitions, investment promotion, audit services and other similar financial advisory services. He started his career at SGV as member of the Audit and Business Advisory Group and later rose to the rank of a Partner under the Corporate Finance Consulting Group of the same company. He is a Certified Public Accountant (Top 12) with a Master's Degree in Business Administration from the Harvard Graduate School of Business (Boston, Massachusetts, U.S.A.); and a Bachelor of Science in Commerce degree (Cum Laude) from the Polytechnic University of the Philippines.

Jay Y. Yuvallos has served as an Independent Director of AT and CCC since 9 August 2016. He is currently the President of Interior Basics Export Corporation and YZ Global Resources, Inc., a Director of Sun Energy Developers Asia Inc. and Treasurer of Medgruppe Polyclinics & Diagnostic Center. He is the Philippine Representative to the ASEAN Business Advisory Council (ABAC) and East Asia Business Council. He served as the Acting Chairman of the ABAC Small & Medium Enterprise (SME) Working Group and Chairman to the E-commerce Working Group. He is also a member of the BOD of the Philippine Export-Import (Philexim) Credit Agency. He obtained his undergraduate degree of Bachelor of Science in Commerce-Accounting from the University of San Jose-Recoletos.

Emilio S. de Quiros, Jr. has served as President and CEO of the Social Security System ("SSS") and Chairman of Belle Corporation. He was also a Vice Chairman/Director of the Philippine Stock Exchange Market Integrity Board, Director of Union Bank of the Philippines, Philex Mining Corp., Philhealth Insurance Corporation, ALFM Peso Mutual Fund, ALFM Euro Mutual Fund, ALFM Growth Fund, Philippine Stock Index Fund. Prior to his appointment as President and CEO of SSS, he served as Executive Vice President of Bank of the Philippine Islands (BPI) and President of Ayala Life Insurance Inc., Ayala Plans and BPI Bancassurance Inc. Mr. De Quiros graduated from Ateneo de Naga with a Bachelor of Arts in Economics degree (Cum Laude), and holds a Master of Arts in Economics degree from University of the Philippines.

Officers

Roderico V. Puno has served as the Corporate Secretary of AT since 15 September 2006. He is the Managing Partner of Puno and Puno Law Offices. He is concurrently the Corporate Secretary of CCC and First Philippine Industrial Park. Likewise, he sits as one of the members of the BOD of GT Capital Holdings. His expertise extends not only in the practice of energy, corporate, banking and finance arbitration laws but also in real estate, utilities regulation, securities, infrastructure and other similar commercial transactions. His esteemed stint in the practice of Philippine energy laws propelled him to be one of the drafters and implementers of the Electric Power Industry Reform Act. He obtained his Bachelor of Arts in Political Law and Bachelor of Laws degrees from the Ateneo de Manila University and his Masters of Law (with Honors) from Northwestern University in Chicago. He is recognized by the Chambers Global and International Financial Law Review as one of the leading Philippine Lawyers in Business Law

Fernando A. Rimando has served as the CFO and Vice-President- Finance of AT since 12 September 2012. Mr. Rimando is also the CFO and Vice President- Finance of CCC. He has more than 28 years of experience in the fields of audit and finance and has held executive positions in the mining, energy and telecommunication industries. He is a Certified Public Accountant with a Bachelor of Commerce in Accountancy Degree obtained from Saint Louis University.

Maria Eleonor A. Santiago has served as Assistant Corporate Secretary/Compliance Officer/Head, Legal Affairs and Corporate Governance of AT and CCC since 1 September 2015. Prior to joining AT, she was in the mining, real estate and information technology industries, both in private and publicly listed companies. She obtained her Bachelor of Arts in Political Science from the University of the Philippines, Diliman and Bachelor of Laws Degree from the San Beda College of Law. She also finished the Strategic and Business Economics Program at the University of Asia and the Pacific.

Leila Marie P. Cabañes has served as the Treasurer of AT since 24 April 2015. She has more than a decade of experience in the local banking industry where she specialized in trust banking and fund management. Prior to joining AT, she spent 14 years of her career in several financial institutions such as Metrobank, Land Bank of the Philippines and the United Coconut Planters Bank. She obtained her Bachelor of Commerce in Applied Economics and her Master in Business Administration-Finance (with honors/distinction) degrees from the De La Salle University.

➢ *Representations regarding the nominees*

- The above nominees were selected through the nomination process determined and implemented by the Corporation's Nomination Committee pursuant to the Corporation's By-Laws, Nomination Committee Charter, Manual of Corporate Governance and applicable laws and regulations. The incumbent members of the Nomination Committee are Mr. Alfredo C. Ramos (Chairman), Mr. Frederic C. DyBuncio, and Atty. Alfredo R. Rosal, Jr.
- The nominees for election to the seats reserved for Independent Directors: Atty. Fulgencion S. Factoran Jr., Messrs. Laurito E. Serrano, Jay Y. Yuvallos and Emilio S. de Quiros, Jr.
- Atty. Factoran and Messrs. De Quiros, Serrano and Yuvallos have no existing relationship or affiliation with the Corporation other than that created by virtue of their election as AT's Independent Directors.

- Atty. Factoran and Messrs. De Quiros, Serrano & Yuvallos have no existing relationship or affiliation with Alakor or SMIC.

c) Related-party transactions

There are no known related party transactions other than those disclosed in Note 21 (Related Party Transactions) of the Notes to the AT Group's Audited Consolidated Financial Statements ("AFS") for the year ended 31 December 2016 incorporated herein by reference.

d) Based on the information provided to the Corporation and to the best of the Corporation's knowledge, none of its incumbent Directors and Officers or nominees for directors' and officers' positions is working for or with the government, except for Mr. Jay Y. Yuvallos, one of the nominees for Independent Director, who is con-currently a director of Philippine Import-Export Credit Agency. Mr. Yuvallos has formally requested the Secretary of the Department of Finance authority to be an Independent Director of AT and CCC. A copy of his Certification, with the enclosed letter request, is incorporated herein by reference.

Item 6. Executive Compensation

Aggregate cash compensation paid during the last three (3) fiscal years ended 31 December 2016, 2015 and 2014 to the five (5) most highly compensated officers and to all other officers as a group.

The following are the most highly compensated officers:

<u>*Name and Position*</u>
Adrian Paulino S. Ramos, President*
Martin C. Buckingham, Executive Vice-President*
Fernando A. Rimando, Chief Financial Officer, VP-Finance*
Feliciano B. Alvarez, Chief Audit Executive, AVP- Internal Audit*
Leila C. Cabañes, Treasurer, Manager-Treasury & Commercial Development*

Summary Compensation Table	*Aggregate annual cash compensation (Php)*			
		Salaries	Other compensation	Bonuses
CEO & four (4) Most Highly Compensated Officers*	2017 (estimate)	22,055,669	-0-	-0-
	2016	22,055,669	-0-	-0-
	2015	21,106,167	-0-	1,763,567
	2014	24,963,812	-0-	4,160,635
All other officers as a group	2017 (estimate)	-0-	-0-	-0-
	2016	-0-	-0-	-0-
	2015	15,152,400	-0-	1,262,700
	2014	14,455,480	-0-	2,377,415

Employment Contracts, Termination of Employment and Change-in-Control Arrangements

a) Compensation of directors: AT Group compensates its Directors with a *per diem* of Php10,000.00 and remuneration as well. As of 31 December 2016, the amount received by the Directors as a group is Php2.9m. There are no other arrangements pursuant to which any Director of AT was compensated, or is to be compensated, directly or indirectly, during the Corporation's last completed fiscal year and the ensuing year, for any service provided as a director.

b) Employment Contracts, Termination of Employment and Change-in-Control Arrangements: No other changes in employment and control arrangements as of 23 May 2017.

There is no compensatory plan or arrangement, including payments to be received from the Corporation, with respect to a named executive officer, if such plan or arrangement results or will result from the resignation, retirement or any other termination of such executive officer's employment with the Corporation and its subsidiaries or from a change-in-control of the Corporation or a change in the named executive officer's responsibilities following a change-in-control.

c) Stock Options

On 18 July 2007, the Corporation's Shareholders approved a Comprehensive Stock Option Plan ("CSOP") covering directors, officers, managers and key consultants of AT and its significant subsidiaries. Salient terms and features of the CSOP:

i. *Number of underlying shares*: 50,000,000 common shares to be taken out of the unissued portion of the Corporation's authorized capital stock; 25,000,000 shares earmarked for the first-tranche optionees.
ii. *Option Period*: Three (3) years from the date the stock option is awarded to the optionees, 14 July 2011
iii. *Vesting Period*: Subscription rights covering 1/3 of shares of stock will vest during each year of the 3-year option period
iv. *Exercise Price*: Php10.00 per share

The following table shows the extent of the stock option award under the CSOP to the three (3) most highly compensated officers of the Corporation and to all other directors and officers of the Company collectively:

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

Qualified employees who were previously granted stock option awards exercised their subscription rights with respect to shares of stock of the Corporation. Details are as follows:

	2014	*2013*	*2012*
Number of shares	1,183,604	1,754,190	2,215,788
Total subscription price	Php11,836,040	Php17,541,900.00	Php22,157,880

For the last completed fiscal year, there is no movement or adjustment on the exercise price of stock options previously awarded to any of the officers/directors covered, whether through amendment, cancellation or replacement, or any means.

Item 7. Independent public accountants

a) SYCIP GORRES VELAYO & COMPANY ("SGV"), with business address at 6760 Ayala Avenue, Makati City, is the external auditor for the current year. The same external auditor will be recommended to Shareholders for re-appointment as external auditor at the scheduled AGM. The Audit Committee recommended to the BOD the appointment of the external auditor and the fixing of audit fees. The BOD and Shareholders approve the Committee's recommendation.

b) The Corporation engaged Ms. Eleanore A. Layug of SGV for the examination of the Corporation's financial statements from 2013 to 2016. Previously, Mr. John C. Ong and Mr. Martin C. Guantes of SGV were engaged by the Corporation for the examination of the Corporation's financial statements from 2009 to 2013 and 2009, respectively. The Corporation has always faithfully complied with the five-year rotation requirement with respect to its external auditor's certifying partner.

c) 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 and to respond to questions raised whenever appropriate or necessary.

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

e) The Corporation 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.

f) The table below shows the aggregate fees of SGV for the years ended 31 December 2016 and 2015 for (i) audit of the AT Group's annual financial statements, (ii) services pertaining to the conduct of review with respect to CCC's tax compliance, and (iii) other related services involving the examination of AT's or CCC's books of account. There were no other professional services rendered by SGV during the period.

Particulars		*2016*		*2015*		*2014*
Audit	Php	3,600,000	Php	3,600,000	Php	4,223,087
Interim Review		775,000		879,878		878,966
Performance of agreed-upon procedures		-		-		-
TOTAL	Php	4,375,000	Php	4,479,878	Php	5,102,053

The Corporation did not engage any other firm for tax accounting, compliance, advice, planning and any form of tax services covering the years 2016 and 2015.

g) The incumbent members of the Corporation's Audit and Risk Management Committee (ARMC) are Mr. Laurito E. Serrano (Chairman, Independent Director), Atty. Alfredo R. Rosal Jr. (Deputy Chairman, Independent Director), Mr. Frederic C. DyBuncio, and Mr. Gerard Anton S. Ramos.

Item 8. Compensation Plans

No action respecting any plan pursuant to which cash or non-cash compensation may be paid or distributed shall be presented for approval, hence not applicable.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Issuance of securities

Increase in the Authorized Capital Stock (ACS) & Share Issue

The Corporation shall present to the Shareholders for approval the increase in ACS and the amendment to Article VII of the Corporation's Articles of Incorporation.

In April 2016, AT's Shareholders approved the (i) increase in the Corporation's ACS by Php3billion from Php3b to Php6b divided into 6Bn common shares of stock; and (ii) amendment to Article VII of AT's Articles of Incorporation increasing the ACS to Php6B.

Also in 2016, AT's BOD approved another increase in AT's ACS by Php2.5b, from Php6b to Php8.5b divided into 8.5b common shares of stock. This was affirmed and approved by AT's Shareholders on 21 February 2017, including the issuance of 313,626,203 shares out of the increase, to its Shareholders or their assigns (the "Subscribers"), for an aggregate subscription price of Php1.375b at Php4.3842 per share (the "Issue or Subscription Price"): SM Investments Corporation (SMIC) - 282,263,583 shares, Anglo Phil. Holdings Corporation (Anglo) - 25,090,096 shares, and Alakor Corporation (Alakor) - 6,272,524 shares.

On 18 May 2017, the BOD approved the increase in ACS by Php390million divided into 390m common shares and the amendment to Article VII of the AOI. Subscription to additional shares to the above designated Subscribers, increasing the aggregate shares to be subscribed from 313,626,203 to 1,472,500,000 shares (the "Share Issue") with the same Issue Price was also authorized. The total number of shares to be subscribed is equivalent to 25% of the total increase in ACS (to Php8.89b divided into 8.89b shares of stock). Subscribers to the Share Issue are the following:

Subscriber	*Total Number. of Shares to be subscribed*	*Percentage*	*Subscription Price At Php4.3842/share*	*Paid-Up*
SMIC	598,049,708	41	Php2,621,969,531	Php655,492.383
Anglo	845,000,292	57	3,704,650,279	926,162,570
Alakor	29,450,000	2	129,114,690	32,278,673
Total	*1,472,500,000*	*100*	*Php6,455,734,500*	*Php1,613,933,625*

At Php4.3842 per share of stock, the Subscription Aggregate Value is Php6,455,734,500. The required total paid up amount of Php1,613,933,625 will be remitted by the Subscribers to the Corporation upon execution of the Subscription Agreements with the balance upon call.

The proceeds will be used to partially pay the debt of Php1.8b AT incurred in 2015. The debt was used to fund the 2015 Waste Stripping Project of its wholly-owned subsidiary, CCC, with a total cost of Php3,604,000,000. The remaining cost not funded by debt was funded from cash generated from operations.

The proposed transaction shall be implemented after the 2017 AGM scheduled on 27 July 2017. Upon confirmation by the Shareholders of the above increase in ACS and amendment to AOI, the same shall be submitted to the SEC.

The Share Issue is for compliance with the Corporation Code of the Phil. for increase in capital stock and amendment of Article VII of the AOI. No additional authorization from Shareholders will be solicited prior to the primary issuance under the Subscription.

The shares to be issued will have the same dividend, voting and pre-emption rights as the outstanding shares of the Corporation. No other material rights are granted to common Shareholders except those provided under the Corporation Code, the AOI and the By-Laws of AT. There is no provision in the AOI or By-Laws of the Corporation that would delay, defer or prevent a change in control of the Corporation.

The Corporation will also seek a waiver of the conduct of a rights or public offering for the Shares subscribed out of the increase in the capital stock, by a majority vote representing the outstanding shares held by the minority Shareholders present or represented at the AGM.

Item 10. Modification or Exchange of Securities

No action is to be taken with respect to the modification or exchange of any class of the Corporation's securities, or the issuance or authorization for issuance of one class of securities of the Corporation in exchange for outstanding securities of another class.

Item 11. Financial and other information

The latest *Annual Report and Audited Consolidated Financial Statements (2016)* and the *Interim Financial Statements for the Quarter ended 31 March 2017* of the Corporation are incorporated herein by reference.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action involving any of the following shall be presented for approval: (i) merger or consolidation of AT into or with any other person, or of any other person into or with AT; (ii) acquisition by AT or any of its security holders of securities of another person; (iii) acquisition by the Corporation of any other going business or of the assets thereof; (iv) sale or other transfer of all or any substantial part of the assets of AT; or (v) liquidation or dissolution of the Corporation.

Item 13. Acquisition or Disposition of Property

No action with respect to the acquisition or disposition by the Corporation of any property shall be presented for approval.

Item 14. Restatement of Accounts

No action is to taken with respect to the restatement of the Corporation's asset, capital or surplus account.

D. OTHER MATTERS

Item 15. Action with respect to reports

There is no action to be taken with respect to any report of the Corporation or of its directors, officers, committees, except for the approval and/or ratification of the following reports/minutes/matters:

a. Minutes of the AGM held on 29 April 2016 and SSM held on 21 February 2017;
b. Audited Financial Statements and Annual Report for the year ended 31 December 2016;
c. Acts and resolutions of the BOD & Management beginning 29 April 2016 and ending on the date of the AGM; and
d. Appointment of SGV as independent accountant/external auditor for fiscal year 2017

For item (a) above, any action on the part of the Shareholders 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 29 April 2016 AGM:

(i) Annual Report and Audited Financial Statements for the fiscal year ended 31 December 2015;
(ii) Minutes of the AGM held on 28 April 2015;
(iii) Change in Par Value to Php1.00 per share, with the same number shares of stock of 3billion thereby reducing the capital stock to Php3billion divided into 3b shares of stock(the "Decrease") and the subsequent increase in ACS from Php3b to Php6b divided into 6b common shares with a par value of Php1.00 per share (the "Increase") and the consequent amendments to Article VII of the Articles of Incorporation and the issuance of shares;
(iv) Acts and resolutions of the BOD and Management during the period between 28 April 2015 and 29 April 2016;
(v) Election of SGV as the Corporation's external auditor for the fiscal year 2016.

The following were approved during the 21 February 2017 SSM:

(i) Increase in the ACS by Php2.5b, from Php6billion to Php8.5b divided into 8.5b common shares with a par value of Php1.00 per share of stock and amendment to Article VII of the AOI to reflect the capital increase;
(ii) Issuance of 313,626,203 Shares out of the increase in ACS at the Subscription Price of Php4.3842/share;
(iii) Issuance of approximately 5.6 billion Warrants & underlying common Shares as a result of the exercise of Warrants;
(iv) Waiver of rights or public offering for the Shares subscribed out of the ACS increase and the issuance of the underlying Common Shares as a result of the exercise of the Warrants.

Copies of the minutes of the 29 April 2016 AGM, minutes of the 21 February 2017 SSM, the 2016 Annual Report and Audited Financial Statements and Interim Financial Statements for the Quarter ended 31 March 2017 of the Corporation are available for inspection by any Shareholder at the Office of the Corporation during business hours, in the Company website and will be made available at the venue for review by the Shareholders attending the Meeting.

For item (b), AT's Audited Financial Statements as of 31 December 2016 are attached to the Information Statement for the review of and approval of the Shareholders.

For item (c), no material corporate action was approved by the Corporation's BOD during the period beginning 29 April 2016 and ending on the date of this Information Statement, except for those above stated in item (a) minutes of the 2017 SSM, which were all submitted to and approved by the Shareholders during the SSM specially called and held on 21 February 2017.[11] In compliance with the PSE Disclosure Rules, SRC and its Implementing Rules and Regulations (SRC IRR), AT promptly discloses material actions and resolutions taken by the BOD.

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

Item 16. Matters Not Required to be Submitted

No action is to be taken with respect to any matter which is not required to be submitted to a vote of Shareholders.

Item 17. Amendment of Charter, By-Laws or Other Documents

Articles of Incorporation

The Corporation shall submit to the Shareholders for approval the proposal to amend Article VII of the Corporation's AOI increasing the authorized capital stock of AT by Php390million from Php8.5b to Php8.89b divided into 8.89b common shares of stock (the "Increase") with a par value of Php1.00 per share. Please see Item 9 above for additional discussion on Share Issue out of the Increase.

There will be no effect to the business or operations of the Corporation in the proposal for IncreaseThe Increase shall result in an additional Php390m of authorized capital stock consisting of 390m common shares of stock with a par value of P1.00 per share. The proposed Share Issue at the above stated Subscription/Issue Price will result in Additional Paid-In Capital (APIC).

The Increase will enable the Corporation to have sufficient shares of stock to allow AT to issue the Warrants and the Underlying Common Shares as a result of the exercise of the Warrants and the flexibility to raise fresh funds if deemed necessary. With available and sufficient unissued capital stock, the Corporation will have the capability for any future capital initiative.

Item 18. Other proposed actions

None

Item 19. Voting procedures

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

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

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

PART II
Information required in proxy form

Please see accompanying proxy form.

PART III
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 Pasay City on 1 June 2017.

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION

By:

Maria Eleonor A. Santiago
Assistant Corp. Sec. and Compliance Officer

PROXY FORM

I/We hereby nominate, constitute and appoint: ______________________________ *or in his absence, the Chairman of the 27 July 2017 Annual General Meeting of the Shareholders (AGM) of* Atlas Consolidated Mining and Development Corporation ("AT" the "Corporation"), as attorney and proxy, with power of substitution, to represent and vote all the shares registered in my/our name or owned by me/us and/or such shares as I am/we are authorized to represent and vote in my/our capacity as administrator, executor or attorney-in-fact for any and all matters presented during the 2017 AGM of the Corporation on 27 July 2017 (the "Meeting") and all adjournments and postponements thereof.

The following are the matters to be acted upon at the Meeting.

I. Election of Directors of the Corporation

The following are the names of the persons who have been nominated for election to the Corporation's Board of Directors for the year 2017-2018. 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. (Independent Director)				
Emilio S. de Quiros, Jr. (Independent Director)				
Laurito E. Serrano (Independent Director)				
Jay Y. Yuvallos (Independent Director)				

II. Others

		APPROVE/ RATIFY	DISAPPROVE	ABSTAIN
1.	Minutes of : (a) Annual General Meeting of Shareholders (AGM) held on 29 April 2016; & (b) Special Shareholders Meeting (SSM) held on 21 February 2017			
2.	Audited Financial Statements and Annual Report for the year ended 31 Dec. 2016			
3.	Grant of all authorities required to effectuate and implement the increase in AT's authorized capital stock (ACS) to Php8.89b divided into 8.89b common shares of stock with a par value of Php1.00 per share thereby amending Article VII of the Articles of Incorporation and the issuance of shares equivalent to 25% of the total ACS increase.			
4	Waiver of the conduct of rights or public offering to the shares to be subscribed out of the aggregate increase in the capital stock to Php8.89b divided into 8.89b common shares of stock.			
5.	Acts and Resolutions of the Board of Directors and Management during the period beginning on 29 April 2016 (date of the last AGM) and ending on 11 May 2017			
6.	Re-appointment of SGV as External Auditor for 2017			

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

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 MY/OUR 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: (i) Matters that are to be presented at the Meeting but which are not known to the Corporation before the solicitation; (ii) 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 (iii) All matters incident to the conduct of the Meeting.

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

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 duly-executed proxy should be delivered to the Corporate Secretary or Assistant Corporate Secretary at the principal office of the Corporation located at the 5th Floor, FiveE-com Center, Palm Coast Avenue corner Pacific Drive, Mall of Asia Complex, Pasay City (1300), Metro Manila, Philippines (the "Office") not later than 5:00 p.m. on 20 July 2017.

Validation of proxies shall be held on 21 July 2017 at the Office 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 Corporation. In addition to the solicitation of proxies by mail, officers and employees of the Corporation, without extra compensation, may solicit proxies personally or by telephone. The cost of solicitation which is estimated to reach Php237,000.00 will be borne by the Corporation.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No person who (i) has been a director or executive officer of the Corporation at any time since the beginning of the last fiscal year, (ii) is a nominee for election as a director or officer of the Corporation, 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 Corporation 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 in __________________.

____
Signature over printed name
of Shareholder/Authorized Representative

__________________________ ______________________
Number of Shares Owned or Represented | Date

PART IV
Management Report

I. BUSINESS AND GENERAL INFORMATION

Item 1. Business

(1) Business Development

Atlas Consolidated Mining & Development Corporation ("AT" or "Atlas" or the "Parent Company") 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 and to extend its term of existence for another 50 years from 1985.

AT has never been involved in a bankruptcy, receivership, or any similar proceeding. During the past three (3) years, AT 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 ("CCC" or "Carmen Copper") in 2011.

- Significant Subsidiary

CCC is the only significant subsidiary[12] of AT.

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

AT owns one hundred percent (100%) of the outstanding capital stock of CCC.

(2) Business of AT and CCC

AT, through CCC as operating subsidiary, is engaged in metallic mining and mineral exploration and development. CCC, as the operator of AT's copper mines in the City of Toledo, Province of Cebu (the "Carmen 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 percent (100%) of its copper production. Since the resumption of commercial mining operations at the Carmen 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"). In 2013, it began delivering copper concentrate to the plant of the Philippine Associated Smelting and Refining Corporation ("PASAR") in Isabel, Leyte, Ocean Partners UK Ltd. and to smelters in Japan by virtue of an offtake contract with Mitsui & Co. Ltd.

While a substantial portion of CCC's copper production in 2014 were covered by offtake contracts 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.

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[12] *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.

CCC has an existing long-term electrical power purchase agreement with Toledo Power Company ("TPC") 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.

The related-party transactions of AT 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 ore transport permit ("OTP") from the Mines and Geosciences Bureau ("MGB") for the shipment of its copper concentrate, CCC's products are not subject to any government examination prior to sale. The extent of competition in the mining industry is largely defined by economic forces prevailing in the world market. These factors determine the cost and pricing structures of mining companies and give rise to price risks.

To manage commodity price risks, CCC enters into price fixing arrangements with offtakers that are covered by the terms of the offtake agreements respecting CCC's sale of copper, and gold and silver by-products. Under such arrangements, the selling price is to be computed based on the average of the agreed market price quotes over the stipulated quotational period, unless CCC exercises its option to fix the price in advance of such quotational period. CCC likewise hedges price risk through put option facilities covering its copper production.

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

While the government is considering the adoption of certain fiscal policies that may result in an increase in the rate of its share in mining revenues, 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.

- *Employees & Officers*

CCC has 2,545 employees as of 31 December 2016, of whom 46 are senior executive officers, 476 are junior/mid-level managers, 2,023 are rank and file. Around 1,495 (74%) of these rank-and-file employees are members of the Bargaining Unit with an existing Collective Bargaining Agreement (the "CBA") with CCC.

On 30 January 2015 a new CBA was executed by CCC and its rank-and-file union (the "2015 CBA") valid for a period of five (5) years as to representation aspect. The economic provisions shall be subject to re-negotiation before the end of the third (3rd) anniversary of its execution, 2018. There has not been any labor dispute in the last three (3) years that was not resolved through mediation and conciliation proceedings before the Department of Labor and Employment ("DOLE").

- *Environmental Protection and Enhancement*

CCC continues to ensure compliance with the applicable environmental laws, regulations and orders. CCC is committed to protect and enhance the environment, reduce ecological footprint of its activities and maintain an excellent track record in responsible mining.

In November 2015, it secured the ISO 14001:2004 certification of its Integrated Management System ("IMS"), compliant to the Department of Environment and Natural Resources ("DENR") Administrative Order ("AO") No. 2015-07 mandating large-scale mining companies to secure ISO 14001 Certification. This certification is valid up to 2018.

For seven (7) years in a row, CCC consistently bagged the Best Mining Forest Award for Metallic Category conferred by the DENR and Philippine Mine Safety and Environment Association ("PMSEA"). For 2016, CCC garnered 2nd runner up. In 2016, a total of 25.20 hectares of waste dump areas were reforested with a total of 44,508 seedlings while CCC donated 49,398 seedlings to various government agencies and private entities in support of their respective reforestation activities.

CCC spent more than Php411 million for its Environmental Protection and Enhancement Program ("EPEP"), approximately seventy six percent (76%) of which went to the various environmental maintenance activities while twenty four percent (24%) was spent for climate change mitigation programs, capital expense projects and research development programs.

To promote biodiversity, CCC continues to enrich sparsely vegetated areas and maintains 85.5 hectares of plantation including the plant arboretum that houses 2,264 seedlings of 20 native species such as *narra, molave, lauans, kamagong, akle, ipil, tindalo, gisok and kaningag.*

To accelerate rehabilitation of disturbed lands, CCC conducted the Mine Rehabilitation and Enhanced Watershed Research and Development Project, the first study of its kind in the country, to determine the tree species that can survive in mined-out areas. It was conducted in coordination with the Ecosystems Research and Development Bureau ("ERDB") of the DENR. The study was successfully completed and the final report was turned-over to the Mine Rehabilitation Fund Committee ("MRFC") in March 2016. Result of the study was incorporated in CCC's mine revegetation planning.

To manage and conserve water resources, recycled water is being used for milling. Water conservation measures are also initiated by maximizing the use of recycled water over fresh water, replacing dilapidated pumps, eliminating tank overflows and immediate repairing pipeline leaks. To further reduce carbon footprint, CCC heightened its reforestation activities and implemented various climate change mitigation activities such as regular preventive maintenance servicing of all company vehicles, with the aim to reduce carbon emissions.In preparation for mine closure at the end of its operational lifespan, CCC deposited more than Php49 million for the Final Mine Rehabilitation and Decommissioning Fund ("FMRDF") in a trust fund with a government bank.

- *Sustainable Communities*

CCC adopted the Social Investigation and Participatory Situation Analysis approach to realize its commitment to build responsible, self-reliant and sustainable communities. It is a community-driven development ("CDD") approach, wherein communities take an active part in decision-making processes relative to projects identification, prioritization and planning.

The Company allotted one and one-half percent (1.5%) of its operating cost, to implement the Social Management and Development Program ("SDMP") in four (4) host and fourteen (14) neighboring barangays. CCC supports programs that promote enterprise development, provide assistance to infrastructure and education, give access to health services, protect socio-cultural values, allow the use of camp facilities and services, develop mining technology, and intensifies its Information, Education and Communication ("IEC") Program.

In the area of enterprise development, CCC implemented projects that are geared towards the development and promotion of economically viable community enterprises by providing members of the community access to capital that will enhance and stimulate existing livelihood industries and other income generating activities, help create new ones, and develop market diversification.

Projects include, but not limited to, animal husbandry, provision of farm implements and small/micro-businesses such as household-based food processing, horticulture and agronomy, traditional handicrafts, support to small local businesses through preferential procurement of goods and services from local sources, as well as cooperative development, market linkages and networking, among others. In 2016 alone, CCC implemented 19 various livelihood projects in its host and neighboring communities. To stimulate and facilitate other forms of economic activity, CCC funded various infrastructure developments that include the construction, improvement, and/or maintenance of farm-to-market roads, water systems, post-harvest facilities and bridges, among others. From January to December 2016, CCC implemented 29 various infrastructure projects costing millions of SDMP fund.

In the area of education, CCC continues to provide educational opportunities to underprivileged children in the community in the form of scholarships from primary to tertiary/technical/vocational education. CCC also helps improve the quality of education in Toledo City by building and repairing more classrooms conducive for learning and by constructing other related facilities.

- *Health and Safety*

The health and safety of employees is of utmost importance to CCC. CCC is committed to maintain the highest level of safety and well-being in the workplace by adhering to a well-developed safety and health management systems consistent with the standards both of the Occupational Health and Safety Assessment Series (OHSAS):18001:2007 and the Mine Safety and Health Standards of DENR Administrative Order (DAO) No. 2000-98 as prescribed by MGB-DENR.

In June 2016, no major-non conformance was found by the SGS Surveillance Audit Team and thus, CCC was granted another year of certification of its Integrated Management System ("IMS") covering OHSAS 18001:2007 for Occupational Health and Safety Management.

- *Occupational Health*

"To offer the best possible care and the best possible outcome, with the resources that we have", is a commitment of the company-owned and operated CCC Hospital (CCCH). As a testament to this commitment, our CCCH continues to promote, maintain and enhance the health, wellness and safety of our employees and their dependents.

Baseline health of all employees entering the workforce is recorded. Pre-requisite medical examination prior to regularization of employees is being implemented to ensure that no medical condition developed during the probationary period and that the working environment has not adversely affected the employee's health. Annual physical examinations are mandated and scheduled on the employees' birthdays for easy recall.

In 2016, CCCH attended to a total of 21,512 patients: 13,874 of whom were employees, 6,608 were dependents, and 1,030 were private patients. There was a 16.12% decrease in the number of admissions compared in 2015. Other services rendered include 4,355 dental consultations and procedures, 24,830 laboratory exams, and 5,017 X-ray diagnostic exams. As the implementing arm of the company's medical benefit program, it has provided medicines and medical supplies to admitted patients as well as out-patients through CCCH pharmacy. In 2016, 3 major, 9 medium, and 117 minor surgeries have been successfully performed by our surgeons at our operating theatres.

In 2016, CCCH TB Dots clinic exceeded national targets with 91% treatment success rate and 100% cure rate. Through the clinic, the DOH provided complete medicines for the 6 months duration of treatment. Treatment partners at work and at home provided support and monitored compliance. The Diabetes Care Clinic and Hypertension Control Clinic achieved 60% and 100% reduction in risk status of employees respectively. As of December 2016, a total of 642 employees were enrolled in specialty clinics. 48 patients or 7.48% were tagged as high risk and were given intensified patient education, counseling and follow-up.

While the primary mandate is to provide high quality medical care to employees and their dependents, CCCH closely collaborates with the CCC Community Relations Department (ComRel) in its health related projects such as *the "Doktor to the Barangay"* project, by sending health professionals to barrios or to remote barangays that have little or no access at all to health services. CCC deploys volunteer nurses and a physician to 7 remote barangays to do health check-ups, distribute medicines and implement other wellness activities. The goal is to implement a sustainable primary health care program in host barangays through interventions geared towards prevention of disease and injury. Since the start of the project, our community and family medicine specialist together with registered nurse volunteers have attended to and provided health teachings to 3,529 patients. Through the SDMP fund, patients received medicines and laboratory work up as needed.

Item 2. Properties

The AT Group owns and/or holds operating rights to several mining claims. These mining rights are covered by Mineral Production Sharing Agreements ("MPSA"), Applications for MPSA ("APSA"), or Exploration Permit Applications ("EPA").

A. *Land, Machineries and Equipment*

AT has a total landholding of 3,468.44 hectares in Toledo City. Of this, 563.8738 hectares are registered in the name of AT, while the remaining 2,904.57 hectares are covered by lease agreements with several individuals and corporate landowners.

The tables below show the details of Atlas-owned and managed parcels of land:

1. AT-owned parcels of land

		No. of Lots	*Area (Has.)*
1.1	Titled Lands	21	98.0485
1.2	Lands with Tax Declarations	63	465.8253
	Total	84	563.8738

2. AT-managed parcels of land

2.1	Titled Lands	1	7.5982
2.2	Lands with Tax Declarations	288	2,896.9718
	Total	289	2,904.5700
	Grand Total	373	3,468.4438

B. Mineral Properties

AT is the registered owner of several mineral properties. It also operates several mining claims by virtue of existing operating agreements with claim owners. These mineral properties are covered by existing MPSAs, EPAs and APSAs.

The tables below present the relevant details pertaining to the mining rights of the Atlas Group.

