



 **ATLAS Mining**

**EXPANSIVE PROGRESS,
INCLUSIVE GROWTH**



2012 ANNUAL REPORT





ABOUT THE COVER

A view of the horizon from the Carmen Copper mine is laid out on an extended cover design - illustrating the expansive progress that Atlas Mining has achieved in 2012 and the inclusive growth that has extended across its employees, its host communities and the environment.

CORE VALUES

PROFESSIONALISM

GENUINE CONCERN
FOR THE COMPANY

TEAM ORIENTATION

INNOVATION

CONCERN FOR SAFETY,
SOCIAL DEVELOPMENT
AND SUSTAINABILITY

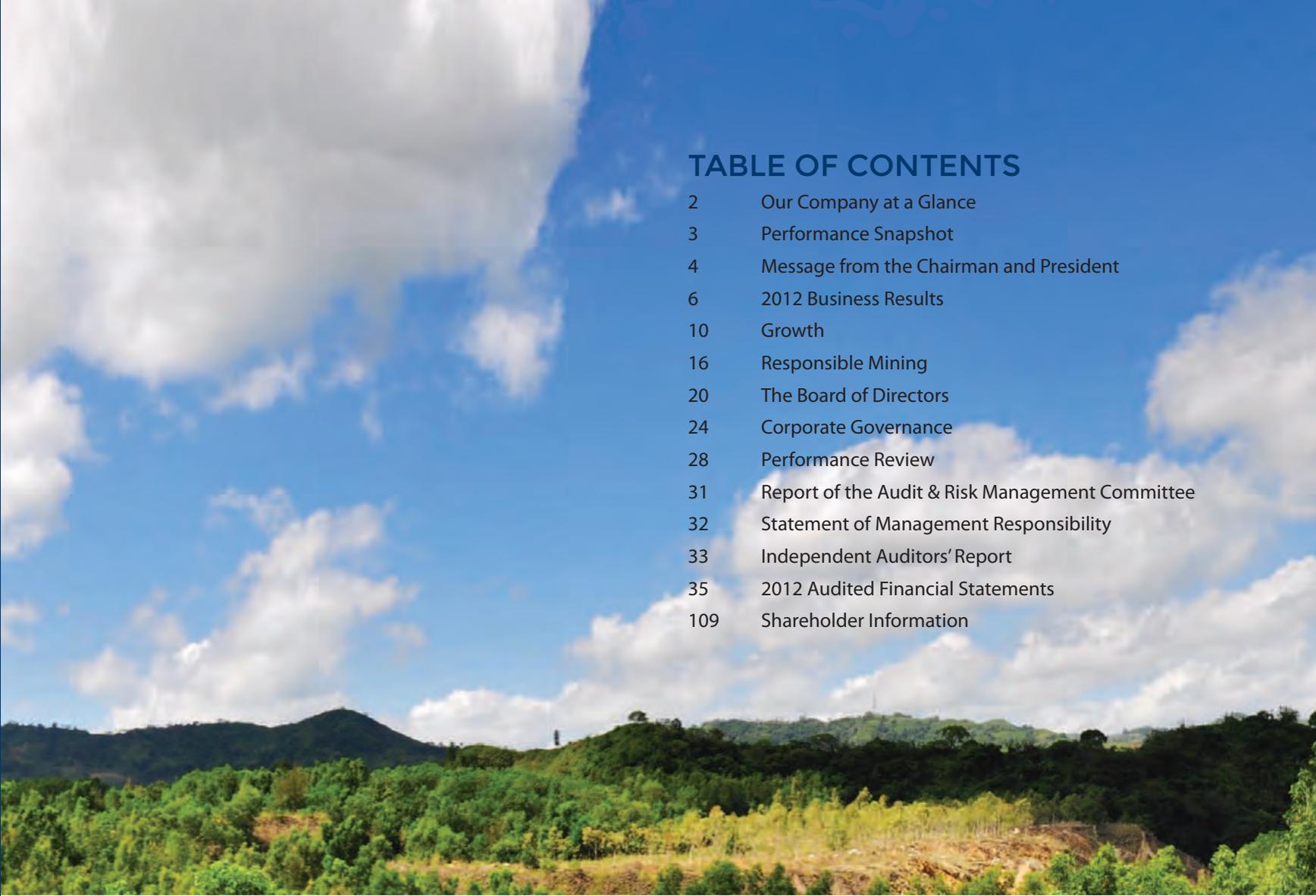


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VISION

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

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

COMMITMENT TO SUSTAINABLE DEVELOPMENT

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



EXPANSIVE PROGRESS, INCLUSIVE GROWTH

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Atlas Mining's firm commitment and clear strategy to optimize production and improve efficiency resulted into expansive progress that has stretched beyond its operations - towards its employees, its host communities and the environment.

With shared values and a common vision for sustainability, Atlas Mining, its people and its host communities worked collectively to achieve long-term mutual benefits and realize inclusive growth.



OUR COMPANY AT A GLANCE



ASSET BASE

Php 58B

Atlas Consolidated Mining and Development Corporation (Atlas Mining) reached a solid asset base at the end of 2012.

MARKET CAP

Php 39B

The share price closed at Php18.70 on the last trading day of 2012.

5-YR TOTAL SHAREHOLDER RETURN

34%

True to its commitment to delivering shareholder value.



COPPER ORE JORC RESERVES OF CARMEN COPPER CORPORATION (CARMEN COPPER)

444M tonnes

Combined proved and probable reserves at an average grade of 0.34% at a cut-off grade of 0.20%.

CARMEN COPPER OPERATIONAL AREA

1,676 hectares

Carmen Copper is located in Toledo City, Cebu.



COPPER METAL IN CONCENTRATE PRODUCED SINCE 1955

5.7B pounds

With over 40 years in operation.

NICKEL ORE JORC RESOURCE OF BERONG NICKEL CORPORATION (BERONG NICKEL)

9.13M tonnes

Nickel ore resource has an average of 1.55% Nickel at a cut-off grade of 1%.

BERONG NICKEL OPERATIONAL AREA

1,069 hectares

Berong Nickel is located in Berong, Palawan.



2012 PERFORMANCE SNAPSHOT

PEOPLE



INVESTED PHP69M IN SOCIAL DEVELOPMENT PROGRAMS

With a thrust anchored on Safety Social Development and Sustainability, Atlas Mining embarked on programs that promote the value of health, safety and welfare of its host communities.

ACHIEVED 10M MANHOURS WITHOUT LOST-TIME ACCIDENT

With more than 3,250 employees, Carmen Copper achieved a milestone safety record of 10,395,599 manhours or 306 days of continuously safe operations.

1,600 STAKEHOLDERS EDUCATED THROUGH MINE TOURS

Atlas Mining recognizes the importance of learning about responsible mining and the environment. Doors were opened to provide educational mine tours to stakeholders, other mining companies and most especially students.

PLANET



254,000 SEEDLINGS PLANTED

Atlas Mining continued with replanting activities in the areas surrounding the mines with the support and collaboration of its stakeholders and its partner communities.

150 HECTARES REFORESTED

Protecting the environment is one of the most significant challenges facing the mining industry. Atlas Mining regenerated the areas utilized for operations and restored the viability of the environment surrounding the mines.