- CEBU

i) APPROVED MPSAs

MPSA NUMBER	*Location*	*Mortgage, Lien or Encumbrance*	*AREA COVERED (in hectares)*			*DATE OF APPROVAL*	*WORK PERFORMED*
			Owned by AT	*Under Operating Agreement*	*Total Area*		
1. MPSA-210-2005-VII	Toledo City, Cebu	None	119.1663	115.1212	234.2875	April 28, 2005	Covers the Carmen ore body where open pit mining operations are ongoing
2. MPSA-264-2008-VII	Toledo City, Cebu	None	546.2330	101.7829	648.0159	July 9, 2008	Covers the Lutopan ore body where open mining operations are ongoing.
3. MPSA-307-2009-VII	Toledo City, Cebu and City of Naga, 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	216.9041	2,156.4304		

ii) PENDING MPSA APPLICATIONS

MPSA APPLICATION NUMBER	*Location*	*Mortgage, Lien or Encumbrance*	*AREA (in hectares)*			*STATUS OF APPLICATION*	*WORK PERFORMED*
			Owned by AT	*Under Operating Agreement*	*Total Area*		
1. APSA-000013VII	Toledo City, Cebu	none	287.6172	-	287.6172	Application documents are under evaluation by the MGB Central Office	None. For exploration upon approval of APSA
2. APSA-000042VII	Pinamungajan, Cebu	none	252.3926	-	252.3926	Application documents are under evaluation by the MGB Central Office	-do-
3. APSA-000044VII	Toledo City, Cebu	none	275.2029	256.7019	531.9048	Application documents are under evaluation by the MGB Central Office	-do-
4. APSA-000045VII	Toledo City, Cebu, and Balamban, Cebu	none	-	2,552.0993	2,552.0993	Application documents are under evaluation by the MGB	-do-

						Central Office	
5. APSA-000046VII	Toledo City, Cebu, and Cebu City, Cebu	none	1,286.8032	406.0730	1,692.8762	Application documents are under evaluation by the MGB Central Office	-do-
6. APSA-000196VII	Toledo City, Cebu	none	570.4192	194.3474	764.7666	Application documents are under evaluation by the MGB Central Office	-do-
Sub-total =			2,672.4351	3,409.2216	6,081.6567		

iii) EXPLORATION PERMIT APPLICATION

EXPLORATION PERMIT APPLICATION NUMBER			*AREA (in hectares)*			*STATUS OF APPLICATION*	*WORK PERFORMED*
	Location	*Mortgage, Lien or Encumbrance*	*Owned by AT*	*Under Operating Agreement*	*Total Area*		
1. EXPA-000083-VII	Toledo City, Cebu	None	323.5254	-	323.5254	Application documents are under evaluation by the MGB Central Office	For exploration upon approval of EPA
Sub-total =			323.5254	-	323.5254		
TOTAL CEBU =			4,935.4868	3,626.1257	8,561.6125		

- <u>SURIGAO DEL SUR</u>

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

- <u>PALAWAN</u>

i) APPROVED MPSA

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

ii) MPSA APPLICATION

MPSA APPLICATION NUMBER	*Location*	*Mortgage, Lien or Encumbrance*	*AREA (in hectares)* *Owned by AT*	*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 under evaluation by the MGB Regional Office	None. For exploration upon approval of AMA
3. AMA-IVB-147(Amd)	Palawan	none	-	2,493.0000	2,493.0000	Application documents are under evaluation by the MGB Regional Office	-do-
Sub-total =			-	3.555.0000	3,555.0000		

iii) EXPLORATION PERMIT APPLICATION

EXPLORATION PERMIT APPLICATION NUMBER	*Location*	*Mortgage, Lien or Encumbrance*	*AREA (in hectares)* *Owned by AT*	*Under Operating Agreement*	*Total Area*	*STATUS*	*WORK PERFORMED*
1. EPA-IVB-011	Palawan	None	-	16,130.4400	16,130.4400	Application documents are under evaluation by the MGB Regional Office	None. For exploration upon approval of EPA
Sub-total =				16,130.4400	16,130.4400		
TOTAL PALAWAN =				19,973.4400	19,973.4400		

TOTAL PHILIPPINES =	8,593.6484	23,810.2641	32,403.9125

C. Operating Statistics

The following table details CCC's operating statistics related to copper production, shipment and summary of costs for the year ended 31 December 2015 and 2016:

CARMEN COPPER SUMMARY OF OPERATIONS			
Year-on-Year	2015	2016	*Change*
Production			
Milling Tonnage *('000 dmt)*	17,960	16,718	*-7%*
Daily Milling Average *(dmt per day)*	49,205	45,678	*-7%*
Ore Grade	0.300%	0.321%	*+7%*
Copper Concentrate *('000 dmt)*	173	176	*+2%*
Copper Metal Gross *(in million lbs)*	101.7	102.9	*+1%*
Gold *(ounces)*	29,886	33,958	*+14%*
Shipment			
Number of Shipments	35.0	36.0	*+3%*
Copper Concentrate *('000 dmt)*	169	176	*+4%*
Copper Metal Gross *(in million lbs)*	98.9	102.4	*+4%*
Gold *(payable ounces)*	27,333	32,211	*+18%*

CARMEN COPPER SUMMARY OF COSTS			
Year-on-Year (US$/lb Cu)	2015	2016	*Change*
C1	1.71	1.39	*-19%*

C2	2.26	1.90	*-16%*
C3	2.65	2.28	*-14%*
C1 = Production cost, G&A, smelting and related charges less by-product credits, C2 = C1 + depreciation and depletion costs, C3 = C2 + mine product tax and royalties, financing charges net of interest income, hedging cost and other charges			

METAL PRICES (AVERAGE INVOICED PRICE)			
Year-on-Year	2015	2016	*Change*
Copper (US$/lb)	2.46	2.21	*-10%*
Gold (US$/ounce)	1,152	1,241	*+8%*

D. Proven and Probable Reserves

Copper Ore Reserves at December 31, 2016 using 0.20% Cu Cut-off

	Proven Reserves			**Probable Reserves**			**Proven and Probable Reserves**			
Deposits	Tonnage [2] 000	Grade (Cu %)	Pounds [3] (millions)	Tonnage [2] 000	Grade (Cu %)	Pounds [3] (millions)	Tonnage [2] 000	Grade (Cu %)	Pounds [3] (millions)	Metallurgical Recovery
Lutopan Pit	93,900	0.32%	661	86,200	0.31%	588	180,100	0.32%	1,268	88%
Carmen Pit	129,400	0.38%	1,082	69,400	0.30%	458	198,800	0.35%	1,531	89%
Total Copper	**223,300**	**0.35%**	**1,743**	**155,600**	**0.31%**	**1,046**	**378,900**	**0.34%**	**2,799**	**88%**

Copper Mineral Resource at December 31, 2016 using 0.20% Cu Cut-off

	Measured Resource		**Indicated Resource**		**Inferred Resource**		**Total MineralResource**	
Deposits	Tonnage [2] 000	Grade (Cu %)	Tonnage [2] 000	Grade (Cu %)	Tonnage [2] 000	Grade (Cu %)	Tonnage [2] 000	Grade (Cu %)
Lutopan Pit	541,100	0.34%	13,900	0.29%	16,500	0.23%	571,500	0.34%
Carmen Pit	259,600	0.36%	63,700	0.36%	37,000	0.36%	360,400	0.36%
Total Copper	**800,700**	**0.35%**	**77,600**	**0.35%**	**53,500**	**0.32%**	**931,900**	**0.35%**

Item 3. Legal Proceedings

"Commissioner of Internal Revenue ("CIR") vs. AT" SC G.R. No. 222801 [*CTA EB* No. 1101]

Upon AT's request, the BIR issued a Ruling confirming that the period to collect deficiency excise taxes upon AT's mining operations from July 1991 to August 1994 (the "Masbate Taxes") had prescribed. The CIR subsequently revoked the Ruling, which was circularized on 10 August 2010 through Revenue Memorandum Circular No. 67-2010. In a letter dated 11 August 2010, payment for alleged deficiency excise taxes was demanded by the BIR, which letter also served as a Formal Notice of Warrant of Distraint and/or Levy and Garnishment ("WDL") with Notices of Tax Lien on all the properties of AT in the event of non-payment.

Hence, AT instituted a Petition before the CTA seeking the reversal of the revocation of the Ruling, the cancellation, and setting aside of the assessments for alleged deficiency excise taxes, and suspension of any collection action on the assessments and the implementation of the WDL. On 14 October 2010, the CTA *2nd Division (the "Court in Division")* issued a Resolution granting AT's Motion for Suspension of collection and ordered respondents to hold in abeyance the collection of the alleged deficiency excise tax assessed amounting to Php197,595,159.

After trial on the merits, the *Court in Division* rendered its *Decision* dated 1 October 2013 granting AT's Petition and cancelled and withdrew the assessment notices issued against AT. The foregoing ruling was affirmed by the *Court in Division.* The CIR elevated the aforesaid Decision and Resolution to the CTA *En Banc in a Petition* for Review which, was denied by the CTA *En Banc* in its Decision in favor of AT. This was affirmed in the CTA En Banc's Resolution dated 29 January 2016 denying the CIR's Motion for Reconsideration (MR) for lack of merit.

Not satisfied with the adverse decisions, the CIR subsequently filed a Petition for Review on Certiorari with the Supreme Court (SC). On 7 December 2016, the SC issued a Resolution denying the CIR's Petition for Review and affirmed *in toto* the Decision and Resolution of the CTA En Banc.

Item 4. Submission of Matters to a Vote of Security Holders

Except for the items below, which were approved by AT's BOD in Nov./Dec. 2016, and presented to and confirmed by the Shareholders during the SSM on 21 February 2017, no other matter was submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders, through the solicitation of proxies or otherwise:

(i) Increase in the ACS by Php2.5billion, from Php6billion to Php8.5billion divided into 8.5 billion common shares with a par value of Php1.00 per share of stock and amendment to Article VII of the AOI to reflect the capital increase;
(ii) Issuance of 313,626,203 Shares out of the increase in ACS at the Subscription Price of Php4.3842/share;
(iii) Issuance of approximately 5.6 billion Warrants & the underlying common Shares as a result of the exercise of Warrants;
(iv) Waiver of rights or public offering for the Shares subscribed and the issuance of the underlying Common Shares as a result of the exercise of the Warrants.

II. OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Shareholders Matters

(1) Market Information

AT's common shares of stock are traded on the Philippine Stock Exchange (PSE). Closing price of AT shares of stock as of the latest practicable date, 26 May 2017, is Php5.12 per share.

The trading price range of AT shares of stock for each calendar quarter of the last two (2) fiscal years and the first quarter 2017:

	2014		2015		2016		2017	
	High	Low	High	Low	High	Low	High	Low
1Q	16.68	13.70	10.22	8.84	4.22	4.19	5.30	5.28
2Q	16.02	13.40	8.75	6.48	4.45	4.36		
3Q	16.98	14.18	6.49	4.23	4.27	4.27		
4Q	14.90	10.16	6.11	4.02	5.08	4.96		

(2) Holders

As of 31 May 2017, (i) there were a total of 13,408 individuals/entities holding AT shares of stock, and (ii) 4.68% of the total issued and outstanding AT shares of stock were held by foreigners.

The Top 20 shareholders of AT as of 31 May 2017:

No.	*Name*	*No. of Shares Held*	*% of Ownership*
1	PCD Nominee Corporation (Filipino)	1,706,875,757	81.78%
2	Anglo Philippine Holdings Corporation	121,000,000	5.80%
3	Alakor Corporation	110,000,000	5.27%
4	PCD Nominee Corporation (Non-Filipino)	72,916,914	3.49%
5	National Book Store Inc.	9,203,407	0.44%
6	SM Investments Corporation	9,190,000	0.44%
7	The Bank of Nova Scotia	4,425,254	0.21%
8	Bank of Nova Scotia	2,950,169	0.14%
9	Tytana Corporation	2,562,439	0.12%
10	Merril Lynch, Pierce Fenner & Smith	2,138,244	0.10%
11	Globalfund Holdings, Inc.	1,787,000	0.09%
12	Metropolitan Bank and Trust Company	1,701,281	0.08%
13	Mitsubishi Metal Corporation	1,680,000	0.08%
14	William T. Enrile &/or William R. Enrile II &/or Nelly R. Enrile	1,500,000	0.07%
15	National Financial Services	1,474,233	0.07%
16	Tan Hua	1,400,000	0.07%
17	Lucio W. Yan &/or Clara Yan	1,100,000	0.05%
18	Toledo City Government	1,000,000	0.05%
19	Eric U. Lim or Christine Yao Lim	1,000,000	0.05%
20	Asian Oceanic Holdings Phils., Inc.	972,501	0.05%

(3) Dividends

Upon the approval granted by its BOD on 29 April 2014 and 8 March 2013, Atlas declared cash dividends in the amount of Php0.15 per share and Php0.25 per share of its capital stock in 2014 and 2013, respectively. The dividends were paid to all Shareholders of record as at 19 May 2014 and 22 March 2013, respectively.

(4) Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

Details of the issuances of AT shares of stock during the last three (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*
2014				
Optionees under the Comprehensive Stock Option Plan	1,183,604	Various dates	Cash/Php10.00	Exempted from registration by the SEC
BDO Unibank, Inc.	9,728,000	November 2014	Cash/Php10.00	Section 10.1 (l) (sale of securities to a qualified buyer)
2013				
Optionees under the Comprehensive Stock Option Plan	1,754,190	Various dates	Cash/Php10.00	Exempted from registration by the SEC

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operation

(1) As of 31 December 2016

The table below shows the results of operations of the AT Group over the last three fiscal years (*'000)*:

	2016	*%*	*2015*	*%*	*2014*	*%*
Consolidated net income/(loss)	(879,496)	8%	(814,439)	(305%)	397,080	(79%)
Consolidated gross revenues	12,079,853	7%	11,342,317	(30%)	16,181,061	12%
Costs and operating expenses	10,385,324	(3%)	10,741,405	(14%)	12,548,952	24%

AT registered a *consolidated net loss* of Php879 million, an 8% increase from last year, a 7% increase in revenues and a 3% decline in operating costs. The following are key factors:

- Higher copper metal content of shipments: Copper metal content increased by 3% from 95 million lbs. to 99 million lbs. as production was affected by higher copper grade which increased by 7% from 0.300% to 0.321%.
- Lower copper prices: Average copper prices dropped by 10% to USD2.21 per pound vis-a'-vis last year's USD2.47/lb.
- Higher revenue from gold and magnetite: Gold revenue increased by 34% as volume shipped increased by 4.9Kozs and gold average price increased from USD1,154/oz. in 2015 to USD1,241/oz. this year. Revenue from magnetite has been realized with a shipment of 25kdmt in 2016 while none in 2015.
- Lower operating expenses: Operating expenses decreased by 3% from last year brought about by lower waste charged to operation, lower energy and materials and supplies costs as input prices remained low and operational efficiencies were attained. The decrease in operating expenses was further attributed to lower labor cost as a result of right sizing program implemented and lower smelting charges as market rates decreased during the current year.
- Decrease in Equity in net earnings of associates: Revenue from nickel corporations declined by 75% from Php244m to Php62m as a result of operational suspension during the latter part of 2016.
- Loss on disputed input tax of Php456 million representing credits disallowed under the revised rules of the Bureau of Internal Revenue and is the subject of a motion for reconsideration (MR) still pending with the Supreme Court.

Gross revenue for the year reached Php12 billion which is 7% higher year-on-year due to increase in volume shipped and higher gold revenues that offset the impact of lower copper prices. Copper revenues improved by 2% year-on-year and registered revenue of Php10.2 billion in 2016.

- Average copper prices during the period slid by 10% to USD2.21/lb. while average gold prices increased by 8% to USD1,241/oz.
- CCC's average daily milling rate declined by 7% in 2016, from 49,205 dmt to 45,678 dmt but the realized copper grade has improved by 7% from 0.300% to 0.321% in 2016. Relatively, the copper concentrates produced in 2016 improved by 1% to 175,700 dmt from prior year. Gold yield improved by 14% to 33,958 ounces as compared to prior year's production volume. Additional revenue was gained from the production of magnetite this year is 17,959 dmt against NIL in 2015.
- CCC shipped 176,130 dmt and 169,304 dmt of copper concentrates in 2016 and 2015, respectively. Copper metal content is 102 million lbs. while gold is 32,211 oz., representing an increase of 3% and 18% respectively, vis-à-vis last year.

Cost and operating expenses (86% of gross revenues) were lower by 3% due to lower costs incurred for waste stripping, materials and supplies, fuel, power, labor and smelting charges.

Finance charges (16% of gross revenue) increased by 18% due to additional loans availed for working capital requirements.

Other income (charges) increased by 129% due to significant impact on the loss on disputed input tax recognized in 2016 amounting to Php495 million and decline in the share in net earnings of associates by Php182 million.

USD:Php Exchange rate closed at USD1.00:Php49.72 as at 31 December 2016 against USD1.00:Php47.06 as at 31 December 2015. This triggered the recognition of net unrealized foreign exchange gain of Php158 million primarily from the restatement of Philippine Peso denominated loans and other payables as CCC has adopted the US dollar as its functional currency.

The *Net Gain (loss) on fair value changes on derivatives* are attributable to two derivative transactions: (a) the recognition of derivative assets and liabilities from provisional pricing contracts still outstanding at the end of the year for copper concentrate shipments and (b) Commodity Swap Transaction as at 31 December 2016. CCC has entered into a Copper Asian Swap with Standard Chartered Bank (SCB) on 15 November 2016. Net unrealized loss on provisional pricing of Php23 million was mitigated by the unrealized gain on commodity swap of Php7 million.

Benefit from (provision for) income tax decreased in 2016 as compared to 2015 mainly due to the decrease in expenses which are not deductible in the current year but deductible in future years.

Changes in Financial Position

The table below shows the highlights in the financial position of the Atlas Group over the last three fiscal years (*'000)*:

	2016	2015	2014
Assets	73,899,134	70,846,552	65,915,281
Liabilities	37,229,042	34,366,324	29,516,491
Retained Earnings	17,960,856	18,840,352	19,654,791

The discussion below pertains to the audited consolidated financial condition of the Group as of 31 December 2016 vis-à-vis that as of 31 December 2015:

Cash and cash equivalents significantly increased by Php1.9 billion due to additional advances from shareholders during 2016 and collection of receivables towards year-end.

Receivables decreased by 0.20% due to collection of trade receivables and reclassification of related party accounts.

Inventories decreased by 24% due to sale of product inventory and consumption of material and supplies.

Other Current Assets declined due to the increase in prepaid fees and taxes mitigated by the decrease in advance payment to suppliers.

Property, plant and equipment (49% of total assets) increased by 4% due to acquisition of fixed assets used in operation and mine development costs. Movement in *Mining Rights* (11% of total assets) was mainly due to production-driven depletion during the year. *Goodwill* (26% of total assets) pertain to the allocated provisional fair values of identifiable assets and liabilities of Carmen Copper.

Investment in Associate pertains to AT's ownership over BNC, TMMI, URHI, UNC and NRHI (the "Nickel Corporations"), respectively. The Group assessed that it has significant influence over these entities and are accounted for as investments in associates. *Deferred tax assets* (3% of total assets) increased by 69% due to the effects of the increase in NOLCO, unrealized foreign exchange losses, provision for impairment losses and the excess of MCIT over RCIT. *Other Noncurrent Assets* (3% of total assets) decreased by 11% due to provision for input VAT written off during the year.

The 2016 results of the Nickel Corporations were reported as *Equity in the net income of an associate* which amounted to Php62 million.

Accounts payable and accrued liabilities (7% of total liabilities) decreased by 53% due to payment of trade creditors and lower accruals on contracted services. *Current and noncurrent portions of long-term debts* (48% and 28% of total liabilities) increased by 476% and decreased by 48% respectively due to the reclassification of bond payable to current which will be due on March 2017. This was a net effect of the payment of maturing debts and the availment of long-term loans for working capital requirements.

Derivative liabilities increased by Php29 million during the year due to the recognition of embedded derivative liability on provisional pricing. *Income tax payable* pertains to the income tax liability for the year.

Retirement benefits liability decreased by 15% due to the payment of pension cost and actuarial valuation adjustments.

Liability for mine rehabilitation cost increased by 11% due to accretion of asset retirement obligation. Deferred tax liabilities increased by 1% mainly due to increase in unrealized foreign exchange gains and remeasurement gain on retirement liabilities.

Key Performance Indicators

The following table shows the key performance indicators of Atlas Group:

	Consolidated		
Particulars	2016	2015	2014
Current ratio	0.25:1	0.42:1	0.60:1
Debt to equity	1.06:1	0.91:1	0.82:1
Return on equity	-2.47%	-2.00%	0.34%
Return on assets	-1.22%	-1.20%	0.19%
Net profit margin	-8.05%	-7.18%	0.76%

- Current Ratio = Current Assets / Current Liabilities
- Debt-to-Equity = Total Liabilities / Total Shareholders' Equity Attributable to Equity Holders of Parent Company
- Return on Equity = Net Income Attributable to Equity Holders of Parent Company / Average Total Shareholders' Equity Attributable to Equity Holders of Parent Company
- Return on Assets = Net Income Attributable to Equity Holders of Parent Company / Average Total Assets
- Return on Sales = Net Income Attributable to Equity Holders of Parent Total Company / Total Consolidated Net Revenues

Liquidity and Capital Resources

Below is a summary of the Group's audited consolidated cash flow as of 31 December 2016:

Particulars *(in Php million)*	Amount
Net cash flow used in operating activities	(1,041)
Net cash flows used in investing activities	(1,963)
Net cash flows provided by financing activities	5,303
Net increase in cash and cash equivalents	1,907

Cash from operating activities was mainly driven by decrease in accounts payables and accrued liabilities including interest payments on loans. Net cash used in investing activities was a result of the increased acquisition of property, plant and equipment. Net cash from financing activities increased mainly due to availment of additional loans for working capital requirements.

Material Plans, Trends, Events or Uncertainties

- Increase in Authorized Capital Stock

On 21 February 2017 Special Shareholders' Meeting (SSM) of AT, the Shareholders approved the: (i) Increase of the authorized capital stock (ACS) and consequent amendment to the article VII of AT's Articles of Incorporation (AOI), (ii) Issuance of primary shares out of the increase in ACS, and (iii) Issuance of Warrants and the underlying common shares as a result of the exercise of the Warrants to major Shareholders. The ACS increased from Php6billion to Php8.5billion divided into 8.5billion common shares with a par value of Php1.00 per share of stock.

- Promissory Notes from SMIC

In 2016, the Parent Company availed from SMIC senior unsecured loan facilities covering the aggregate amount of Php5,949,128,000.00, to raise additional working capital. The loans are payable within 5 years from availment, accrued interest at 5% per annum subject to repricing at prevailing market rate and with prepayment option of all or part of the loan prior to maturity.

- Infusion of Additional Equity Capital by AT to CCC

In February 2016, AT and CCC executed 2 Subscription Agreements for the equity capital infusion of AT into CCC in the amounts of Php705,375,000 and Php1,146,268,000 respectively at the subscription price of Php10.00 per share for a total of 70,537,500 common shares and 114,626,800 common shares. In June and December 2016 AT subscribed to 19,103,950 and 14,000,000 common shares out of the unissued capital stock of CCC at the subscription price of Php100.00 per share for a total subscription price of Php1,910,395,000 and Php1,400,000,000 respectively.

- Change in the Par Value of the Common Shares

The Par Value of the common shares of the Corporation from Php8.00 per share to Php1.00 per share, with capital stock of Php3b divided into 3b common shares was approved by AT's Shareholders during the 2016 April AGM. The SEC approved the reduction in par value and capital stock on 29 June 2016.

The reduction in par value is to effect a reduction in the unit price of the shares of stock, to widen the corporate base and to improve the marketability of primary share issuance. The decrease in capital stock and par value reduction resulted in *Additional Paid-In Capital* (APIC) of Php14,609,229,418.

The AT BOD and Shareholders, in February 2016 and April 2016 respectively, approved the increase in the capital stock by Php3b, from Php3b to Php6b divided into 6b common shares at Php1.00 par value. As of December 2016, AT has not issued any share out of the increase in ACS.

- Reduction in mill throughput at the Carmen Copper Mine

On 6 April 2016, the BODs of AT and CCC approved and authorized the implementation of a comprehensive plan to reduce the mill throughput at the Carmen Copper Mine, from its name plate capacity of 60,000 tonnes per day ("tpd") throughput to 40,000 tpd. Impact of the plan is estimated to reduce 2016 and 2017 copper production by 33% after implementation. The revised milling and mining plan is in response to the recent decline in copper prices. LME copper prices averaged US$3.11/lb in 2014, $2.49/lb in 2015, $2.11/lb in Q1 2016, $2.15/lb in Q2 2016, $2.17/lb in Q3 2016 and $2.40/lb in Q4 2016.

AT reduced its capital expenditures to $27 million from the original planned spending of $104m as it lowers the throughput of its Carmen Copper Mine. The planned capital spending is 74% lower than last year's capex. AT would continue to trim its capex to $12 million next year.

On 5 May 2016, CCC notified its employees of the implementation to streamline operations, part of a broad restructuring undertaking to ensure its long term viability amid current market conditions. The comprehensive restructuring involved: (i) Production levels scaled back to 40k tpd; (ii) Mine site pre-stripping reduced for 2016 and 2017; (iii) Capex levels reduced; and (iv) Reduction in all operating costs which will affect 551 workers, equivalent to 15% of the workforce

(2) As of 31 December 2015

The table below shows the results of operations of the Atlas Group over the last three fiscal years (*'000)*:

	2015	*%*	*2014*	*%*	*2013*	*%*
Consolidated net income/(loss)	(814,439)	(305%)	397,080	(79%)	1,895,956	(45%)
Consolidated gross revenues	11,342,317	(30%)	16,181,061	12%	14,450,749	(7%)
Costs and operating expenses	10,741,405	(14%)	12,548,952	24%	10,113,355	(6%)

AT Group registered a *consolidated net loss* of Php814 million representing -7% of gross revenues and a 305% decline from prior year's operational results. The following are the key factors:

- Low copper prices - Average copper prices dropped by 21% to USD2.47 per pound vis-à-vis last year's USD3.12 because of the commodity slump in the global market.
- Lower Copper metal content of shipments - Copper metal content decreased by 5% from 100 million lbs to 95 million lbs as production was affected by lower copper grade which decreased by 4% from 0.314% to 0.300%.
- Lower Operating expenses – the combined effect of cost containment initiatives, improvement in operational efficiencies and lower prices of key input costs contributed to the reduction of operating expenses by 13%.
- Increase in Equity in net earnings of associates – strong performance of the Nickel Corporation resulted to the increase from P30 million in 2014 to P244 million in 2015.

Gross revenues for the year reached Php11.34 billion, 30% lower year-on-year due mainly to lower average metal price and lower head grade. Copper revenues slid by 28% and registered at Php9.92 billion.

- Average copper prices during the period slid by 21% to USD2.47 per pound, while average gold prices also dropped by 10% to USD1,152 per ounce.
- CCC maintained the same level of average daily milling rate at 49,205 dmt per day vis-à-vis prior year's 49,225 dmt/day. However, the realized copper grade was lower by 4% from 0.314% to 0.300%. Consequently, it produced a total of 173,297 dmt of copper concentrate for the year, thus realizing a 3% decrease in production output from prior year. Gold yield rose by 14% to 29,886 ounces.
- CCC shipped 169,304 dmt and 175,966 dmt of copper concentrates in 2015 and 2014, respectively. Copper metal content is 95 million lbs. and gold is 27,333 Ozs.,representing a decrease of 5% and an increase of 14%, respectively, vis-a vis last year.

Costs and operating expenses (95% of gross revenues) were lower by 14% due to cost containment initiatives, the improvement in operating efficiencies and the decline in prices of key input costs which resulted in lower costs of fuel, power, explosives, equipment rental, reagents and materials and spares.

AT recognized the fair value of the investments retained in the Nickel Corporations and recognized a *Gain associated with loss of control of subsidiaries* amounting to Php44.62 million in 2014. AT also recognized *Equity in the net earnings of an associate* of Php30.08 million representing the second semester results of the nickel corporations for 2014. This year AT recognized full year share in net earnings of Php244 million which corresponds to a 710% increase from 2014.

USD:Php Exchange rate closed at USD1.00:Php47.06 as at 31 December 2015 versus USD1.00:Php44.720 as at 31 December 2014. With the change in the functional currency of CCC from Philippine peso to US$, the devaluation of the Peso has no longer materially impacted the results of operation resulting instead to a *Net foreign exchange gain* of Php138 million. A net foreign exchange loss of Php165 million was recognized during the same period in the previous year arising mainly from the restatement of US dollar-denominated loans and payables.

Greater portion of Short-term placements was utilized for operational expenditures during the year. Hence, *Interest income* slid by 34% to Php37 million compared with Php57 million of last year.

Finance charges (14% of gross revenues) increased by 14% due to additional loans availed for working capital requirements. The 110% slump in *Other Income (charges*) – net was largely due to one-time service income recognized last year.

The *Unrealized gains or losses on derivatives and Realized gains or losses on derivatives* are attributable to the recognition of derivative assets and liabilities from provisional pricing contracts still outstanding at the end of the year for copper concentrate shipments. Atlas registered a 99% decrease in Unrealized losses on derivatives from Php290 million in 2014 due mainly to lower number of shipments with outstanding provisional pricing as of end of 2015. Realized gains on derivatives increased by 1554% to Php295 million as losses in 2014 reversed in 2015.

Benefit from (provision for) income tax increased because of additional deferred income tax arising from the Net Operating Loss Carry Over (NOLCO) and the Minimum Corporate Income Tax (MCIT).

Changes in Financial Position

The table below shows the highlights in the financial position of the Atlas Group over the last three fiscal years (*'000)*:

	2015	2014	2013
Assets	69,575,967	65,915,281	63,205,327
Liabilities	33,095,739	29,516,491	26,353,582
Retained Earnings	18,840,352	19,654,791	19,842,996

The discussion below pertains to the consolidated financial condition of the Group as of 31 December 2015 vis-à-vis that as of 31 December 2014:

Short-term investments decreased by 19% due to pre-termination of short-term deposit placements. *Receivables* decreased by 25% due to decrease in revenues and collection of trade credits at year end. *Inventories* increased by 57% due to stockpiling and decrease in issuance of materials and supplies during the year. *Other current assets* decreased by 23% due to lower balances of deposits to suppliers, prepaid insurance and deferred cost of consumables.

Property, plant and equipment (50% of total assets) increased by 12% at cost due to continued capital acquisitions and development costs in Carmen Copper. Revaluation of Atlas' land properties resulted to increase of 36% from prior year. Movement in *Mining Rights* (12% of total assets) was mainly due to production-driven amortization during the year. *Goodwill* (27% of total assets) mainly pertains to the allocated provisional fair values of identifiable assets and liabilities of Carmen Copper. *Investment in associate* pertains to AT's ownership over the Nickel Corporations. The Group assessed that it has significant influence over these entities and are accounted for as investments in associates. The 32% decrease was due to the net effect of equity in net earnings and dividend income for the year. *Other noncurrent assets* increased by 11% due to input value-added tax credits from trade purchases and impairment adjustments made during the year.

Accounts payable and accrued liabilities (8% of total assets) increased by 12% due to additional trade credits and accruals. *Current and noncurrent portions of long-term debt* (8% and 29% of total assets) increased by 88% and 9%, respectively. This was a net effect of availment of loans for working capital requirements: senior unsecured convertible loan from its principal shareholders, Alakor Corporation, Anglo Philippine Holdings Corporation, and the SMIC. Proceeds from the loans were utilized for working capital and to infuse funds in CCC. *Derivative liabilities* slid by 99% because of the exercise and delivery of commodity forwards on copper concentrate within this year.

Retirement benefits liability decreased by 46% due to payment of pension costs and actual valuation adjustments. *Liability for mine rehabilitation* increased by 7% mainly because of additional provision for accretion of interest and share in cumulative translation adjustment of CCC. *Deferred tax liabilities* decreased by 29% which was mainly due to net operating loss carryover (NOLCO) recognized by CCC.

There were no additional issuances in *Capital stock* (24% of total assets) during the year, *APIC increased* by Php49 million or 169% as a result of the equity conversion option from the Php1.8 billion Convertible Loan availed from the SMIC, Alakor and Anglo. *Revaluation increment on land* increased by Php80.3m or 37% due to appraisal of land properties during the year. *Re-measurement gain on retirement plan* was realized because of the recognition of actuarial valuation results an increase by 171% from last year's loss of Php183m. *Net unrealized gains on AFS investment* decreased by 20% due to impairment adjustments at year end. *Cumulative translation adjustments* of Php456 million was recognized this year due to change in CCC functional currency from Philippine Peso to United States Dollar.

Upon approval granted by its BOD on 29 April 2014, AT declared cash dividends of Php0.15 per share of its outstanding capital stock. The dividends were paid last 9 June 2014 to all stockholders of record as of 14 May 2014.

AT has issued a total of 1,183,603 of its shares of stock (the "Option Shares") as a result of the exercise of stock subscription rights granted under the existing stock option plan covering directors, officers, and employees of Atlas Mining and Carmen Copper (the "Stock Option Plan"). The Option Shares were issued at the price of Php10.00 per share. In 2013 1,754,190 option shares were issued at the same exercise price. On 28 November 2014, BDO Unibank Inc. exercised its subscription rights under stock warrants respecting a total of 18,728,000 of the authorized and unissued shares of stock. The exercise covered 9,728,000 of issuer's shares which represented the balance of the shares underlying the warrants after the initial subscription to 9,000,000 shares in 2010.

Performance Indicators

The following table shows the key performance indicators of Atlas Group:

	Consolidated		
Particulars	2015	2014	2013
Current ratio	0.42:1	0.60:1	0.77:1
Debt to equity	0.91:1	0.82:1	0.73:1
Return on equity	-2.24%	0.34%	5.34%
Return on assets	-1.20%	0.19%	3.15%
Net profit margin	-7.18%	0.76%	13.25%

The abovementioned ratios were computed as follows:

- Current Ratio = Current Assets / Current Liabilities
- Debt-to-Equity = Total Liabilities / Total Stockholders' Equity Attributable to Equity Holders of Parent Company
- Return on Equity = Net Income Attributable to Equity Holders of Parent Company / Average Total Stockholders' Equity Attributable to Equity Holders of Parent Company
- Return on Assets = Net Income Attributable to Equity Holders of Parent Company / Average Fixed Assets-Net
- Return on Sales = Net Income Attributable to Equity Holders of Parent Company / Total Consolidated Gross Revenues

Liquidity and Capital Resources

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

- Net cash flow from operating activities - Php 520,424
- Net cash flows used in investing activities - Php (4,753,168)
- Net cash flows from financing activities - Php 4,222,980
- Net decrease in cash and cash equivalents - Php (439,321)

Cash from operating activities declined because of lower copper price. Net cash used in investing activities was a result of the increased acquisition of property, plant and equipment. Net cash from financing activities increased chiefly from availment of additional loans for working capital and lower amounts of loan maturities and payments in 2015.Net increase in cash and cash equivalents was largely due to availment of loans.

Material Plans, Trends, Events or Uncertainties

- Promissory Notes from SMIC. In January and February 2016, availment from SMIC senior unsecured loan facilities covering the aggregate amount of Php705,375,000 and Php1,346,268,000 respectively to raise additional working capital, payable within 5 years from the dates of availment, accrue interest at the rate of 5% per annum subject to repricing at prevailing market rate and with prepayment option of all or part of the loan prior to maturity.
- Infusion of Additional Equity Capital by AT to CCC. In February 2016, AT and CCC executed 2 Subscription Agreements for the equity capital infusion of AT into CCC in the amounts of Php705,375,000 and Php1,146,268,000 respectively at the subscription price of 10.00 per share.
- Change in the Par Value of the Common Shares. On February 22, 2016, the BOD approved the change in the Par Value of the common shares from Php8 per share to Php1.00 per share, with capital stock of Php3b divided into 3b common shares and subsequently increasing the ACS to Php6b divided into 6b common shares. The proposed reduction in par value is to effect a reduction in the unit price of the shares, and improve the marketability of primary share issuance.
- Others. As at 31 December 2015, (i) there was no known trend or contingent event that may have a material effect on the liquidity of AT or CCC, or on the marketability of CCC's products, other than commodity price volatility in the world market, (ii) there were no material off-balance sheet transactions, arrangements, or obligations involving CCC, (iii) there were no material firm commitments for new capital expenditures, and (iv) there was no significant element of income or loss from continuing operations, other than commodity price volatility in the world market.

CCC was unable to maintain certain financial ratios under its long-term loan agreements which compliance was duly waived by all the lenders. CCC settled the principal amounts and interests of the aforementioned long-term loans on a timely basis.

The Management of AT is constantly assessing options to optimize operations and investors and lenders will be tapped for additional support when necessary. There is (i) no product research and development for the term of the plan of operation, (ii) no expected purchase or sale of plant and significant equipment, and lastly (iii) no expected significant changes in the number of employees.

(3) As of 31 December 2014

The table below shows the results of operations of the Atlas Group over the last three fiscal years (*'000)*:

	2014	%	2013	%	2012 *(Audited and Restated)*
Consolidated Net Income	397,080	(79%)	1,895,956	(45%)	3,438,501
Consolidated Gross Revenues	16,181,061	12%	14,450,749	(7%)	15,539,963
Costs and operating expenses	12,150,780	24%	9,766,643	(7%)	10,446,727

The 79% decline in the consolidated net income (25% of gross revenues) was driven by the following factors:

- Low copper prices - Average copper prices dropped by 6% to USD3.12 per pound vis-à-vis last year's USD3.30 because of the commodity slump in the global market.
- Increase in depreciation charges – This is primarily attributable to the capital equipment acquired during the expansion phase of CCC.
- Increase in finance charges – Financing costs were fully charged to operations and additional loans were availed for working capital requirements.
- Increase in income taxes – This was due to the full year effect of the expiration of CCC's Income Tax Holiday incentive.

Gross revenues for the year reached Php16.181 billion, 12% higher year-on-year due mainly to increased shipment of payable metals. Copper revenues hiked by 10% and registered at Php13.730 billion.

- Average copper prices during the period slid by 6% to USD3.12 per pound, while average gold prices also dropped by 9% to USD1,265 per ounce.

- CCC reached an average daily milling rate of 49,225 dmt per day which is 14% higher year-on-year on account of process improvements and completion of the plant expansion. Consequently, it produced a total of 177,876 dmt of copper concentrate for the period, thus realizing a 14% increase in output based on production for a similar period last year. Gold yield also went up by 23% to 26,310 ounces.
- CCC shipped 175,966 dmt and 154,378 dmt of copper concentrates in 2014 and 2013, respectively. Copper metal content is 100,145,961 lbs. and gold is 24,071 Ozs., representing increases of 15% and 23%vis-a vis last year.
- Although higher production was achieved and more shipments were made during the year as compared with the previous year, the lower average copper prices reduced the positive impact of the increase in productivity on the company's performance.

AT recognized the fair value of the investments retained in the Nickel corporations and recognized a *Gain associated with loss of control of subsidiaries* amounting to Php44.62 million in 2014. AT also recognized the 2nd semester results of the nickel corporations as *Equity in the net earnings of an associate* which amounted to Php30.08 million.

Costs and operating expenses (75% of gross revenues) were higher by 24% due to the increase in depreciation charges and higher production and shipment levels. Higher milling tonnage demanded higher power and fuel consumption, additional equipment rental costs, more reagents, materials and spares utilized to support 49,225 dmt per day compared with 42.682 dmt last year. Furthermore, increase in shipment volume called for higher smelting charges. Depreciation charges increased because of the capital equipment acquired during the expansion phase of Carmen Copper.

Finance charges (9% of gross revenues) increased due to the full charging of financing costs to operations and availment of additional loans for working capital requirements.

USD:Php Exchange rate closed at USD1.00:Php44.720 as at 31 December 2014 versus USD1.00:Php44.395 as at 31 December 2013. The appreciation of the Peso against the US dollar triggered the recognition of *Net unrealized foreign exchange loss* of Php165 million primarily from the restatement of US dollar-denominated loans and payables. A net unrealized foreign exchange loss of Php1.02 billion was recognized during the same period in the previous year. CCC's debt obligations are mostly US dollar-denominated to match US dollar revenues. This establishes a natural hedge against foreign exchange fluctuations. As such, there will be no actual or real foreign exchange effect as the US dollar-denominated debts are settled using US dollar revenue receipts.

The *Net unrealized mark-to-market loss* of Php310 million was attributable to the recognition of derivative assets and liabilities from provisional pricing contracts for copper concentrate shipments.

Interest income earned from short-term deposit placements decreased by 64%. The 753% rise in *Other Income (charges)* – net was caused by increase in revenues earned from rent and scrap materials. *Depletion of mining rights* was up by 15% because of higher production level.