RECOGNIZED REFORESTATION PROGRAM

For three consecutive years, Carmen Copper's reforestation program has been recognized by the Philippine Mine Safety and Environment Association, affirming its commitment in protecting the environment.

PROFIT



91M POUNDS OF COPPER IN CONCENTRATE SHIPPED IN 2012

Attributable to improved throughput, recovery rate and higher copper ore grades, Carmen Copper sold 91 million pounds of copper metal in concentrate with 30 shipments to China and 2 within the Philippines. This makes Carmen Copper the largest producer of copper metal in concentrate in the Philippines.

21% INCREASE IN REVENUES

Realizing the gains from enhancing the efficiency of production, revenues for 2012 reached Php15.5 billion.

53% GROWTH IN CORE INCOME

Atlas Mining posted a consolidated core income of Php2.54 billion as a result of Carmen Copper's substantial increase in copper metal output and cash cost reduction strategies that decreased C1 cash costs by 20% to US\$1.98 per pound.

MESSAGE FROM THE CHAIRMAN AND PRESIDENT

Dear Shareholders,

2012 was a banner year for Atlas Mining defined by significant milestones!

It is the first full year that Atlas Mining managed Carmen Copper under its full ownership since it acquired the remaining minority interest in 2011. We ventured full speed ahead into 2012 with a firm commitment and a clear strategy to optimize production capacity, improve efficiency and expand operations. With a dedicated workforce and a renewed growth mindset, we carefully implemented plans that resulted in higher production, lower cost and increased profitability. These milestones enabled Atlas Mining to emerge as a stronger and a more resilient player in the challenging landscape of Philippine Mining.

I am humbled and grateful to recall that in just five years, Atlas Mining has more than proven its resilient spirit through a historic corporate turnaround and regained its position as the leading producer of copper metal in concentrate in the Philippines.

Improving Productivity and Cost Efficiency

Focused on improving productivity in Carmen Copper, we increased our daily throughput by 11% and attained the nameplate capacity of our plant, improved recovery rate by 4% and realized 10% higher copper ore grades. As a result, copper metal output substantially increased by 27% to 90 million pounds while gross copper metal shipments increased by 30% to a record high of 91 million pounds. The increase in production pushed the gross revenues of Carmen Copper higher by 17% to Php14.3 billion despite a 9% decrease in copper prices in 2012.

“WE WILL CONTINUOUSLY ENDEAVOR TO BE A ROLE MODEL FOR SUSTAINABILITY AND RESPONSIBLE MINING AND ENSURE THAT THE BENEFITS FROM OUR OPERATIONS ACCRUE TO AS MANY PEOPLE AS POSSIBLE WITHIN OUR HOST COMMUNITIES.”



To complement this achievement, we instituted several enhancements to improve our cost efficiency which resulted in a 16% decrease in the total cost per pound of copper sold. As an example, we revised Carmen Copper's energy purchase agreement into a coal conversion agreement. Under the new agreement, Carmen Copper can purchase its own coal requirements thereby reducing power costs in the short-term. In the long-term, we are expecting to reduce power costs further through a new 82-megawatt coal-fired power plant developed by Toledo Power Corporation to be completed by December 2014.

Strong Returns

Capping a year of successes, Atlas Mining reached Php2.54 billion in core income, representing a 53% increase from Php1.66 billion in 2011. EBITDA resulted to Php5.74 billion which increased by 64% from Php3.50 billion in 2011. This significant profit improvement was driven mostly by a 21% growth in revenues from Php12.83 billion in 2011 to Php15.54 billion in 2012.

Last March 2013, Atlas Mining declared dividends for the first time in 32 years. This was made possible by the successful completion of the restructuring of Atlas Mining's balance sheet in 2012 complemented with the strong performance of Carmen Copper, which declared its first ever dividend to Atlas Mining, amounting to Php1 billion.

Fully-funded Expansion Program

We also embarked on an expansion program which will increase Carmen Copper's current ore mill production capacity of 40 thousand tonnes per day to 60 thousand tonnes per day. The program is well underway and will

be achieved by the second half of 2013 - one year ahead of the original schedule.

To fund the expansion program, we successfully raised US\$300 million in fresh capital through an international bond issue. We are proud to say that this international bond issue is a first for a Philippine mining company.

Committed To Responsible Mining

All these milestones are balanced with a commitment to doing our business responsibly. Focused on the principles of safety, social development and sustainability, we have successfully harmonized safe and efficient operations with the social and environmental needs of our host communities. This has allowed us to co-exist peacefully with the people of Toledo City in Cebu.

In 2012, we achieved 10 million manhours without a lost-time accident. We also spent Php85 million for projects that improve the health, education, security and livelihood opportunities of the communities in our area. Since 2008, we have planted 418,000 seedlings within our coverage area. Lastly, we have lived up to our promise of providing employment, with 82% of our workforce coming from Toledo City. With these programs in place, we will continuously endeavor to be a role model for sustainability and responsible mining and ensure that the benefits from our operations accrue to as many people as possible within our host communities.

Outlook For 2013

For 2013, we will continue to build on our achievements. By the second half of 2013, we are expecting to complete the aggressive capacity expansion and

plant optimization project for Carmen Copper. We are also steadily increasing the sourcing of higher ore grades from the Carmen pit until we reach full delivery from this source by early 2014.

We will continue to drive down our cost of production by investing in the development of a higher-grade orebody and the realization of additional by-product revenue streams. While we have confidence in the continuing demand for copper in the world's growth economies, we believe our programs will allow us to be more resilient in any future copper price scenario. Likewise, we will pursue opportunities for exploration and acquisition to diversify and increase our significant resource base. With optimism, we look forward to face the challenges and opportunities in 2013.

We thank our board of directors for their valuable service and wisdom and our management team for their continued commitment. We thank all our shareholders, the media and other stakeholders for your continued support. We thank our creditors for believing in our vision and for fueling our growth and we likewise thank the people of Toledo City, our partners in the government and the public sector for supporting our advocacy for responsible mining. Most importantly, we thank all our employees for responding to the challenge of reclaiming Atlas Mining's legacy as a pillar of the Philippine mining industry. Rest assured that we remain committed to enhancing value and sustaining growth for the future.



ALFREDO C. RAMOS
Chairman of the Board and President



2012

BUSINESS
.....
RESULTS

2012 was a banner year defined by significant milestones that resulted from a clear strategy to optimize production capacity, improve efficiency and expand operations. Atlas Mining surpassed targets with the successful performance of the copper and nickel operations.



STRATEGIC EXECUTION, IMPROVED EFFICIENCY

Strategic execution and cost efficiency resulted in record production and improved profitability in 2012.

CARMEN COPPER CORPORATION

Located in Toledo City in Cebu, Carmen Copper operates in 1,676 hectares of land with total reserves of 444 million tonnes. Carmen Copper has three orebodies, namely, Lutopan, Carmen and Biga. Lutopan Pit is the main source of ore with an average ore grade of 0.31% copper, while Carmen Pit is currently being developed and has an average ore grade of 0.37% copper. Biga Pit is presently used as a tailings pond.

In 2012, Carmen Copper set a new production record of 90 million pounds of copper metal in concentrate, an increase of 27% from 71 million pounds in 2011.

Intensified Mining Operations

Mining operations likewise improved with an 88% increase in total materials moved and a 12% increase in equipment availability. The total materials moved from Lutopan Pit and Carmen Pit amounted to more than 90 million

metric tonnes; 17% or 15 million metric tonnes of which consisted of ore production. The overall improvement in grade of ore mined resulted in a 10% increase in mill copper head grade from 0.298% to 0.327%.

Accelerated Carmen Pit Development

The Carmen Pit development advanced with a total waste stripping volume of 55 million tonnes, 78% or 43 million tonnes of which were stripped in 2012. The first ore delivery was made in June 2012, a modest accomplishment that marked the steady progress of stripping activities with incidental ore production totaling 1 million dry metric tonnes of ore at a copper ore grade of 0.395%.

CARMEN PIT ACCELERATED DEVELOPMENT

43 million
dry metric tonnes
of waste material
stripped

ORE MINED

15 million
dry metric tonnes

0.33% ORE
GRADE

View of Lutopan Pit



Night mining at Carmen Pit



First ore extraction at Carmen Pit



CARMEN CONCENTRATOR PLANT

15 Million dry metric tonnes

11% INCREASED MILL THROUGHPUT

Improved Mill Operations

The Carmen Concentrator plant milled 15 million dry metric tonnes of copper. Production throughput increased by 11% resulting from the installation of four (4) new secondary and tertiary crushers in replacement of the old hydrocone units in the last quarter of 2011. As a result, a steady daily mill throughput of more than 40 thousand metric tonnes per day was achieved. An improvement in the flotation process was also achieved resulting in an increase in copper recovery from 78% in 2011 to 82% in 2012.

Biga Pit: Secure tailings Disposal

The Biga Pit remains to be a strong, safe and secure tailings disposal facility given its land-locked feature. The water has a PH of 7.5 to 8 which allows fish species like tilapia to thrive in it.



Biga tailings pond

Reliable and Cost Efficient Power Supply

In 2004, Carmen Copper entered into an Electric Power Purchase Agreement with Toledo Power Company (TPC) which allows Carmen Copper to use a TPC substation that directly connects to the Cebu-Negros-Panay power grid and source power through the wholesale electricity spot market (WESM).

In June 2012, the Electric Power Purchase Agreement was successfully converted into an Energy Conversion Agreement (ECA) which paved the way for Carmen Copper to directly purchase coal for its power generation at a lower landed cost.

This accomplishment complemented by more favorable coal prices resulted in a 12% reduction of power rates from Php6.28 per kilowatt hour to Php5.52 per kilowatt hour in 2012.

BERONG NICKEL CORPORATION

The year 2012 proved to be another year of achievement for the Berong mine. Fresh from its 7-month resumption of operations in 2011, a total of 717,968 wet metric tonnes of ore were produced this year, surpassing all previous records. Fifteen (15) shipments were made from March to December 2012 with ore grade ranging between 1.5% and 1.8% Nickel in ore. A total of 777,366 wet metric tonnes were shipped in 2012, exceeding targets by 4%.

POWER COST

.....
Php5.2 per kwh
.....

12% REDUCTION

Sangi Port Operations

Carmen Copper delivered 32 shipments in 2012 amounting to 155 thousand dry metric tonnes of copper concentrate. The bulk of the copper concentrate were shipped to smelters in China while a small portion was downloaded at the Philippine Associated Smelting and Refining Corporation (PASAR) smelting plant in Isabel, Leyte. Likewise, 2 magnetite concentrate shipments weighing 20 thousand dry metric tonnes were also delivered to foreign smelters.

Copper concentrate loading at Sangi Port



SANGI PORT

.....
32 SHIPMENTS
.....

155 thousand dry metric tonnes of copper concentrate

Equivalent to 60 thousand tonnes of copper metal in concentrate; or 91 million pounds of copper metal in concentrate

BERONG PORT

.....
15 SHIPMENTS
.....

777 thousand wet metric tonnes



GROWTH

With record production and improved profitability in 2012, Atlas Mining is in a strong position to strengthen and grow its core operations by focusing on higher grade production, operational expansion and diversified exploration of new geographical locations.

STRONGER PRODUCTION, DIVERSIFIED EXPLORATION

Atlas Mining continued to pursue prospects for growth and diversification to provide a stable base for stronger production and earnings performance.

CARMEN COPPER'S EXPANSION PROJECT

With the original mill production capacity of 40 thousand tonnes per day attained and stabilized along with its steady earnings performance in 2012, Carmen Copper initiated a bold expansion project that will ramp up plant capacity by 50% to 60 thousand tonnes per day.

Mining

To feed the expected capacity of the mill and to take advantage of higher copper ore grades, Carmen Copper invested in additional mining equipment to accelerate the development of the Carmen Pit.

Milling

As of December 2012, the activities were focused on site development, clearing and grubbing of specific project locations, procurement of materials and equipment, and building temporary

facilities. In-house enhancements started with the fabrication of reinforcing bars, formworks and structural supports.

Outotec Australia provides the design, engineering and installation services in tandem with the Carmen Copper team. The expansion project is 28% accomplished as of year-end 2012.

New By-Products

Another part of Atlas Mining's growth strategy is the improvement of by-product revenues. In 2012, studies were conducted on the economic recovery of magnetite and molybdenum. A molybdenum recovery circuit is expected to be completed by mid-2013.

Tailings

The current Tailings Solution Facility (TSF) of Carmen Copper is sufficient to handle the anticipated increase in tailings brought about by the expansion project that will increase milling throughput to 60 thousand tonnes per day.

Concurrently, studies are underway to evaluate other potential areas to locate the next-generation tailings solution options that will supplement the present facility.

CARMEN COPPER EXPANSION PROJECT



View of the Carmen Copper Expansion Project



Magnetite recovery plant



New power plant station



Construction of Ball Mill 8 and 9 areas



CARMEN COPPER EXPANSION

40K TO 60K
TONNES PER DAY

50% PRODUCTION
GROWTH



Assembling of new ball mills



Tailings thickener no.7



Concreting works at Primary Crusher Line 2

BERONG NICKEL CORPORATION

After successfully restarting its mining operations in May 2011 and exceeding the target shipment tonnage in 2012, Berong Nickel is looking into growing further its current operations, as well as expediting compliance to secure the exploration permits for its other mineral prospects in the municipalities of Quezon and Aborlan in Palawan.

Berong Nickel is also confident that production tonnage and grades for 2013 could be maintained at 2012 levels, while it awaits receipt of a new tree cutting permit. All requirements for the tree cutting permit have been complied with and were submitted to the relevant authorities in September 2011. The application has been recommended for approval and is awaiting final signature. Berong Nickel has likewise recently updated its JORC compliant mineral resource reporting an increase from 9.98 metric tonnes to 27.25 metric tonnes, at 1.0% Nickel cut-off grade, based on newly acquired geologic data gathered after its more than two (2) years of mining operations.

ATLAS EXPLORATION

In 2012, Atlas Exploration Group (Atlas Exploration) engaged in more aggressive mineral exploration within the surrounding area of Carmen Copper and other selected key areas within the Philippines.