CCC's Income Tax Holiday incentive expired on 31 October 2013. Thus, AT incurred aggregate *Net current income tax* amounting to Php239 million during the year.

Changes in Financial Position

The table below shows the highlights in the financial position of the Atlas Group over the last three fiscal years (*'000)*:

	2014	2013	2012 *(Audited and Restated)*
Assets	65,915,281	63,205,327	57,953,182
Liabilities	29,516,491	26,353,582	22,485,691
Retained Earnings	19,654,791	19,842,996	18,447,515

Upon the approval granted by its Board of Directors on 29 April 2014, Atlas declared cash dividends in the amount of Php0.15 per share of its outstanding capital stock. The dividends were paid last 9 June 2014 to all stockholders of record as of 14 May 2014.

AT has issued a total of 1,183,603 of its shares of stock (the "Option Shares") as a result of the exercise of stock subscription rights granted under the existing stock option plan covering directors, officers, and employees of AT and CCC (the "Stock Option Plan").

The Option Shares were issued at the price of Php10.00 per share. For the same period last year. 1,754,190 option shares were issued at the same exercise price. On 28 November 2014, BDO Unibank Inc. exercised its subscription rights under stock warrants respecting a total of 18,728,000 of the authorized unissued shares of stock. The exercise covered 9,728,000 of the issuer's shares which represented the balance of the shares underlying the warrants after the initial subscription to 9,000,000 shares in 2010.

The Revised PAS 19 on Employee Benefits has been applied retrospectively from 1 January 2012. Consequently, the Group has restated its reported results throughout the comparative periods presented and reported the cumulative effect as at 1 January 2012 as adjustment to opening balances.

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

The discussion below pertains to the consolidated financial condition of the Group as of 31 December 2014 vis-à-vis that as of 31 December 2013:

Short-term investments decreased by 52% due to pre-termination of short-term deposit placements. *Receivables* decreased by 15% due to collection of trade credits at year end. There were no outstanding put options at year end, hence, *Derivative Assets* was nil. *Inventories* decreased by 15% due to increase in issuance of materials and supplies during the year. *Other current assets* increased by 3% due to deposits to suppliers, prepaid insurance and deferred cost of consumables.

Goodwill (29% of total assets) mainly pertains to the allocated provisional fair values of identifiable assets and liabilities of Carmen Copper. *Property, plant and equipment* (47% of total assets) increased by 16% due to continued capital acquisitions in Carmen Copper. Movement in *Mining Rights* (13% of total assets) was mainly due to production-driven amortization during the year. *Investment in associate* pertains to AT's ownership over BNC, TMMI, URHI, UNC and NRHI (the "Nickel Corporations"), respectively. The Group assessed that it has significant influence over these entities and are accounted for as investments in associates. *Available-for-sale (AFS) financial assets* decreased due to impairment adjustments.

Accounts payable and accrued liabilities (7% of total assets) increased by 42% due to additional trade credits and accruals. *Current and noncurrent portions of long-term debt* (4% and 28% of total assets) decreased by 29% and increased by 20%, respectively. This was a net effect of availment of long-term loans for working capital requirements and foreign exchange translation adjustment on US dollar-denominated loans. As a part of DMCI's acquisition, *Payable to related parties* changed due to settlement of liability relating to TMC. *Derivative liabilities* pertain to the exercise and delivery of commodity forwards on copper concentrate within this year. *Income tax payable* pertains to the accrual of income tax liability for the fourth quarter of this year. *Retirement benefits liability* increased by 54% due to accrual of pension costs and actual valuation adjustments.

Capital stock (25% of total assets) and *Additional paid-in capital* increased due to the issuance of shares pursuant to Atlas Mining's stock option plan and exercise of stock warrants by BDO Unibank, Inc. *Remeasurement loss on retirement plan* increased by 89% because of the recognition of actuarial valuation results. *Net unrealized gains on AFS investment* decreased due to impairment adjustments at year end. *Non-controlling interest* was derecognized as a result of the change in accounting treatment for investments in the Nickel Corporations.

<u>*Performance Indicators*</u>

The following table shows the key performance indicators of Atlas Group:

	Consolidated		
Particulars	2014	2013	2012 *(Audited and Restated)*
Current ratio	0.60:1	0.77:1	2.03:1
Debt to equity	0.82:1	0.73:1	0.63:1
Return on equity	0.34%	5.34%	10.70%
Return on assets	0.19%	3.15%	6.16%
Net profit margin	0.76%	13.25%	21.14%

The abovementioned ratios were computed as follows:

• Current Ratio	=	Current Assets / Current Liabilities
• Debt-to-Equity	=	Total Liabilities / Total Stockholders' Equity Attributable to Equity Holders of Parent Company
• Return on Equity	=	Net Income Attributable to Equity Holders of Parent Company / Average Total Stockholders' Equity Attributable to Equity Holders of Parent Company
• Return on Assets	=	Net Income Attributable to Equity Holders of Parent Company / Average Fixed Assets-Net
• Return on Sales	=	Net Income Attributable to Equity Holders of Parent Company / Total Consolidated Revenues

Liquidity and Capital Resources

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

• Net cash flow from operating activities	-	Php	5,116
• Net cash flows used in investing activities	-	Php	(6,387)
• Net cash flows from financing activities	-	Php	1,747
• Net increase in cash and cash equivalents	-	Php	496

Cash from operating activities slightly as advance payments from customers augmented the dip in operating income. Net cash used in investing activities was a result of the increased acquisition of property, plant and equipment. Net cash from financing activities was chiefly from availment of additional loans for working capital. Net increase in cash and cash equivalents was largely due to availment of loans.

Material Plans, Trends, Events or Uncertainties

- In the first quarter of 2014, CCC completed and commissioned its expanded ore processing plant which increased the nameplate capacity by 50% to 60,000 tpd throughput.
- Copper concentrate revenues are based on international commodity quotations over which Atlas has no significant influence or control. This exposes the results of operations to commodity price volatilities that may significantly impact its cash inflows.

As at 31 December 2014, (i) there was no known trend or contingent event that may have a material effect on the liquidity of AT or CCC, or on the marketability of CCC's products, other than commodity price volatility in the world market, (ii) there were no material off-balance sheet transactions, arrangements, or obligations involving CCC, (iii) there were no material firm commitments for new capital expenditures, and (iv) there was no significant element of income or loss from continuing operations, other than commodity price volatility in the world market.

Item 7. Financial Statements

The Audited Financial Statements for 2016 and the Interim Financial Statements for the Quarter ended 31 March 2017 of AT are incorporated herein for reference.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Sycip Gorres Velayo & Company ("SGV"), with business address at 6760 Ayala Avenue, Makati City, is the external auditor for the current year.

The Corporation engaged Ms. Eleanore A. Layug of SGV for the examination of the Corporation's financial statements from 2013 to 2016. Previously, Mr. John C. Ong and Mr. Martin C. Guantes of SGV were engaged by the Corporation for the examination of the Corporation's financial statements from 2009 to 2013 and 2009, respectively. The Corporation has always faithfully complied with the five-year rotation requirement with respect to its external auditor's certifying partner.

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

The Corporation has not had any disagreement on accounting and financial disclosures with its current external auditor for the same periods or any subsequent interim period.

The table below shows the aggregate fees of SGV for the years ended 31 December 2016 and 2015 for (i) audit of the Atlas Group's annual financial statements, (ii) services pertaining to the conduct of review with respect to CCC's tax compliance, and (iii) other related services involving the examination of Atlas' or CCC's books of account. There were no other professional services rendered by SGV during the period.

Particulars		*2016*		*2015*		*2014*
Audit	Php	3,800,000	Php	3,600,000	Php	4,223,087
Interim Review		775,000		879,878		878,966
Performance of agreed-upon procedures		-		-		-
TOTAL	Php	4,575,000	Php	4,479,878	Php	5,102,053

The Corporation did not engage any other firm for tax accounting, compliance, advice, planning and any form of tax services covering the years 2016 and 2015.

III. CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

Please refer to Item 5 of the Information Statement for the discussion on the identity of each of the Corporation's Directors and Executive Officers, including but not limited to their principal occupation or employment, name and principal business of any organization by which such persons are employed.

Item 10. Executive Compensation

Please refer to Item 6 of the Information Statement for a thorough discussion of the Executive Compensation, Contracts and Stock Options of the Directors and Executive Officers.

Item 11. Security Ownership of Certain Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners of more than 5% of AT common shares of stock as of 31 May 2017

Title or Class of Shares	Name & Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	*Holdings*[13]	*Percent of Class (%)*
Common	SM Investments Corporation ("SMIC")[14] 10th Floor, One E-Com Center Mall of Asia Complex, Pasay City (Shareholder)	SMIC	Filipino	612,191,435	29.33%
Common	Alakor Corporation ("Alakor")[15] Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City (Shareholder)	Alakor	Filipino	453,963,461	21.75%
Common	Anglo Philippine Holdings Corporation ("Anglo")[16] Quad Alpha Centrum 125 Pioneer St., Mandaluyong City (Shareholder)	Anglo	Filipino	174,570,500	8.36%
Common	PCD Nominee Corp.[17] (Filipino)	Clients of PCD Nominee Corp.[18]	Filipino	1,706,505,905	81.77%

Security ownership of Directors and Executive Officers of AT as of 31 May 2017

Title of Class	Name of Directors / Officers and Position	No. of Shares Held[19]	Citizenship	Percent (%)	Nature of Ownership
Common	Alfredo C. Ramos Director/Chairman of the Board	464,196,895	Filipino	22.24	Record & Beneficial Owner
Common	Frederic C. DyBuncio Director/Vice-Chairman	1,001	Filipino	0.00	Beneficial Owner
Common	Martin C. Buckingham Director/Executive Vice-President	20,105,801	British	0.96	Beneficial Owner
Common	Isidro A. Consunji Director	95,991,305	Filipino	4.60	Beneficial Owner
Common	Adrian Paulino S. Ramos Director/President	5,823,010	Filipino	0.28	Beneficial Owner
Common	Gerard Anton S. Ramos	6,271,000	Filipino	0.30	Beneficial Owner

[13] *The listed beneficial or record owner has no right to acquire within 30 days, from options, warrants, rights, privileges or similar obligations or otherwise coming from AT.*

[14] *The President & Executive Director of SMIC have the power to vote the common shares of SMIC in AT.*

[15] *The Chairman of the Board of Directors/President of Alakor has the power to vote the common shares of Alakor in AT.*

[16] *The Chairman of the Board of Directors of Anglo has the power to vote the common shares of Anglo in AT.*

[17] *The Corporation has no information as to the beneficial owners of the shares of stocks held by the PCD Nominee Corp. other than: (i) SMIC with 612,191,435 shares (29.33%) and (ii) Alakor with 453,963,461 shares (21.75%)*

[18] *The clients of the PCD Nominee Corporation have the power to decide how their shares are to be voted. There are no other individual stockholders who own more than 5% of the Corporation*

[19] *The listed beneficial or record owner has no right to acquire within 30 days, from options, warrants, rights, privileges or similar obligations or otherwise coming from the Corporation.*

	Director				
Common	Jose T. Sio Director	1,001	Filipino	0.00	Beneficial Owner
Common	Fulgencio S. Factoran, Jr. Independent Director	110,000	Filipino	0.01	Beneficial Owner
Common	Richard J. Gordon[20] Independent Director	1	Filipino	0.00	Beneficial Owner
Common	Jay Y. Yuvallos[21] Independent Director	5,000	Filipino	0.00	Beneficial Owner
Common	Alfredo R. Rosal, Jr. Independent Director	1	Filipino	0.00	Beneficial Owner
Common	Laurito E. Serrano Independent Director	2,000	Filipino	0.00	Beneficial Owner
Common	Roderico V. Puno Corporate Secretary	0	Filipino	0.00	N/A
Common	Fernando A. Rimando Chief Financial Officer & VP-Finance	0	Filipino	0.00	N/A
Common	Maria Eleonor A. Santiago Asst. Corporate Secretary/Compliance Officer/Head, Corporate Legal Affairs & Corporate Governance	0	Filipino	0.00	N/A
Common	Leila Marie P. Cabañes Treasurer	0	Filipino	0.00	N/A
	All Directors and Officers as a Group	592,507,014		28.39%	

AT has no information as to person/s holding five percent (5%) or more of its securities which are held under a voting trust or similar agreement.

Item 12. Certain Relationships and Related Transactions

There are no known related party transactions other than those disclosed in Note 21 (Related Party Transactions) of the Notes to the Atlas Group's Audited Consolidated Financial Statements ("ACFS") for the year ended 31 December 2016 incorporated herein by reference.

IV. CORPORATE GOVERNANCE

Item 13. Corporate Governance

The Board of Directors (BOD) and Management of AT commit themselves as far as practicable and to the best of their abilities to the principles and practices of good corporate governance as institutionalized in the Corporation's Manual of Corporate Governance approved in 2014 (the "Manual"). AT comprehensively pursue initiatives aimed at strengthening governance structures and systems. In line with this, AT's BOD approved several important corporate governance policies in 2016*: Compensation & Remuneration Committee Charter, Nomination Committee Charter, the Code of Business Conduct and Ethics, Conflict of Interest Policy and Whistleblowing Policy.* These CG policies were disseminated to the employees in addition to the existing *Uniform Code of Conduct (UCC), the Audit and Risk Management Committee Charter and Internal Audit Charter.*

[20] *Resigned on 1 July 2016*

[21] *Elected on 9 August 2016*

On 18 May 2017 the BOD approved and adopted the new *Code of Corporate Governance* (the "CG Code"), which supersedes the previous Manual, pursuant to the Securities and Exchange Commission Memorandum Circular (SEC MC) No. 19, Series of 2016. The new CG Code was adopted to formalize and institutionalize among others, the assessment or evaluation process to measure the level of compliance of the BOD, top level Management and the rest of the employees with the CG Code, CG practices and policies. The CG Code also provides for the creation of new BOD Committees including the Corporate Governance Committee, primarily tasked with ensuring compliance with and proper observance of CG principles and practices.

The Corporation, through its operating and significant subsidiary, CCC, created the *Quality Control and Risk Management Group (QCRM Group)* to assist Management by providing quality performance review, quality and operational control and compliance and risk management. The QCRM Group aims to add value, improve operational efficiency, economy and effectiveness of processes, performances and risk management. Along with the creation of the QCRM Group, the QCRM Charter was adopted and approved which provides a framework for the conduct of the QCRM compliance and review work. The coverage of QCRM Group includes the following: (i) Operational Workflow Quality Control, (ii) Technical Compliance, (iii) Management and Operational Support Compliance, (iv) Policies and Procedures Documentation and Monitoring, and (v) Risk Management Monitoring and Validation. The Risk Management Policy Statement was also issued emphasizing the need to formally establish and institutionalize a Risk Management Program in view of the possible risks the business operations may face in the areas of (a) Financial/Market (Securities/Investments, Interest Rates/Loans, Capital/Equity, Currency/Cash, Inventories), (b) Operations (Physical Damage, Personnel, Safety, Health, Environment, Community Relations, Mining Technology) and (c) Regulatory and Legal (Statutes, Regulations, Statutory Liability, Contracts). Thus, each department is tasked to continuously identify, measure, control and manage risks. Regular monitoring and reposting of risk assessment status is likewise enjoined.

AT has not deviated from the Manual/CG Code.

All existing Committee Charters, CG policies and documents are in the process of revision, currently being reviewed and assessed for consistency and alignment with the provisions of the new CG Code and good CG practices. New policies will also be issued by the Corporation from time to time to fully implement and comply with the CG Code and the leading practices on good corporate governance.

DISTRIBUTION OF ANNUAL REPORT TO REGISTERED SHAREHOLDERS

A copy of the Company's Annual Report on SEC Form 17-A is posted in AT's website and will be provided without charge to registered Shareholders upon written request addressed to:

THE OFFICE OF THE CORPORATE SECRETARY
5F FiveE-Com Center, Palm Coast corner Pacific Drive
Mall of Asia Complex, Pasay City 1300
Metro Manila, Philippines

REPUBLIC OF THE PHILIPPINES)
CITY OF PASAY CITY) S.S.

SECRETARY'S CERTIFICATE

I, *Maria Eleonor A. Santiago*, Filipino, of legal age, and with office address at the 5th Floor, FiveE-com Center, Palm Coast Avenue corner Pacific Drive, Mall of Asia Complex, Pasay City, Metro Manila, Philippines, after being duly sworn in accordance with law hereby state as follows:

1. I am the duly elected Assistant Corporate Secretary of ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION ("AT" or the "Corporation"), a corporation duly organized and existing in accordance with the laws of the Philippines, with principal office address at FiveE-com Center, Palm Coast Avenue corner Pacific Drive, Mall of Asia Complex, Pasay City (1300), Metro Manila, Philippines.

2. Based on the information provided to the Corporation and to the best of the Corporation's knowledge, none of its incumbent directors and officers or nominees for directors' and officers' positions is working for or with the government, except for one of its Independent Directors, Mr. Jay Y. Yuvallos, who is currently a director of Philippine Import-Export Credit Agency. A copy of his formal request to be an Independent Director of AT addressed to the Secretary of Finance is attached herewith.

3. This Certification is being issued for whatever legal purpose it may serve.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 23 MAY 2017 day of May 2017 in Pasay City.

Maria Eleonor A. Santiago
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me, this 23 MAY 2017 day of ______________, affiant personally appeared before me and exhibited to me her Philippine Passport with number P2397482A issued on 21 March 2017 by the DFA-Lucena City.

Doc. No. 72:
Page No. 15:
Book No. 5:
Series of 2017.

ATTY. JOVINO R. ANGEL
NOTARY PUBLIC
UNTIL DEC. 31, 2018
PTR NO. 5266146-1-3-2017 PASAY CITY
IBP NO. 1052058-1-3-2017 PASAY CITY
MCL NO.U-0024151-10-25-2016
ROLL NO. 28761

Atlas Copy

DEPARTMENT OF FINANCE
RECEIVED
MAR 29 2017
CENTRAL RECORDS MGNT. DIVISION

OFFICE OF THE TREASURER OF THE PHILS.
RECEIVED
BY:
DATE: 3-29-17
TIME:
BUREAU OF TREASURY

28 March 2017

HON. CARLOS G. DOMINGUEZ III
Secretary of Finance
DEPARTMENT OF FINANCE&
Board Chairperson
PHILIPPINE EXPORT-IMPORT CREDIT AGENCY

Attn: **TREASURER ROSALIA V. DE LEON**
Treasurer of the Philippines
Bureau of Treasury & Alternate Board Chairperson for
Philippine Export-Import Credit Agency

Re: **Request for Consent pursuant to MC No. 17, s. 1986 in relation to Section 12, Rule XVIII of the Revised Civil Service Rules**

Dear **Treasurer De Leon:**

I am one of the Private Sector Directors of Philippine Export-Import Credit Agency, an attached agency of the Department of Finance,and I represent the export community, since 2013.

I would like to respectfully request consent to be an independent director of private corporation/s pursuant to Memorandum Circular No. 17, series of 1986 in relation to Section 12, Rule XVIII of the Revised Civil Service Rules, *viz*:

> **"The authority to grant permission to any official or employee shall be granted by the head of the ministry or agency in accordance with Section 12, Rule XVII of the Revised Civil Service Rules, which provides:**
>
> 'Sec.12. **No officer or employee shall engage directly in any private business, vocation, or profession or connected with any commercial, credit, agricultural, or industrial undertaking <u>without a written permission from the head of the Department</u>**: Provided, That this prohibition will be absolute in the case of those officers and employees whose duties and responsibilities required that their entire time be at the disposal of the Government: Provided, further, That if an employee is granted permission to engage in outside activities, the time so devoted outside of office hours should be fixed by the chief of the agency to the end that it will not impair in any way the efficiency of the officer or employee: And provided, finally, That no permission is necessary in the case of investments, made by an officer or employee, which do not involve any real or

apparent conflict between private interests and public duties, or in any way influence him in the discharge of his duties, and he shall not take part in the management of the enterprise or become an officer or member of the board of directors', subject to any additional conditions which the head of the office deems necessary in each particular case in the interest of the service, as expressed in the various issuances of the Civil Service Commission." ***Emphasis Ours***

The time I will devote as independent Director of the private corporation/s will not impair or affect the efficiency and effectiveness of my duties as Appointed Director in the PhilEXIM Board.

I hope to receive your favourable action on my request as soon as possible. Should you have any inquiries you may reach me through my mobile number 0917 549 66 12 or e-mail address at **jyuvallos@gmail.com**.

Very truly yours,

JAY Y. YUVALLOS
Private Sector Director
Representing the Export Community
Board of Directors of PhilEXIM

CERTIFICATION OF INDEPENDENT DIRECTOR

I, Laurito E. Serrano, Filipino, of legal age and a resident of Unit 4205-C Madras Street, Palanan, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Atlas Consolidated Mining and Development Corporation (AT)** and have been its independent director since 22 August 2012;

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Philippine Veterans Bank	Director	June 2012 to present
APC Group, Inc.	Independent Director	June 2013 to present
Travellers Intl. Hotel Group, Inc.	Independent Director	Nov. 2013 to present
Pacific Online Systems Corporation	Independent Director	May 2014 to present
MJC Investments Corp.	Independent Director	May 2014 to present
MRT Development Corporation	Director	July 2013 to present
United Paragon Mining Corporation	Independent Director	November 2016 to present
Axelum Resources Corp.	Director	Since April 2017
Negros Navigation Co., Inc.	Director	Since April 2017
2GO Group, Inc.	Independent Director	Since April 2017

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of AT, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances;

4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OR RELATIONSHIP
NOT APPLICABLE	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
NOT APPLICABLE	N/A	N/A

6. (For those in government service/affiliated with a government agency or GOCC), I have the required written permission or consent from the (head of the agency/department) NOT APPLICABLE to be an independent director in AT, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of AT of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this 12th day of April, 2017 at Makati City, Philippines.

LAURITO E. SERRANO
Affiant

APR 12 2017

SUBSCRIBED AND SWORN to before me this ____day of April, 2017 at Makati City, Philippines, affiant personally appeared before me and exhibited to me his Driver's License No. N05-79-030116 expiring on 3 August, 2021.

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RUBEN T.M. RAMIREZ
NOTARY PUBLIC
UNTIL DEC. 31, 2017
IBP NO. 1052369 / 11-22-16 - Appointment # M-23
ROLL NO. 28947/MCLE-4 NO. 0006324/6-19-12
PTR NO.MKT 5909552/1-3-17 MAKATI CITY

CERTIFICATION OF INDEPENDENT DIRECTOR

I, Fulgencio S. Factoran, Jr., Filipino, of legal age and a resident of 8 Gladiola Street, Tahanan Village, Sucat, Parañaque City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Atlas Consolidated Mining and Development Corporation (AT)** and have been its independent director since 28 February 2012;

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Nickel Asia Corporation	Independent Director	2010 - present
Agility Group	Chairman/Member of the Board of Directors	1996 - present
Factoran & Associates Law Offices	Principal Partner	1996 - present
Philippine Educational Theater Association	Trustee	1994 - 2015

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of AT, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances;

4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OR RELATIONSHIP
N/A	N/A	N/A
N/A	N/A	N/A

5. I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
OMB-C-C-16-0157 and OMB-C-A-16-0134 For: Violation of Republic Act No. 3019 Section 3(g) and Conduct Prejudicial to the Best Interest of the Service and Grave Misconduct	Office of the Ombudsman	Preliminary Investigation For resolution

6. (For those in government service/affiliated with a government agency or GOCC), I have the required written permission or consent from the (head of the agency/department) __N/A_____________________to be an independent director in AT, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of AT of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this 31 MAR 2017 day of ________________ in PASAY CITY.

FULGENCIO S. FACTORAN, JR.
Affiant

SUBSCRIBED AND SWORN to before me the City PASAY CITY this 31 MAR 2017 by Atty. Fulgencio S. Factoran, Jr. whose identity I have confirmed through his Passport with number EC4081648 issued on 4 May 2015 by the DFA-NCR South.

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ATTY. JOVINO R. ANGEL
NOTARY PUBLIC
UNTIL DECEMBER 31, 2018
PTR NO. 5266148-1-3-2017 PASAY CITY
IBP NO. 1052058-1-3-2017 PASAY CITY
MCLE NO. V-0024151-10-25-2016
ROLL NO. 28786

CERTIFICATION OF INDEPENDENT DIRECTOR

I, Emilio S. de Quiros, Filipino, of legal age and a resident of 16 Regidor St., Varsity Hills, Loyola Heights, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Atlas Consolidated Mining and Development Corporation (AT)**;

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Belle Corporation	Chairman (non-independent)	7 months
Belle Corporation	Director (non-independent)	6 years

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of AT, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances;

4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OR RELATIONSHIP
NONE		

5. To the best of my knowledge, I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
Violation of RA 3019	Preliminary Investigation and Administrative Bureau, Office of the Ombudsman	Pending Resolution
Grave Misconduct & Neglect of Duty	Preliminary Investigation and Administrative Bureau, Office of the Ombudsman	Pending Resolution

6. (For those in government service/affiliated with a government agency or GOCC), I have the required written permission or consent from the (head of the agency/department) ________________________to be an independent director in AT, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service rules.
   NOT APPLICABLE
7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of AT of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this ____day of 1 MAR 2017 in PASAY CITY.

EMILIO S. DE QUIROS, JR.
Affiant

SUBSCRIBED AND SWORN to before me the City of PASAY CITY this 31 MAR 2017 by Mr. Emilio S. de Quiros, Jr. whose identity I have confirmed through his Passport with number EB7657529 issued on 15 March 2013 at the DFA-Manila.

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ATTY. JOVINO R. ANGEL
NOTARY PUBLIC
UNTIL DECEMBER 31, 2018
PTR NO. 5266148-1-3-2017 PASAY CITY
IBP NO. 1052058-1-3-2017 PASAY CITY
MCLE NO. V-0024151-10-25-2016
ROLL NO. 28784

CERTIFICATION OF INDEPENDENT DIRECTOR

I, Jay Y. Yuvallos, Filipino, of legal ageand a resident of 13 Paseo John, Ma. Luisa Estate Subdivision, Banilad, Cebu City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of *Atlas Consolidated Mining and Development Corporation (AT)* and have been its Independent Director since 9 August 2016;

2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Interior Basics Export Corporation	President	September 15,1994 to present
YZ Global Resources Inc.	President	September 11, 2007 to present
Philippine Export-Import Credit Agency (Philexim)	Board of Director	2013 to present
Sun Energy Development Asia Inc.	Board of Director	September 2014 to present
YCH Logistics Philippines, Inc.	Director	January 2017 to present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of AT, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances;

4. I am related to the following director/officer/substantial shareholder of (covered company and its subsidiaries and affiliates) other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OR RELATIONSHIP
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N/A	N/A	N/A

6. On 28 March 2017, I have formally requested the required written permission or consent from the Secretary of the Department of Finance (DOF) to be an independent director in AT and CCC, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service rules. A copy of my letter addressed to the Secretary of DOF stamped "received on 29 March 2017" is enclosed. As of this date the request is still pending with the DOF.

7. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

8. I shall inform the Corporate Secretary of AT of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this ____day of MAR 3 0 2017 __________ in CEBU CITY ______.

JAY Y. YUVALLOS
Affiant

SUBSCRIBED AND SWORN to before me the City of CEBU CITY this MAR 3 0 2017 by Mr. Jay Y. Yuvallos whose identity I have confirmed through his Passport with number EC4573758 issued on 8 July 2015 in Manila.

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Series of 2017.

MYRNA VALDERRAMA-LIMBAGA
NOTARY PUBLIC FOR THE CITY OF CEBU

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P	W	0	0	0	0	1	1	5	A	

C O M P A N Y   N A M E

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

5th Floor, FiveE-Com Center, Palm Coast cor. Pacific Drive, Mall of Asia Complex, Pasay City, Metro Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	SEC	N/A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
info@atlasphilippines.com	(632) 831-8000 loc. 25001	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
20,816	04/29	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Fernando A. Rimando	farimando@atlasphilippines.com	(632) 831-8000 loc 25005	N/A

CONTACT PERSON's ADDRESS

5th Floor, FiveE-com Center, Palm Coast cor.
Pacific Drive, Mall of Asia Complex, Pasay City, Metro Manila

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

ATLAS Mining

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Atlas Consolidated Mining and Development Corporation is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited 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 audit.

Alfredo C. Ramos
Chairman

Adrian Paulino S. Ramos
President

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

Signed this __ day of ________. APR 05 2017

SUBSCRIBED AND SWORN to before me this APR 05 2017 day of April 2017, affiants exhibiting to me their Tax Identification Numbers, as follows:

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

ATTY. MA. CLEOFE L. JAIME
NOTARY PUBLIC
UNTIL DECEMBER 31, 2017
PTR NO. 5283011
ISSUED AT P.C. ON 1-3-17
IBP NO. 1059953
ISSUED AT Q.C. ON 1-3-17
MCLE COMPL. V NO. 001178
ISSUED ON NOV. 27, 2015
SC ROLL NO. 27802
COMM. NO. 16-07

Doc. No. 91
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Book No. 1
Series of 2017.

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Atlas Consolidated Mining and Development Corporation
5th Floor, FiveE-com Center, Palm Coast cor. Pacific Drive
Mall of Asia Complex, Pasay City, Metro Manila

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Atlas Consolidated Mining and Development Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

<u>Recoverability of Property, Plant and Equipment</u>
The net book value of the Group's property, plant and equipment amounted to ₱36.2 billion as at December 31, 2016. The Group is adversely affected by the continued decline in copper prices in the market. In the event that an impairment indicator is identified, the assessment of the recoverable amount of the property, plant and equipment requires significant judgment and involves estimation and assumptions about future production levels and costs, as well as external inputs such as copper prices and discount rate. Hence, such assessment is a key audit matter in our audit. See Note 10 of the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's impairment assessment process and the related controls. We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include future production levels and costs as well as external inputs such as copper prices and discount rate. We compared the key assumptions used against external data such as analysts' reports and considering the assumptions based on our knowledge of the entity and its industry. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of property, plant and equipment.

<u>Estimation of Ore Reserves and Resources</u>
The estimation of ore reserves and resources involves significant management estimates and assumptions. Reserves and resources are key inputs to depletion, depreciation, amortization and decommissioning provisions and impairment estimates. As discussed in Notes 9 and 10 of the consolidated financial statements, the Group's mining properties amounting to ₱32.5 billion as of December 31, 2016 are depleted using the units of production method. Under the units of production method, cost is amortized based on the ratio of the volume of actual ore extracted during the year over the estimated volume of mineable ore reserves for the remaining life of the mine. This matter is significant to our audit because the estimation of the mineable ore reserves for Toledo Copper Project for the entire life of the mine requires significant estimation from the management.

Audit Response

We obtained an understanding of management's processes and controls in the estimation of mineable ore reserves. We evaluated the competence, objectivity of the external/internal specialists engaged by the Group to perform an independent assessment of its ore reserves and resources. We reviewed the specialists' report and obtained an understanding of the nature, scope and objectives of their work, basis of the estimates including any changes in the reserves during the year. In addition, we tested the reserves and resources estimates applied to the relevant areas of the consolidated financial statements including depletion, depreciation, and amortization and decommissioning provisions.

<u>Recoverability of Goodwill</u>
Under PFRSs, the Group is required to annually test the amount of goodwill for impairment. As of December 31, 2016, the Group's goodwill attributable to Carmen Copper Corporation amounted to ₱19.0 billion, which is considered significant to the consolidated financial statements. In addition, management's assessment process requires significant judgment and is based on assumptions, specifically mine production projections, discount rate and copper prices. The Group's disclosure about goodwill are included in Note 10 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's impairment assessment process and the related controls. We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include future production levels and costs as well as external inputs such as copper prices and discount rate. We compared the key assumptions used against external data such as analysts' reports and considering the assumptions based on our knowledge of the entity and its industry. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Eleanore A. Layug.

SYCIP GORRES VELAYO & CO.

Eleanore A. Layug
Partner
CPA Certificate No. 0100794
SEC Accreditation No. 1250-A-1 (Group A),
January 7, 2016, valid until January 6, 2019
Tax Identification No. 163-069-453
BIR Accreditation No. 08-001998-97-2015,
January 5, 2015, valid until January 4, 2018
PTR No. 5908708, January 3, 2017, Makati City

March 7, 2017

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands, Except Par Value Per Share)

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱2,418,869**	₱512,037
Short-term investments (Notes 4 and 15)	**646,360**	797,028
Receivables (Note 5)	**678,989**	677,620
Inventories (Note 7)	**1,690,524**	2,212,668
Other current assets (Note 8)	**453,807**	483,376
Total Current Assets	**5,888,549**	4,682,729
Noncurrent Assets		
Property, plant and equipment (Note 9):		
At cost	**35,757,800**	34,352,936
At revalued amount	**430,286**	430,286
Mining rights (Note 10)	**8,347,114**	8,535,486
Goodwill (Note 10)	**19,026,119**	19,026,119
Investments in associates (Note 12)	**198,136**	198,163
Deferred tax assets (Note 23)	**2,150,288**	1,270,585
Other noncurrent assets (Note 13)	**2,100,842**	2,350,248
Total Noncurrent Assets	**68,010,585**	66,163,823
TOTAL ASSETS	**₱73,899,134**	₱70,846,552
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 14)	**₱2,571,634**	₱5,476,354
Bank loans (Note 15)	**3,064,741**	2,942,191
Derivative liabilities (Note 6)	**31,889**	2,459
Income tax payable	**21,222**	32
Current portion of long-term debt and other interest-bearing liabilities (Note 15)	**17,753,209**	2,610,480
Total Current Liabilities	**23,442,695**	11,031,516
Noncurrent Liabilities		
Long-term debt and other interest-bearing liabilities - net of current portion (Note 15)	**10,540,433**	20,077,362
Retirement benefits liability (Note 22)	**284,109**	333,844
Liability for mine rehabilitation cost (Note 16)	**53,266**	48,172
Deferred tax liabilities (Note 23)	**2,908,539**	2,875,430
Total Noncurrent Liabilities	**13,786,347**	23,334,808
Total Liabilities	**₱37,229,042**	₱34,366,324

(Forward)

	December 31	
	2016	2015
Equity		
Capital stock - ₱1 and ₱8 par value in 2016 and 2015, respectively (Note 17)	**₱2,087,033**	₱16,696,262
Additional paid-in capital (Notes 15 and 17)	**14,686,962**	77,733
Revaluation increment on land (Note 9)	**298,869**	298,869
Remeasurement gain on retirement plan (Note 22)	**178,868**	128,682
Unrealized gain on available for sale (AFS) financial asset (Note 11)	**4,861**	4,861
Cumulative translation adjustments (Note 2)	**1,475,910**	456,736
Retained earnings (Note 29)	**17,960,856**	18,840,352
Cost of 1,800,000 treasury shares held by a subsidiary	**(23,267)**	(23,267)
Equity	**36,670,092**	36,480,228
TOTAL LIABILITIES AND EQUITY	**₱73,899,134**	₱70,846,552

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		
	2016	2015	2014
REVENUE			
Copper (Note 6)	**₱10,163,804**	₱9,920,440	₱13,729,786
Gold (Note 6)	**1,900,169**	1,419,019	1,333,406
Beneficiated nickel ore and others	**15,880**	2,858	1,117,869
	12,079,853	11,342,317	16,181,061
Less smelting and related charges	**1,155,363**	1,407,234	1,304,313
	10,924,490	9,935,083	14,876,748
COSTS AND EXPENSES			
Mining and milling costs (Note 19)	**8,706,018**	8,929,228	10,428,157
General and administrative expenses (Note 20)	**1,274,505**	1,389,052	1,412,497
Mine products taxes (Note 19)	**216,429**	211,579	310,126
Depletion of mining rights (Note 10)	**188,372**	211,546	398,172
	10,385,324	10,741,405	12,548,952
OTHER INCOME (CHARGES)			
Finance charges (Note 24)	**(1,930,435)**	(1,637,254)	(1,439,895)
Loss on disputed input tax (Note 13)	**(495,159)**	–	–
Foreign exchange gains (losses) - net	**158,086**	138,051	(164,804)
Equity in net earnings of associates (Note 12)	**61,713**	243,761	30,083
Interest income (Notes 4 and 15)	**42,158**	37,182	56,564
Gain (loss) on fair value changes on derivatives - net (Note 6)	**(16,186)**	292,499	(309,970)
Gain associated with loss of control of subsidiaries (Note 12)	**–**	–	44,615
Others - net	**43,011**	(9,189)	91,844
	(2,136,812)	(934,950)	(1,691,563)
INCOME (LOSS) BEFORE INCOME TAX	**(1,597,646)**	(1,741,272)	636,233
BENEFIT FROM (PROVISION FOR) INCOME TAX (Note 23)	**718,150**	926,833	(239,153)
NET INCOME (LOSS)	**(₱879,496)**	(₱814,439)	₱397,080
Total net income (loss) attributable to:			
Equity holders of the Parent Company	**(₱879,496)**	(₱814,439)	₱122,436
Non-controlling interest	**–**	–	274,644
	(₱879,496)	(₱814,439)	₱397,080

(Forward)

	Years Ended December 31		
	2016	2015	2014
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified to consolidated statements of income:			
Remeasurement gain (loss) on retirement plan (Note 22)	**₱50,186**	₱311,204	(₱85,733)
Revaluation increment on land (Note 9)	**–**	80,310	–
Item that may be reclassified subsequently to consolidated statements of income:			
Unrealized loss on AFS financial assets (Note 11)	**–**	(1,220)	(4,379)
Cumulative translation adjustments (Note 2)	**1,019,174**	456,736	–
	1,069,360	847,030	(90,112)
TOTAL COMPREHENSIVE INCOME	**₱189,864**	₱32,591	₱306,968
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**₱189,864**	₱32,591	₱32,324
Non-controlling interest	**–**	–	274,644
	₱189,864	₱32,591	₱306,968
EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY (Note 26)			
Basic earnings (loss) per share	**(₱0.4218)**	(₱0.3906)	₱0.0590
Diluted earnings (loss) per share	**(₱0.3788)**	(₱0.3472)	₱0.0543