Toledo Copper Complex

A detailed geologic mapping within the Toledo Copper Complex surrounding Carmen Copper was conducted for four (4) copper projects and one (1) gold project which included the sampling of stream sediments, soil and selected rock types. Atlas Exploration also undertook the preparation for drilling at the Sigpit Gold Project, South Lutopan Copper Project and the Mine Waste Dump. In addition, preliminary geologic mapping and sampling were started at the Maypay Copper-Gold Project in Balamban, Cebu. Activities related to obtaining a Memorandum of Agreement (MOA) with the Indigenous People for the Free and Prior Informed Consent were continued in the Diwata Prospect in San Miguel, Surigao del Sur.

Sigpit Gold Project

The Sigpit Gold Project is located about three (3) kilometers west-northwest of the Carmen Orebody. Preliminary drilling in the 1980s indicated interesting gold values of 0.98 to 98.8 grams per tonne in some drill cores.

As part of the plan to explore the possibility of converting the Sigpit area into a future Tailings Storage Facility (TSF) with two (2) proposed sites for a medium-sized dam, Atlas Exploration will implement in early 2013 the geotechnical drilling program approved by the Mines and Geosciences Bureau. Fifteen (15) diamond bore holes with a combined depth of 3,050 meters are proposed in selected sites. The objectives of the drilling program are to determine the geotechnical characteristics of the rocks in the proposed dam sites and to ensure that the TSF site does not contain any mineralization for economic potential.

South Lutopan Copper Project

The South Lutopan Project is located approximately one (1) kilometer south of Lutopan Pit's southern limit and is believed to be the southern extension of the Lutopan Orebody. Assay results from two (2) geotechnical drill holes in the 1980s indicate copper grades ranging from nil to 0.49%. Based on geologic interpretation of available data, four (4) drill holes will be needed to verify the lateral and vertical persistence of

Drilling at Lutopan Pit



the known copper mineralization, as well as to test the possibility of copper mineralization at depth. Drilling will start in the second quarter of 2013.

Kanapnapan Copper Project

The Kanapnapan Copper Project is associated with a diorite intrusion located about two (2) kilometers southeast of the southern tip of the Biga porphyry copper mineral deposit. These host rocks are similar to those of Lutopan and Carmen Orebodies. Three (3) old shallow (100-120 meters) drill holes intersected copper values ranging from 0.05 % to 0.75 %. Recent detailed mapping in 2012 delineated the extent of the mineralized host rocks and will serve as the basis for designing a geophysical survey which will be conducted in early 2013. The Induced Polarization survey is intended to determine if there is significant mineralization at depth for drill testing.

Maypay Copper-Gold Project

The Maypay Copper-Gold Project is located approximately six (6) kilometers north of the Carmen Orebody. In the mid-70s, a geologic and geochemical survey delineated several possible mineralized areas. Copper analysis results of soil samples ranged from 50 parts per million to 2 thousand parts per million. A more systematic and detailed geologic mapping and geochemical soil grid sampling will be undertaken in the future. This will facilitate the implementation of a follow-up



geophysical survey (Induced Polarization) to check the depth and extent of any possible mineralization which will subsequently be used to enhance the delineation of future drilling targets.

West Lutopan Project

West Lutopan is located two (2) kilometers northwest of Lutopan Pit. This area has been considered as a possible mine waste dump site for the existing Carmen Copper operations. Thus, in 2011, three (3) holes were drilled in the area to determine if there is significant mineralization at depth. The results only indicated widely scattered traces of copper mineralization. However, occasional panners in the area have been able to find some gold grains in certain streams. Geologic sampling along streams and selected river banks was done intermittently to look for the possible sources of the gold grains.

Diwata Project

This prospect, which is located in San Miguel (near Tandag), Surigao del Sur, has been assessed to have high potential for porphyry copper and vein-type gold deposits. Preliminary exploration, which consisted of extensive geological and geochemical surveys, was done by Atlas geologists in 1993. Three (3) zones with slightly high values of copper, gold, silver and zinc have been identified. In 2008, Atlas Mining complied with all the requirements by the Mines and Geosciences Bureau for the approval of Atlas Mining's Exploration Permit Application. In 2012, Atlas concluded a series of consultative assemblies with communities in Tandag, which is necessary in obtaining a MOA with the Indigenous People in order to fulfil the issuance of the Certificate of Precondition from the National Commission on indigenous peoples. All seven (7) barangays in Tandag have agreed to sign the MOA which is scheduled in the first half of 2013.



RESPONSIBLE MINING

Focused on the principles of safety, social development and sustainability, Atlas Mining implemented programs that continued to promote safe operations, foster growth for the community, and practice responsible environmental management and protection.

SAFE AND RESPONSIBLE OPERATIONS, STRONGER COMMUNITY RELATIONS

Atlas Mining believes that success depends on our ability to operate our businesses in a way that is environmentally responsible, benefits its host communities and leaves a positive social legacy.

SAFETY

The most notable achievement in safety management for 2012 was the attainment of a historic benchmark record of 10,395,599 manhours worked without incurring a single lost-time accident. This translates to 306 days of safe continuous operations. This milestone safety record breached the performance of 9,965,527 manhours in 2011.

The number of reported accidents was exactly identical to the 2011 record – one lost-time and 33 non-lost time cases. In terms of frequency rate (number of lost-time accidents per million man-hours worked), 2012 performed better than 2011 (0.08 vs. 0.1) resulting to a 25% improvement. The bigger number of manpower registered in 2012 translated to higher manhours count. Accident severity rate posted a higher value in 2012 than in 2011 because of longer lost days incurred. Strict adherence of the workforce to safety standards helped in achieving these improvements in safety practices.

Moreover, continuous training on best safety practices, and strict enforcement of wearing personal protective equipment contributed largely to fewer incidences of physical injuries and property damages.

The Company remained compliant to government safety regulatory standards and permit requirements in 2012. As a result, Atlas Mining and Carmen Copper were not cited for serious infraction of safety rules or lapses in acquiring and renewing permits and licenses.

To bring Carmen Copper's operations at par with international safety and environmental management standards and practices, the Company started to lay the groundwork for the application of an ISO 18001 and 14000 certification in 2013.

Emergency Readiness

Rapid reaction teams organized and trained by the Loss Control Section were always maintained round the clock for readiness in responding to emergency

situations. These included fire fighting crews, first aid brigades and mine rescue units.

In February 2012, Atlas Mining through Carmen Copper dispatched a rescue team to the eastern seaboard of Negros Oriental where it successfully conducted a search and retrieval operation in the aftermath of a 6.9-magnitude earthquake. For this humanitarian act, Carmen Copper was commended by the Philippine Mine Safety and Environment Association (PMSEA) during the safety conference in Baguio last November 2012.

10,395,599
MANHOURS
.....
ZERO
ACCIDENT

SOCIAL DEVELOPMENT AND MANAGEMENT PROGRAM

Atlas Mining, through its subsidiary Carmen Copper, spent almost Php65 million for its Social Development and Management Program (SDMP). Based on the principle of promoting self-sustaining livelihood activities, a portion of the SDMP budget was used as direct financial and technical assistance to multi-purpose cooperatives engaged in shoemaking, furniture crafting, rubber-making, livestock-raising and for the establishment of small business enterprises for residents of depressed barangays.

In June 2012, Atlas Mining and Carmen Copper completed and turned over a three-classroom building to Biga Elementary School in time for the start of the school year. This school building

provided the needed classrooms for the increasing student population.

To support and promote the Local Government Unit's (LGU) program for peace and order, Carmen Copper facilitated the renovation of the Cebu Provincial Public Safety Company barracks in Barangay Don Andres Soriano. With a strengthened partnership with the Philippine National Police and the barangay officials, Carmen Copper helped keep the peace and order in Toledo City and in the province of Cebu.

Atlas Mining and Carmen Copper constantly worked on increasing the scope of its SDMP programs by assisting in the construction or rehabilitation of local community infrastructure,

donating emergency rescue vehicles and ambulances, sponsoring feeding programs and conducting comprehensive medical and dental missions.

Php65M

.....

**livelihood projects,
educational facilities
and community
rehabilitation**

Clockwise from top left: (1) Carmen Copper scholars at De La Salle Andres Soriano Memorial College; (2) Family during medical mission; (3) Blessing of new classrooms at Biga Elementary School; (4) Vegetable farm at our host community; Turnover ceremony of Police Community Precinct 1 to Toledo City Police Station; and (6) Shoemaking at one of Carmen Copper's community projects



ENVIRONMENTAL PROTECTION AND ENHANCEMENT

From 2010 to 2012, Carmen Copper was consistently cited by the Department of Environment and Natural Resources and the Mines and Geosciences Bureau for its successful reforestation activities.

True to its commitment to rehabilitate mine affected areas and to support the government's National Greening Project, the Company reforested a total of 145 hectares (equivalent to 242 thousand seedlings) of mine waste dumps. Also, more than 75 thousand seedlings were donated outside the Toledo Copper Mine area to support the tree planting activities of public schools, LGUs, religious organizations, and various civic and private organizations. All seedlings planted were produced from the Carmen Copper Main Plant Nursery Facility and two (2) satellite nurseries operated by company-assisted community organizations.

As a result, Carmen Copper was awarded as 2nd runner-up in the Best Mining Forest category during the 59th Annual National Mine Safety and Environment Conference in Baguio City in 2012.

The Company spent a total of more than Php125 million for the implementation of its Annual Environmental Protection and Enhancement Program.



Clockwise from top left: (1) Nursery at Carmen Copper; (2) Tree-planting activity at Biga pit; (3) Carmen Copper is awarded the Best Mining Forest Award by PMSEA; and (4) Furniture set from recycled tires

DONATED
.....
75,330
SEEDLINGS

REFORESTED
.....
145 | 242,375
HECTARES | SEEDLINGS

THE BOARD OF DIRECTORS



ALFREDO C. RAMOS
Chairman and President

Mr. Ramos is concurrently the Chairman of the Board and President of Carmen Copper Corporation, Berong Nickel Corporation, Alakor Corporation, National Bookstore, Inc., Anglo Philippine Holdings Corporation, The Philodrill Corporation, Vulcan Industrial and Mining Corporation, and United Paragon Mining Corporation. He obtained his bachelor's degree from the Ateneo de Manila University in 1963.



FREDERIC C. DYBUNCIO
Vice Chairman

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

AT THE HELM OF MANAGEMENT IS A TEAM OF WELL-RESPECTED BUSINESS PIONEERS AND EXPERIENCED PROFESSIONALS THAT UPHOLD THE VALUES OF GOOD GOVERNANCE, TRANSPARENCY AND ACCOUNTABILITY.



MARTIN C. BUCKINGHAM
*Director and
Executive Vice President*

Mr. Buckingham is concurrently a Director and Executive Vice President of Carmen Copper Corporation, Aquatlas, Inc., Atlas Exploration, Inc. and Berong Nickel Corporation. He graduated with honors in history and law from the University of Cambridge (UK) and has since had more than 30 years of management experience in the resource and mining industry.

ADRIAN PAULINO S. RAMOS
*Director and
Executive Vice President*

Mr. Ramos is concurrently the Executive Vice President and Director of Carmen Copper Corporation and Alakor Corporation. He is also a Director of Berong Nickel Corporation, Anglo Philippine Holdings Corporation, The Philodrill Corporation, and United Paragon Mining Corporation. He obtained his bachelor's degree in Business Management (Cum Laude) from the Ateneo de Manila University in 1999, and his master's degree in Business Administration (With Distinction) from Northwestern University's Kellogg School of Management in 2005.

ISIDRO A. CONSUNJI
Director

Mr. Consunji is concurrently the Chairman of the Board of DMCI Project Developers, Inc., DMCI Mining Corporation, DMCI Homes, and Beta Electric Corporation. He is also a Director of Carmen Copper Corporation, D.M. Consunji, Inc., Semirara Mining Corporation, Maynilad Water Services, DMCI-MPIC Water Company, Crown Equities, Inc., and Sem-Calaca Power Corporation. He is also the President of DMCI Holdings, Inc., Dacon Corporation, and Asia Industries, Inc. He obtained his undergraduate degree in Civil Engineering from the University of the Philippines. He took up his master's degree in Business Administration from the Asian Institute of Management, Business Economics in the Center for Research and Communication (now University of Asia and the Pacific), and Advanced Management Program at IESE School in Barcelona, Spain.



JOSE T. SIO
Director

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

GERARD ANTON S. RAMOS
Director

Mr. Ramos is concurrently the Vice President of Alakor Corporation, Vice President and Director of United Paragon Mining Corporation, Executive Vice President of Vulcan Materials Corporation, and Nominee of Alakor Securities Corporation. He obtained his bachelor's degree in Business Management from the Ateneo de Manila University in 1996.

FULGENCIO S. FACTORAN, JR.
Independent Director

Atty. Factoran is the Managing Partner of Factoran and Associates. He is concurrently an independent director of Nickel Asia Corporation and a director of BDO Leasing and Finance Corporation. He served as Secretary of the Department of Environment and Natural Resources during the term of President Corazon Aquino. He obtained his Bachelor of Laws degree from the University of the Philippines (Cum Laude; Valedictorian), and his Master of Law degree from the Harvard Law School (Harvard University, Cambridge, Massachusetts).



RICHARD J. GORDON
Independent Director

Atty. Gordon served as a member of the House of Senate of the 13th and 14th Congresses of the Philippines. Prior to his election as a senator in 2004, he held the post of Secretary of the Department of Tourism for three years beginning January 2001. He is the founding Chairman and Chief Executive Officer of the Philippine Red Cross. He obtained his bachelor's degree in History and Government from the Ateneo de Manila University, and his law degree from the University of the Philippines-College of Law.



ALFREDO R. ROSAL, JR.
Independent Director

Atty. Rosal is the Managing Partner of Rosal and Valera Law Offices. As a legal professional, he rendered services as general counsel to various local and foreign investment companies. He also served as President of the Natural Resources Development Corporation and Bukidnon Forest, Inc. He obtained his Bachelor of Laws from San Beda College of Law, and his master's degree in Business Administration from the University of the Philippines.