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, 2016, 2015 AND 2014

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company										
	Capital Stock (Notes 17 and 18)	Additional Paid-in Capital (Notes 15 and 17)	Revaluation Increment on Land (Note 9)	Unrealized gain on available for sale (AFS) financial asset (Note 11)	Remeasurement Gain (Loss) on Retirement Plan (Note 22)	Cumulative Translation Adjustments (Note 2)	Retained Earnings (Note 29)	Total	Non-controlling Interest	Treasury Shares held by a Subsidiary	Total
BALANCES AT JANUARY 1, 2014	₱16,608,969	₱7,063	₱218,559	₱10,460	(₱96,760)	₱–	₱19,842,996	₱36,591,287	₱283,725	(₱23,267)	₱36,851,745
Net income	–	–	–	–	–	–	122,436	122,436	274,644	–	397,080
Other comprehensive loss	–	–	–	(4,379)	(85,733)	–	–	(90,112)	–	–	(90,112)
Total comprehensive income (loss)	–	–	–	(4,379)	(85,733)	–	122,436	32,324	274,644	–	306,968
Issuance of shares	87,293	21,823	–	–	–	–	–	109,116	–	–	109,116
Dividend declaration	–	–	–	–	–	–	(311,121)	(311,121)	–	–	(311,121)
Effect of deconsolidation due to loss of control	–	–	–	–	(29)	–	480	451	(558,369)	–	(557,918)
BALANCES AT DECEMBER 31, 2014	16,696,262	28,886	218,559	6,081	(182,522)	–	19,654,791	36,422,057	–	(23,267)	36,398,790
Net loss	–	–	–	–	–	–	(814,439)	(814,439)	–	–	(814,439)
Other comprehensive income (loss)	–	–	80,310	(1,220)	311,204	456,736	–	847,030	–	–	847,030
Total comprehensive income (loss)	–	–	80,310	(1,220)	311,204	456,736	(814,439)	32,591	–	–	32,591
Equity portion of equity conversion option of loans	–	48,847	–	–	–	–	–	48,847	–	–	48,847
BALANCES AT DECEMBER 31, 2015	16,696,262	77,733	298,869	4,861	128,682	456,736	18,840,352	36,503,495	–	(23,267)	36,480,228
Net loss	–	–	–	–	–	–	(879,496)	(879,496)	–	–	(879,496)
Other comprehensive income	–	–	–	–	50,186	1,019,174	–	1,069,360	–	–	1,069,360
Total comprehensive income (loss)	–	–	–	–	50,186	1,019,174	(879,496)	189,864	–	–	189,864
Change in par value from ₱8 to ₱1	(14,609,229)	14,609,229	–	–	–	–	–	–	–	–	–
BALANCES AT DECEMBER 31, 2016	₱2,087,033	₱14,686,962	₱298,869	₱4,861	₱178,868	₱1,475,910	₱17,960,856	₱36,693,359	₱–	(₱23,267)	₱36,670,092

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		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**(₱1,597,646)**	(₱1,741,272)	₱636,233
Adjustments for:			
Depreciation and depletion (Notes 9 and 10)	**2,575,135**	2,512,035	2,715,392
Finance charges (Note 24)	**1,930,435**	1,637,254	1,439,895
Net unrealized foreign exchange losses (gains) - net	**(158,086)**	(138,051)	164,804
Equity in net earnings of associate (Note 12)	**(61,713)**	(243,761)	(30,083)
Movement in retirement benefit cost (Note 22)	**59,311**	161,274	111,229
Interest income (Notes 4 and 15)	**(42,158)**	(37,182)	(56,564)
Loss (gain) on fair value changes on derivatives - net (Note 6)	**16,186**	(292,499)	309,970
Loss (gain) on disposals/retirement of property, plant and equipment	**(564)**	33,160	(7,625)
Impairment loss on:			
Input value-added tax (VAT; Note 13)	**495,159**	–	–
Inventories	**41,747**	778	6,033
Receivables (Note 5)	**1,763**	264	–
Change in accounting estimate for liability on mine rehabilitation cost (Note 16)	**–**	(1,313)	(990)
Gain associated with loss of control of subsidiaries (Note 12)	**–**	–	(44,615)
Loss on asset write-down (Note 9)	**–**	–	5,944
Operating income before working capital changes	**3,259,569**	1,890,687	5,249,623
Decrease (increase) in:			
Inventories	**480,472**	(811,909)	54,670
Other current assets	**63,135**	199,262	(58,586)
Receivables	**57,419**	247,134	(93,524)
Increase (decrease) in accounts payable and accrued liabilities	**(2,914,336)**	595,682	1,695,402
Net cash generated from operations	**946,259**	2,120,856	6,847,585
Interest paid	**(1,872,979)**	(1,526,304)	(1,400,529)
Settlements and payments of retirement benefits (Note 22)	**(70,050)**	(27,437)	(28,993)
Income taxes paid	**(51,969)**	(102,483)	(357,087)
Interest received	**7,571**	28,355	94,200
Net cash flows from (used in) operating activities	**(1,041,168)**	492,987	5,155,176
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment (Note 9)	**(1,932,815)**	(4,787,069)	(7,321,341)
Increase in other noncurrent assets	**(245,753)**	(232,870)	(170,969)
Proceeds from short-term investments (Note 15)	**150,487**	185,890	1,052,342
Dividend income (Note 12)	**61,740**	337,680	–
Proceeds from sale of property, plant and equipment	**2,910**	80,881	13,035
Net cash flows used in investing activities	**(1,963,431)**	(₱4,415,488)	(₱6,426,933)

(Forward)

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of loan and long-term debt (Note 15)	**₱5,949,128**	₱5,787,264	₱6,462,032
Payment of:			
Loans and long-term debt and other interest bearing liabilities (Note 15)	**(645,851)**	(1,874,527)	(4,521,338)
Dividends paid (Note 31)	–	–	(311,121)
Purchase of put option (Note 6)	–	–	(7,091)
Issuance of shares (Note 17)	–	–	109,116
Movement in payable to related parties	–	–	15,606
Net cash flows from financing activities	**5,303,277**	3,912,737	1,747,204
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**21,687**	31,250	20,530
CUMULATIVE TRANSLATION ADJUSTMENTS	**(413,533)**	(460,807)	–
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,906,832**	(439,321)	495,977
DECREASE ASSOCIATED WITH LOSS OF CONTROL OF SUBSIDIARIES	–	–	(410,978)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**512,037**	951,358	866,359
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱2,418,869**	₱512,037	₱951,358

See accompanying Notes to Consolidated Financial Statements.

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

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

Corporate Information

Atlas Consolidated Mining and Development Corporation (Parent Company; the Company) was incorporated and was registered with the Philippine Securities and Exchange Commission (SEC) as "Masbate Consolidated Mining Company, Inc." on March 9, 1935 as a result of the merger of assets and equities of three pre-war mining companies, namely, Masbate Consolidated Mining Company, Antamok Goldfields Mining Company and IXL Mining Company. Thereafter, it amended its articles of incorporation to reflect the present corporate name. It also amended its charter to extend its corporate life up to March 2035. The registered business address of the Parent Company is 5th Floor FiveE-com Center, Palm Coast cor. Pacific Drive, Mall of Asia Complex, Pasay City, Metro Manila.

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

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

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

Business Operations

The Parent Company has effective control of CCC, AI, AEI and AHI as at December 31, 2016 and 2015. These subsidiaries are engaged in or are registered to engage in mining, professional services, asset and equity acquisition and bulk water supply. The Parent Company has no geographical segments as these entities were incorporated and are operating within the Philippines.

The table below contains the details of the Parent Company's equity interest in its subsidiaries and a description of the nature of the business of each of such subsidiaries as at December 31, 2016 and 2015:

	Nature of Business	Percentage of Ownership **2016**	2015
Subsidiaries as at December 31, 2016 and 2015			
AEI	Incorporated in the Philippines on August 26, 2005 to engage in the business of searching, prospecting, exploring and locating of ores and mineral resources, and other exploration work.	**100.00**	100.00
AI	Incorporated in the Philippines on May 26, 2005 to provide and supply wholesale or bulk water to local water districts and other customers.	**100.00**	100.00
AHI	Incorporated in the Philippines on October 17, 2006 to hold assets for investment purposes.	**100.00**	100.00
CCC (see Note 10)	Incorporated in the Philippines on September 16, 2004 primarily to engage in exploration work for the purpose of determining the existence of mineral resources, extent, quality and quantity and the feasibility of mining them for profit.	**100.00**	100.00

a. *AEI*
   In 2016, AEI continued its exploration activities for the geotechnical survey of the Sigpit gold prospect and for the drilling at the southern extension of the Lutopan orebody. AEI incurred a net loss of ₱149 and had a cumulative capital deficiency of ₱103,335 as at December 31, 2016.

b. *AI*
   In 2016, AI continued to explore and assess the feasibility of projects involving the bulk supply of potable water from the Parent Company's Malubog Dam. AI incurred a net loss of ₱31 in 2016 and had a cumulative capital deficiency of ₱31,846 as at December 31, 2016.

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

   In June 5, 2014, CCC's Board of Directors (BOD) authorized the declaration of cash dividends out of its retained earnings to stockholders of record as at May 30, 2014 amounting to ₱500,000 or ₱0.26 per share. There were no dividends declared and received from CCC in 2016 and 2015.

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

The Executive Committees of the Parent Company and CCC, during a joint meeting held on February 3, 2015, approved the set off of (i) amounts withdrawn from the collection account of CCC with BDO Unibank, Inc. (BDO) (that was established under the December 2010 Omnibus Loan and Security Agreement between CCC and BDO) to fund the debt service reserve account of the Parent Company in respect of the United States Dollar (US$)-denominated loan facility debt availed by the Parent Company on July 25, 2011 covering the amount of US$75 million ("BDO Facility"), against (ii) fees receivable by the Parent Company from CCC pursuant to the Operating Agreement (the "Netting Arrangement"). Under the terms of the approval, the Netting Arrangement shall be applied retroactively to cover the relevant balances as at December 31, 2014.

d. *AHI*
AHI is the owner of certain real properties that are used in the mining operations of CCC. AHI incurred a net loss of ₱89 and had cumulative deficit of ₱2,890 as at December 31, 2016.

Authorization for Issue of the Consolidated Financial Statements
The consolidated financial statements of the Parent Company and its subsidiaries as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016 were authorized for issue by the BOD on March 7, 2017.

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

Basis of Preparation
The consolidated financial statements have been prepared on a historical cost basis, except for land, which is carried at revalued amounts, derivative financial instruments and AFS financial asset, which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso, which is the presentation currency under Philippine Financial Reporting Standards (PFRS). Based on the economic substance of the underlying circumstances relevant to the Group, the functional currencies of the Parent Company, associates and subsidiaries is Philippine Peso, except for CCC whose functional currency is US$. All values are rounded to the nearest thousands (₱000), except when otherwise indicated.

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

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

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

Subsidiaries
Subsidiaries are entities over which the Parent Company has control.

The Parent Company controls an investee if, and only if, the Parent Company has all of the following:
- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of 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 its returns.

Subsidiaries are deconsolidated from the date on which control ceases.

Consolidated statements of comprehensive income are attributed to equity holders of the Parent Company and to the non-controlling interest (NCI), even if this results in the NCI having a deficit balance.

NCI
NCI represents interest in a subsidiary that is not owned, directly or indirectly, by the Parent Company.

NCI represents the portion of profit or loss and the net assets not held by the Group. Transactions with NCI are accounted for using the equity concept method, whereby the difference between the consideration and the book value of the share of the net assets acquired is recognized as an equity transaction.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:
- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences, recognized in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income or OCI to profit or loss or retained earnings, as appropriate.

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

<u>Changes in Accounting Policies</u>
The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) and improvements to PFRS which were effective beginning January 1, 2016. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise stated.

- Amendments to PFRS 10, PFRS 12 and PAS 28, *Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Disclosure Initiative*
- Amendments to PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*

- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Equity Method in Separate Financial Statements*
- Annual Improvements to PFRSs 2012 - 2014 Cycle
  - Amendment to PFRS 5, *Changes in Methods of Disposal*
  - Amendment to PFRS 7, *Servicing Contracts*
  - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - Amendment to PAS 19, *Discount Rate: Regional Market Issue*
  - Amendment to PAS 34, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*

Future Changes in Accounting Policies
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the applicable standards, interpretations, amendments and improvements when these become effective.

Effective beginning on or after January 1, 2017

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

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

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

  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

  Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

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

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

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

The Group is currently assessing the impact of adopting the amendments to the standard.

Effective beginning on or after January 1, 2018

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

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

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

  The Group is assessing the potential effect of the amendments on its consolidated financial statements.

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

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

  The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

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

- PFRS 15, *Revenue from Contracts with Customers*

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

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

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

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

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

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

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  This interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the consolidated financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, Leases. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their consolidated financial statements, particularly on the risk exposure to residual value.

  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15.
  When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

  The Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  These amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.
  The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Summary of Significant Accounting Policies

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

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

Short-term investments
Short-term investments are cash placements with original maturities of more than three months but less than one year. Short-term investments with maturities of more than twelve months after the reporting period are presented under noncurrent assets.

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 sale 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 AFS financial assets, as appropriate. Financial liabilities, on the other hand, are classified as financial liability at FVPL and other financial liabilities, as appropriate. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at each end of the reporting period.

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

As at December 31, 2016 and 2015, the Group has no financial assets classified as HTM investments.

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

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

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

As at December 31, 2016 and 2015, the Group's financial assets and liabilities at FVPL consist of derivative assets and derivative liabilities.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within twelve (12) months from the end of the reporting period. Otherwise, these are classified as noncurrent assets. As at December 31, 2016 and 2015, the Group's loans and receivables consist of "Cash and cash equivalents", "Short-term investments", "Receivables" and "Others" under "Other noncurrent assets".

AFS Financial Assets
AFS financial assets include investments in equity and debt securities. Equity investments classified as AFS financial assets are those which are neither classified as held for trading nor designated as 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 (loss) on AFS financial assets" until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss, or determined to be impaired, at which time the cumulative loss is reclassified to the profit or loss and removed from OCI.

The Group evaluates its AFS financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances.

Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the HTM category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

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

As at December 31, 2016 and 2015, the Group's AFS financial asset pertains to its investment in equity securities.

Other Financial Liabilities
Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the Group's profit or loss when the liabilities are derecognized as well as through the amortization process.
As at December 31, 2016 and 2015, other financial liabilities consist of "Accounts payable and accrued liabilities", "Bank loans" and "Long-term debt and other interest-bearing liabilities".

<u>Fair Value Measurement</u>
The Group measures financial instruments, such as AFS financial assets, derivative assets and liabilities, and long-term debt and other interest-bearing liabilities at fair value at each end of the reporting period. Fair values of financial instruments measured at amortized cost are disclosed in Note 28.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefit by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

- In the principal market for the asset or liability, or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

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

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

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

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position 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. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

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

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

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

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

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

AFS Financial Assets
For AFS financial assets, the Group assesses at each end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as twenty percent (20%) or more and "prolonged" as greater than twelve (12) months for quoted equity securities. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized on that investment is removed from OCI and recognized in profit or loss. Impairment losses on equity investments are not reversed through the profit or loss. Increases in the fair value after impairment are recognized directly in OCI.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial Assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or

- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

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

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

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

For the purpose of hedge accounting, hedges are classified as:
a. Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability; or
b. Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecast transaction; or
c. Hedges of a net investment in a foreign operation.

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

Embedded Derivatives
An embedded derivative is separated from the host financial or nonfinancial contract and accounted for as a derivative if all of the following conditions are met:
- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The hybrid or combined instrument is not recognized as at FVPL.

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

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL. Changes in fair values are included in profit or loss. As at December 31, 2016 and 2015, the Group recognized bifurcated derivative assets and derivative liabilities arising from the provisionally priced commodity sales contracts.

Convertible Loans Payable and Long-term Debt
Convertible loans payable and long-term debt denominated in the functional currency of the Group are regarded as compound instruments, consisting of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt and is recorded within borrowings.

The difference between the proceeds of issue of the convertible bond and the fair value assigned to the liability component representing the embedded option to convert the liability into equity of the Group is included in the consolidated statement of changes of equity.

When the embedded option in convertible loans payable and long-term debt is denominated in a currency other than the functional currency of the Group, the option is classified as a derivative liability. The option is valued at 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 loans and long-term debt where appropriate based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity. The interest expense on the liability component is calculated by applying the EIR for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loans payable and long-term debt.

Borrowing Costs
Borrowing costs are interest and other costs that the Group incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Capitalization of borrowing

costs commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its estimated recoverable amount, an impairment loss is recorded.

When funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. When surplus funds are temporarily invested, the income generated from such temporary investment is deducted from the total capitalized borrowing cost. When the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Inventories
Mine products inventory, which consists of copper concentrates containing copper, gold and silver, and materials and supplies are valued at the lower of cost and net realizable value (NRV). NRV for mine products is the selling price in the ordinary course of business, less the estimated costs of completion and costs of selling the final product. In the case of materials and supplies, NRV is the value of the inventories when sold at their condition at each end of the reporting period.

Cost is determined using the following methods:

Copper Concentrates and Beneficiated Nickel Silicate Ore
The cost of copper concentrate containing copper, gold and silver and beneficiated nickel ore or nickeliferous laterite ore are determined using the moving average mining and milling and comprise of materials and supplies, depreciation, depletion and amortization, personnel costs and other cost that are directly attributable in bringing the copper concentrates and beneficiated nickel ore or nickeliferous laterite ore in its saleable condition. NRV for copper concentrates and beneficiated nickel ore or nickeliferous laterite ore is the fair value less cost to sell in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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

The Group determines the NRV of inventories at each end of the reporting period. If the cost of the inventories exceeds its NRV, the asset is written down to its NRV and impairment loss is recognized in the consolidated statement of comprehensive income in the period the impairment is incurred. In case the NRV of the inventories increased subsequently, the NRV will increase carrying amount of inventories but only to the extent of the impairment loss previously recognized.

Other Current and Noncurrent Assets
Other current assets are composed of deposits and advances to suppliers, prepaid taxes, other prepayments and derivative asset. Other noncurrent assets are composed of input VAT, deferred

mine exploration costs, mine rehabilitation fund (MRF) and others. Assets are classified as current when it is probable to be realized or consumed within one (1) year from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

Input VAT
Input VAT represents the VAT imposed on the Group by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations. Deferred input VAT represents input VAT on purchase of capital goods exceeding one (1) million pesos. The related input VAT is recognized over five (5) years or the useful life of the capital goods, whichever is shorter. The input VAT is recognized as an asset and will be used to offset against the Group's current output VAT liabilities and any excess will be claimed as tax credits. Input VAT is stated at cost less allowance for impairment.

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

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

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

	Number of Years
Roadways and bridges	5 - 40
Buildings and improvements	5 - 25
Machinery and equipment	3 - 20
Transportation equipment	5 - 7
Furniture and fixtures	5

In 2016, the Group performed a technical evaluation and reassessed the useful life of certain machineries and equipment which includes mill and plant equipment with an original estimated useful life of 3 to 12 years and changed it to 20 years. The reassessment was considered as a change in accounting estimate and was appropriately made on the basis of new information that arose from technical evaluation performed as of December 31, 2016.

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

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

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.

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

A portion of land is measured at fair value at the date of revaluation. Valuations are performed with sufficient frequency to ensure that carrying amount of revalued asset does not differ materially from its fair value. The net appraisal increment resulting from the revaluation of land was credited to the "Revaluation increment on land" account shown under the equity section of the consolidated statement of financial position. Any appraisal decrease is first offset against revaluation increment on earlier revaluation. The revaluation increment pertaining to disposed land is transferred to the "Retained earnings" account.

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

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

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

Deferred Stripping Costs
Stripping costs incurred in the development of a mine before production commences are capitalized as part of the cost of constructing the mine (under construction in-progress) and subsequently amortized over the estimated life of the mine on a units-of-production basis. Where a mine operates several open pit that are regarded as separate operations for the purpose of mine planning, stripping costs are accounted for separately by reference to the ore from each separate

pit. If, however, the pits are highly integrated for the purpose of the mine planning, the second and subsequent pits are regarded as extensions of the first pit in accounting for stripping costs. In such cases, the initial stripping (i.e., overburden and other waste removal) of the second and subsequent pits is considered to be production phase stripping relating to the combined operation.

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

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

Expenditures for mine exploration work prior to drilling are charged to operations. When it has been established that a mineral deposit is commercially mineable and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized. Upon the start of commercial operations, such costs are transferred to “Mine and mining properties” under “Mine development costs”.

Capitalized amounts may be written down if future cash flows, including potential sales proceeds related to the property, are projected to be less than the carrying value of the property. If no mineable ore body is discovered, capitalized acquisition costs are expensed in the period in which it is determined that the mineral property has no future economic value.

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

Mining Rights
Mining rights are identifiable intangible assets acquired by the entity to explore, extract, and retain at least a portion of the benefits from mineral deposits. A mining right shall be recognized if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

The cost of a separately acquired mining right comprises: (a) its purchase price and non-refundable purchase taxes; and (b) any directly attributable cost of preparing the asset for its intended use. Mining rights acquired through business combination is initially valued at its fair value at the acquisition date. The fair value of a mining right will reflect expectations about the probability that the expected future economic benefits embodied in the asset will flow to the entity.

Mining rights shall be subsequently depleted using the units-of-production method based on estimated recoverable reserves in tonnes or legal right to extract the minerals, whichever is shorter. Depletion shall begin when the asset is available for use and shall cease at the earlier of the date that the asset is classified as held for sale in accordance with PFRS 5 and the date that the asset is derecognized. The depletion expense for each period shall be recognized in profit or loss.

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

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the fair value of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognized in profit or loss.

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

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

Investments in Associates
Associates are entities over which the Group is able to exert significant influence. Significant influence is the power to participate in the financial and reporting policy decisions of the investee, but has no control or joint control over those policies. The consideration made in determining significant influence is similar to those necessary to determine control activities. The Group's investments in associates are accounted for using the equity method, less any impairment in value, in the consolidated statement of financial position.

The consolidated statement of income reflects the Group's share of the results of operations of the associates. When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associate. The aggregate of the Group's share in profit or loss of an associate is shown in the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and NCI in the subsidiaries of the associate.

The financial statements of the associates are prepared for the same reporting period and using uniform accounting policies as the Group. When necessary, adjustments are made to bring the accounting policies of the associates in line with those of the Group.

Impairment of Nonfinancial Assets

Inventories

The Group determines the NRV of inventories at each end of the reporting period. If the cost of the inventories exceeds its NRV, the asset is written down to its NRV and impairment loss is recognized in the consolidated statement of comprehensive income in the period the impairment is incurred. In case the NRV of the inventories increased subsequently, the NRV will increase the carrying amount of inventories but only to the extent of the impairment loss previously recognized.

Property, Plant and Equipment and Mining Rights

Property, plant and equipment and mining rights, except land, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or CGUs is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's or CGU's fair value less cost to sell and value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a large CGU. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value-in-use is the present value, using a pre-tax discount rate, of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Impairment losses are recognized in the consolidated statement of comprehensive income.

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

Deferred Mine Exploration Costs

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

Exploration assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the following conditions is met:

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or

- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

Goodwill
Goodwill is reviewed for impairment annually. Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount to which goodwill has been allocated, an impairment loss is recognized. Where goodwill forms part of CGU (or groups of CGUs) and part of the operations 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 on the basis of the relative fair values of the operation disposed of and the portion of the CGU retained. Impairment losses relating to goodwill cannot be reversed in the future periods.

Investments in Associates
After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss as "Share of profit of an associate" in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Other Nonfinancial Assets
The Group provides allowance for impairment losses on other nonfinancial assets when they can no longer be realized. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease other nonfinancial assets.

<u>Foreign Currencies</u>
The Group's consolidated financial statements are presented in Philippine Peso, which is also the functional currencies of the Parent Company, associates and subsidiaries except CCC. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and Balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Group Companies
On consolidation, the assets and liabilities of foreign operations are translated into Philippine Peso at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the weighted average exchange rates of the year. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in profit or loss.

<u>Leases</u>
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.

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

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

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

Deferred Tax
Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts 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 end of the reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized before their reversal or expiration. Unrecognized deferred income tax assets are reassessed at each end of the reporting period and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax assets to be recovered.

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

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

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

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

The cost of equity-settled transactions, together with a corresponding increase in equity, is recognized over the period in which the performance and/or service conditions are fulfilled ending on the date on which the employees become fully entitled to the award ("Vesting date"). The cumulative expense recognized for equity-settled transactions at each end of the reporting period up to and until the Vesting date reflects the extent to which the vesting period has expired, as well as the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for the period represents the movement in cumulative expense recognized at the beginning and end of that period. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which awards are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. An additional expense is likewise recognized for any modification which increases the total fair value of the share-based payment arrangement or which is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. If a new award, however, is substituted for the cancelled awards and designated as a replacement award, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Capital Stock and Additional Paid-in Capital (APIC)
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.

Treasury Shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in share premium. Share options exercised during the reporting period are satisfied with treasury shares.

Retained Earnings

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

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

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

OCI

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

Revenue Recognition

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

Copper, Gold and Silver Concentrate Sales

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

The terms of metal in concentrate sales contracts with third parties contain provisional pricing arrangements whereby the selling price for metal in concentrate is based on prevailing LME spot prices on a specified future date after shipment to the customer (the "Quotation Period"; QP). Adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement. The period between provisional invoicing and final settlement can be between one (1) to six (6) months. The provisionally priced sales of metal in concentrate contain an embedded derivative, which is required to be separated from the host contract for accounting purposes. The host contract is the sale of metals in concentrate while the embedded derivative is the forward contract for which the provisional sale is subsequently adjusted. The embedded derivative, which does not qualify for hedge accounting, is recognized at fair value, with subsequent changes in the fair value recognized in profit or loss until final settlement, and presented as “Unrealized gain (loss) on derivative assets (liabilities)”. Changes in fair value over the Quotation Period and up until final settlement are estimated by reference to forward market prices for copper, gold and silver.

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

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

Interest Income
Interest income is recognized as the interest accrues using the EIR method.

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

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

Business Segment
For management purposes, the Group is organized into two (2) major operating segments (mining and non-mining businesses) according to the nature of products and the services provided with each segment representing a strategic business unit that offers different products and serves different markets. The entities are the basis upon which the Group reports its primary segment information. Financial information on business segments is presented in Note 25.

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

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

Provisions

General

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

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

Liability for Mine Rehabilitation Cost

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

The liability is reviewed on an annual basis for changes to obligations or legislation or discount rates that affect change in cost estimates or life of operations. The cost of the related asset is adjusted for changes in the liability resulting from changes in the estimated cash flows or discount rate, and the adjusted cost of the asset is depleted prospectively.

When rehabilitation is conducted progressively over the life of the operation, rather than at the time of closure, liability is made for the estimated outstanding continuous rehabilitation work at each end of the reporting period and the cost is charged to the consolidated statement of comprehensive income.

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

Employee Benefits

The net defined retirement benefits liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling.

The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

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

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

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

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

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

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

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

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

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

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

Determination of Functional Currency
The Parent Company and most of its subsidiaries, based on the relevant economic substance of the underlying circumstances, have determined their functional currency to be the Philippine Peso. CCC's functional currency is US$. In making this judgment, each entity in the Group considered the following:
a. The currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales price for its financial instruments and services are denominated and settled.);
b. The currency in which funds from financing activities are generated; and
c. The currency in which receipts from operating activities are usually retained.

Determination of Control
The Group 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 Group controls an entity if and only if the Group 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 Group's returns.

Assessing Existence of Significant Influence
In assessing whether significant influence still exists, the Group considered not only its percentage ownership but other factors such as Board seat representations it has in the associate's governing body and its interchange of managerial personnel with the associate, among others. As at December 31, 2016 and 2015, the Group assessed that it has significant influence over the Nickel Corporation and has accounted for the investments as investments in associates. The Group has the ability to participate in the financial and reporting decisions of the investee, but has no control or joint control over those policies (see Note 12).

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

Bill and hold sales in 2016, 2015, and 2014 amounted to ₱324,952, nil and ₱1,170,197, respectively.

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

Financial assets of the Group are classified into the following categories:
- Financial assets at FVPL
- Loans and receivables
- AFS financial asset

Financial liabilities of the Group, on the other hand, are classified into the following categories:
- Financial liabilities at FVPL
- Other financial liabilities

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

Operating Lease Commitments - Group as a Lessee
The Group has entered into leases of office, commercial spaces and land. The Group has determined that all significant risks and rewards of ownership of these spaces remain with the lessors due to the following:
a. The ownership of the asset does not transfer at the end of the lease term;
b. The Group has no option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
c. The lease term is not for the major part of the economic life of the asset even if title is not transferred; and

d. At the inception of the lease, the present value of the minimum lease payments does not amount to at least substantially all of the fair values of the leased assets.

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

Assessing 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 ore in saleable form; and
- Ability to sustain ongoing production of ore.

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

Units-of-production Depreciation/Depletion
Estimated recoverable reserves are used in determining the depreciation/depletion of mine specific assets. This results in a depreciation/depletion charge proportional to the depletion of the anticipated remaining mine life. Each item's life, which is assessed annually, has regard to both physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. The calculations require the use of estimates of future capital expenditure. The Group uses the tonnes of ore produced as the basis for depletion or depreciation. Any change in estimates is accounted for prospectively. Average depletion rate used by CCC in 2016, 2015, and 2014 are 2.21%, 2.39% and 4.35%, respectively.

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

Estimating Fair Value of Financial Assets and Financial Liabilities
PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of accounting judgment and estimates. While significant components of fair value measurement are determined using verifiable objective evidence (e.g., foreign exchange rates, interest rates and volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and financial liabilities would directly affect net income or loss (see Note 28).

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 EIR. The determination of impairment requires the Group to estimate the future cash

flows based on certain assumptions, as well as to use judgment in selecting an appropriate rate in discounting. In addition, the Group considers factors such as the Group's length of relationship with the customers and the customers' current credit status to determine the amount of allowance that will be recorded in the receivables account. The Group uses specific impairment on its loans and receivables. The amount of loss is recognized in profit or loss with a corresponding reduction in the carrying value of the loans and receivables through an allowance account.

Allowance for impairment losses on receivables amounted to ₱31,122 and ₱29,359 as at December 31, 2016 and 2015, respectively. Receivables, net of allowance for impairment losses, amounted to ₱678,989 and ₱677,620 as at December 31, 2016 and 2015, respectively (see Note 5).

Estimating Decline in Value of Mine Products Inventory
The NRV of mine products inventory is the estimated fair value less cost of selling final product in the ordinary course of business. The selling price estimation of mine products inventory is based on the LME, which also represents an active market for the product. CCC concurrently uses the prices as agreed with MRI Trading AG (MRI), Philippine Associated Smelting and Refining Corporation (PASAR), Samsung C & T Hongkong Ltd., Louis Dreyfus Commodities, Metals Suisse SA, Yanggu Xiangguang and Cliveden Trading, AG 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.

As at December 31, 2016 and 2015, the cost of mine products inventory is lower than its NRV. No allowance for decline in value of mine products inventory was recognized as at December 31, 2016 and 2015. Mine products inventory amounted to ₱185,226 and ₱216,113 as at December 31, 2016 and 2015, respectively (see Note 7).

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 ₱381,049 and ₱335,243 as at December 31, 2016 and 2015, respectively, had been fully provided with an allowance for impairment losses (see Note 7).

Inventories at lower of cost and NRV, amounted to ₱1,690,524 and ₱2,212,668 as at December 31, 2016 and 2015, respectively (see Note 7).

Estimating Mineral Reserves and Resources
Mineral reserves and resources estimates for development projects are, to a large extent, based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of costs based upon anticipated tonnage and grades of ores to be mined and processed, the configuration of the ore body, expected recovery rates from the ore, estimated operating costs, estimated climatic conditions and other factors. Proven reserve 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 for 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.

The carrying value of mining properties and mining rights, included in property, plant and equipment as presented in the consolidated statement of financial position amounted to ₱9,402,340 and ₱9,556,831 as at December 31, 2016 and 2015, respectively (see Notes 9 and 10).

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

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

Management performed its annual impairment test as at December 31, 2016 and 2015. The recoverable amount of the CGU has been determined based on a value calculation using cash flow projections from financial budgets approved by management covering the mine life of the CGU.

The calculation of value-in-use for the CGU incorporates the following key assumptions: a) commodity prices which are estimated with reference to external market forecasts; b) volume of resources and reserves; c) capital expenditures and production and operating costs which are based on the Group's historical experience; and d) pre-tax discount rate of 12.39%. Based on the management's assessment, no impairment loss on goodwill needs to be recognized as at December 31, 2016 and 2015 (see Note 10).

Estimating Useful Lives of Property, Plant and Equipment Except Land
The useful lives of property, plant and equipment are estimated based on the period over which these assets are expected to be used. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. Any reduction in the estimated useful lives of property, plant and equipment would increase the Group's recorded costs and expenses and decrease noncurrent assets. The estimated useful life (EUL) of mill and plant equipment were reviewed by the Group's experienced, qualified and certified engineers resulting to adjustment in EUL. The changes in the EUL of the assets were applied prospectively and resulted to a decrease in depreciation expense in 2016 until 2028 amounting ₱383,567 annually. The net book values of property, plant and equipment amounted to ₱35,757,800 and ₱34,352,936 as at December 31, 2016 and 2015, respectively (see Note 9).

Determining Appraised Value of Land
The appraised value of land is based on a valuation by an independent appraiser firm, which management believes holds a recognized and relevant professional qualification and has recent

experience in the location and category of the land being valued. The appraiser firm used the market data approach in determining the appraised value of land. As at December 31, 2016 and 2015, the fair value of the land amounted to ₱430,616 based on the latest valuation obtained in 2015.

Estimating Impairment of Property, Plant and Equipment and Mining Rights
PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the value of property, plant and equipment and mining rights, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, further requires the Group to make estimates and assumptions that can materially affect the Group's consolidated financial statements. Future events could cause the Group to conclude that the property, plant and equipment and mining rights are impaired. Any resulting impairment loss could have a material adverse impact on the Group's financial condition and results of operations. The Group recognized provision for fixed asset write-down on specific machinery and equipment amounting to nil in 2016 and 2015, and ₱5,944 in 2014, (see Notes 9 and 19).

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 ₱24,143,215 and ₱15,079,428 as at December 31, 2016 and 2015 (see Note 9).

Mine development costs include "Mine and mining properties", "Development costs" and "Mine rehabilitation costs" in the property, plant and equipment account in the consolidated statement of financial position. An impairment loss is recognized when the carrying value of those assets is not recoverable and exceeds its fair value.

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

The Group reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. An impairment loss is recognized when the carrying values of these assets are not recoverable and exceed their fair value. In 2016 and 2015, there was no impairment loss on the Group's deferred mine exploration costs (see Note 13).

Estimating Realizability of Deferred Tax Assets
The Group reviews the carrying amounts of deferred tax assets at each end of the reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized. As at December 31, 2016 and 2015, the Group has deductible temporary differences, NOLCO and excess MCIT amounting to ₱1,499,649 and ₱1,306,798, respectively (see Note 23c), for which

deferred tax asset was recognized. As at December 31, 2016 and 2015, deferred tax assets amounting to ₱2,150,288 and ₱1,270,585 were recognized as management believes that sufficient future taxable profits will be available against which benefits of deferred income tax assets can be utilized (see Note 23d).

Estimating Impairment of Nonfinancial Assets and Investments in Associates
The Group determines whether its investments in associates and other nonfinancial assets are impaired at least on an annual basis. This requires an estimation of recoverable amount, which is the higher of an asset's or CGU's fair value less cost to sell and value-in-use. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and to choose an appropriate discount rate in order to calculate the present value of those cash flows. Estimating the fair value less cost to sell is based on the information available to reflect the amount that the Group could obtain as at the end of the reporting period.
In determining this amount, the Group considers the outcome of recent transactions for similar assets within the same industry. The Group recognized allowance for possible losses on input VAT amounting to ₱206,833 and ₱136,677 as at December 31, 2016 and 2015, respectively (see Note 13).

Estimating Retirement Benefits Costs
The cost of defined retirement benefits as well as the present value of the retirement benefits liability are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future retirement increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit retirement liability are highly sensitive to changes in these assumptions. All assumptions are reviewed at each end of the reporting period. Retirement benefits liability amounted to ₱284,109 and ₱333,844 as at December 31, 2016 and 2015, respectively. Retirement benefits costs amounted to ₱73,375, ₱161,274 and ₱134,545 in 2016, 2015 and 2014, respectively (see Note 22).

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

Further details about the assumptions used are provided in Note 22.

Estimating Liability for Mine Rehabilitation Cost
The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the liability for mine rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated statement of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognized as part of an asset measured in accordance with PAS 16. Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss. If the change in estimate results in an increase in the rehabilitation liability and therefore an addition to the carrying value of the asset, the entity is required to consider whether this is an indication of impairment of the

asset as a whole and test for impairment in accordance with PAS 36. Also, rehabilitation obligations that arose as a result of the production phase of a mine should be expensed as incurred. Liability for mine rehabilitation cost recognized as at December 31, 2016 and 2015 amounted to ₱53,266 and ₱48,172, respectively (see Note 16).

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 2016, 2015 and 2014.

Measurement of Mine Products Sales
Mine products sales are provisionally priced as 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 metal 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 ₱10,924,490, ₱9,935,083 and ₱14,876,748 in 2016, 2015 and 2014, respectively (see Note 6).

4. **Cash and Cash Equivalents**

	2016	2015
Cash on hand	**₱1,517**	₱1,851
Cash in banks	**1,644,849**	470,186
Short-term investments	**772,503**	40,000
	₱2,418,869	₱512,037

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

Interest income earned from cash in banks amounted to ₱4,034, ₱3,217 and ₱1,525 in 2016, 2015 and 2014, respectively.

Short-term Investments
A portion of the proceeds from the issuance of the Bonds Payable was put in multiple time deposit accounts that have a five-year maturity period reckoned from the date of placement and can be terminated anytime. Such deposits are classified as short-term investments in the consolidated statements of financial position amounting to ₱646,360 and ₱611,789 as at December 31, 2016 and 2015, respectively. Interest income earned from short-term investments amounted to ₱38,124, ₱33,965 and ₱55,039 in 2016, 2015 and 2014, respectively. Interest receivable amounted to ₱141,024 and ₱106,437 as at December 31, 2016 and 2015, respectively (see Note 5).

The Group has US$-denominated cash in banks amounting to US$35,816 and US$5,490 as at December 31, 2016 and 2015, respectively. The Group has Japanese Yen (JP¥)-denominated cash in banks amounting to JP¥1,372 and JP¥1,066 as at December 31, 2016 and 2015, respectively. The Group has Great Britain Pound (GB£)-denominated cash in banks amounting to GB£139 as at

December 31, 2016 and 2015 (see Note 27).

5. Receivables

	2016	2015
Trade	**₱276,367**	₱385,724
Nontrade	**73,726**	62,577
Interest (Note 4)	**141,024**	106,437
Receivables from:		
Related parties (Note 21a)	**202,447**	133,340
Officers and employees (Note 21b)	**16,547**	18,901
	710,111	706,979
Less allowance for impairment losses	**(31,122)**	(29,359)
	₱678,989	₱677,620

The Group's trade receivables arise from its shipments of copper, gold, silver and magnetite to customers under several agreements.

Nontrade receivables comprise mainly of receivables from contractors and suppliers, while receivables from officers and employees pertain to receivables extended by the Group to its officers and employees and unliquidated advances used in the operations of the Group.

Trade receivables are noninterest-bearing and are normally settled on terms ranging from 15 to 30 days. Nontrade and other receivables are noninterest-bearing and are generally collectible on demand. Receivables from officers and employees are noninterest-bearing and are subject to liquidation. Unliquidated receivables from officers and employees are collectible on demand.

Most of the receivables of the Group consist of individually significant accounts and were therefore subject to the specific impairment approach. The Group recognized allowance for impairment losses amounting to ₱31,122 and ₱29,359 as at December 31, 2016 and 2015, respectively, covering those receivables specifically identified as impaired. Receivables which were not individually significant and individually significant loans for which no specific impairment were assessed and were subjected to collective assessment. Based on the assessment done, the Group has not recognized any provision for receivables which were assessed collectively. Provision for impairment losses on receivables amounting to ₱1,763, ₱264 and nil were recognized by the Group in 2016, 2015 and 2014, respectively.

Movements of allowance for impairment losses are as follows:

	2016	2015
Balances at beginning of year	**₱29,359**	₱29,095
Provision for impairment loss (Note 20)	**1,763**	264
Balances at end of year	**₱31,122**	₱29,359

The Group has US$-denominated receivables amounting to US$8,432 and US$16,936 as at December 31, 2016 and 2015, respectively (see Note 27).

6. **Pricing Agreements, Hedging and Derivative Financial Instruments**

Hedging Objectives
The Group applies a mix of pricing agreements, natural hedges, and both freestanding and embedded derivatives in managing risks such as commodity price, foreign exchange and interest rate risks. In 2016 and 2015, the Group, through CCC, has freestanding commodity option agreements, while embedded derivatives include provisional pricing in shipment contracts. The Group has not designated any of these derivatives as accounting hedges. The Group has accounted for its derivatives at fair value and any changes in the fair value is recognized in profit or loss.

Pricing Agreements
MRI, Cliveden, Yangu Xiangguang Copper Co., Ltd. and PASAR
In the normal course of selling its copper concentrate, the Group entered into (i) several contracts of purchase with MRI ("MRI Contract") in 2015 and prior years, (ii) several contracts of purchase with Cliveden ("Cliveden Contract") in 2015, (iii) one (1) contract of purchase with Yangu Xiangguang Copper ("XGC Contract"), in 2016 (collectively, the "Copper Contracts"), and (iv) several contracts of purchase with PASAR ("PASAR Contract") effective in 2016 whereby it agreed to sell a fixed volume of copper concentrate based on LME prices (as published in the Metal Bulletin) and as averaged over the QP as defined in the MRI Contract, Cliveden Contract, XGC Contract and PASAR Contract.

The quality and quantity of the copper concentrate sold is determined through a sampling weight and assay analysis by an appointed independent surveyor. Under the Copper Contracts, CCC and MRI or Cliveden or Yangu Xiangguang Copper have the option to price-fix in advance of the QP the payable copper contents of the concentrate to be delivered, subject to adjustments during the QP. If the option to price-fix prior to the QP is exercised, (i) the fixed price and the volume to which the fixed price applies will be confirmed in writing by the parties, and (ii) with respect to sales of copper concentrate to MRI, an addendum to the MRI Contract will be executed to confirm the actual volume of the copper shipped based on the fixed price.

On April 14, 2014, CCC executed an addendum to its January 2014 Offtake Agreement with MRI (the "2014 Offtake Contract") to confirm, among others, (i) the increase in the quantity of MRI's copper concentrate offtake allotment by 80,000 dry metric tons (DMT) (the "Additional Offtake"), and (ii) the deposit of US$30.0 million with respect to the Additional Offtake.

On December 1, 2014, CCC executed another addendum to the 2014 Offtake Contract to provide for the terms of the additional deposit of US$30.0 million in respect to the Additional Offtake (see Note 14).

On January 7, 2015, CCC executed an addendum to its January 2014 Offtake Contract with MRI to confirm, among others, (i) the increase in the quantity of MRI's copper concentrate offtake allotment by another 50,000 dry metric tons (DMT) (the "Additional Offtake-2"), and (ii) the deposit of US$30.0 million with respect to the Additional Offtake-2. Outstanding balance as of December 31, 2016 is $2.50 million (see Note 14).

Freestanding Derivatives
Provisional Pricing
Based on CCC's pricing agreements with MRI, Cliveden, Yangu Xiangguang Copper and PASAR, the copper sales will be provisionally priced at shipment subject to price and quantity adjustment after the QP. Under the Copper Contracts, CCC with the consent of MRI, Cliveden,

Yangu Xiangguang Copper and PASAR can price fix the copper shipments before the QP. Copper sales that were not subject to price fixing are assessed as having embedded derivatives that are not clearly and closely related, and once the commodities have been delivered, it must be bifurcated on the delivery date or once the shipment is considered sold (in case of bill and hold sales). The Group, through CCC, recognized an unrealized loss and gain on the related derivative liabilities and assets amounting to ₱27,986 and ₱4,873, respectively on its deliveries in 2016 and an unrealized loss and gain on the related derivative liabilities and assets amounting to ₱2,459 and ₱56, respectively on its deliveries in 2015.

Commodity Swap Transaction
On November 15, 2016, CCC entered into a Copper Asian Swap transaction with Standard Chartered Bank fixing the copper price at US$5,570 per metric tonne for a total notional quantity of 5,200 metric tonnes or a notional quantity of 1,300 metric tonnes for each calendar month from January 1, 2017 to April 30 2017. The settlement will be five (5) business days following the end of each calendar month based on the official settlement price (seller) for copper-LME cash (as determined by the LME) following the close of the 2nd ring in the first session.
On December 31, 2016, CCC has recognized an unrealized gain amounting to ₱6,982.

Prepayment Option
Bonds Payable
On March 16, 2012, CCC completed the issuance of US Dollar-denominated fixed-rate notes representing $300 million of CCC's senior unsecured debt with a tenor of five (5) years and five (5) days (the "Bonds Payable"). The Bonds Payable, which were issued at the price of 98.95% of face value, will pay interest semi-annually every 21st of March and September at the rate of 6.5% and will carry a yield to maturity of 6.75%. The Bonds Payable contains an equity clawback option that allows CCC to redeem up to 35% of the Bonds Payable at any time prior to March 21, 2015, at a redemption price of 106.5% of the principal amount plus accrued and unpaid interest with the net proceeds of an equity offering. The Bonds Payable also have an identified call option as they may be redeemed fully prior to maturity at a redemption price equal to 100% of the principal amount plus applicable premium and accrued and unpaid interest (see Note 15).

On March 21, 2015, CCC did not exercise its option to redeem 35% of the Bonds Payable at 106.5%. Hence, no derivative asset was recognized on account of CCC's right to redeem 100% of the notes since the redemption value is equal to the amortized cost.

7. Inventories

This account consists of:

	2016	2015
At cost:		
Mine products	**₱185,226**	₱216,113
Materials and supplies	**1,505,298**	1,996,555
At NRV:		
Materials and supplies and others	**–**	–
	₱1,690,524	₱2,212,668

Mine Products
Mine products include copper concentrate containing gold and silver and beneficiated nickel ore. The cost of mine products includes depreciation and depletion of property, plant and equipment (see Note 9).

Materials and Supplies
Materials and supplies consist of consumable items and spare parts. Cost of materials and supplies of the Group carried at NRV amounting to ₱381,049 and ₱335,243 as at December 31, 2016 and 2015, respectively, are fully provided with allowance for impairment losses. Mine products are measured at cost, which is lower than NRV. Materials and supplies are stated at NRV which is lower than cost.

The cost of inventories recognized as expense amounted to ₱3,222,626, ₱3,470,881 and ₱4,479,583 in 2016, 2015 and 2014, respectively (see Note 19).

8. Other Current Assets

This account consists of:

	2016	2015
Deposits and advances to suppliers	**₱278,532**	₱446,412
Prepaid taxes and other prepayments	**162,866**	36,908
Derivative asset (Note 6)	**12,409**	56
	₱453,807	₱483,376

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

Prepaid taxes and other prepayments includes prepaid fees and taxes that were paid by CCC for the benefit of the next period's operations and creditable withholding taxes that will be used for CCC's income tax payable in 2016.

9. Property, Plant and Equipment

The composition of and movement of this account follow:

December 31, 2016:

	At Cost									
	Land	Mine Development Costs	Roadways and Bridges	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Construction In-progress	Total	At Revalued Amount Land
Revalued amount/cost:										
Balances at beginning of year	₱73,929	₱16,972,396	₱223,867	₱2,363,065	₱14,709,917	₱173,334	₱13,021	₱8,625,189	₱43,154,718	₱430,616
Additions	–	–	–	2,134	–	–	105	1,930,576	1,932,815	–
Reclassifications	–	9,174,018	–	–	1,075,882	5,390	–	(10,255,290)	–	–
Disposals	–	–	–	–	–	(12,743)	–	–	(12,743)	–
Retirement	–	–	–	(3,625)	(400,736)	(8,617)	(1,492)	–	(414,470)	–
Revaluation increment on land	–	–	–	–	–	–	–	–	–	–
Cumulative translation adjustment	787	1,011,605	17,248	153,544	944,325	13,547	139	487,583	2,628,778	–
Balances at end of year	74,716	27,158,019	241,115	2,515,118	16,329,388	170,911	11,773	788,058	47,289,098	430,616
Accumulated depreciation, depletion and amortization:										
Balances at beginning of year	–	1,892,968	150,899	649,753	5,866,459	120,010	7,323	–	8,687,412	–
Depreciation, depletion and amortization (Notes 7, 19 and 20)	–	952,678	15,814	203,332	1,187,990	25,875	1,074	–	2,386,763	–
Disposals	–	–	–	–	–	(10,920)	–	–	(10,920)	–
Retirement	–	–	–	(3,125)	(400,736)	(8,617)	(1,469)	–	(413,947)	–
Cumulative translation adjustment	–	169,158	13,861	66,214	506,330	11,918	139	–	767,620	–
Balances at end of year	–	3,014,804	180,574	916,174	7,160,043	138,266	7,067	–	11,416,928	–
Allowance for asset write-downs:										
Balances at beginning and end of year	–	–	–	–	114,370	–	–	–	114,370	330
Net book values	₱74,716	₱24,143,215	₱60,541	₱1,598,944	₱9,054,975	₱32,645	₱4,706	₱788,058	₱35,757,800	₱430,286

December 31, 2015:

	At Cost									
	Land	Mine Development Costs	Roadways and Bridges	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Construction In-progress	Total	At Revalued Amount Land
Revalued amount/cost:										
Balances at beginning of year	₱73,236	₱16,081,366	₱208,694	₱2,225,968	₱13,302,047	₱156,768	₱16,536	₱4,275,972	₱36,340,587	₱315,888
Additions	–	–	–	–	42	–	6	4,787,021	4,787,069	–
Reclassifications	–	1,155	–	2,004	735,280	6,604	–	(745,043)	–	–
Disposals	–	–	–	–	–	(1,948)	(103)	–	(2,051)	–
Retirement	–	–	–	–	(143,939)	–	(3,540)	–	(147,479)	–
Revaluation increment on land	–	–	–	–	–	–	–	–	–	114,728
Cumulative translation adjustment	693	889,875	15,173	135,093	816,487	11,910	122	307,239	2,176,592	–
Balances at end of year	73,929	16,972,396	223,867	2,363,065	14,709,917	173,334	13,021	8,625,189	43,154,718	430,616
Accumulated depreciation, depletion and amortization:										
Balances at beginning of year	–	1,087,484	106,190	408,598	3,979,514	84,444	9,942	–	5,676,172	–
Depreciation, depletion and amortization (Notes 7, 19 and 20)	–	708,107	33,751	194,595	1,547,109	27,612	861	–	2,512,035	–
Disposals	–	–	–	–	–	(1,127)	(62)	–	(1,189)	–
Retirement	–	–	–	–	(29,898)	–	(3,540)	–	(33,438)	–
Cumulative translation adjustment	–	97,377	10,958	46,560	369,734	9,081	122	–	533,832	–
Balances at end of year	–	1,892,968	150,899	649,753	5,866,459	120,010	7,323	–	8,687,412	–
Allowance for asset write-downs:										
Balances at beginning and end of year	–	–	–	–	114,370	–	–	–	114,370	330
Net book values	₱73,929	₱15,079,428	₱72,968	₱1,713,312	₱8,729,088	₱53,324	₱5,698	₱8,625,189	₱34,352,936	₱430,286

Construction in-progress consists mainly of expenditures for Waste Stripping and Hill 3 project. Stripping has to be done to expose the ore body while Hill 3 project is intended for the stabilization of the slide area. Construction in-progress to improve existing capacity includes cost of various projects at different percentages of completion as at December 31, 2016 and 2015.

Mine development costs consist of the following:

December 31, 2016:

	Mine and Mining Properties	Mine Development Costs	Total
Cost:			
Balances at beginning of year	**₱1,191,641**	**₱15,780,755**	**₱16,972,396**
Reclassifications	**–**	**9,174,018**	**9,174,018**
Cumulative translation adjustment	**71,179**	**940,426**	**1,011,605**
Balances at end of year	**1,262,820**	**25,895,199**	**27,158,019**
Accumulated depletion:			
Balances at beginning of year	**170,296**	**1,722,672**	**1,892,968**
Depletion	**22,774**	**929,904**	**952,678**
Cumulative translation adjustment	**14,524**	**154,634**	**169,158**
Balances at end of year	**207,594**	**2,807,210**	**3,014,804**
Net book values	**₱1,055,226**	**₱23,087,989**	**₱24,143,215**

December 31, 2015:

	Mine and Mining Properties	Mine Development Costs	Total
Cost:			
Balances at beginning of year	₱1,129,025	₱14,952,341	₱16,081,366
Reclassifications	–	1,155	1,155
Cumulative translation adjustment	62,616	827,259	889,875
Balances at end of year	1,191,641	15,780,755	16,972,396
Accumulated depletion:			
Balances at beginning of year	134,702	952,782	1,087,484
Depletion	24,173	683,934	708,107
Cumulative translation adjustment	11,421	85,956	97,377
Balances at end of year	170,296	1,722,672	1,892,968
Net book values	₱1,021,345	₱14,058,083	₱15,079,428

Revaluation Increment on Land
The fair value of the land amounted to ₱430,616 as at December 31, 2016 and 2015 based on the latest valuation obtained in 2015 by the Group. The carrying amount of the land had it been carried using the cost model amounts to ₱96,999 as at December 31, 2016 and 2015.

Fully Depreciated Property, Plant and Equipment
Fully depreciated property, plant and equipment still used by the Group amounted to ₱2,338,025 and ₱2,075,968 as at December 31, 2016 and 2015, respectively. These are retained in the Group's records until they are disposed. No further depreciation and amortization are charged to current operations for these items.

Provision for Asset Write-downs
The provision for asset write-downs represents the net book value of heavy equipment that the Group assessed to be operationally uneconomical amounting to nil in 2016 and 2015, and ₱5,944 in 2014 (see Note 19).

Collaterals
The carrying value of the property, plant and equipment mortgaged as collaterals for various borrowings of the Group amounted to ₱1,451,071 and ₱2,072,430 as at December 31, 2016 and 2015, respectively (see Note 15).

Commitments
The Group has capital expenditure commitments amounting to ₱228,275 and ₱8,469 as at December 31, 2016 and 2015, respectively.

10. Goodwill

The carrying amount of Goodwill:

	2016	2015
CCC	**₱19,011,108**	₱19,011,108
AHI	**15,011**	15,011
	₱19,026,119	₱19,026,119

CCC
As at December 31, 2011, the Group recognized provisional fair values of identifiable assets and liabilities, including a goodwill amounting to ₱25,972,054. In July 2012, the Group finalized the fair values and recognized goodwill amounting to ₱19,011,108.

The adjustments to the provisional amounts resulted into the recognition of mining rights and related deferred tax liability. As a result of the recognition of mining rights and the related deferred tax liability, the Group restated its 2011 consolidated statements of financial position and consolidated statements of comprehensive income to reflect the depletion expense on the mining rights and the related reversal of the deferred tax liability amounting to ₱122,785 and ₱36,835, respectively. The restatement resulted to the recognition of "Mining rights" and "Deferred tax liability" amounting to ₱9,821,424 and ₱2,946,427, respectively, and a decrease in "Retained earnings" amounting to ₱85,950 in the consolidated statements of financial position as at December 31, 2011. The Group recognized depletion of mining rights amounting to ₱188,372, ₱211,546 and ₱398,172 in 2016, 2015 and 2014, respectively. The carrying amount of mining rights amounted to ₱8,347,114 and ₱8,535,486 in 2016 and 2015, respectively. The Group recognized the related reversal of deferred tax liability amounting to ₱56,512, ₱63,464 and ₱119,452 in 2016, 2015 and 2014, respectively.

AHI
On May 11, 2007, the Parent Company's BOD approved the execution and implementation of the Deed of Sale of the Shares of Stock entered into between the Parent Company and Anscor Property Holdings, Inc. (APHI) on the sale to the Parent Company of APHI's 75,005 common shares in AHI or equivalent to 99.99% of AHI's total issued and outstanding shares for ₱77,511. AHI is the holder of rights to certain properties 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 (MOA) entered into by the Parent Company with APHI on May 4, 2006 embodying the mechanics for the Parent Company's acquisition of rights over the AHI properties. At the time of the acquisition, the estimated fair value of the net identifiable assets of AHI, consisting substantially of parcels of land, amounted to ₱62,500, resulted in the recognition of goodwill of ₱15,011 in the consolidated statement of financial position.

No impairment loss on goodwill was recognized in 2016, 2015 and 2014.

<u>Key Assumptions Used in Value in Use Calculations and Sensitivity to Changes in Assumptions</u>
The Group performed its annual impairment test as of December 31, 2016. The CGU are concluded to be entire entities invested in.

The recoverable amount of the CGU has been determined based on a discounted cash flows (DCF) calculation using cash flow projections from financial budgets approved by senior management. The projected cash flows have been developed to reflect the expected mine production over the life of the mine adjusted by the effects of other factors such as inflation rate. The pre-tax discount rate applied to cash flow projections is 12.39%. As a result of this analysis, management concluded that the goodwill are not impaired.

The calculation of DCF and CGU is most sensitive to the following assumptions:
a. Mine production
b. Discount rates
c. Copper prices

a. Mine Production
Mine production projections are based on the thirty three-year work program prepared and developed by the Group's experts submitted to and approved by the Mines and Geosciences Bureau (MGB). The work program is updated regularly and would include detailed forecast of mine production in dry metric tons.

b. Discount Rates
Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Specific risk is incorporated by applying individual beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

c. Copper Prices
The Group considers the effect of commodity price changes for copper ore. The Group considered the possible effect of the changes in the price of copper ores as it relates to the revenues that may be generated by the Group and the attainment of the cash flow projections. The Group used the data from the LME. The price is the function of a number of factors, which includes, among others, copper grade, moisture content and factor rate.

Generally, a higher grade and lower moisture content would yield higher recoverable amount otherwise lower which may indicate impairment. The Group expects that the overall price of the copper ore will improve throughout the life of mine.

11. **AFS Financial Asset**

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

	2016	2015
Philippine Long Distance Telephone Company	**₱4,326**	₱4,326
Allowance for impairment loss	**(4,326)**	(4,326)
	₱–	₱–

As of December 31, 2016 and 2015, the cumulative change in value of AFS financial assets amounted to ₱4,861. The change in fair values have been recognized and shown as "Unrealized gain on available for sale (AFS) financial asset - net" account in the equity section of the consolidated statements of financial position.

12. **Investments in Associates**

As of June 2014, the Group has the following investments in subsidiaries (collectively called the "Nickel Corporations").

a.) TMM Management, Inc. (TMMI)	60.00%	direct interest
b.) Ulugan Resources Holdings, Inc. (URHI)	70.00%	direct interest
c.) Ulugan Nickel Corporation (UNC)	42.00%*	effective interest
d.) Nickeline Resources Holdings, Inc. (NHRI)	42.00%*	effective interest
e.) Berong Nickel Corporation (BNC)	25.20%*	effective interest

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

The remaining ownership of the above subsidiaries is owned by the combined interest of Toledo Mining Corporation (TMC) and DMCI Mining Corporation (DMCI), a third party.

In June 2014, the voting rights held by the Group were assigned to the representative of the DMCI and the management team from the DMCI assumed key offices of the above entities. Further, on July 11, 2014, a MOA was entered between TMC and the Group, which set out the material terms under which the parties have agreed to hold their respective investments in respect of the exploration, development and utilization of Berong Mineral Properties [mining tenements or Mineral Production Sharing Agreement (MPSA) applications underlying the Berong Nickel Project necessary for operations] defined in the joint venture agreement dated January 9, 2005. The said MOA sets out the rights of each of the Group and TMC including the assignment of board seats, majority of which were assigned to TMC and delegation to TMC of the day to day operations and critical decision making in running the mining operations. Due to these factors the above entities were accounted for as associates, instead of subsidiaries. Consequently, the Group deconsolidated the above entities and recognized a gain amounting to ₱44,615 in 2014.

As at December 31, 2016 and 2015, the percentages of ownership of investment in associates are as follows:

	Percentage of Ownership		
Company	**2016**	2015	Principal Activities
TMMI	**60.00**	60.00	Management Services
URHI	**70.00**	70.00	Holding Company
UNC	**42.00**	42.00	Mining
NRHI	**42.00**	42.00	Holding Company
BNC	**25.20**	25.20	Mining

As at December 31, 2016 and 2015, the balances of investments in associates consist of:

	2016	2015
Balances at beginning of year	**₱198,163**	₱292,082
Accumulated equity:		
Share in net income	**61,713**	243,761
Dividend income	**(61,740)**	(337,680)
Balances at end of year	**₱198,136**	₱198,163

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

Summarized financial information of the investments in associates as at December 31, 2016 and 2015 which are accounted for under equity method follow:

	2016	2015
Current assets	**₱1,424,213**	₱2,283,418
Noncurrent assets	**466,492**	671,991
Total assets	**1,890,705**	2,955,409
Current liabilities	**1,173,885**	2,213,326
Noncurrent liabilities	**354,186**	344,147
Total liabilities	**₱1,528,071**	₱2,557,473
Net assets	**362,634**	397,936
Net income	**₱480,408**	₱2,352,093

13. **Other Noncurrent Assets**

This account consists of:

	2016	2015
Input VAT (net of accumulated allowance for possible losses of ₱206,833 and ₱136,677 as at December 31, 2016 and 2015, respectively)	**₱2,009,019**	₱2,304,998
Deferred mine exploration costs	**16,708**	16,708
MRF	**53,969**	5,270
Others	**21,146**	23,272
	₱2,100,842	₱2,350,248

Input VAT

Input VAT represents VAT imposed by the Group's suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations. Deferred input VAT represents input VAT on purchase of capital goods exceeding one million pesos. The related input VAT is recognized over five (5) years or the useful life of the capital goods, whichever is shorter. Input VAT is stated at cost less allowance for impairment. Input VAT will be claimed by the Group as tax credits.

The provision for input VAT written off during the year represents credits disallowed under the revised rules of the Bureau of Internal Revenue (BIR) and is the subject of a motion for reconsideration still pending with the Supreme Court.

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

	2016	2015
Balances at beginning of year	**₱136,677**	₱129,896
Loss on disputed input tax	**495,159**	–
Provision written off during the year	**(435,197)**	–
Cumulative translation adjustment	**10,194**	6,781
Balances at end of year	**₱206,833**	₱136,677

Deferred Mine Exploration Costs
These pertain to field supplies and other costs incurred during evaluation and exploration of projects of the Parent Company. In 2013, deferred mine exploration costs pertain to BNC's exploration expenditures on the Moorsom, Dangla and Longpoint Project (adjacent area covering the Berong Nickel Project). Management has established that economically recoverable reserves exist in the area, resulting in the decision to develop the area for commercial mining operation. BNC started to explore and develop the area adjacent to the Berong Nickel Project in 2008. No provision for impairment was recognized in 2016 and 2015.

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

14. Accounts Payable and Accrued Liabilities

This account consists of:

	2016	2015
Trade	**₱1,156,077**	₱3,782,035
Accrued expenses:		
Rental	**387,145**	107,783
Power and other utilities (Note 30)	**122,035**	140,420
Professional fees	**80,948**	83,332
Personnel	**72,372**	91,609
Consigned fees	**13,904**	13,134
Explosives	**12,629**	57,828
Insurance	**598**	21,270
Contracted services	–	422,770
Others	**166,088**	268,038
Interest (Notes 15 and 24)	**342,740**	301,613
Government payables	**150,285**	159,550
Others	**66,813**	26,972
	₱2,571,634	₱5,476,354

Trade
Trade payables include import and local purchases of equipment, inventories and various parts and supplies used in the operations of the Group. These are noninterest-bearing payables to various suppliers and are normally settled on terms ranging from 30 to 60 days. Trade payables include the customer deposits made by MRI on December 1, 2014 amounting to US$30 million and on

January 7, 2015 amounting to US$30 million as part of the increase in offtake allotment of 130,000 DMT of copper concentrate to MRI. Each deposit will be applied in shipments of twelve (12) lots of five (5) thousand DMT starting in February 2015 (see Note 6).

Outstanding balance as of December 31, 2016 is $2.50 million. The balance also includes the deposits/advances from customers based on the provisional value of any specified volume of copper concentrate stockpiled in the Group's storage facility at its loading port.

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

Accrued Expenses - Others
The accrued expenses - others consist largely of accruals for the insurance of vehicles and shipments and accruals for purchased materials and supplies for which invoices have yet to be issued by suppliers as at December 31, 2016 and 2015. These are normally settled within six (6) months.

The related interest expense recognized related to trust receipts amounted to ₱2,596, ₱2,970 and ₱5,458 in 2016, 2015 and 2014, respectively.

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

15. **Loans**

a. Bank loans

The Group entered into various short term loans from different financial institutions as at December 31 below:

	2016	2015
United Coconut Planters Bank (UCPB)	**₱819,883**	₱796,255
Standard Chartered Bank (SCB)	**745,800**	705,900
Land Bank of the Philippines (Land Bank)	**519,574**	498,836
Rizal Commercial Banking Corporation (RCBC)	**497,200**	470,600
BDO Unibank Inc. (BDO)	**273,460**	258,830
Security Bank	**208,824**	211,770
	₱3,064,741	₱2,942,191

1. UCPB

During 2012 and 2013, CCC obtained from UCPB various short-term credit facilities covering the amount of US$17.8 million which was used to finance working capital requirements. In January 2014, CCC paid US$0.2 million and rolled over the remaining amount for another six (6) months. The amount drawn from the facility is payable within six (6) months and accrues interest at the rate of 3.4% to 3.75% per annum. In October 2014, CCC paid the remaining loan balance of US$17.6 million. On March 23, 2015, CCC obtained a short-term loan from UCPB in the amount of US$17.7 million with original maturity date of September 18, 2015 that was rolled over to mature on March 16, 2016 and is accruing interest at the rate of 2.8%-3.1% per annum. In 2015, CCC has partially paid this loan amounting to US$0.8 million. On March 16, 2016, the loan was rolled-over and maturity date was extended to September 12, 2016 at the interest rate of 3.25% per annum. On September 12, 2016, the loan was rolled-over and maturity date was extended to March 10, 2017 at the interest rate of 3.25% per annum. In 2016, CCC has partially paid this loan amounting to US$0.4 million.

The related interest expense recognized amounted to ₱25,903, ₱17,846 and ₱22,255 in 2016, 2015 and 2014, respectively (see Note 24). The accrued interest payable amounted to ₱1,199 and ₱807 as at December 31, 2016 and 2015, respectively (see Note 14).

2. SCB

On November 8, 2013, CCC obtained from SCB a short-term credit facility covering the amount of US$10.0 million which was used to finance working capital requirements. The amount drawn from the facility is payable within 180 days from the date of the loan and accrues interest at the rate of 2.7% per annum. On June 9, 2014, CCC rolled over the loan and extended the maturity to December 5, 2014. On February 11, 2014, CCC obtained an additional short-term loan of US$5.0 million which mature on August 8, 2014 and with interest at the rate of 3.0% per annum. On December 5, 2014, CCC rolled over the US$10.0 million and US$5.0 million loans and extended their terms to February 3, 2015 at which date the full amount was paid.

On February 6, 2015, CCC obtained an additional short-term loan from SCB in the amount of US$15.0 million at the interest rate of 3.0% per annum which initially matured on August 5, 2015 and was rolled-over to mature in April 29, 2016 at the interest rate of 3.0%-3.75% per annum. On April 29, 2016, the loan was rolled-over and the maturity date was extended to October 26, 2016 at the interest rate of 3.75% per annum. On October 26, 2016, the loan was rolled-over and the maturity date was extended to April 26, 2017 at the interest rate of 3.75% per annum.

The related interest expense recognized amounted to ₱29,845, ₱23,417 and ₱18,782 in 2016, 2015 and 2014, respectively (see Note 24). The accrued interest payable amounted to ₱5,140 and ₱3,591 as at December 31, 2016 and 2015, respectively (see Note 14).

3. Land Bank

On April 23, 2013, CCC obtained a short-term loan with a dollar to peso convertibility clause from Land Bank with a maturity date on October 18, 2013 in the amount of US$12.0 million which was used to finance working capital requirements. On October 18, 2013, CCC paid US$0.5 million of the outstanding amount of the loan and extended the maturity from October 18, 2013 to April 16, 2014. On April 10, 2014, CCC paid US$0.5 million of the outstanding amount of the loan and extended the maturity to September 29, 2014 at the interest rate of 3.13% per annum. On September 29, 2014, the CCC rolled over the loan and extended the maturity to March 2015. On March 27, 2015, CCC rolled over the loan and extended the maturity to September 2015 at the interest rate of 3.11% per annum. On September 23, 2015, CCC paid US$0.4 million and rolled over the loan and extended the maturity date to March 21, 2016 at the interest rate of 3.11% per annum. On March 21, 2016, CCC paid US$0.1 million and rolled over the loan and extended the maturity date to September 16, 2016 at the interest rate of 3.14% per annum. On September 16, 2016, CCC paid US$0.05 million of the outstanding amount of the loan and extended the maturity date to March 14, 2017 at the interest rate of 3.50% per annum.

The related interest expense recognized from Land Bank amounted to ₱16,661, ₱15,092 and ₱15,036 in 2016, 2015 and 2014, respectively (see Note 24). The accrued interest payable amounted to ₱682 and ₱301 as at December 31, 2016 and 2015, respectively (see Note 14).

4. RCBC
On February 17, 2015, CCC obtained a short-term loan from RCBC with a maturity date on August 14, 2015. It was rolled over to mature on February 10, 2016 in the amount of US$10.0 million which was used to finance working capital requirements. The amount drawn from the facility accrues interest at the rate of 3.06% per annum. On February 10, 2016, CCC rolled over the loan and extended the maturity date to August 8, 2016. On August 8, 2016, the loan was rolled over and extended the maturity date to February 4, 2017 and accrues interest at the rate of 3.06% per annum.

The related interest expense recognized from RCBC amounted to ₱14,039 and ₱9,912 in 2016 and 2015, respectively (see Note 24). The accrued interest payable amounted to ₱3,096 and ₱1,566 as at December 31, 2016 and 2015, respectively (see Note 14).

5. BDO
On February 10, 2014, CCC obtained a short-term loan from BDO with a maturity date on August 8, 2014 in the amount of US$2.5 million which was used to finance working capital requirements. The amount drawn from the facility is payable within 180 days from the date of the loan and accrues interest at the rate of 2.375 % per annum. On August 8, 2014, the loan was rolled-over and maturity date was extended to January 13, 2015 at the interest rate of 2.159% per annum. On January 13, 2015, the loan was rolled-over and maturity date was extended to July 13, 2015 at the interest rate of 2.159% per annum. On July 13, 2015, the loan was rolled-over and maturity date was extended to January 13, 2016 at the interest rate of 2.50% per annum. On January 13, 2016, the loan was rolled-over and maturity date was extended to July 11, 2016 at the interest rate of 2.50% per annum. On January 13, 2016, the loan was rolled-over and maturity date was extended to July 11, 2016 at the interest rate of 2.50% per annum. On July 11, 2016, the loan was rolled-over and maturity date was extended to January 7, 2017 and accrues interest at the rate of 2.50% per annum.

On May 12, 2015, CCC obtained another short-term loan from BDO amounting to US$3.0 million with a maturity date on November 9, 2015. The amount drawn from the succeeding loan accrues interest at the rate of 2.613% per annum. On November 9, 2015, the loan was rolled-over and the maturity date was extended to May 7, 2016. On May 7, 2016, the loan was rolled-over and the maturity date was extended to November 2, 2016. On November 2, 2016, the loan was rolled-over and the maturity date was extended to April 28, 2017 and accrues interest at the rate of 2.50% per annum.

The related interest expense recognized from BDO amounted to ₱9,975, ₱5,497 and ₱2,384 in 2016, 2015 and 2014, respectively (see Note 24). The accrued interest payable amounted to ₱490 and ₱375 as at December 31, 2016 and 2015, respectively (see Note 14).

6. Security Bank

On March 9, 2015, CCC obtained a short-term loan from Security Bank in the amount of US$4.5 million with maturity date on September 4, 2015 that was rolled to mature on March 2, 2016 and is accruing interest at the rate of 2.75% per annum. On March 2, 2016, the loan was rolled-over and the maturity date was extended to June 30, 2016 at the rate of 2.75% per annum. On April 1, 2016, CCC has paid the loan partially amounting to US$0.3 million and was rolled-over on June 30, 2016 extending the maturity date to December 28, 2016. On December 28, 2016, the loan was rolled-over and the maturity date was extended to June 26, 2017 at the rate of 2.75% per annum.

The related interest expense recognized amounted to ₱6,367 and ₱5,336 in 2016, and 2015, respectively (see Note 24). The accrued interest payable amounted to ₱1,855 and ₱1,980 as at December 31, 2016 and 2015, respectively (see Note 14).

7. Bank of China

On January 14, 2016, the Group obtained from Bank of China a short-term credit facility covering the amount of $4.6 million which was used to finance working capital requirements. The amount drawn from the facility is payable within 120 days and accrues interest at the rate of 3.0% per annum. On January 29, 2016, CCC paid the outstanding loan amounting to $4.6 million. The related interest expense recognized from Bank of China amounted to ₱275 in 2016 (see Note 24). The accrued interest payable amounted to nil as at December 31, 2016 (see Note 14).

b. Long-term debt and other interest-bearing liabilities

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

	2016	2015
Bonds Payable	**₱14,896,158**	₱14,012,527
SM Investments Corporation (SMIC)	**6,930,563**	981,435
Convertible loans	**1,818,648**	1,765,092
United Overseas Bank Ltd. (UOB)	**1,197,755**	1,176,500
Security Bank	**1,059,821**	1,100,000
MayBank	**958,204**	941,200
RCBC	**934,249**	917,670
BDO Leasing & Finance, Inc. (BDO Leasing)	**315,059**	762,579
Standard Chartered Bank (SCB)	**183,185**	391,916
US$75 million BDO Loan	–	504,214
LBP Leasing Corp (LBP Leasing)	–	106,548
SBM Leasing, Inc. (SBM Leasing)	–	28,161
	28,293,642	22,687,842
Less noncurrent portion	**10,540,433**	20,077,362
	₱17,753,209	₱2,610,480

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

	2016	2015
Due in:		
2016	**₱–**	₱2,610,480
2017	**17,753,209**	14,870,680
2018	**4,591,305**	5,206,682
2019 and thereafter	**5,949,128**	–
	₱28,293,642	₱22,687,842

Current portion of long-term debt

	2016	2015
Bonds Payable	**₱14,896,158**	₱–
SMIC	**981,435**	981,435
MayBank	**958,204**	34,260
BDO Leasing	**234,739**	487,719
UOB	**187,444**	–
SCB	**183,185**	391,916
Security Bank	**165,838**	42,824
RCBC	**146,206**	33,403
US$75 million BDO Loan	–	504,214
LBP Leasing	–	106,548
SBM Leasing	–	28,161
	₱17,753,209	₱2,610,480

1. Bonds Payable
   On March 16, 2012, CCC completed the issuance of US$-denominated fixed-rate notes representing $300 million of CCC's senior unsecured debt with a tenor of five (5) years and five (5) days. The Bonds Payable, which were issued at the price of 98.95% of face value, will pay interest semi-annually every 21st of March and September at the rate of 6.5% and will carry a yield to maturity of 6.75%. The accrued interest payable from bonds amounted to ₱266,624 and ₱252,274 as at December 31, 2016 and 2015, respectively (see Note 14).