LAURITO E. SERRANO
Independent Director

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

CORPORATE GOVERNANCE

IN 2012, ATLAS MINING LAUNCHED A PROGRAM TO ENHANCE ITS GOVERNANCE SYSTEMS THROUGH THE STRENGTHENING OF INTERNAL CONTROL MECHANISMS, THE DEVELOPMENT OF OVERSIGHT PROTOCOLS AND TRAINING INITIATIVES FOR THE MANAGEMENT OF RISK AND COMPLIANCE, AND THE EMPOWERMENT OF BOARD COMMITTEES. WITH THE SUPPORT AND COMMITMENT OF DEDICATED DIRECTORS, OFFICERS, AND EMPLOYEES, THE UNDERTAKING YIELDED SIGNIFICANT IMPROVEMENTS IN THE WAY THE ORGANIZATION CONDUCTED DAY-TO-DAY BUSINESS AND OPTIMIZED OPPORTUNITIES IN FURTHERANCE OF THE INTEREST OF ITS STAKEHOLDERS.

GOVERNANCE STRUCTURES

The Board of Directors

Composition and Qualification

The Atlas Mining Board of Directors (the "Board") is composed of eleven members who are generally elected by Atlas Mining shareholders during their annual meeting. Of such members, at least two (2) must satisfy the requirements of independence under the Securities Regulation Code (SRC) and Atlas Mining's Corporate Governance Manual (the "CG Manual").

The company currently has four (4) independent directors who have confirmed that they qualify as such based on the criteria set under Rule 38 of the rules and regulations implementing the SRC.

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

The Committees of the Board

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

1) Executive Committee

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

Incumbent Members:	
FREDERIC C. DYBUNCIO	Chairman
ALFREDO C. RAMOS	Member
MARTIN C. BUCKINGHAM	Member
ISIDRO A. CONSUNJI	Member
ADRIAN PAULINO S. RAMOS	Member
JOSE T. SIO	Member

2) Audit and Risk Management Committee

The Audit and Risk Management Committee (i) oversees the establishment and implementation of policies and systems that ensure Atlas Mining's compliance with existing laws, rules and regulations, financial reporting obligations, audit and internal control procedures, and risk management protocols; (ii) examines and evaluates the extent of Atlas Mining's exposure to existing operational, financial, strategic, and compliance risks to determine the plans and policies that must be established to eliminate or mitigate the effects of realized risks; and (iii) directs the formulation and implementation of systems and programs for the effective identification, analysis, monitoring, reporting, and management of all types of risk to which Atlas Mining and its subsidiaries are exposed.

Incumbent Members:
LAURITO E. SERRANO* Chairman
ALFREDO R. ROSAL Jr.* Deputy Chairman
FREDERIC C. DYBUNCIO Member
GERARD ANTON S. RAMOS Member

*Independent Director

3) Compensation Committee

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

Incumbent Members:
JOSE T. SIO Chairman
FULGENCIO S. FACTORAN Jr.* Member
RICHARD J. GORDON* Member

*Independent Director

4) Nominations Committee

The Nominations Committee ensures that Atlas Mining is led by competent and dedicated individuals through an assessment of candidates who are nominated to become members of the Board, or to fill executive or management positions.

The qualifications of candidates are vetted based on the parameters set under the CG Manual and on the requirements of the positions to be held.

Incumbent Members:
ALFREDO C. RAMOS Chairman
FREDERIC C. DYBUNCIO Member
ALFREDO R. ROSAL Jr.* Member

*Independent Director

The Management Committee

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

The Internal Audit Group

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

GOVERNANCE SYSTEMS

Attendance of Directors at Board Meetings

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

The following provides details of the attendance of the company's incumbent directors at meetings of the Board held in 2012.

MEMBER	NUMBER OF MEETINGS ATTENDED	NUMBER OF MEETINGS HELD DURING THE PERIOD OF INCUMBENCY
ALFREDO C. RAMOS	10	10
FREDERIC C. DYBUNCIO	9	10
MARTIN C. BUCKINGHAM	10	10
ISIDRO A. CONSUNJI*	6	6
ADRIAN PAULINO S. RAMOS	10	10
GERARD ANTON S. RAMOS	7	10
JOSE T. SIO	7	10
FULGENCIO S. FACTORAN Jr. ** (Independent)	7	10
RICHARD J. GORDON (Independent)	6	10
ALFREDO R. ROSAL Jr. (Independent)	9	10
LAURITO E. SERRANO*** (Independent)	2	2

* First elected on 24 April 2012

** First elected on 28 February 2012

***First elected on 22 August 2012

Approval of Corporate Actions

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

The CG Manual

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

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

Risk Management

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

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

Compliance

Atlas Mining and Carmen Copper have undertaken measures to strengthen their systems for directing and monitoring compliance with all their legal, regulatory, and contractual obligations. The practices and protocols established in accordance with such initiative ensure the faithful performance by all members of the Atlas Mining and Carmen Copper organizations of their duty to facilitate the fulfillment of externally and internally imposed requirements for the maintenance of uninterrupted, efficient, and responsible operations.

Good Governance

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

Commitment to Employees

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

Reports to Shareholders

Atlas Mining provides its shareholders and investors with easy and regular access to information regarding its activities and performance through timely disclosures of material events via the on-line disclosure system of the Philippine Stock Exchange, and by posting financial and operations reports on its official website.

GOVERNANCE ENHANCEMENT PROGRAM

In line with the goal of raising governance standards within the organization, Atlas Mining initiated and pursued programs for (i) the development of a formal risk management system, (ii) the enhancement of the role of the Board Committees through a clear mandate, and (iii) the reinforcement of the internal audit function.

To build the foundation for the establishment of an enterprise-wide risk management protocol, the organization's middle managers were given the opportunity to take part in workshops that provided orientation in methods of risk identification and assessment.

To facilitate the Board's exercise of its oversight duties, the Board Committees were empowered further through a definitive delegation of authority embodied in their charters.

To institutionalize tighter and more efficient internal controls, the scope of internal audit review was expanded and an internal audit charter was formally adopted.

PERFORMANCE REVIEW

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

OVERVIEW OF THE BUSINESS

Atlas Consolidated Mining and Development Corporation (the Company or Atlas Mining) is a Philippine company engaged in metallic mineral mining and exploration, currently produces copper concentrate (with gold and silver), magnetite iron ore concentrate and laterite nickel.

The company was incorporated in accordance with Philippine law on March 9, 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 was subsequently amended to reflect its present corporate name.

A major restructuring was undertaken between 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. This resulted in the incorporation of Carmen Copper Corporation (Carmen Copper), Berong Nickel Corporation (Berong Nickel) and AquAtlas, Inc. (AquAtlas). In addition, Atlas Mining incorporated Atlas Exploration, Inc. (Atlas Exploration) to host, explore and develop copper, gold, nickel and other mineral exploration properties.

FINANCIAL PERFORMANCE

Consolidated

FOR THE YEARS ENDED DECEMBER 31 (In Php Millions)	2012 Audited	2011 Audited	2011 ^{4/} Restated
Gross Revenues	15,540	5,201	12,832
Cash Cost ^{1/}	9,798	3,920	9,327
EBITDA ^{2/}	5,742	2,559	3,505
Core Income ^{3/}	2,539	1,203	1,658
Net Income	3,435	15,073	15,073

^{1/} Includes mining and milling costs, general and administrative expenses, mine product taxes, and smelting charges

^{2/} Earnings before Interest, Taxes, Depreciation and Amortization; EBITDA for 2011 Audited includes equity earnings of Php1,248 million

^{3/} Net income after tax adjusted for non-recurring items, foreign exchange and mark-to-market adjustments

^{4/} Comparative Restatement – 2011 results were restated to be comparable with 2012 results and to reflect depletion charges

Note: Discussion will be based on 2012 audited results versus 2011 restated results. 2011 restated figures assumes that Carmen Copper is a wholly-owned subsidiary of Atlas Mining as of January 1, 2011.