   The interest expense recognized from bonds amounted to ₱1,175,070, ₱1,124,744 and ₱1,093,151 in 2016, 2015 and 2014, respectively (see Note 24). CCC's capitalized interest expense in relation to the $300 million bonds under "Construction in-progress" amounted to nil in 2016 and 2015 and ₱39,529 in 2014, at interest rates of nil in 2016 and 2015 and 6.5% in 2014.

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

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

(i) *Incurrence of Indebtedness Other than Permitted Indebtedness* - CCC may incur indebtedness other than those permitted under Clause 4.6(b) of the Indenture if at the time of incurrence and the receipt and application of the proceeds therefrom, (i) no default, as such is defined in the Indenture ("Default"), has occurred or is continuing, and (ii) the Fixed Charge Coverage Ratio ("FCCR") of CCC is not less than 2.5 to 1.0 (the "Incurrence Conditions"). FCCR is the ratio of (1) the aggregate amount of earnings before interest, taxes, depreciation, and amortization (EBITDA) for the most recent four (4) fiscal quarterly periods prior to the incurrence of the indebtedness (the "Four Quarter Period"); over (2) the aggregate fixed charges during the Four Quarter Period.

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

CCC has complied with the above covenants as at December 31, 2016 and 2015.

2. <u>US$75 million BDO Loan</u>
On July 25, 2011, the Parent Company availed from BDO a US$-denominated loan facility debt covering the amount of US$75 million ("the BDO Facility") which was fully drawn upon availment. The proceeds from the BDO Facility were used to finance (i) the Parent Company's acquisition of the entire equity interest of CASOP in CCC, and (ii) CCC's working capital requirements. The BDO Facility was fully settled and paid in July 2016.

The BDO Facility (i) has a term of five (5) years, (ii) is payable in 49 equal monthly installments starting July 2012, (iii) accrues interest at the rate of 7% per annum, and (iv) is primarily secured by an irrevocable suretyship executed by CCC in favor of BDO.
Upon the occurrence of an event of default, BDO has the option to convert all amounts outstanding under the BDO Facility into equity of the Parent Company. The conversion shall be effectuated through the assignment by BDO to the Parent Company of the amount of the loan obligation as payment for BDO's subscription to the shares of stock of the Parent Company at the price of ₱19.56 per share and based on the Philippine Peso-US Dollar exchange rate of US$1.00:₱43.50.

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

Covenants
The agreement embodying the terms of the BDO Facility imposes certain restrictions and requirements with respect to, among others, the following:
- Maintenance of a debt service coverage during the term of the BDO Facility (debt service coverage ratio (DSCR) must not be less than 1.5:1);
- Declaration and payment of dividends or any distribution to shareholders; change in ownership and voting control structure; selling, leasing, transferring, or otherwise

disposing of all or substantially all of its properties and assets; or any significant portion thereof other than in the ordinary course of business; consolidation or merger with any corporation; and investment in the shares of stock of any corporation other than its affiliates.
- Cash securities (which are classified as short-term investments).

On July 2016, the Parent Company was able to pay the outstanding loan in full amounting to ₱504.2 million. The related interest expense recognized amounted to ₱12,699, ₱71,532 and ₱132,537 in 2016, 2015 and 2014, respectively (see Note 24). The accrued interest payable amounted to nil and ₱292 as at December 31, 2016 and 2015 respectively (see Note 14).

Short-term Investments
Restricted cash securities that were attached to the BDO Facility were classified as short-term investments amounted to nil and ₱185,239 as at December 31, 2016 and 2015, respectively.

3. Alakor Corporation, Anglo Philippine Holdings Corporation (APHC) and SMIC
Senior unsecured convertible loan facilities covering the aggregate amount of ₱1.8 billion (the "convertible loans") were obtained by the Parent Company from its principal shareholders, APHC, Alakor Corporation, and SMIC (the "lenders') in June 2015, under independent bilateral loan agreements with common terms. Proceeds of the convertible loans were used substantially to subscribe to the capital stock of its subsidiary, CCC.

The convertible loans (i) have a 3-year tenor, (ii) accrue at the rate of 4% per annum payable semi-annually, (iii) with an indicative yield-to-maturity of 5.625% per annum, (iv) convertible into equity of the Parent Company at a conversion price equivalent to whichever is higher of 120% of the volume weighted average price ("VWAP") of the Parent Company shares over the period of 10 trading days immediately preceding the drawdown date, or par value of the Parent Company shares, (v) may be paid before maturity at which the agreed yield will be realized (a) at the option of the lenders on the first anniversary of the drawdown date and at the end of every six-month period thereafter, and (b) at the option of the Parent Company at any time after the lapse of 18 months from the drawdown date, provided, that the closing price of the Parent Company shares on each of 20 trading days within any period of 30 consecutive trading days exceeds 130% of the conversion price on each of such trading days.

The notes together with its features are evaluated to determine if the embedded components qualify as derivatives to be separately accounted for under PAS 32, *Financial Instruments: Presentation*. As a result of this evaluation, the Group identified the conversion rights as derivative financial instruments to be taken up as equity. Using the residual approach, the proceeds are allocated between the debt instrument and conversion rights. At inception date the fair value of the debt instrument and conversion right presented as APIC amounted to ₱1,751,153 and ₱48,847, respectively.

The interest expense recognized with respect to the senior unsecured convertible loans amounted to ₱126,620 and ₱55,075 in 2016 and 2015, respectively (see Note 24). Accrued interest payable amounted to ₱4,312 and ₱4,446 as at December 31, 2016 and 2015, respectively (see Note 14).

4. SMIC
On September 16, 2015, the Parent Company availed from SMIC a loan facility in the amount of ₱981,435 which was used to finance working capital requirements and equity infusion to its subsidiary, CCC. The essential terms of the loan include: interest rate at 5% per annum,

subject to repricing at prevailing market rates; payable in 90 days extendible up to 5 years; and with prepayment option of all or part of the loan prior to maturity.

In January, February, March and September 2016, the Parent Company additionally availed from SMIC senior unsecured loan facilities covering the aggregate amounts of ₱705,375, ₱1,346,268, ₱2,236,560 and ₱1,660,925, respectively, to raise additional working capital. The loans are payable within 5 years from the dates of availment, accrued interest at the rate of 5% per annum subject to repricing at prevailing market rate and with prepayment option of all or part of the loan prior to maturity.

The related interest expense amounted to ₱258,073 and ₱14,449 in 2016 and 2015, respectively (see Note 24). Accrued interest payable amounted to ₱25,889 and ₱2,137 as at December 31, 2016 and 2015, respectively (see Note 14).

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

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

Covenants
The Bilateral Loan Agreements impose, certain restrictions and requirements with respect to, among others, the following:
(i) Target Financial Ratios - During the term of the loans, CCC shall ensure that:

- Its Debt to Equity Ratio does not exceed 2.0 in each of the calendar years 2014, 2015, 2016, and 2017, based on the audited financial statements as of the last day of each of such calendar years; Debt to Equity Ratio is total debt divided by total equity;
- Its DSCR shall not be less than (a) 1.5 in each of the calendar years 2014, 2015, and 2017, and (b) 1.1 in the calendar year 2016, based on the audited financial statements as of the last day of each of such calendar years; DSCR is the sum of EBITDA for the most recent audited year and the ending cash balance for the most recent audited year divided by the aggregate of principal, interest and lease payments for the current year; and
- Its Debt to EBITDA Ratio does not exceed 4.0 in each of the calendar years 2014, 2015, 2016 and 2017, based on the audited financial statement as of the last day of each of such calendar year; Debt to EBITDA Ratio is total debt divided by EBITDA.

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

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

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

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

In 2016, CCC was unable to achieve fully the Target Financial Ratios. However pursuant to the terms of the Bilateral Loan Agreements, CCC secured a waiver of its compliance with the covenants on the maintenance of the Target Financial Ratios before the close of the reporting period and the approval of the issuance of this report, except for the waiver of MayBank, which was issued after the close of the reporting period but before the approval of the issuance of this report. Accordingly, the loan amount related to Maybank was classified as current. CCC settled the principal amounts and interests on a timely basis. The carrying amount of the loans covered by the Bilateral Loan Agreements was ₱4,150,029 and ₱4,135,370 as at December 31, 2016 and 2015, respectively.

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

The total interest expense recognized related to the Bilateral Loans amounted to ₱196,048, ₱182,710 and ₱35,871 in 2016, 2015 and 2014, respectively (see Note 24). The total accrued interest payable related to Bilateral Loans amounted to ₱32,874 and ₱36,623 as at December 31, 2016 and 2015, respectively (see Note 14).

The Bilateral loans consist of the following loans as of December 31, 2016:

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

The interest expense recognized in respect of the UOB TLA amounted to ₱56,984, ₱50,929 and ₱11,010 in 2016, 2015 and 2014, respectively (see Note 24). Accrued interest payable as at December 31, 2016 and 2015 amounted to ₱10,203 and ₱9,303 (see Note 14).

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

  The related interest expense recognized amounted to ₱55,782, ₱56,782 and ₱21,317 in 2016, 2015, and 2014, respectively (see Note 24). The accrued interest payable amounted to ₱9,417 and ₱10,052 as at December 31, 2016 and 2015, respectively (see Note 14).

- RCBC
  On April 11, 2014, CCC obtained a short-term loan from RCBC with a maturity date on October 8, 2014 in the amount of ₱450,000 which was used to finance working capital requirements. The amount drawn from the facility is payable within 180 days from the date of availment and accrues interest at the rate of 2.5% per annum. CCC paid the loan balance of ₱450,000 on October 16, 2014 from the proceeds of the availment under the bilateral term loan agreement between CCC and RCBC dated October 10, 2014 (the "RCBC TLA").

  The RCBC TLA covers a facility for the amount of US$19.5 million. Under the terms of the RCBC TLA, any loan shall be payable within 4 years from the date of availment and shall accrue interest at the rate of 3.735% per annum. CCC fully availed the facility covered by the RCBC TLA. Total interest expense on the loan amounted to ₱38,961, ₱39,835 and ₱13,540 in 2016, 2015 and 2014, respectively (see Note 24). The accrued interest payable amounted to ₱5,183 and ₱6,293 as at December 31, 2016 and 2015, respectively (see Note 14).

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

  The related interest expense recognized amounted to ₱44,321, ₱39,812 and ₱14,631 in 2016, 2015 and 2014, respectively (see Note 24). The accrued interest payable amounted to ₱8,162 and ₱7,428 in December 31, 2016 and 2015, respectively (see Note 14).

6. BDO Leasing
   From 2011 to 2016, CCC availed of various peso-denominated finance lease facilities from BDO Leasing for the purchase of various equipment. The amounts availed under the facilities are payable within 36 months and accrue interest at the rate of 4.75% to 6.75% per annum. In 2016 and 2015, CCC availed of additional finance lease facilities from BDO Leasing covering the total amount of nil and ₱531.5 million, respectively.

   The related interest expense recognized amounted to ₱25,311, ₱40,728 and ₱61,152 in 2016, 2015 and 2014, respectively (see Note 24). The accrued interest payable amounted to nil as at December 31, 2016 and 2015 (see Note 14).

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

The first availment under the OLSA amounting to US$8.4 million was made on June 11, 2014 and will accrue interest at the rate of 3.08% per annum. The second availment under the OLSA amounting to US$5.45 million was made on March 23, 2015 and will accrue interest at the rate of 3.11% per annum. Each availment under the OLSA will mature three (3) years from the date of availment. Availments under the OLSA are secured by a chattel mortgage covering the movable equipment purchased using the proceeds thereof.

The interest expense recognized from SCB amounted to ₱13,016, ₱17,017 and ₱8,179 in 2016, 2015 and 2014, respectively (see Note 24). The total accrued interest payable for SCB loans amounted to ₱488 and ₱767 as at December 31, 2016 and 2015, respectively (see Note 14).

As at December 31, 2016, CCC was unable to achieve the financial covenant. Accordingly, the total amount of the pertinent loans was classified as current. However, in accordance with the terms of the OLSA, CCC was able to obtain from SCB a waiver of its compliance with the financial covenant after the close of the reporting period, but before the authorization for the issuance of this report. Accordingly, the total amounts of the pertinent loans were classified as current. The carrying amount of the loans under the OLSA amounted to ₱183,185 and ₱391,920 as at December 31, 2016 and 2015, respectively. CCC settled the principal amounts and interests on a timely basis.

8. LBP Leasing
From July to September 2013, CCC obtained from LBP Leasing a short-term credit facility convertible to finance lease in the amount of ₱156.4 million. In December 2013, CCC obtained an additional short-term loan in the amount ₱300 million which will mature on December 18, 2016 and accrues at the rate of 6.5% per annum. Part of the proceeds obtained from the loan was used to pay the outstanding amount of ₱156.4 million which matured on December 26, 2013. The related interest expense recognized amounted to ₱3,821, ₱10,476 and ₱16,744 in 2016, 2015 and 2014, respectively (see Note 24). No accrued interest payable was recognized as at December 31, 2016 and 2015.

On December 18, 2016, CCC has fully paid the outstanding loans payable to LBP Leasing.

9. SBM Leasing
From March to December 2013, CCC availed of peso-denominated equipment financing facilities from SBM Leasing. The amounts due under the facilities which amounted to ₱269.4 million are payable within 36 months and accrue interest at the rate of 6.5% to 7% per annum. The related interest expense recognized amounted to ₱383, ₱5,509 and ₱11,798 in 2016, 2015 and 2014, respectively (see Note 24). The accrued interest payable amounted to nil as at December 31, 2016 and 2015.

On 2016, CCC has fully paid the outstanding loans payable to SBM Leasing.

16. **Liability for Mine Rehabilitation Cost**

This account consists of:

	2016	2015
Balances at beginning of year	**₱48,172**	₱44,975
Cumulative translations adjustment	**2,829**	2,423
Accretion of interest (Note 24)	**2,265**	2,087
Change in accounting estimate	**–**	(1,313)
Balances at end of year	**₱53,266**	₱48,172

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

CCC
In 2016 and 2015, there are no change in estimated future cash flow in accordance with the terms of its Final Mine Rehabilitation and Decommissioning Plan. Discount rates used by the Group are 5.0% both for 2016 and 2015.

As at December 31, 2016 and 2015, change in the liability for mine rehabilitation cost amounted to nil and ₱1,313, respectively, were recognized as a result of the change in estimate.

17. **Equity**

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

	2016		2015	
	No. of Shares	**Amount**	No. of Shares	Amount
Authorized - (₱1 and ₱8 par value in 2016 and 2015, respectively)	**3,000,000,000**	**₱3,000,000**	3,000,000,000	₱24,000,000
Issued and outstanding	**2,087,032,774**	**2,087,033**	2,087,032,774	16,696,262

Reduction in Par Value, Decrease and Increase in Authorized Capital Stock
On February 22, 2016, the Parent Company's BOD approved the (i) change in the par value of common shares from ₱8.00 per share, with capital stock of ₱24,000,000 divided into 3,000,000,000 common shares to ₱1.00 per share, with capital stock of ₱3,000,000 divided into 3,000,000,000 common shares and (ii) the subsequent increase in the authorized capital stock (ACS) by ₱3,000,000, from ₱3,000,000 to ₱6,000,000 divided into 6,000,000,000 common shares with a par value of ₱1.00 per share (the "1st ACS Increase").

The (i) reduction in par value with the (ii) attendant reduction in the capital stock, (iii) subsequent increase in ACS, and the consequent (iv) amendment to Article VII of the Articles of Incorporation of the Parent Company were duly approved by the Shareholders on April 29, 2016.

The lower par value of ₱1.00 per share would allow the Parent Company to raise fresh funds through primary shares issuance if needed. The decrease in capital stock and par value reduction resulted in APIC of ₱14,609,229. The SEC approved the reduction in par value and capital stock on June 29, 2016.

On November 16, 2016, the Parent Company's BOD approved another round of increase in ACS by ₱2,000,000, which was subsequently amended during its December 7, 2016 special BOD meeting, by raising the increase to ₱2,500,000 divided into 2,500,000,000 common shares of stock with the resulting ACS of ₱8,500,000 divided into 8,500,000,000 common shares of stock with a par value of ₱1.00 per share of stock (the "2nd ACS Increase").

Issuance of Shares
There was no new issuance of shares in 2016 and 2015. Issuances of shares in 2014 are as follows:

2014

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

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

2016
On December 7, 2016, the BOD approved the issuance of shares of Stock out of the above stated combined increase in the ACS for an aggregate subscription price of ₱1,375,000 at ₱4.3842 per share (the "Subscription Price"), with the amount of ₱343,750 to be paid in cash by the Subscribers upon execution of the Subscription Agreement and the balance to be paid upon call. The total number of the Share Issue is equivalent to at least twenty five percent (25%) of the 1st ACS Increase and 2nd ACS Increase (collectively referred to as the "Subscription").

The Subscription Price of ₱4.3842/share is the 90-day VWAP preceding the Pricing Date of November 16, 2016. The Group will recognize as APIC the difference between the total par value of the shares to be issued and the total Subscription Price.

A portion of the proceeds from the Share Issue will be used to pay the Parent Company's debt incurred in 2015 amounting to ₱1,800,000, which was used to fund the 2015 Waste Stripping Program of CCC, with a total cost of ₱3,604,000. The remaining cost not funded by debt was funded from cash generated from operations.

The dividend, voting and preemption rights of the Share Issue are the same with the rights being enjoyed by the current Shareholders. The Share Issue will not have any effect upon the rights of the existing Shareholders.

The increase in the ACS will enable the Parent Company to have sufficient unissued shares of stock out of its ACS to allow the Parent Company to issue Warrants and the Underlying Common Shares of Stock as a result of the exercise of the Warrants as briefly described below coupled with the flexibility to raise fresh funds. With available and sufficient unissued capital stock, the Parent Company will have the capability for any future capital initiative.

b. Warrant Issue
To refinance the US$300 million existing bonds of CCC, as well as the Parent Company's existing Shareholders' advances into a subordinated loans with warrants, the Parent Company's BOD approved the issuance of approximately 5,541,199,780 Warrants and the corresponding 5,541,199,780 Underlying Common Shares as a result of the exercise of the Warrants.

The Warrants shall be issued by the Parent Company to its major Shareholders or their assigns among others.

The following are the salient features, terms and conditions and other relevant information regarding the Warrant Issue:

- The number of Warrants to be issued to the Parent Company's major Shareholders is approximately 5,541,191,780, subject to the exchange rate on the closing date or the date all regulatory approval are secured and full compliance with all legal laws, rules and regulations for the issuance of Warrants whichever is later.

- Entitlement ratio is 1 common stock for 1 warrant, thus the corresponding number of underlying securities is approximately 5,541,191,780 Common Shares. Exercise period of the Warrants shall be from and including the date of issue of the Warrants up to 5:00 p.m. on the day immediately preceding the date of the seventh (7th) anniversary of the date of issue of the Warrants. Expiry date is the seventh (7th) anniversary of the date of the issue of the Warrants.

- The basis of determining the Exercise Price of ₱4.3842 is the 90-day VWAP preceding the Pricing Date, November 16, 2016.

- Timetable for the issuance of the Warrants will be upon obtaining the following: (i) Shareholders' approval to the increase in the ACS and amendment to Article VII of the Parent's Articles of Incorporation (AOI); and (ii) SEC approval of the increase in ACS and amendment to AOI, other regulatory approvals and compliance with all legal requirements.

- The Warrants constitute direct, unsecured and unsubordinated obligations of the Parent Company and will at all times rank *pari passu* without preference among themselves and with all other outstanding unsecured and unsubordinated obligations of the Parent Company, past and future.

- Exercise of the Warrants is subject to all applicable laws, regulations and practices in force on the relevant Exercise Date.

- Warrants are exercisable on any business day during the Exercise Period.

- The Parent Company may, but is not obligated, at any time to purchase the Warrants at any price.

- The Group may modify the terms and conditions without the consent of the Warrant Holders which the Parent Company may deem necessary or desirable provided the modification is not materially prejudicial to the interests of the Warrant Holders.

- If any event occurs which would reasonably be expected to have an effect on the Exercise Price, upon written opinion of an Independent Investment Bank, adjustments shall be made as appropriate on account of such event.

During the Special Shareholders' Meeting (SSM) held on February 21, 2017, the Shareholders approved the increase in ACS, the amendment to Article VII of the Parent Company's Articles of Incorporation, the issuance of shares out of the combined increase in ACS, the issuance of Warrants and the underlying Shares of Stock as a result of the exercise of the Warrants (see Note 32).

On the same February 21, 2017 SSM, the Parent Company also obtained a waiver of the conduct of a rights or public offer for the Shares subscribed out of the increase in the ACS and the issuance of the underlying Common Shares as a result of the exercise of the Warrants by a majority vote representing the outstanding shares held by the minority Shareholders present or represented at the SSM (see Note 32).

c. Retained Earnings

Restricted Retained Earnings

As at December 31, 2016 and 2015, CCC has retained earnings in an amount exceeding its paid-up capital. The retention of the surplus profit is on account of: (i) the restriction under the indenture in respect of the Bonds Payable and the Bilateral Loan Agreements on the declaration of dividends in an amount exceeding 50% of CCC's cumulative net income during the period beginning on January 1, 2012 and ending on the last day of any fiscal quarter during the term of the Indenture, and (ii) the earmarking of funds for substantial capital expenditures covering open pit mine development.

d. Number of Shareholders

As at December 31, 2016 and 2015, the Parent Company had twenty thousand eight hundred sixteen (20,816) and twenty thousand nine hundred thirteen (20,913) shareholders, respectively.

18. Comprehensive Stock Option Plan

On July 18, 2007, the Parent Company's stockholders and BOD approved and ratified the Comprehensive Stock Option Plan for the Parent Company's "qualified employees". 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 with 25,000,000 of the underlying shares already been earmarked for the first-tranche optionees as duly approved by the Parent Company's stockholders during the annual general meeting (AGM) 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 benchmarked on the average closing price of the Parent Company's shares of stock as traded on the PSE during the period between September 6, 2006 (date of the AGM 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 used the Black-Scholes model to compute for the fair value of the stock options based on the following assumptions as at July 18, 2007:

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

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

As discussed in Note 17a, qualified employees who were previously granted stock option awards exercised their subscription rights with respect to a total of nil shares in 2016 and 2015 and 1,183,604 shares in 2014 for total subscription price of nil in 2016 and 2015 and ₱11,836 in 2014.

19. Mining and Milling Costs and Mine Products Taxes

Mining and milling costs consists of:

	2016	2015	2014
Materials and supplies (Note 7)	**₱3,222,626**	₱3,470,881	₱4,479,583
Depreciation, depletion and amortization (Note 9)	**2,314,646**	2,438,685	2,216,854
Communication, light and water	**2,163,398**	1,732,096	2,212,477
Personnel costs	**659,025**	835,464	793,418
Contracted services (Note 30)	**174,630**	314,559	322,363
Provision for asset write-downs (Note 9)	**–**	–	5,944
Other costs	**171,693**	137,543	397,518
	₱8,706,018	₱8,929,228	₱10,428,157

Materials and supplies significantly consists 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 trucks 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

	2016	2015	2014
Excise taxes	**₱216,429**	₱211,579	₱299,045
Royalties (Notes 1c)	**–**	–	11,081
	₱216,429	₱211,579	₱310,126

20. General and Administrative Expenses

This account consists of:

	2016	2015	2014
Personnel costs	**₱403,188**	₱485,517	₱588,407
Rentals (Note 30)	**259,933**	194,902	182,167
Taxes and licenses	**141,161**	162,478	212,100
Professional fees	**92,469**	52,832	90,648
Depreciation and amortization (Note 9)	**69,774**	79,780	89,389
Communication, light and water	**24,229**	20,191	21,528
Insurance	**20,906**	191,351	63,412
Entertainment, amusement and recreation	**14,481**	23,319	24,437
General consumption items	**6,994**	26,685	19,239
Repairs and maintenance	**3,073**	5,290	7,789
Office supplies	**1,869**	3,161	7,266
Transportation and travel	**401**	1,123	14,364
Bond premium expense	**353**	2,159	2,249
Provision for impairment losses:			
Inventories	**41,747**	778	–
Receivables (Note 5)	**1,763**	264	–
Others	**192,164**	139,222	89,502
	₱1,274,505	₱1,389,052	₱1,412,497

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

Others consist significantly of environmental and community development expense, insurance fees, diesel fuel costs, donations, severance pay, costs of general consumption items, medical expenses, drilling expenses, and cost of training and seminars.

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

	2016	2015	2014
Salaries and wages	**₱919,355**	₱1,061,401	₱1,036,768
Retirement benefits cost (Note 22)	**59,311**	133,066	111,229
Other employee benefits	**91,244**	126,514	203,858
	₱1,069,910	₱1,320,981	₱1,351,855

21. Related Party Disclosures

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and their key management personnel, directors, or its stockholders. In the normal course of business, transactions with related parties consist mainly of payments made by the Parent Company for various expenses and noninterest-bearing, short-term cash advances for working capital requirements. Intercompany transactions are eliminated in the consolidated financial statements.

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

	2016			
	Amount/ Volume	**Outstanding Balance**	**Terms**	**Conditions**
Receivables				
Subsidiaries				
AEI	**₱78**	**₱100,562**	**On demand; noninterest-bearing**	**Unsecured, no guarantee**
AI	**69**	**31,741**	**On demand; noninterest-bearing**	**Unsecured, no guarantee**
	₱147	**₱132,303**		
Payables				
SMIC	**₱5,949,128**	**₱6,930,563**	**Interest-bearing; 5% per annum**	**Unsecured, no guarantee**
CCC	**198,116**	**115,416**	**On demand; noninterest-bearing**	**Unsecured, no guarantee**
AHI	**104**	**2,148**	**On demand; noninterest-bearing**	**Unsecured, no guarantee**
	₱6,147,348	**₱7,048,127**		

	2015			
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Receivables				
Subsidiaries				
AEI	₱324	₱100,484	On demand; noninterest-bearing	Unsecured, no guarantee
CCC	679,915	82,700	On demand; noninterest-bearing	Unsecured, no guarantee
AI	103	31,672	On demand; noninterest-bearing	Unsecured, no guarantee
	₱680,342	₱214,856		
Payables				
SMIC	₱981,435	₱981,435	Interest-bearing; 5% per annum	Unsecured, no guarantee
AHI	132	2,252	On demand; noninterest-bearing	Unsecured, no guarantee
	₱981,567	₱983,687		

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

	2016			
	Amount/ Volume	**Outstanding Balance**	**Terms**	**Conditions**
Associates				
Receivables **(Note 5)**				
BNC	**₱6,529**	**₱122,039**	**On demand; noninterest-bearing**	**Unsecured, no guarantee**
URHI	**61,740**	**64,746**	**On demand; noninterest-bearing**	**Unsecured, no guarantee**
UNC	**838**	**15,662**	**On demand; noninterest-bearing**	**Unsecured, no guarantee**
	₱69,107	**₱202,447**		

	2015			
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Associates				
Receivables (Note 5)				
BNC	₱5,743	₱115,510	On demand; noninterest-bearing	Unsecured, no guarantee
UNC	1,082	14,824	On demand; noninterest-bearing	Unsecured, no guarantee
URHI	–	3,006	On demand; noninterest-bearing	Unsecured, no guarantee
	₱6,825	₱133,340		

b. Receivables from officers and employees as at December 31, 2016 and 2015 amounting to ₱16,547 and ₱18,901, respectively, pertain to the receivables extended by the Group to its officers and employees and unliquidated advances used in the Group's operations. These receivables from officers and employees are due and demandable (see Note 5).

c. *Compensation of Key Management Personnel*

The Group considers all senior officers as key management personnel.

	2016	2015	2014
Short-term benefits	**₱128,603**	₱135,529	₱190,201
Retirement benefits	**10,789**	19,551	15,669
	₱139,392	₱155,080	₱205,870

22. Retirement Benefits Liability

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

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

Parent Company Retirement Liability
The details of net retirement benefits costs follow:

	2016	2015	2014
Current service cost	**₱2,594**	₱7,072	₱7,620
Interest cost (Note 24)	**485**	906	1,100
	₱3,079	₱7,978	₱8,720

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

	2016	2015
Balances at beginning of year	**₱11,721**	₱23,543
Current service cost (Note 20)	**2,594**	7,072
Interest cost (Note 24)	**485**	906
Remeasurement of actuarial gain:		
Experience adjustments	**(3,245)**	(2,431)
Demographic assumptions	**(1,020)**	–
Financial assumptions	**(261)**	(8,226)
Benefits paid	**(1,738)**	(9,143)
Balances at end of year	**₱8,536**	₱11,721

The Parent Company does not have any plan assets.

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

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

	2016	2015	2014
Discount rate	**5.51%**	5.13%	4.66%
Expected rate of salary increase	**5.00%**	5.00%	10.00%
Turnover rate	**8% at age 18 decreasing to 0% at age 60**	10% at age 20 decreasing to 0% at age 45	10% at age 20 decreasing to 0% at age 45

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

	Increase (decrease)	2016	2015
Discount rates	+1%	**(₱7,925)**	(₱10,858)
	-1%	**9,263**	12,757

	Increase (decrease)	2016	2015
Salary increase rate	+1%	**₱9,303**	₱12,711

The Parent Company does not expect to contribute to the defined benefit pension plan in 2016. The Parent Company does not have a Trustee Bank, and does not currently employ any asset-liability matching.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2016 and 2015:

	2016	2015
Less than one (1) year	**₱4,350**	₱4,545
More than one (1) year to five (5) years	**–**	2,924
More than five (5) years to ten (10) years	**11,662**	4,731
More than ten (10) years to fifteen (15) years	**3,489**	16,894
More than fifteen (15) years to twenty (20) years	**685**	4,069
More than twenty (20) years	**44,604**	64,935
	₱64,790	₱98,098

The average duration of the defined retirement benefits liability as at December 31, 2016 and 2015 is 18.39 years and 19.25 years, respectively.

<u>CCC Retirement Liability</u>
The details of net retirement benefits costs follow:

	2016	2015	2014
Current service cost	**₱49,020**	₱125,994	₱103,609
Interest cost (Note 24)	**13,579**	27,302	22,216
Settlement loss	**7,697**	–	–
	₱70,296	₱153,296	₱125,825

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

	2016	2015
Balances at beginning of year	**₱322,123**	₱598,816
Current service cost (Note 20)	**49,020**	125,994
Interest cost (Note 24)	**13,579**	27,302
Settlement loss (Note 20)	**7,697**	–
Remeasurement of actuarial gain:		
Experience adjustments	**(20,114)**	(45,962)
Demographic assumptions	**(28,675)**	–
Financial assumptions	**(16,441)**	(398,266)
(Forward)		

Benefits paid	**(68,312)**	(18,294)
Cumulative translation adjustment	**16,696**	32,533
Balances at end of year	**₱275,573**	₱322,123

CCC does not have any plan assets.

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

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

	2016	2015	2014
Discount rate	**5.50%**	4.98%	4.56%
Expected rate of salary increase	**5.00%**	5.00%	10.00%
Turnover rate	**8% at age 18 decreasing to 0% at age 65**	10% at age 20 decreasing to 0% at age 55	10% at age 20 decreasing to 0% at age 55

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

	Increase (decrease)	**2016**	2015
Discount rates	**+1%**	**(₱199,668)**	(₱252,229)
	-1%	**260,188**	335,828

	Increase (decrease)	**2016**	2015
Salary increase rate	**+1%**	**₱261,696**	₱333,903

CCC does not expect to contribute to the defined benefit pension plan in 2016. CCC does not have a Trustee Bank, and does not currently employ any asset-liability matching.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2016 and 2015:

	2016	2015
Less than one (1) year	**₱6,985**	₱8,382
More than one (1) year to five (5) years	**50,799**	59,547
More than five (5) years to ten (10) years	**150,590**	197,499
More than ten (10) years to fifteen (15) years	**213,368**	256,327
More than fifteen (15) years to twenty (20) years	**313,319**	319,025
More than twenty (20) years	**1,382,061**	2,406,431
	₱2,117,122	₱3,247,211

The average duration of the defined retirement benefits liability as at December 31, 2016 and 2015 is 22.65 years and 25.06 years, respectively.

23. Income Taxes

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

	2016	2015	2014
Current	**₱51,946**	₱37,210	₱424,837
Deferred	**(770,096)**	(964,043)	(185,684)
	(₱718,150)	(₱926,833)	₱239,153

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

	2016	2015	2014
RCIT	**₱–**	₱–	₱422,758
Excess of MCIT over RCIT	**51,946**	37,210	2,079
	₱51,946	₱37,210	₱424,837

c. The Group has the following carryforward benefits of NOLCO and MCIT and deductible temporary differences in 2016 and 2015, 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.

	2016	2015
Carryforward benefits of:		
NOLCO	**₱866,364**	₱693,428
MCIT	**2,744**	4,218
Allowance for impairment losses on:		
Inventories	**316,232**	316,232
Receivables	**29,359**	29,359
AFS financial asset	**2,867**	4,326
Unrealized foreign exchange loss	**273,547**	247,514
Retirement benefits liability	**8,536**	11,721
	₱1,499,649	₱1,306,798

d. The components of net deferred tax assets as of December 31, 2016 and 2015:

	2016	2015
Recognized directly in profit or loss		
Deferred tax assets:		
NOLCO	**₱806,841**	₱529,046
Unrealized foreign exchange losses	**777,286**	311,830
Provision for retirement liabilities	**220,931**	220,146
Provision for impairment losses:		
Input VAT	**57,857**	38,875
Allowance for inventory losses	**18,810**	5,711
Allowance for assets write-down	**475**	–
Excess of MCIT over RCIT	**88,841**	36,829
Liability for mine rehabilitation cost	**14,405**	13,725
Unamortized discount on loans	**5,953**	31,546
	₱1,991,399	₱1,187,708

(Forward)

	2016	2015
Recognized in Other Comprehensive Income		
Cumulative translation adjustments	**₱158,889**	₱82,877
	158,889	82,877
Deferred tax assets	**₱2,150,288**	₱1,270,585

e. The components of deferred tax liabilities as of December 31, 2016 and 2015.

	2016	2015
Deferred tax liability:		
Mining rights	**₱2,504,134**	₱2,560,645
Unrealized foreign exchange gains	**97,729**	33,169
Convertible loan	**10,473**	10,473
	2,612,336	2,604,287
Recognized in Other Comprehensive Income		
Revaluation increment on land	**128,087**	128,087
Remeasurement gain on retirement liabilities	**158,329**	133,269
Cumulative translation adjustments	**9,787**	9,787
	296,203	271,143
Deferred tax liabilities	**₱2,908,539**	₱2,875,430

f. As at December 31, 2016, 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
2016	2019	₱1,354,498	₱52,294
2015	2018	1,999,957	37,210
2014	2017	201,380	2,079
		₱3,555,835	₱91,583

Movements in NOLCO and MCIT are as follows:

	2016	2015
NOLCO:		
Beginning of year	**₱2,456,913**	₱460,862
Additions	**1,354,498**	1,999,957
Expirations	**(255,576)**	(3,906)
End of year	**₱3,555,835**	₱2,456,913

	2016	2015
MCIT:		
Beginning of year	**₱41,047**	₱14,464
Additions	**52,294**	37,210
Expirations	**(1,758)**	(10,627)
End of year	**₱91,583**	₱41,047

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

	2016	2015	2014
Provision for (benefit from) income tax at statutory income tax rates	**(₱479,294)**	(₱522,382)	₱445,202
Additions to (reductions in) income tax resulting from:			
Nondeductible expenses	**1,006,486**	61,865	21,906
Income exempt from income tax	**(978,047)**	(205,545)	(150,000)
Cumulative translation adjustments	**(281,497)**	(322,558)	–
Expired NOLCO	**76,673**	1,172	44,863
Movements on unrecognized Deferred tax asset	**56,823**	77,989	13,692
Depletion of mining rights	**(56,512)**	(53,677)	(119,452)
Excess MCIT over RCIT	**(50,252)**	47,456	–
Interest income subjected to final tax and others	**(12,530)**	(11,153)	(17,058)
	(₱718,150)	(₱926,833)	₱239,153

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

Board of Investments (BOI) Incentives availed by CCC
CCC is registered with the BOI as a non-pioneer enterprise and as a new producer of copper concentrate. It is entitled to avail of the ITH incentive, among other incentives, for an initial period of four years from November 2007 to November 2011. The ITH incentive (“ITH Period”) was extended to October 31, 2012 by the BOI in June 2011 upon CCC’s use of the indigenous materials criterion. In 2012, the ITH Period was extended further to October 31, 2013 based on CCC’s eligibility under the net foreign exchange earnings criterion pursuant to Art. 39 (a) (1) (ii) of Executive Order (EO) 226, subject to the condition that CCC shall implement programs in line with its Corporate Social Responsibilities (CSR).
The amount spent for CSR-based programs amounted to ₱59.0 million and ₱54.9 million in 2016 and 2015, respectively. In addition, CCC benefits from the automatic VAT zero-rating of its purchase of goods and services from domestic suppliers pursuant to Revenue Memorandum Order No. 9-2000 on account of the certification by the BOI that one hundred percent (100%) of its sales are export sales.