Revenues

Atlas Mining registered consolidated gross revenues of Php15,540 million in 2012, a 21% year-on-year growth from the Php12,832 million in 2011. Revenues were composed mainly of copper, gold and nickel sales.

REVENUES	2012 Audited	2011 Audited	2011 Restated
Copper	13,413	4,370	11,660
Gold	906	241	531
Nickel & Others	1,222	590	641
Gross Revenues	15,540	5,201	12,832

The substantial increase in revenues resulted from the remarkable performance of its copper subsidiary, Carmen Copper owing to higher production which offset weaker metal prices in 2012. Copper sales, which comprised 86% of gross revenues, grew by 15% to Php13,413 million in 2012 from Php11,660 million in 2011. Gold and nickel sales similarly ballooned in 2012 by 71% and 91%, respectively.

Cash Costs

Consolidated cash costs amounted to Php9,798 million in 2012, higher by 5% compared to Php9,327 million in 2011. The increase was attributable to the intensified operations, particularly of Carmen Copper.

EBITDA, Core Income and Net Income

Earnings before interest, taxes, depreciation and amortization (EBITDA) increased by 64% in 2012 to Php5,742 million from Php3,504 million with the record production of its subsidiaries coupled with the cost management strategies implemented in 2012.

Core income improved 53% to Php2,539 million from Php1,658 million. The significant increase in interest income and hedging gain was able to offset the higher financing and depreciation charges.

Atlas Mining ended 2012 with a consolidated net income of Php3,434 million, lower than the Php15,073 million reported in 2011. The decline was due to the recognition of a one-time fair value gain as a result of the Company's acquisition of the minority equity interest in Carmen Copper. Without the one-time fair value gain, net income would have been Php2,329 million compared to Php3,435 million in 2011 translating to an increase of 47%.

FOR THE YEARS AS OF DECEMBER 31 (In Php Millions)	2012	2011
Total assets	57,913	48,673
Current Assets	9,421	3,869
Non-Current Assets	48,491	44,804
Total cash holdings ^{1/}	5,637	1,219
Total Liabilities	22,354	22,414
Current Liabilities	4,646	13,291
Non-Current Liabilities	17,708	9,122
Stockholders' Equity	35,558	26,259
Current Ratio ^{2/}	2.03	0.29
Debt-to-Equity ^{3/}	0.63	0.74

^{1/}Includes cash and cash equivalents, short-term cash investments

^{2/}Current assets over current liabilities

^{3/}Total liabilities over total stockholders' equity

Financial Position

The Company's financial position remained solid as total assets grew by 19% reaching Php57,913 million as of December 31, 2012. The Php9,240 million growth in total assets was due to the 143% increment in current assets and the 8% increase in non-current assets.

Current assets amounted to Php9,421 million by end-2012. The Php5,552 million increase over Php3,869 million in 2011 was brought about by the hefty short-term investments placed in 2012 (a portion of the proceeds from the corporate bond placed in time deposits) as well as trade receivables and deposits to suppliers. About 53% of current assets were comprised of short-term investments.

Total cash holdings (including short-term investments) by end-2012 amounted to Php5,637 million, more than three-folds higher than Php1,219 million registered by the end of 2011. Current ratio improved significantly to 2.03x from 0.29x in 2011.

Non-current assets, composed of goodwill (39%) and fixed assets (37%), reached Php48,491 million by end-2012, Php3,687 million higher than Php44,804 million in 2011. The increase was due mainly to the 30% increase in fixed assets brought about by the acquisition of mining equipment.

Total liabilities contracted by 0.28% in 2012 to Php22,354 million due to the overall decrease in accounts payable, payable to related parties and deferred tax liabilities.

In 2012, long-term liabilities comprised 79% of total liabilities compared to 41% in 2011. This is attributable to the issuance of the US\$300 million bond by Carmen Copper which increased long-term debt to Php14,473 million in 2012 from Php5,8657 million in the previous year. As of year-end 2012, 94% of the total debt is in US Dollars, while the rest is denominated in Philippine Pesos. Debt-equity ratio remained healthy at 0.63x in 2012 from 0.74x in 2011.

CASH FLOW	2012	2011
Net cash flows from operating activities	3,553	2,339
Net cash flows used in investing activities	10,280	17,478
Net cash flows from financing activities	7,155	15,280
Cash Balance	655	354

Cash Flows

Consolidated net cash from operating activities in 2012 reached P3,553 million as a result of the improved earnings capacity of its subsidiaries. Net cash used in investing activities was lower at Php10,280 million in 2012 despite investments in mining equipment because of the acquisition of the minority interest in Carmen Copper in 2011. Net cash provided by financing activities reached Php7,155 million mainly proceeds from the issuance of the US\$300 million bond, and the issuance of shares of stock to SM Investments Corporation and Spinnaker. Atlas Mining ended 2012 with cash balance of Php655 million, 85% higher than the 2011 yearend balance of Php354 million.

Carmen Copper

FOR THE YEARS ENDED DECEMBER 31 (In Php Millions)	2012	2011
Gross Revenues	14,341	12,224
Cash Cost	8,550	8,320
EBITDA	5,791	3,904
Core Income	3,222	2,283
Net Income	3,320	2,541

Revenues

A substantial increase in copper metal output pushed revenues up to Php14,341 million in 2012 despite a 9% decrease in the market price of copper. The 17% revenue growth over Php12,224 million in 2011 is attributable to the 30% increase in gross copper metal shipments reaching 91 million pounds in 2012 from 70 million pounds in 2011.

Cash Costs

Total cash costs went up by 3% to Php8,550 million in 2012 from Php8,320 million in 2011. The increase in cost was contained to only 3% despite the increase in level of operations from an average daily milling rate of 37,600 tonnes of copper ore per day in 2011 to 41,500 tonnes of copper ore per day in 2012. This resulted to lower cash cost per tonne milled in 2012 to Php563 (US\$13.37) from Php606 (US\$14.03) in 2011.

EBITDA, Core Income and Net Income

EBITDA closed at Php5,792 million in 2012, a 48% increase from Php3,904 million in 2011. EBITDA margin is up by 8 percentage points to 40% in 2012. Improvement was mainly due to the production enhancements and cost efficiencies realized in 2012. Resultantly, core income posted a 41% increase to Php3,222 million from Php2,283 million.

Net income for 2012 reached Php3,320 million, a 31% increase from Php2,541 million. This can be attributed to improved copper production and sales, as well as effective containment of operating expenses. Net income margin also improved to 23% from 21%.