24. Finance Charges

This account consists of:

	2016	2015	2014
Interest expense on loans and long-term debt and other interest-bearing liabilities (Notes 14 and 15)	**₱1,914,106**	₱1,606,959	₱1,414,405
Interest cost on retirement benefits liability (Note 22)	**14,064**	28,208	23,316
Accretion of interest on liability for mine rehabilitation cost (Note 16)	**2,265**	2,087	2,174
	₱1,930,435	₱1,637,254	₱1,439,895

25. 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.

2016

	Mining	**Non-Mining**	**Total**	**Eliminations**	**Consolidated**
Segment revenue					
From external customers	**₱10,924,490**	**₱–**	**₱10,924,490**	**₱–**	**₱10,924,490**
From intersegment sales/services	**–**	**–**	**–**	**–**	**–**
	₱10,924,490	**₱–**	**₱10,924,490**	**₱–**	**₱10,924,490**
Segment results					
Loss before income tax	**(₱1,409,128)**	**(₱120)**	**(₱1,409,248)**	**(₱188,398)**	**(₱1,597,646)**
Benefit from income tax	**661,638**	**–**	**661,638**	**56,512**	**718,150**
Net loss	**(₱747,490)**	**(₱120)**	**(₱747,610)**	**(₱131,886)**	**(₱879,496)**
Assets					
Segment assets	**₱72,683,750**	**₱62,261**	**₱72,746,011**	**₱1,153,123**	**₱73,899,134**
Investments	**25,801,934**	**–**	**25,801,934**	**(25,801,934)**	**–**
Goodwill	**–**	**–**	**–**	**19,026,119**	**19,026,119**
Mining rights	**–**	**–**	**–**	**8,347,114**	**8,347,114**
Liabilities					
Segment liabilities	**34,572,768**	**31,997**	**34,604,765**	**2,624,277**	**37,229,042**
Other segment information					
Depreciation, depletion and amortization	**2,575,135**	**–**	**2,575,135**	**–**	**2,575,135**
Finance charges	**1,930,435**	**–**	**1,930,435**	**–**	**1,930,435**

2015

	Mining	Non-Mining	Total	Eliminations	Consolidated
Segment revenue					
From external customers	₱9,935,083	₱–	₱9,935,083	₱–	₱9,935,083
From intersegment sales/services	–	–	–	–	–
	₱9,935,083	₱–	₱9,935,083	₱–	₱9,935,083
Segment results					
Loss before income tax	(₱1,435,573)	(₱234)	(₱1,435,807)	(₱305,465)	(₱1,741,272)
Benefit from income tax	677,413	–	677,413	249,420	926,833
Net loss	(₱758,160)	(₱234)	(₱758,394)	(₱56,045)	(₱814,439)
Assets					
Segment assets	₱64,498,300	₱62,365	₱64,560,665	₱6,285,887	₱70,846,552
Investments	20,639,896	–	20,639,896	(20,639,896)	–
Goodwill	–	–	–	19,026,119	19,026,119
Mining rights	–	–	–	8,535,486	8,535,486
Liabilities					
Segment liabilities	31,968,423	31,981	32,000,404	2,365,920	34,366,324
Other segment information					
Depreciation, depletion and amortization	2,512,035	–	2,512,035	–	2,512,035
Finance charges	1,637,254	–	1,637,254	–	1,637,254

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.

26. Basic/Diluted Earnings Per Share

Basic earnings per share is computed as follows:

	2016	2015	2014
Net income attributable to equity holders of the Parent	**(₱879,496)**	(₱814,439)	₱122,436
Divided by basic weighted average number of common shares outstanding (in thousands)	**2,085,233**	2,085,233	2,076,454
	(₱0.4218)	(₱0.3906)	₱0.0590

Diluted earnings per share is computed as follows:

	2016	2015	2014
Net income attributable to equity holders of the Parent	**(₱879,496)**	(₱814,439)	₱122,436
Divided by diluted weighted average number of common shares outstanding (in thousands)*	**2,322,088**	2,345,915	2,255,121
	(₱0.3788)	(₱0.3472)	₱0.0543

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

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

	2016	2015	2014
Basic weighted average number of common shares outstanding	**2,085,233**	2,085,233	2,076,454
Adjustments:			
Convertible loans (Note 15)	**217,009**	240,836	157,066
Stock options (Note 18)	**19,846**	19,846	21,601
Diluted weighted average number of common shares outstanding	**2,322,088**	2,345,915	2,255,121

27. Financial Risk Management Objectives and Policies

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

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

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

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

As at December 31, 2016 and 2015, foreign currency-denominated assets and liabilities follow:

	2016		2015	
	Original Currency	**Peso Equivalent**	Original Currency	Peso Equivalent
Assets				
Cash in banks	**US$35,816**	**₱1,780,772**	US$5,490	₱258,359
	JP¥1,372	**583**	JP¥1,066	418
	GB£139	**8,461**	GB£139	9,755
Short-term investments	**US$13,000**	**646,360**	US$33,186	1,561,733
Receivables	**US$8,432**	**419,239**	US$16,936	797,008
Derivative asset	**US$250**	**12,409**	US$1	56
	US$57,498	**₱2,858,780**	US$55,613	₱2,617,156
	GB£139	**₱8,461**	GB£139	₱9,755
	JP¥1,372	**₱583**	JP¥1,066	₱418

	2016		2015	
	Original Currency	**Peso Equivalent**	Original Currency	Peso Equivalent
Liabilities				
Accounts payable and accrued expenses	**US$18,842**	**₱936,824**	US$54,871	₱2,582,229
	JP¥5,901	**2,509**	–	–
	AU$127	**4,544**	AU$91	3,118
	EU€ 5	**259**	EU€3	155
Long-term debt	**US$427,477**	**21,254,156**	US$372,866	17,547,074
Derivative liabilities	**US$641**	**31,889**	US$52	2,447
	US$446,960	**₱22,222,869**	US$427,789	₱20,131,750
	JP¥5,901	**₱2,509**	–	–
	AU$127	**₱4,544**	AU$91	₱3,118
	EU€5	**₱259**	EU€3	₱155
Net liabilities in US$	**US$389,462**	**₱19,364,089**	US$372,176	₱17,514,594
Net assets in GB£	**GB£139**	**₱8,461**	GB£139	₱9,755
Net liabilities in AU$	**AU$127**	**₱4,544**	AU$91	₱3,118
Net liabilities in JP¥	**JP¥4,529**	**₱1,926**	JP¥1,066	₱418
Net liabilities in EU€	**EU€5**	**₱259**	EU€3	₱155

As at December 31, 2016 and 2015, foreign exchange closing rates follow:

	2016	2015
US$	**₱49.720**	₱47.060
AU$	**35.776**	34.265
JP¥	**0.425**	0.392
EU€	**51.840**	51.741
GB£	**60.872**	70.178

Based on the historical movement of the US$, AU$, JP¥, EU€, GB£ and the Philippine Peso, the management believes that the estimated reasonably possible change in the next 12 months would be a strengthening of ₱0.63 and a weakening of ₱0.49 against the US$, a strengthening of ₱0.79 and weakening of ₱0.57 against AU$, a strengthening of ₱0.01 and weakening of ₱0.01 against JP¥, a strengthening of ₱0.58 and weakening of ₱0.72. against EU€, and a strengthening of ₱1.48 and weakening of ₱2.24 against GB£ for 2016, while a strengthening of ₱0.23 and a weakening of ₱0.56 against the US$, a strengthening of ₱1.0 and weakening of ₱0.82 against AU$, a strengthening of ₱0.01 and weakening of ₱0.01 against JP¥, a strengthening of ₱0.92 and weakening of ₱1.47 against EU€, and a strengthening of ₱1 and weakening of ₱0.82 against GB£ for 2015.

Sensitivity of the Group's pre-tax income to foreign currency risks are as follows:

Year ended December 31, 2016:

- An increase of ₱243,896 in the pre-tax income if peso strengthens by ₱0.627 against the US$. A decrease of ₱192,202 in the pre-tax income if peso weakens by ₱0.494 against the US$.
- An increase of ₱101 in the pre-tax income if peso strengthens by ₱0.794 against the AU$. A decrease of ₱72 in the pre-tax income if the value of peso weakens by ₱0.565 against the AU$.
- An increase of ₱57 in the pre-tax income if the value of peso strengthens by ₱0.013 against the JP¥. A decrease of ₱29 in the pre-tax income if the value of peso weakens by ₱0.006 against the JP¥.

- An increase of ₱3 in the pre-tax income if peso strengthens by ₱0.577 against the EU€. A decrease of ₱4 in the pre-tax income if the value of peso weakens by ₱0.724 against the EU€.
- An increase of ₱206 in the pre-tax income if peso weakens by ₱1.478 against the GB£. A decrease of ₱312 in the pre-tax income if the value of peso strengthens by ₱2.240 against the GB£.

Year ended December 31, 2015:

- An increase of ₱88,330 in the pre-tax income if peso strengthens by ₱0.225 against the US$. A decrease of ₱218,526 in the pre-tax income if peso weakens by ₱0.557 against the US$.
- An increase of ₱90 in the pre-tax income if peso strengthens by ₱0.991 against the AU$. A decrease of ₱75 in the pre-tax income if the value of peso weakens by ₱0.819 against the AU$.
- A decrease of ₱7 in the pre-tax income if the value of peso strengthens by ₱0.006 against the JP¥. An increase of ₱12 in the pre-tax income if the value of peso weakens by ₱0.011 against the JP¥.
- An increase of ₱3 in the pre-tax income if peso strengthens by ₱0.921 against the EU€. A decrease of ₱5 in the pre-tax income if the value of peso weakens by ₱1.466 against the EU€.
- An increase of ₱195 in the pre-tax income if peso weakens by ₱0.819 against the GB£. A decrease of ₱164 in the pre-tax income if the value of peso strengthens by ₱0.991 against the GB£.

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

Commodity Price Risk

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

Shown below is the Group's sensitivity to changes in the copper prices arising from its copper derivatives as at December 31, 2016 and 2015 follows:

December 31, 2016:

Change in Copper Prices	**Effect on Income Before Income Tax**
Increase by 10%	**₱1,095,221**
Decrease by 10%	**(1,095,221)**

December 31, 2015:

Change in Copper Prices	Effect on Income Before Income Tax
Increase by 10%	₱993,735
Decrease by 10%	(993,722)

Equity Price Risk

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

Credit Risk

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

The Group's financial assets which are exposed to credit risk include its cash, trade receivables, interest receivables, AFS financial assets and MRF under "Other noncurrent assets" with a maximum exposure equal to the carrying amount of these assets.

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

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

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

	2016	2015
Cash in banks and cash equivalents	**₱2,417,352**	₱510,186
Short-term investments	**646,360**	797,028
Trade receivables	**276,367**	385,724
Interest receivables	**141,024**	106,437
Other noncurrent assets*	**75,115**	28,542
Nontrade receivables	**73,726**	62,577
Advances to officers and employees	**16,547**	18,901
Derivative assets	**12,409**	56
AFS financial assets	**4,326**	4,326
	₱3,663,226	₱1,913,777

**Excluding input VAT and deferred mine exploration costs*

Credit Quality Per Class of Financial Assets
The credit quality by class of asset for the Group's financial assets as at December 31, 2016 and 2015 based on credit rating system follows:

December 31, 2016:

	Neither past due nor impaired			Past Due	
	High Grade	Standard Grade	Substandard Grade	But Not Impaired	Total
Loans and receivables:					
Cash in banks and cash equivalents	**₱2,417,352**	**₱–**	**₱–**	**₱–**	**₱2,417,352**
Short-term investments	**646,360**	**–**	**–**	**–**	**646,360**
Trade receivables	**276,367**	**–**	**–**	**–**	**276,367**
Interest receivables	**141,024**	**–**	**–**	**–**	**141,024**
Nontrade receivables	**–**	**–**	**–**	**73,726**	**73,726**
Advances to officers and employees	**–**	**–**	**–**	**16,547**	**16,547**
Other noncurrent assets*	**75,115**	**–**	**–**	**–**	**75,115**
Derivative assets	**12,409**	**–**	**–**	**–**	**12,409**
AFS financial assets	**4,326**	**–**	**–**	**–**	**4,326**
	₱3,572,953	**₱–**	**₱–**	**₱90,273**	**₱3,663,226**

**Excluding input VAT and deferred mine exploration costs*

December 31, 2015:

	Neither past due nor impaired			Past Due	
	High Grade	Standard Grade	Substandard Grade	But Not Impaired	Total
Loans and receivables:					
Cash in banks and cash equivalents	₱510,186	₱–	₱–	₱–	₱510,186
Short-term investments	797,028	–	–	–	797,028
Trade receivables	385,724	–	–	–	385,724
Interest receivables	106,437	–	–	–	106,437
Nontrade receivables	–	1,248	39	61,290	62,577
Advances to officers and employees	–	684	607	17,610	18,901
Other noncurrent assets*	28,542	–	–	–	28,542
AFS financial assets	4,326	–	–	–	4,326
Derivative assets	56	–	–	–	56
	₱1,832,299	₱1,932	₱646	₱78,900	₱1,913,777

**Excluding input VAT and deferred mine exploration costs*

The credit quality of the financial assets was determined as follows:
- Cash, short-term investments and related interest receivables and other noncurrent assets are assessed as high-grade since these are deposited in reputable banks, which have a low probability of insolvency.
- Trade receivables, which pertain mainly to receivables from sale of copper and other precious metals, are assessed as high-grade. These are assessed based on past collection experience of full settlement within two (2) months after invoice date with no history of default.
- Nontrade receivables, which pertain mainly to receivables from contractors and suppliers, consists of standard grade, substandard grade and past due but not impaired.
- Advances to officers and employees, which pertain mainly to the unliquidated advances used in the Group's operations, consists of standard grade, substandard grade and past due but not impaired.
- Quoted equity instruments are assessed as high grade since PLDT has its business plan to address its recovery issues.
- Derivative asset, which pertains to provisional pricing and commodity swap transactions, is assessed as high grade since this contains insignificant risk of default based on historical experience of the Group.

The above high grade credit quality financial assets pertain to financial assets with insignificant risk of default based on historical experience. Standard grade credit quality financial assets pertain to financial assets with no history of default and are not past due as at the end of the reporting period. Substandard grade credit quality financial assets pertain to financial assets with more than insignificant risk of default based on historical experience and/or counterparty credit standing.

The aging analyses of the Group's loans and receivables, derivative instruments and AFS financial assets are as follow:

December 31, 2016:

	Neither past due nor Impaired	Past due but not impaired Less than 30 days	30 - 60 Days	More than 60 Days	Total
Loans and receivables:					
Cash and cash equivalents	**₱2,417,352**	**₱–**	**₱–**	**₱–**	**₱2,417,352**
Short-term investments	**646,360**	**–**	**–**	**–**	**646,360**
Trade receivables	**276,367**	**–**	**–**	**–**	**276,367**
Interest receivables	**–**	**2,558**	**3,661**	**134,805**	**141,024**
Nontrade receivables	**–**	**1,688**	**1,287**	**70,751**	**73,726**
Advances to officers and employees	**–**	**303**	**359**	**15,885**	**16,547**
Other noncurrent assets*	**75,115**	**–**	**–**	**–**	**75,115**
Derivative assets	**12,409**	**–**	**–**	**–**	**12,409**
AFS financial assets	**4,326**	**–**	**–**	**–**	**4,326**
	₱3,431,929	**₱4,549**	**₱5,307**	**₱221,441**	**₱3,663,226**

**Excluding input VAT and deferred mine exploration costs*

December 31, 2015:

	Neither past due nor Impaired	Past due but not impaired Less than 30 days	30 - 60 Days	More than 60 Days	Total
Loans and receivables:					
Cash and cash equivalents	₱510,186	₱–	₱–	₱–	₱510,186
Short-term investments	797,028	–	–	–	797,028
Trade receivables	385,724	–	–	–	385,724
Interest receivables	106,437	–	–	–	106,437
Nontrade receivables	–	1,248	39	61,290	62,577
Advances to officers and employees	–	684	607	17,610	18,901
Other noncurrent assets*	15,028	2,502	2,422	8,590	28,542
AFS financial assets	4,326	–	–	–	4,326
Derivative assets	56	–	–	–	56
	₱1,818,785	₱4,434	₱3,068	₱87,490	₱1,913,777

**Excluding input VAT and deferred mine exploration costs*

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's mix of fixed and floating interest rate debt is 84:16, 74:26 and 85:15 in 2016, 2015 and 2014, respectively. The Group monitors its exposure to fluctuations in interest rates by measuring the impact of interest rate movements on the Group's net worth. This is done by modeling the impact of various changes in interest rates to the Group's net interest positions.

The Group has no outstanding floating interest rate debt as at December 31, 2016 and 2015.

Concentration Risk

In 2016 and 2015, majority of the CCC's copper production were sold to MRI. However, it has no significant concentration of credit risk since it can sell its copper concentrate to other third party customers. The Group continuously monitors its receivables from MRI to assess its credit risk exposure.

Liquidity Risk
Liquidity risk is such risk where the Group becomes unable to meet its payment obligations when they fall due under normal and stress circumstances. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group also manages its liquidity risk on a consolidated basis based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

The tables below summarizes the maturity profile of the financial liabilities of the Group, as well as financial assets considered by management as part of its liquidity risk management based on remaining undiscounted contractual obligations as at December 31, 2016 and 2015 follow:

December 31, 2016:

	On demand	**Within 1 year**	**1 to < 3 years**	**> 3 years**	**Total**
Loans and receivables:					
Cash and cash equivalents	**₱2,417,352**	**₱–**	**₱–**	**₱–**	**₱2,417,352**
Short-term investments	**646,360**	**–**	**–**	**–**	**646,360**
Trade receivables	**276,367**		**–**	**–**	**276,367**
Interest receivables	**–**	**141,024**	**–**	**–**	**141,024**
Nontrade receivables	**–**	**73,726**	**–**	**–**	**73,726**
Advances to officers and employees	**–**	**14,030**	**–**	**2,517**	**16,547**
Other noncurrent assets*	**–**	**75,115**	**–**	**–**	**75,115**
Derivative assets	**12,409**	**–**	**–**	**–**	**12,409**
AFS financial assets	**4,326**	**–**	**–**	**–**	**4,326**
	₱3,356,814	**₱303,895**	**₱–**	**₱2,517**	**₱3,663,226**
Financial liabilities:					
Accounts payable and accrued liabilities**	**₱–**	**₱2,421,349**	**₱–**	**₱–**	**₱2,421,349**
Long-term debt and other interest-bearing liabilities	**–**	**20,817,950**	**10,540,433**	**–**	**31,358,383**
Derivative liabilities	**–**	**31,889**	**–**	**–**	**31,889**
	₱–	**₱23,271,188**	**₱10,540,433**	**₱–**	**₱33,811,621**
	₱3,356,814	**(₱22,967,293)**	**(₱10,540,433)**	**₱2,517**	**(₱30,148,395)**

**Excluding input VAT and deferred mine exploration costs*
***Excluding government payables*

December 31, 2015:

	On demand	Within 1 year	1 to < 3 years	> 3 years	Total
Loans and receivables:					
Cash and cash equivalents	₱510,186	₱–	₱–	₱–	₱510,186
Short-term investments	797,028	–	–	–	797,028
Trade receivables	–	385,724	–	–	385,724
Interest receivables	–	106,437	–	–	106,437
Nontrade receivables	–	62,577	–	–	62,577
Advances to officers and employees	–	14,379	–	4,522	18,901
Other noncurrent assets*	–	28,542	–	–	28,542
AFS financial assets	4,326	–	–	–	4,326
Derivative assets	56	–	–	–	56
	₱1,311,596	₱597,659	₱–	₱4,522	₱1,913,777
Financial liabilities:					
Accounts payable and accrued liabilities**	₱–	₱5,316,804	₱–	₱–	₱5,316,804
Long-term debt and other interest-bearing liabilities	–	5,552,671	20,077,362	–	25,630,033
Derivative liabilities	–	2,459	–	–	2,459
	–	10,871,934	20,077,362	–	30,949,296
	₱1,311,596	(₱10,274,275)	(₱20,077,362)	₱4,522	(₱29,035,519)

**Excluding input VAT and deferred mine exploration costs*
***Excluding government payables*

28. **Financial Instruments**

PFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

Fair Values of Financial Instruments
The following table shows the carrying values and fair values of the Group's financial instruments, whose carrying values does not approximate its fair values as at December 31 of each year:

	Carrying Values		Fair Values	
	2016	2015	**2016**	2015
Other Financial Liabilities				
Long-term debt and other interest-bearing liabilities:				
Bonds Payable	**₱14,916,000**	₱14,118,000	**₱14,636,325**	₱13,941,525
SMIC	**6,876,128**	927,000	**8,218,862**	1,021,035
UOB	**1,197,755**	1,176,500	**1,276,034**	1,294,665
Security Bank	**1,059,960**	1,100,000	**1,152,702**	1,247,897
RCBC	**934,249**	917,670	**995,311**	1,009,838
APHC	**700,000**	700,000	**742,541**	771,008
BDO Leasing	**262,272**	630,477	**272,199**	657,304
Alakor Corporation	**173,000**	173,000	**183,514**	190,549
MayBank	**–**	941,200	**–**	1,035,731
SCB	**–**	391,916	**–**	404,887
	₱26,119,364	₱21,075,763	**₱27,477,488**	₱21,574,439

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Short-term Investments, Trade and Interest Receivables, and Other Noncurrent Assets
The carrying amounts of cash and cash equivalents, short-term investments, trade and interest receivables and other noncurrent assets approximate their fair value due to the relatively short-term maturities of these financial instruments.

AFS Financial Asset
The fair value of quoted equity instrument is determined by reference to market bid quotes at the end of the reporting period. AFS financial asset is carried at fair value.

Accounts Payable and Accrued Liabilities and Payable to Related Parties
The carrying amounts of accounts payable and accrued liabilities and payable to related parties approximate their fair values due to the relatively short-term maturities of these financial instruments.

Long-term Debt and Other Interest-bearing Liabilities
Fair value of long-term debt and other interest-bearing liabilities is estimated using the discounted cash flow methodology using the benchmark risk free rates for similar types of long-term debt and other interest-bearing liabilities, except for the Bonds Payable whose fair value is determined by reference to market prices at the end of the period.

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

December 31, 2016

	Level 1	**Level 2**	**Level 3**	**Total**
Asset measured at fair value:				
Derivative asset	**₱–**	**₱12,409**	**₱–**	**₱12,409**
Liability measured at fair value:				
Derivative liabilities	**₱–**	**(₱31,889)**	**₱–**	**(₱31,889)**
Liability for which fair values are disclosed:				
Long-term debt and other interest-bearing liabilities	**(14,636,325)**	**–**	**(12,841,163)**	**(27,477,488)**
Total	**(₱14,636,325)**	**(₱31,889)**	**(₱12,841,163)**	**(₱27,509,377)**

December 31, 2015

	Level 1	Level 2	Level 3	Total
Asset measured at fair value:				
Derivative asset	₱–	₱56	₱–	₱56
Liability measured at fair value:				
Derivative liabilities	₱–	(₱2,459)	₱–	(₱2,459)
Liability for which fair values are disclosed:				
Long-term debt and other interest-bearing liabilities	(13,941,525)	–	(7,632,914)	(21,574,439)
Total	(₱13,941,525)	(₱2,459)	(₱7,632,914)	(₱21,576,898)

There were no transfers between levels of fair value measurement as at December 31, 2016 and 2015.

29. 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 2016 and 2015.

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

	2016	2015
Capital stock	**₱2,087,033**	₱16,696,262
Additional paid-in capital	**14,686,962**	77,733
Long-term debt and other interest-bearing liabilities	**31,358,383**	25,630,033
Retained earnings	**17,960,856**	18,840,352
	₱66,093,234	₱61,244,380

30. **Commitments and Contingencies**

Parent Company

Contingencies

On November 21, 2006, the Parent Company requested for a 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 derecognized in its books the amount corresponding to the Masbate Taxes.

The Commissioner of Internal Revenue (CIR) subsequently revoked said Ruling in a memorandum order. 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 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.

After trial on the merits, the Court in Division issued a Decision dated October 1, 2013 in favor of the Parent Company, and cancelled/withdrew the assessment notices issued against the Parent Company for taxable years 1991, 1992 and 1993 which ruling was affirmed by the Court in Division and subsequently by the CTA En Banc in its Decision dated August 14, 2015 and Resolution dated January 29, 2016.

Not satisfied with the adverse rulings, the CIR filed a Petition for Review on Certiorari to the Supreme Court seeking to annul and set aside the Decision and Resolution of the CTA En Banc. The Supreme Court in its Resolution dated December 7, 2016 denied the CIR's petition and affirmed the CTA En Banc. The CIR filed a Motion for Reconsideration on January 31, 2017.

CCC

Power Agreements

- On December 15, 2014, CCC and Toledo Power Company (TPC) executed a twelve-year Energy Conversion Agreement pursuant to which CCC shall supply to TPC the coal needed to generate electric power from the Plant under the terms of the Electric Power Purchase Agreement (EPPA).

- On June 5, 2012, CCC signed a twelve year EPPA with TPC. Pursuant to the terms of the EPPA, TPC will build and operate a 72-megawatt net output clean coal-fired power plant in Toledo City (the "Plant") that will guarantee the supply of up to 60 megawatts of electric power to the CCC's mining operations upon its commissioning. The power plant was completed in December 2014.

- In June 2008, CCC entered into a power supply agreement with Cebu III Electric Cooperative, Inc. (“CEBECO III”) 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. The agreement was terminated on October 15, 2016.

Total utilities expenses related to the above power agreements amounted to ₱2,170,068, ₱2,180,752 and ₱2,181,252 in 2016, 2015 and 2014, respectively. Related accrued expenses amounted to ₱122,035 and ₱140,120 as at December 31, 2016 and 2015, respectively (see Note 14).

Waste Stripping Services Agreement

In May 2012, CCC entered into a waste stripping services agreement with Galeo Equipment and Mining Company, Inc. (“Galeo”) for waste stripping services at CCC’s Carmen and Lutopan Open Pit Mines at specified pricing formulas. The agreement has a term of four (4) years reckoned from the earlier of June 1, 2012 or the date when Galeo commences the performance of waste stripping services. The agreement was terminated in April 2016.

A new contract for lease was executed covering a period of sixteen (16) months beginning on September 22, 2016 or from the time the equipment is made available at CCC whichever is earlier. The lessee shall pay the billing within sixty (60) days from the receipt of the invoice.

Total expenses related to waste stripping services agreement and lease amounted to ₱1,103,507, ₱3,719,593 and ₱2,380,031 in 2016, 2015 and 2014, respectively. Related accrued expenses amounted to ₱180,752 and ₱422,759 as at December 31, 2016 and 2015, respectively.

Fuel and Lubricants Supply Agreements

In May 2016, CCC signed a new four-year supply agreement with Pilipinas Shell Petroleum Corporation for the purchase of fuel at established pricing formulas. The supply agreement for the purchase of lubricants and greases expired in December 2016 and the parties are in the process of negotiation for its renewal. Total expenses related to the fuel supply agreement amounted to ₱601,447, ₱880,453 and ₱1,172,079 in 2016, 2015 and 2014, respectively. Accrued expenses amounted to ₱71,642 and ₱37,051 as at December 31, 2016 and 2015, respectively.

Legal Contingencies

The Group is a party to minor labor cases arising from its operations. The Group’s management and legal counsel believe that the eventual resolution of these cases will not have a material effect on the Group’s consolidated financial statements. Accordingly, no provision for probable losses was recognized by the Group in 2016, 2015 and 2014.

Collective Bargaining Agreement (CBA)

In October 2012, CCC executed a five-year CBA with its rank-and-file union (the “Union”). However, in view of the election of a new bargaining representative for the Union in October 2014, a new CBA was executed by CCC on January 30, 2015 (the “2015 CBA”). The 2015 CBA shall be valid as to the representation aspect for a period of five (5) years. Under the provisions of the Labor Code, the economic provisions of the 2015 CBA shall be re-negotiated on the third anniversary of its execution.

Consignment Agreements

Shorr Industrial Sales, Inc.

In September 2012, CCC entered into a consignment agreement with Shorr Industrial Sales, Inc. for the supply of parts and tools for heavy equipment. Expiry of the latest contract/agreement ends in June 30, 2017.

Synchrotek Corporation
In December 2016, CCC renewed its consignment contract with Synchrotek Corporation for the supply of filters, lubricants and other heavy equipment parts, effectivity of which is until June 2017.

Morse Hydraulics
A consignment agreement was entered into with Morse Hydraulics for the supply of hydraulic hoses and fittings at established price list valid for one (1) year beginning July 1, 2012 to June 30, 2013. The agreement has been renewed annually since, and the latest renewal covers the period July 1, 2016 to June 30, 2017.

Orica Philippines, Inc.
In 2013, CCC entered into a consignment agreement with Orica Philippines, Inc. for the supply of explosives and blasting accessories for use in mining and mine development activities. The consignment agreements with Orica Philippines, Inc. was valid until September 30, 2014, and ensures the availability of the goods covered thereby and pegs a price range for the supply of such goods during the period of effectivity. The consignment agreement with Orica Philippines, Inc. was renewed in October 2016 and extended until September 2017.

Le Price International Corporation
In 2013, CCC entered into a consignment agreement with Le Price International Corporation for the supply of a centralized lubrication, a filtration, a fire suppression and a refueling system. The consignment agreement with Le Price International Corporation, which is valid until July 31, 2014, ensures the availability of the goods covered thereby and pegs a price range for the supply of such goods during the period of effectivity. The consignment agreement with Le Price International Corporation was renewed in September 2016.

Atlas Copco Phils.
In 2015, CCC entered into a consignment agreement with Atlas Copco for the supply of drill equipment parts and accessories. This ensured the availability of the critical parts required for continued operations, and pegs a price range for the supply of such goods during the period of effectivity. The consignment agreement was renewed in July 25, 2016 and extended until July 24, 2017.

Maxima Machineries, Inc.
CCC entered into a consignment agreement in April 2013 with Maxima Machineries, Inc. for the supply of excavators, dump trucks, bulldozers and other heavy equipment parts and accessories. This ensured the availability of the critical parts required for continued operations, and pegs a price range for the supply of such goods during the period of effectivity. The consignment agreement was recently renewed in April 16, 2016 and extended until April 15, 2017.

Others
Purchase Commitments
There were no unusual purchase commitments or losses on commitments entered into by the Group.

31. **Other Matters**

a. Executive Order (EO) No. 79
On July 12, 2012, EO 79 was released to provide the general framework for the implementation of mining reforms in the Philippines. The Company has assessed that EO 79 has no major impact on its current operations since the Group's current mining activities are covered by valid and existing MPSA. Pursuant to Section 1 of EO 79, a mining contract, such as an MPSA, that was approved before the effectivity of the EO shall continue to be valid, binding and enforceable so long as the contractor thereunder strictly complies with existing laws, rules and regulations and the terms and conditions under the mining contract.

On March 7, 2013, MGB recommended DENR to lift the DENR Memorandum Order (MO) No. 2011-01 on the suspension of acceptance of all types of applications for mining permits and mineral agreements. Effective March 18, 2013, MGB resumed the acceptance of mining applications for exploration permits and Financial and Technical Assistance Agreements pursuant to DENR Administrative Order No. 2013-11.

Social Development Management Program (SDMP)
The five-year SDMP plan of CCC covering years 2014-2018, in compliance with DENR Administrative Order 2010-21, was duly approved by the MGB. In 2016, actual spent and commitment totaled ₱222,105 with ₱64,968 of which remaining unused as of December 31, 2016 pending the completion of identified and on-going projects. In 2015, CCC spent ₱54,332.

b. Operating Agreement (the "Agreement") with CCC
On May 5, 2006, the Parent Company and CCC executed the Agreement 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.

For the year 2016 and 2015, the BOD of the Parent Company approved the waiver of its entitlement to receive from the CCC, pursuant to the Agreement, royalties due from operations in 2016 and 2015, respectively.

c. Subscription Agreement
On June 30, 2015, the Parent Company agreed to infuse additional equity capital into CCC in the aggregate amount of ₱1.7 billion through subscriptions to CCC's unissued common shares at the subscription price of ₱10 per share. Upon full payment of the subscription price, CCC issued to the Parent Company 170 million common shares of the authorized capital stock of CCC.

In February 2016, the Parent Company and CCC executed two (2) Subscription Agreements for the equity capital infusion of the Parent Company into CCC in the amounts of ₱705.4 million and ₱1.1 billion, respectively, at the subscription price of ₱10 per share. Upon full payment of the subscription price, CCC issued to the Parent Company 70.5 million common shares and 114.6 million common shares.

On June 8 2016, the Parent Company agreed to infuse additional equity capital into CCC in the aggregate amount of ₱1.9 billion by subscribing to 19.1 million common shares out of CCC's unissued authorized capital stock at the subscription price of ₱100 per share.

On December 21, 2016, the Parent Company subscribed to 14.0 million common shares out of the unissued capital stock of CCC in the aggregate amount of ₱1.4 billion at the subscription price of ₱100 per share.

d. Declaration of Cash Dividends
The Parent Company, upon the approval granted by its BOD on April 29, 2014 and March 8, 2013, declared cash dividends in the amount of ₱0.15 per share and ₱0.25 per share of its capital stock in 2014 and 2013, respectively. The dividends were paid to all stockholders of record as at May 14, 2014 and March 22, 2013, respectively. The Parent Company did not declare nor pay dividends in 2016 and 2015.

e. Income from Sale of Services
In 2014, the Parent Company provided general consultancy services to DMCI in respect of transactions relating to DMCI's acquisition of equity interest in TMC. The agreed fee for such engagement amounted to ₱77,100.

32. Events after the End of the Reporting Period

On February 21, 2017, the stockholders in a special stockholders meeting approved the (i) increase in authorized capital stock (ACS) and the consequent amendment to article VII of the Corporation's Articles of Incorporation (AOI), (ii) issuance of primary Shares out of the combined increase in ACS, and (iii) issuance of Warrants and the underlying Shares as a result of the exercise of the Warrants to the specified shareholders (see Note 17).

33. Supplemental Disclosure to Consolidated Statements of Cash Flows

The noncash activities of the Group pertain to the borrowing cost capitalized as part of property, plant and equipment amounting to nil in 2016 and 2015, respectively.

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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Atlas Consolidated Mining and Development Corporation
5th Floor, FiveE-com Center, Palm Coast corner Pacific Drive
Mall of Asia Complex, Pasay City, Metro Manila

We have examined the consolidated financial statements of Atlas Consolidated Mining and Development Corporation and Subsidiaries (the Group) for the year ended December 31, 2016, on which we have rendered the attached report dated March 7, 2017.

In compliance with Securities Regulation Code Rule 68, As Amended (2011), we are stating that the said Group has thirteen thousand four hundred forty seven (13,447) stockholders owning one hundred (100) or more shares.

SYCIP GORRES VELAYO & CO.