Berong Nickel

FOR THE YEARS ENDED DECEMBER 31 (In Php Millions)	2012	2011
Gross Revenues	1,190	578
Cash Costs	961	467
EBITDA	229	110
Core Income	200	73
Net Income	197	78

Revenues

Nickel sales grew 106% to Php1,190 million in 2012 from Php578 million in 2011 due to almost doubled production volume in 2012. Berong Nickel shipped 777,366 wet metric tonnes of nickel in 2012, 145% higher compared to 317,260 wet metric tonnes in 2011.

Cash Costs

After successfully recommencing nickel ore production, total cash costs increased by 106% to Php961 million in 2012 from Php467 million in 2011. However, cost per tonne improved to Php1,195 (US\$29.12) in 2012 from Php1,502 (US\$34.25) with the cost management strategies implemented during 2012.

EBITDA, Core Income and Net Income

Berong Nickel experienced a complete turnaround in 2012 registering a 108% increase in EBITDA to Php229 million from Php110 million in 2011. Earnings improvement was due to the recommencement of nickel ore production and cost efficiencies realized during the year. Consequently, core income reported a 174% increase to Php200 million from Php73 million.

Net income reached Php197 million in 2012, a 153% improvement from Php78 million reported in 2011. The increase was due to foreign exchange gains realized in 2012 amounting to Php22 million and the significantly growth in production volume.

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee ("ARMC") of Atlas Mining was created to assist and advise the Board of Directors in fulfilling its oversight function with respect to (i) the development and preservation of the quality and integrity of Atlas Mining's accounting and financial reporting protocols, audit practices, risk management systems, and internal control structures, and (ii) the promotion of enterprise-wide adherence to best practices of corporate governance; and to establish and strengthen Atlas Mining's systems and structures for monitoring and managing compliance with laws, regulations, and Atlas Mining's Manual of Corporate Governance.

In fulfillment of such mandate, the ARMC convened for regular monthly meetings and accomplished the following last year upon its formal re-organization in September 2012:

- Formulation and adoption of the ARMC Charter
- Preparation and submission of the report required under SEC Memorandum Circular No. 4, Series of 2012
- Appointment of a Chief Audit Executive to direct the Internal Audit Group that reports directly to the ARMC
- Approval of the Internal Audit Charter and the Internal Audit Plan for 2012 and 2013
- Assessment of significant audit issues noted by SGV & Co during its external audit of Atlas Mining and its subsidiaries for fiscal year 2011
- Assessment and confirmation of the scope of external audit review of SGV & Co for fiscal year 2012
- Assessment and negotiation of fees for audit services to be provided by SGV and Co to Atlas Mining and its subsidiaries for fiscal year 2012
- Assessment of emerging audit issues with SGV and Co and members of management and facilitation of discussions on the resolution of such issues
- Review of routine internal audit reports with members of management
- Facilitation of discussions on the establishment of a framework for the formulation and implementation of financial risk management policies for Atlas Mining and its subsidiaries
- Facilitation of consultations on the conduct of initiatives for the development of an enterprise risk management and compliance system for Atlas Mining and its subsidiaries

Performing its duty to evaluate all financial reports pertaining to Atlas Mining and its subsidiaries as to completeness, accuracy, clarity, and consistency, and as to compliance with financial reporting standards and regulations, the ARMC recommended to the Board of Directors the approval of Atlas Mining's audited consolidated financial statements for the year ended December 31, 2012.

8 March 2013


LAURITO E. SERRANO
Chairman


ALFREDO R. ROSAL, JR.


FREDERIC C. DYBUNCIO


GERARD ANTON S. RAMOS

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

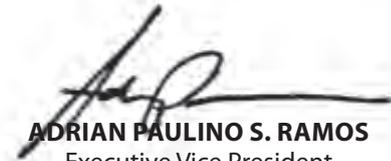
The management of ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2012 and 2011, including additional components attached therein, in accordance with the prescribed financial reporting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

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

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



ALFREDO C. RAMOS
Chairman of the Board and President



ADRIAN PAULINO S. RAMOS
Executive Vice President



FERNANDO A. RIMANDO
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Atlas Consolidated Mining and Development Corporation
Quad Alpha Centrum
125 Pioneer St., Mandaluyong City

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

SYCIP GORRES VELAYO & CO.

John Nai Peng C. Ong

John Nai Peng C. Ong

Partner

CPA Certificate No. 85588

SEC Accreditation No. 0327-AR-2 (Group A),

March 29, 2012, valid until March 28, 2015

Tax Identification No. 103-093-301

BIR Accreditation No. 08-001998-57-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 3670008, January 2, 2013, Makati City

March 8, 2013

**ATLAS CONSOLIDATED MINING AND DEVELOPMENT
CORPORATION AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands, Except Par Value Per Share)

	December 31	
	2012	2011 As restated (see Note 11)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱654,788	₱354,458
Short-term investments (Note 17)	4,982,395	864,585
Receivables (Note 5)	1,582,993	563,231
Inventories (Note 7)	1,032,056	1,111,241
Derivative assets (Note 6)	–	477,573
Other current assets (Note 8)	1,169,119	497,691
Total Current Assets	9,421,351	3,868,779
Noncurrent Assets		
Goodwill (Notes 11 and 12)	19,026,119	19,026,119
Property, plant and equipment (Note 10):		
At cost	17,935,263	13,849,281
At revalued amount	315,558	315,558
Mining rights (Note 11)	9,491,916	9,821,424
Deferred tax assets (Note 25)	43,019	86,963
Available-for-sale (AFS) financial assets (Note 13)	4,896	4,927
Derivative assets (Note 6)	–	221,395
Other noncurrent assets (Note 14)	1,674,444	1,478,154
Total Noncurrent Assets	48,491,215	44,803,821
TOTAL ASSETS	₱57,912,566	₱48,672,600
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Note 15)	₱–	₱5,341,800
Accounts payable and accrued liabilities (Note 16)	2,714,537	3,100,386
Current portion of long-term debt and other interest-bearing liabilities (Note 17)	1,585,243	4,298,353
Income tax payable (Note 25)	14,648	323
Payable to related parties (Note 23)	324,354	531,700
Derivative liabilities (Note 6)	7,590	18,929
Total Current Liabilities	4,646,372	13,291,491
Noncurrent Liabilities		
Long-term debt and other interest-bearing liabilities - net of current portion (Note 17)	14,473,422	5,856,671
Retirement benefits liability (Note 24)	180,515	121,974
Liability for mine rehabilitation cost (Note 18)	112,749	96,896
Deferred tax liabilities (Note 25)	2,941,243	3,046,910
Total Noncurrent Liabilities	17,707,929	9,122,451
Total Liabilities	22,354,301	22,413,942

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

**ATLAS CONSOLIDATED MINING AND DEVELOPMENT
CORPORATION AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands, Except Per Share Amounts)

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

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

See accompanying Notes to Consolidated Financial Statements.

SHAREHOLDER INFORMATION

KEY EVENTS FOR SHAREHOLDERS

- The Annual Stockholders' Meeting is scheduled every last Wednesday of April every year
- Quarterly results are scheduled to be released respectively in the months of May, August and November, and;
- Annual results are scheduled to be released not later than April 1 of every year

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SHAREHOLDER SERVICES

For inquiries regarding dividend payment, change of address and account status, and lost or damaged stock certificates, please write or call:

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6784 Ayala Avenue, Makati City 1226, Philippines

Tel No.: +63(2) 403-2412
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