Eleanore A. Layug
Partner
CPA Certificate No. 0100794
SEC Accreditation No. 1250-A-1 (Group A),
January 7, 2016, valid until January 6, 2019
Tax Identification No. 163-069-453
BIR Accreditation No. 08-001998-97-2015,
January 5, 2015, valid until January 4, 2018
PTR No. 5908708, January 3, 2017, Makati City

March 7, 2017

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SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULE**

The Stockholders and the Board of Directors
Atlas Consolidated Mining and Development Corporation
5th Floor, FiveE-com Center, Palm Coast cor. Pacific Drive
Mall of Asia Complex, Pasay City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Atlas Consolidated Mining and Development Corporation and Subsidiaries (the Group) as at December 31, 2016 and 2015, and each of the three years in the period ended December 31, 2016 included in this form 17-A, and have issued our report thereon dated March 7, 2017. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Parent Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Eleanore A. Layug
Eleanore A. Layug
Partner
CPA Certificate No. 0100794
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March 7, 2017

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

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Schedule of Effective Standards and Interpretations under the PFRS	Schedule III
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ATLAS CONSOLIDATED MINING
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SEC FORM 17-A
DECEMBER 31, 2016

CONSOLIDATED FINANCIAL STATEMENTS

Statement of Management's Responsibility for Consolidated Financial Statements

Report of Independent Auditors

Consolidated Statements of Financial Position as at December 31, 2016 and 2015

Consolidated Statements of Comprehensive Income for the Years Ended
December 31, 2015, 2016 and 2015

Consolidated Statements of Changes in Equity for the Years Ended
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Notes to Consolidated Financial Statements

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SCHEDULE B. Amounts Receivable from Directors, Officers, Employees, Related Parties and
Principal Stockholders (other than Related Parties)

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SCHEDULE E. Long-Term Debt

SCHEDULE F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

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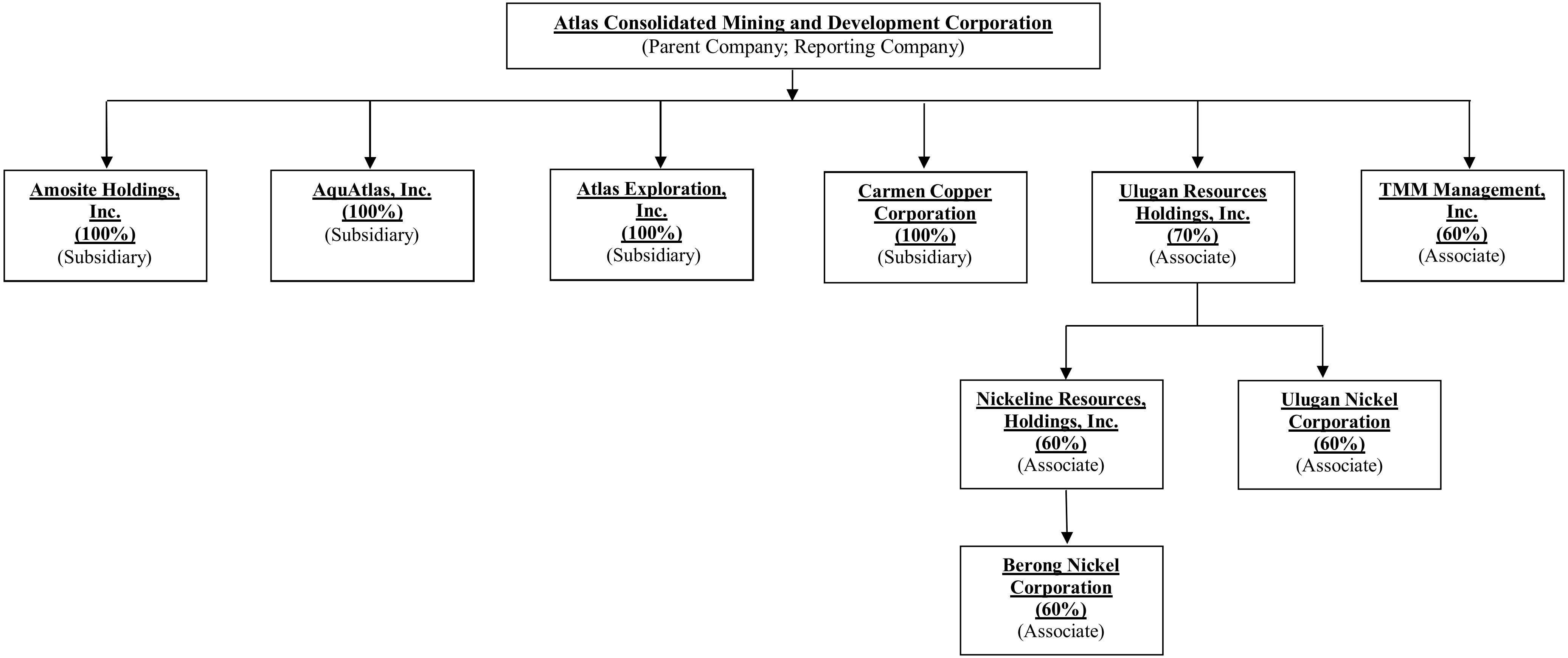
SCHEDULE I
ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
FINANCIAL RATIOS PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2016

	2016	2015
Profitability Ratios:		
Return on assets	**(1.22%)**	(1.20%)
Return on equity	**(2.47%)**	(2.00%)
Gross profit margin	**20.31%**	10.00%
Net profit margin	**(8.05%)**	(7.00%)
Liquidity and Solvency Ratios:		
Current ratio	**0.25:1**	0.42:1
Quick ratio	**0.18:1**	0.22:1
Solvency ratio	**0.05:1**	(0.11:1)
Financial Leverage Ratios:		
Asset to equity ratio	**2.10:1**	1.93:1
Debt ratio	**0.50:1**	0.48:1
Debt to equity ratio	**1.06:1**	0.92:1
Interest coverage ratio	**(0.17:1)**	(0.36:1)

SCHEDULE II

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP PURSUANT TO SRC RULE 68, AS AMENDED DECEMBER 31, 2016



SCHEDULE III
ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
SCHEDULE OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER THE PFRS PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2016

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as at December 31, 2016:

PFRS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued			✓

PFRS		Adopted	Not Adopted	Not Applicable
	Operations			
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments: Classification and Measurement of Financial Assets	Not early adopted		
	Financial Instruments: Classification and Measurement of Financial Liabilities	Not early adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
	Amendments to PFRS 9: Hedge Accounting	Not early adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✓
	Amendments to PFRS 10: Investment Entities			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11 - Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendment to PFRS 12 - Investment Entities: Applying Consolidation Exceptions			✓
PFRS 13	Fair Value Measurement	✓		

PFRS		Adopted	Not Adopted	Not Applicable
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contract with Customers	Not early adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 - Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 - Agriculture Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		

PFRS		Adopted	Not Adopted	Not Applicable
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		

PFRS		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	*Determining Whether an Arrangement Contains a Lease*	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment*			✓
IFRIC 7	*Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies*			✓
IFRIC 8	*Scope of PFRS 2*			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		

PFRS		Adopted	Not Adopted	Not Applicable
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	*Interim Financial Reporting and Impairment*	✓		
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	✓		
IFRIC 21	Levies	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

SCHEDULE IV
ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
PURSUANT TO SEC RULE 68, AS AMENDED AND SEC MEMORANDUM CIRCULAR NO. 11
As of December 31, 2016
(Amounts in thousands)

Unappropriated Retained Earnings, beginning		₱1,214,507
Adjustments:		
Unrealized foreign exchange		–
Treasury shares		(23,267)
Unappropriated Retained Earnings, as adjusted, beginning		₱1,191,240
Add: Net income actually earned/realized during the period		
Net income (loss) during the period closed to Retained Earnings	(₱430,345)	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gain - net (except those attributable to Cash)	(7,367)	
Unrealized actuarial gain	–	
Fair value adjustment (mark-to-market gains)	–	
Fair value adjustment of investment property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP - gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Subtotal	(7,367)	
Add: Non-actual losses		
Unrealized foreign exchange loss - net (except those attributable to Cash)	–	
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP - loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Subtotal	–	
Net income actually earned during the period	(437,712)	
Add (Less):		
Dividend declarations during the period	–	
Appropriations of retained earnings	–	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	
Subtotal	–	(437,712)
Unappropriated Retained Earnings, as adjusted, ending		₱753,528

SCHEDULE A

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
FINANCIAL ASSETS IN EQUITY SECURITIES
DECEMBER 31, 2016

Name of issuing entity and association of each issue	Number of shares or principal amounts of bonds and notes	Amount shown in the balances sheet (figures in thousands)	Income received and accrued
AFS Financial Asset:			
PLDT	2,100	₱–	₱–

SCHEDULE B

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2016

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected / Settlements	Amounts Written-off	Current	Not Current	Balance at end period

NOT APPLICABLE

SCHEDULE C

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2016

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected /Settlements	Amounts Written-off	Current	Not Current	Balance at end period
CCC	₱82,700,392	₱–	(₱198,115,431)	₱–	(₱115,415,039)	₱–	(₱115,415,039)
AEI	100,483,814	78,275	–	–	100,562,089	–	100,562,089
AI	31,671,547	69,022	–	–	31,740,569	–	31,740,569
AHI	(2,252,170)	–	103,919	–	(2,148,251)	–	(2,148,251)

SCHEDULE D

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2016

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Goodwill	₱19,026,118,600	₱–	₱–	₱–	₱–	₱19,026,118,600
Mining Rights	8,535,486,097	–	188,372,023	–	–	8,347,114,074

SCHEDULE E

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
LONG-TERM DEBT
DECEMBER 31, 2016

Title of Issue and type of obligation	Amount authorized by: Indenture	Amount shown under the caption "Current Portion of long-term borrowings" in related balance sheet	Amount shown under the caption "Long-term borrowings- net of current portion" in related balance sheet
Bonds payable	₱–	₱14,916,000,000	₱–
Bond discount	–	(19,842,210)	–
SM Investments Corporation	–	981,435,000	5,949,128,000
MayBank	–	958,203,840	–
BDO Leasing & Finance, Inc.	–	234,738,740	80,320,691
United Overseas Bank Ltd.	–	187,444,400	1,010,310,400
Security Bank	–	165,837,927	893,983,430
Standard Chartered Bank	–	183,185,052	–
Rizal Commercial Banking Corporation	–	146,206,632	788,042,112
Convertible loans	–	–	1,818,648,103

SCHEDULE F

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2016

Name of Related Party	Balance at beginning of period	Balance at end of period
SM Investments Corporation	₱981,435,000	₱6,930,563,000

SCHEDULE G

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2016

Name of issuing entity of securities guaranteed by the Parent Company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owed by person for which statement is filed	Nature of guarantee

NOT APPLICABLE

SCHEDULE H

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
CAPITAL STOCK
DECEMBER 31, 2016

The Parent Company's authorized share capital is ₱3.0 billion divided into 3.0 billion shares at ₱1 par value. As at December 31, 2016, total shares issued and outstanding is 2,087,032,774 held by 20,816 shareholders.

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition caption	Number of shares reserved for option, warrants, conversions and other rights	Directors and Officers	Principal/ Substantial Stockholders	No of shares held by Government	Banks	Others
Common Stock	3,000,000,000	2,087,032,774	–	140,126,053	1,066,154,896	–	–	880,751,825

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended: **31 March 2017**

2. Commission Identification No. **PW0000115A**

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

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

   ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION

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

6. Industry Classification Code [ ] (SEC Use Only)

7. Address of registrant's principal office: Postal Code
   5F Five E-com Center, Palm Coast Avenue cor. Pacific Drive **1300**
   Mall of Asia Complex, Pasay City

8. Issuer's telephone number, including area code:
   (632) 831-8000 local 25001

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

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Stock, PhP 1 par value	**2,087,032,774**

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

   Yes [x] No [ ]

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

   Philippine Stock Exchange **Common Stock**

10. Indicate by check whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports).

    Yes [x] No [ ]

    (b) has been subject to such filing requirements for the past 90 days.

    Yes [x] No [ ]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

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

Item 2. Management's Discussion and Analysis

A. Results of Operations and Changes in Financial Condition

The table below shows the consolidated results of operations of Atlas Consolidated Mining and Development Corporation ("AT" or the "Parent Company") and its subsidiaries (collectively, the "Group") for the three-month period ended 31 March 2017 vis-à-vis those for the same period in 2016:

Results of Operations (Three-Month Period)

Particulars *(in PhP millions)*	31 March 2017	31 March 2016	Change
Consolidated Net Loss	(211)	(135)	+56%
Consolidated Income from Operations	74	55	+34%
Consolidated Gross Revenues	2,814	3,351	-16%
Costs and operating expenses	2,512	2,908	-14%
Net income (loss) attributable to:			
Equity holders of the parent	(211)	(135)	+56%

AT registered a *Net Loss* of PhP211 million due mainly to lower volume. *Income from operations*, however, increased by 34% from PhP55 million to PhP74 million.

Gross Revenues for the three-month period dropped by 16% year-on-year, from Php3.3 billion to PhP2.8 billion mainly due to lower volumes in line with the company's cash-optimal mine plan to reduce stripping costs which started in the second quarter of 2016. The related *Marketing charges* decreased due to lower smelting charges and lower volume shipped.

AT's wholly owned subsidiary, Carmen Copper Corporation ("Carmen Copper") milled 3.135 million tonnes of ore resulting to copper metal production of 17.55 million pounds, 41% lower than last year of 29.9 million pounds. Gold production also decreased by 59% from 10,015 ounces to 4,120 ounces due mainly to lower realized grade.

Meanwhile, metal prices improved during the period as average realized copper price increased by 25% to USD2.63/lb for the quarter from USD2.10/lb of the same period last year. Average realized gold price increased by 2% to USD1,225/oz from USD1,198/oz of the previous year.

Costs and operating expenses fell by 14% due to lower volumes and impact of other efficiency and cost containment measures. One-time costs were incurred in relation to the refinancing of debts such as documentary stamp taxes.

Equity in net loss of associates during the first quarter of 2017 amounted to PhP15 million. This represents the Parent Company's share in the results of operations of Ulugan Resources Holding, Inc. (URHI), TMM Management, Inc. (TMMI), Ulugan Nickel Corporation (UNC), Nickeline Resources Holdings, Inc. (NRHI), and BNC (the "Nickel Corporations") as of March 2017.

Finance charges (18% of gross revenues) increased due to the availment of new loans for working capital requirements.

USD:PhP Exchange rate closed at USD1.00:PhP50.16 as at 31 March 2017 versus USD1.00:PhP49.72 as at 31 December 2016. This triggered the recognition of *Net unrealized foreign exchange gain* of PhP62 million primarily from the restatement of PhP-denominated bank and loans and other payables.

Carmen Copper's debt obligations are mostly US dollar-denominated to match US dollar revenues. This establishes a natural hedge against foreign exchange fluctuations. As such, there will be no actual or real foreign exchange effect as the US dollar-denominated debts are settled using US dollar revenue receipts.

Realized mark-to-market gain amounts to PhP51 million due to provisional pricing contracts and commodity swap agreement entered during the period.

Other income (charges) – net decreased due to the non-recurring income realized in the first quarter of 2016 from the sale of equipment, recovered crane engines and other parts. Only minimal income from rent and scrap materials were realized during the current quarter.

Amortization of intangible assets refers to the depletion of mining rights which is directly related to volume.

AT incurred aggregate net deferred income tax of PhP121 million for the first quarter of 2017.

Changes in Financial Condition

The discussion below pertains to the consolidated financial condition of the Group as of 31 March 2017 vis-à-vis that as of 31 December 2016:

Cash and cash equivalents increased due to the additional loan from BDO Unibank Inc related to the refinancing of the bond and also due to refunds claimed related to Input Tax Credits. *Receivable-net* pertains mainly to trade receivables. *Inventories* decreased due to shipments of product inventory in 2017 and consumption of material and supplies. *Prepayments and other current assets* increased due to prepaid insurance paid during the quarter. *Derivative assets* arise from commodity swap transaction.

Movement in *Intangible assets* of PhP35 million arose from the depletion of mining rights during the quarter. Decrease in *property, plant and equipment-net* of 2% were attributable to depreciation. *Other noncurrent assets* decreased mainly due to monetization of tax credits certificates.

Investment in associate decreased by 8% due to the net loss recognized as equity from Nickel Corporations.

The decrease in *Accounts Payable and accrued liabilities* were mostly associated to accruals on interest. *Current portion of long-term debt* decreased due to the payment of the USD300 million bond. *Income tax payable* pertains to the accrual of income tax liability for the first quarter of 2017. *Derivative liabilities* are related to the Copper Asian Swap agreement with Standard Chartered Bank (SCB).

Long-term debt (37% of total assets) increased by 151% as a result of the refinancing the USD300 million bond with a term loan of USD320 million. *Deferred income tax liabilities* arise from temporary differences which are not deductible in the current year but deductible in future years.

Deposit for future stock subscription increased due to additional subscription of shares by shareholders as a result of the increase in authorized capital stock which was approved by the Board during its Special Stockholders' Meeting held on 21 February 2017.

Material Plans, Trends, Events or Uncertainties

- Increase in Authorized Capital Stock

During the Special Shareholders' Meeting (SSM) on 21 February 2017, AT's Shareholders approved and confirmed the: (i) Increase in the authorized capital stock (ACS) and consequent amendment to article VII of AT's Articles of Incorporation (AOI), (ii) Issuance of primary shares out of the increase in ACS, and (iii) Issuance of Warrants and the underlying common shares as a result of the exercise of the Warrants to major Shareholders. The approved ACS increase is from Php6billion to Php8.5 billion divided into 8.5 billion common shares with a par value of Php1.00 per share.

- Refinancing of the USD300 million bond of Carmen Copper Corporation

Carmen Copper has successfully refinanced and settled its USD300 million bond that matured in March 2017 with a seven-year term loan from BDO Unibank Inc. amounting to USD320 million.

Key Performance Indicators

The key performance indicators of the Group are shown below:

Particulars	31 March 2017	31 March 2016
Current/Liquidity Ratio		
Current Ratio	0.79:1	0.69:1
Solvency Ratios		
Debt-to-Equity	1:1	0.99:1
Debt-to-Assets	0.49:1	0.50:1
Asset-to-Equity	2.04:1	2:1
Interest Rate Coverage	0.33:1	0.10:1
Profitability Ratios		
Return on Equity	-0.60%	-0.37%
Return on Sales	-7.50%	-4.00%
Return on Assets (Fixed Assets)	-0.58 %	-0.39%

• Current Ratio	=	Current Assets / Current Liabilities
• Debt-to-Equity	=	Total Liabilities / Total Stockholders' Equity Attributable to Equity Holders of Parent Company
• Debt-to-Assets	=	Total Liabilities / Total Assets
• Asset-to-Equity	=	Total Assets / Total Stockholders' Equity Attributable to Equity Holders of Parent Company
• Interest Rate Coverage	=	Earnings Before Income Tax / Interest Expense
• Return on Equity	=	Net Income Attributable to Equity Holders of Parent Company as of the Quarter / Average Total Stockholders' Equity Attributable to Equity Holders of Parent Company
• Return on Sales	=	Consolidated Net Income as of the Quarter / Total Consolidated Net Revenues as of the Quarter
• Return on Assets (Fixed Assets)	=	Net Income Attributable to Equity Holders of Parent Company as of the Quarter / Average Fixed Assets-Net

B. Liquidity and Capital Resources

Below is a summary of the Group's consolidated cash flow as of 31 March 2017:

Particulars *(in PhP thousands)*	Amount
Net cash flow provided by operating activities	2,221
Net cash flows used in investing activities	(902,897)
Net cash flows provided by financing activities	912,768
Net increase in cash and cash equivalents	236,095

The Group is not required to present a segment report.

Except as already reported herein, there is no material event occurring subsequent to the close of the first quarter of 2017 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 or financial condition or the results of its operations; (ii) any high-probability event that will trigger direct or contingent financial obligation that is material to the Group; or (iii) any material off-balance sheet transactions that occurred as of the first quarter of 2017.

C. Financial Risk Management Objectives and Policies

The Group's main financial instruments are cash and cash equivalents, loans, other interest-bearing cash 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 its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, commodity price risk, credit risk, and liquidity risk. The Audit and Risk Management Committee (ARMC) of the Board of Directors of ACMDC reviews and guides the adoption of relevant policies for managing each of these risks which are described below:

(All figures are in thousands)

Foreign currency risk

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

Foreign currency-denominated assets and liabilities are as follows:

		31 March 2017			31 December 2016	
		Original Currency	Peso Equivalent		Original Currency	Peso Equivalent
Cash and cash equivalents*						
	US$	10,528	528,517	US$	35,816	1,780,772
	JP¥	1,372	323	JP¥	1,372	583
	GB£	139	8,714	GB£	139	8,461
Short-term investments	US$	13,135	659,380	US$	13,000	646,360

Receivables	US$	5,798	291,045	US$	8,432	419,239
Derivative assets	US$	623	31,283	US$	250	12,409
	US$	30,084	1,510,224	US$	57,498	2,858,780
	GB£	139	8,714	GB£	139	8,461
	JP¥	1,372	323	JP¥	1,372	583
Liabilities						
Accounts payable and accrued expenses	US$	8,086	405,913	US$	18,842	936,824
	JP¥	82,131	36,695	JP¥	5,901	2,509
	AU$	126	4,822	AU$	127	4,544
	EU€	2	124	EU€	5	259
Long-term debt	US$	610,291	30,636,599	US$	427,477	21,254,156
Derivative liabilities	US$	0	0	US$	641	31,889
	US$	618,377	31,042,512	US$	446,960	22,222,869
	JP¥	82,131	36,695	JP¥	5,901	2,509
	AU$	126	4,822	AU$	127	4,544
	EU€	2	124	EU€	5	259
Net Liabilities in US$	US$	588,293	29,532,288	US$	389,462	19,364,089
Net Assets in GB£	GB£	139	8,714	GB£	139	8,461
Net Liabilities in AU$	AU$	126	4,822	AU$	127	4,544
Net Liabilities in JP¥	JP¥	80,760	36,371	JP¥	4,529	1,926
Net Liabilities in EU€	EU€	2	124	EU€	5	259

**Excluding cash on hand*

Foreign exchange closing rates are as follow:

Currency	31 March 2017	31 December 2016
US$	50.200	49.769
AU$	38.369	35.904
JP¥	0.449	0.427
EU€	53.599	52.181
SGD	35.895	34.343
GB£	62.583	60.968

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

Commodity price risk

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

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

31 March 2017

Change in Copper Prices	Effect on Income before Income Tax
Increase by 10%	PhP 250,130,316
Decrease by 10%	(250,130,316)

31 December 2016

Change in Copper Prices	Effect on Income before Income Tax
Increase by 10%	PhP 1,095,220,638
Decrease by 10%	(1,095,220,638)

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

Equity price risk

Equity price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to equity price risk because of financial assets it holds that are classified as available-for-sale (AFS) financial assets. Management believes that the fluctuation in the fair value of available-for-sale financial assets will not have a significant effect on the consolidated financial statements.

Credit risk

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

The Group's financial assets which are exposed to credit risk include its cash and cash equivalents, trade receivables, interest receivables, AFS financial assets and Mine rehabilitation fund under "Other noncurrent assets" with a maximum exposure equal to the carrying amount of these assets.

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

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

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

		31 March 2017		31 December 2016
Cash and cash equivalents*	PhP	2,653,177	PhP	2,417,352
Short-term investments		659,380		646,360
Trade receivables		339,496		276,367

Interest receivables		150,135		141,024
Nontrade receivables		234,901		73,726
Advances to officers and employees		14,930		16,547
Other noncurrent assets**		151,968		75,115
AFS financial assets		6,176		4,326
Derivative Assets		31,283		12,409
	PhP	4,241,446	PhP	3,663,226

** Excluding Cash on Hand*
*** Excluding Input VAT*

Credit quality per class of financial assets

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

31 March 2017

	Neither past due nor impaired				
	High grade	Standard grade	Substandard grade	Past due but not impaired	Total
Cash and cash equivalents*	2,653,177				2,653,177
Short-term investments	659,380				659,380
Trade receivables	0	339,496			339,496
Interest receivables	150,135				150,135
Nontrade receivables				234,901	234,901
Advances to officers and employees				14,930	14,930
Other noncurrent assets**	151,968				151,968
AFS financial assets	6,176				6,176
Derivative Assets	31,283				31,283
TOTAL	3,652,119	339,496	-	249,831	4,241,446

** Excluding Cash on Hand*
*** Excluding Input VAT*

31 December 2016

	Neither past due nor impaired				
	High grade	Standard grade	Substandard grade	Past due but not impaired	Total
Cash and cash equivalents*	2,417,352				2,417,352
Short-term investments	646,360				646,360
Trade receivables	276,367	-			276,367
Interest receivables	141,024				141,024
Nontrade receivables				73,726	73,726
Advances to officers and employees				16,547	16,547
Other noncurrent assets**	75,115				75,115
AFS financial assets	4,326				4,326

Derivative Assets	12,409				12,409
TOTAL	3,572,953	-	-	90,273	3,663,226

** Excluding Cash on Hand*

*** Excluding Input VAT*

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

- Cash and cash equivalents, short-term investments and related interest receivables and MRF are assessed as high-grade since these are deposited in reputable banks, which have low probability of insolvency.
- Trade receivables pertain to receivables from sale of copper and other precious metals. These are assessed based on past collection experience of full settlement within two (2) months after invoice date with no history of default.

The above high grade credit quality financial assets pertain to financial assets with insignificant risk of default based on historical experience. Substandard grade credit quality financial assets pertain to financial assets with more than insignificant risk of default based on historical experience and/or counterparty credit standing.

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 financing in order to maintain flexibility.

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

31 March 2017

	On Demand	Within 1 Year	1 to < 3 Years	< 3 Years	Total
Loans and Receivables					
Cash in banks	2,653,177	-	-	-	2,653,177
Short-term investments	659,380	-	-	-	659,380
Trade Receivables	-	339,496	-	-	339,496
Interest Receivables	-	150,135	-	-	150,135
Nontrade Receivables	-	234,901	-	-	234,901
Advances to officers and employees	-	4,307	-	10,623	14,930
Other noncurrent assets*	-	151,968	-	-	151,968
Derivative assets	31,283	-	-	-	31,283
AFS Financial Assets	6,176	-	-	-	6,176
	3,350,016	880,807	-	10,623	4,241,446
Other Financial Liabilities					
Accounts payable and accrued liabilities**	-	2,288,283	-	-	2,288,283
Long-term debt and other interest-bearing liabilities	-	20,845,405	11,048,247	-	31,893,652
Derivative liabilities	-	-	-	-	-
	-	23,133,688	11,048,247	-	34,181,935
	3,350,016	(22,252,881)	(11,048,247)	10,623	(29,940,489)

* Excluding Input VAT

** Excluding Statutory Payables

31 December 2016

	On Demand	Within 1 Year	1 to < 3 Years	< 3 Years	Total
Loans and Receivables					
Cash in banks	2,417,352	-	-	-	2,417,352
Short-term investments	646,360	-	-	-	646,360
Trade Receivables	276,367	-	-	-	276,367
Interest Receivables	-	141,024	-	-	141,024
Nontrade Receivables	-	73,726	-	-	73,726
Advances to officers and employees	-	14,030	-	2,517	16,547
Other noncurrent assets*	-	75,115	-	-	75,115
Derivative assets	12,409	-	-	-	12,409
AFS Financial Assets	4,326	-	-	-	4,326
	3,356,814	303,895	-	2,517	3,663,226
Other Financial Liabilities					
Accounts payable and accrued liabilities**	-	2,421,349	-	-	2,421,349
Long-term debt and other interest-bearing liabilities	-	20,817,950	10,540,433		31,358,383
Derivative liabilities	-	31,889	-	-	31,889
	-	23,271,188	10,540,433	-	33,811,621
	3,356,814	(22,967,293)	(10,540,433)	2,517	(30,148,395)

* Excluding Input VAT

** Excluding Statutory Payables

Financial instruments

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

	Carrying Values		Fair Values	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
Other Financial Liabilities				
Long-term debt and other interest-bearing liabilities:				
Bonds Payable	-	14,916,000	-	14,636,325
SMIC	7,564,764	6,876,128	7,564,764	8,218,862
UOB	1,162,005	1,197,755	1,162,005	1,276,034
Security Bank	1,219,274	1,059,960	1,219,274	1,152,702
MayBank	929,604	-	929,604	-
RCBC	1,408,364	934,249	1,408,364	995,311
APHC	673,977	700,000	673,977	742,541
BDO Leasing	238,579	262,272	238,579	272,199
SCB	896,090	-	896,090	-
Alakor Corporation	166,490	173,000	166,490	183,514
BDO	16,340,100	-	16,340,100	-
LBP Leasing	498,737	-	498,737	-
UCPB	795,670	-	795,670	-
	31,893,652	26,119,364	24,328,888	27,477,488

The carrying values of cash, receivables, trade and other payables, advances from and due to related parties, and long-term debt approximate their fair values 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.

The fair values of long-term dèbt and bonds payable are estimated using the discounted cash flow methodology using the benchmark risk free rates for similar types of long-term debt and other interest bearing liabilities. Bonds payable is measured using the quoted price in the active market.

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

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

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

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

31 March 2017

March 31, 2017	Level 1	Level 2	Level 3	Total
Assets measured at fair value :				
Derivative assets	-	31,283		31,283
Liability for which fair values are disclosed:				
Long-term debt and other interest-bearing liabilities	-	-	(31,893,652)	(31,893,652)
Total	-	-	(31,893,652)	(31,893,652)

31 December 2016

	Level 1	Level 2	Level 3	Total
Assets measured at fair value :				
Derivative assets	-	12,409	-	12,409
Liability measured at fair value:				
Derivative liabilities	-	(31,889)		(31,889)
Liability for which fair values are disclosed:				
Long-term debt and				-
other interest-bearing liabilities	(14,636,325)		(12,841,163)	(27,477,488)
Total	(14,636,325)	(31,889)	(12,841,163)	(27,509,377)

There were no transfers between levels of fair value measurement as of 31 March 2017 and 31 December 2016.

D. Accounting Policies and Disclosures

Basis of Preparation

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

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) and improvements to PFRS which were effective beginning January 1, 2016. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise stated.

- Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception
- Amendments to PFRS 11, Accounting for Acquisitions of Interests in Joint Operations
- PFRS 14, Regulatory Deferral Accounts
- Amendments to PAS 1, Disclosure Initiative
- Amendments to PAS 16 and PAS 38, Clarification of Acceptable Methods of Depreciation and Amortization
- Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants
- Amendments to PAS 27, Equity Method in Separate Financial Statements
- Annual Improvements to PFRSs 2012 - 2014 Cycle
    - Amendment to PFRS 5, Changes in Methods of Disposal
    - Amendment to PFRS 7, Servicing Contracts
    - Amendment to PFRS 7, Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements
    - Amendment to PAS 19, Discount Rate: Regional Market Issue
    - Amendment to PAS 34, Disclosure of Information 'Elsewhere in the Interim Financial Report'

<u>Future Changes in Accounting Policies</u>
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the applicable standards, interpretations, amendments and improvements when these become effective.

Effective beginning on or after January 1, 2017

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

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

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

  Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

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

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

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted.

The Group is currently assessing the impact of adopting the amendments to the standard.

PART II – OTHER INFORMATION

None

SIGNATURES

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

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION
Issuer

ADRIAN PAULINO S. RAMOS President	FERNANDO A. RIMANDO Vice-President/Chief Financial Officer

Signed this 15th day of May 2017

CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEETS
AS OF MARCH 2017
(Pesos in Thousands, Except Par Value)

	Unaudited March 2017	Audited December 2016
ASSETS		
Current Assets		
Cash and cash equivalents	**2,654,964**	2,418,869
Short-term investments	**659,380**	646,360
Receivable - net	**806,924**	678,989
Derivative assets	**31,283**	12,409
Inventories - net	**1,627,793**	1,690,524
Prepayments and other current assets	**452,672**	441,398
Total Current Assets	**6,233,015**	5,888,549
Noncurrent Assets		
Intangible assets, net	**27,337,263**	27,373,233
Property, plant and equipment - net	**36,790,097**	36,188,086
Other noncurrent assets	**1,745,660**	2,100,842
Investment in associate	**183,149**	198,137
Total Noncurrent Assets	**66,056,169**	65,860,297
TOTAL ASSETS	**72,289,184**	71,748,846
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	**2,411,411**	2,571,634
Current portion of long-term debt	**5,468,092**	20,817,950
Income tax payable	**33,718**	21,222
Derivative liabilities	-	31,889
Total Current Liabilities	**7,913,222**	23,442,695
Noncurrent Liabilities		
Long-term debt – net of current portion	**26,425,560**	10,540,433
Retirement benefits liability	**291,706**	284,109
Liability for mine rehabilitation	**54,378**	53,266
Deferred income tax liabilities	**605,974**	758,250
Total Noncurrent Liabilities	**27,377,618**	11,636,058
Total Liabilities	**35,290,840**	35,078,754
Stockholders' Equity		
Capital stock	**2,087,033**	2,087,033
Additional paid in capital	**14,686,962**	14,686,962
Deposit for future stock subscription	**343,750**	-
Revaluation increment in land	**298,869**	298,869
Net unrealized gains on AFS investment	**4,861**	4,861
Remeasurement gain on retirement	**178,868**	178,868
Foreign currency translation reserve	**1,671,334**	1,475,910
Retained earnings	**17,749,934**	17,960,856
Attributable to equity holders of the Parent Company	**37,021,611**	36,693,359
Minority interests	-	-
Treasury Shares	**(23,267)**	(23,267)
Total Stockholders' Equity	**36,998,344**	36,670,092
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**72,289,184**	71,748,846

Annex A

ATLAS CONSOLIDATED MINING AND DEVELOPMENT
CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIOD ENDED MARCH 2017
(Pesos in Thousands, Except Per Share Amounts)

	For the Three Months Ended	
	31 March 2017	31 March 2016
REVENUES		
Copper	**2,540,955**	2,803,388
Gold	**255,829**	546,778
Silver	-	910
Magnetite	**17,018**	-
	2,813,802	3,351,075
Marketing charges	**(227,507)**	(387,094)
	2,586,295	2,963,981
COSTS AND OPERATING EXPENSES		
Cost of sales	**(2,055,373)**	(2,534,600)
Operating expenses	**(420,817)**	(316,944)
Depletion of mining rights	**(35,970)**	(57,104)
	(2,512,160)	(2,908,648)
INCOME (LOSS) FROM OPERATIONS	**74,135**	**55,333**
OTHER INCOME (CHARGES)		
Share in net income from associates	**(14,987)**	(18,844)
Finance charges	**(496,372)**	(433,994)
Unrealized foreign exchange gain (loss)-net	**62,269**	68,364
Realized mark-to-market gain (loss) on derivative assets (liabilities) - net	**51,026**	-
Interest income	**11,049**	10,632
Other income (charges) - net	**(18,952)**	7,962
	(405,968)	(365,881)
INCOME (LOSS) BEFORE INCOME TAX	**(331,833)**	(310,547)
BENEFIT FROM (PROVISION FOR) INCOME TAX		
Current	**(12,262)**	(10,880)
Deferred	**133,173**	186,571
NET INCOME (LOSS)	**(210,922)**	(134,857)
Net income (loss) attributable to:		
Equity holders of the parent	**(210,922)**	(134,857)
Minority interests	-	-
	(210,922)	(134,857)
DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO PARENT COMPANY	(0.08)	(0.06)
* Based on weighted average number of common shares outstanding	**2,492,088**	**2,338,642**

Annex B

ATLAS CONSOLIDATED MINING AND DEVELOPMENT
CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2017 and 2016
(Pesos in Thousands)

	Capital Stock	Additional Paid -in Capital	Deposit for future stock subscription	Revaluation Increment in Property	Net Unrealized Gains on AFS Investments	Remeasurement	Cumulative Translation Adjustments	Retained Earnings (Deficit)	Shares Held by a Subsidiary	Total
Balance at January 1, 2016	16,696,262	77,733	-	298,869	4,861	128,681	456,736	18,840,352	(23,267)	36,480,227
Cumulative translation adjustment							(137,441)			(137,441)
Net Loss								(134,857)		(134,857)
Balance at March 31, 2016	**16,696,262**	**77,733**	**-**	**298,869**	**4,861**	**128,681**	**319,295**	**18,705,495**	**(23,267)**	**36,207,930**
Balance at January 1, 2017	2,087,033	14,686,962	-	298,869	4,861	178,868	1,475,910	17,960,856	(23,267)	36,670,092
Net Loss								(210,922)		(210,922)
Deposit for future stock subscription			343,750							343,750
Cumulative translation adjustment							195,424			195,424
Balance at March 31, 2017	**2,087,033**	**14,686,962**	**343,750**	**298,869**	**4,861**	**178,867**	**1,671,334**	**17,749,934**	**(23,267)**	**36,998,344**

Annex C

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2017 and 2016
(Pesos in Thousands)

	For the Three Months Ended	
	31 March 2017	31 March 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	(331,833)	(310,547)
Adjustments for:		
Interest expense	444,910	60,601
Depreciation and depletion	692,037	741,410
Realized mark-to-market gain (loss) on derivative assets (lia	(51,026)	-
Unrealized foreign exchange losses (gains) - net	(62,269)	(531,911)
Unrealized losses (gains) on AFS	(59)	-
Provision for mine rehabilitation	1,111	(547)
Retirement benefit cost	7,598	10,657
Interest income	(11,049)	(800)
Equity conversion option	-	48,847
Share in net income from associates	14,987	18,844
Operating income before working capital changes	704,408	36,555
Decrease (increase) in:		
Short-term investments	(13,020)	(811,099)
Receivable - net	(127,935)	(724,135)
Inventories - net	62,731	374,465
Prepayments and other current assets	(11,273)	30,727
Increase (decrease) in:		
Accounts payable and accrued liabilities	(160,222)	(839,188)
Derivative liabilities	263	-
Deferred tax liabilities	(19,103)	214,331
Retirement benefits payable	0	5,085
Income tax payable	233	(10,880)
Cash from operations	436,081	(1,724,141)
Interest received	11,049	800
Interest paid	(444,910)	(60,601)
Income taxes paid	-	32
Retirement benefits paid	-	-
Net cash provided by (used in) operating activities	2,221	(1,783,909)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Other noncurrent assets	355,182	198,819
Additions to property, plant and equipment	(1,258,079)	(891,584)
Net cash used in investing activities	(902,897)	(692,765)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares of stock	343,750	-
Loans proceeds (payment)	569,018	3,710,189
Net cash provided by financing activities	912,768	3,710,189
EFFECT OF EXCHANGE RATE CHANGES	224,003	-
NET INCREASE (DECREASE) IN CASH	236,095	1,233,515
CASH AND CASH EQUIVALENTS AT 1 JANUARY	2,418,869	512,037
CASH AND CASH EQUIVALENTS AT 31 MARCH	2,654,964	1,745,552

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

UNAUDITED CONSOLIDATED AGING SCHEDULE OF ACCOUNTS RECEIVABLE
FOR THE PERIOD ENDED 31 MARCH 2017
(Pesos in Thousands)

Type of Accounts Receivable	Total	Current	31 - 90 Days	91 - 180 Days	181 - 365 Days	Over 1 yr	Accounts in Litigation
Trade Receivable							
Various trade receivable	339,496	268,059	71,437	-	-	-	-
Non-Trade Receivables							
Deposits and advances							
Scrap	940	467	(116)	360	228	-	-
With court cases	13,254	-	-	-	-	-	13,254
Others	485,957	292,963	1,306	7,271	177,841	6,576	-
Allowance for Doubtful Accounts	(32,723)	(31,139)	-	-	(1,584)	-	-
Accounts Receivable - Net	**806,924**	**530,349**	**72,627**	**7,631**	**176,486**	**6,576**	**13,254**

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

Normal Operating Cycle Calendar year

Annex E