COVER SHEET

115APREWAR
S.E.C. Registration Number

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION

(Company's Full Name)

9F QUAD ALPHA CENTRUM 125 PIONEER STREET MANDALUYONG

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

Carmen-Rose A. Basallo-Estampador
Contact Person

(632) 584-9788
Company Telephone Number

1	2		3	1

Month Day

Fiscal Year

FORM TYPE: 17-A

Month Day
Annual Meeting
last Wednesday of April

N/A
Secondary LicenseType, If Applicable

S E C
Dept. Requiring this Doc.

IV
Amended Articles Number/Section

Total Amount of Borrowings

21,164	**₱924.70 million**	**$368.67 million**
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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17 – A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **DECEMBER 31, 2012**

2. SEC Identification Number **115 PRE WAR**

3. BIR Tax Identification No. **000-154-572-000**

4. **ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION**
   Exact name of issuer as specified in its charter

5. **PHILIPPINES**
   Province, country or other jurisdiction of Incorporation or organization

6. [ ] (SEC Use Only)
   Industry Classification Code

7. **9/F QUAD ALPHA CENTRUM , 125 PIONEER ST., MANDALUYONG CITY** — **1554**
   Address of principal office — Postal Code

8. **(632) 584-9788**
   Issuer's telephone number, including area code

9. **N. A.**
   Former name, former address, and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
COMMON STOCK, PHP PAR VALUE	**2,074,366,980** (as of December 31, 2012)

11. Are any or all of these securities listed on a Stock Exchange?
    Yes ☑ No ☐

    If yes, state the name of such stock exchange and the classes of securities listed therein:

    Philippine Stock Exchange - **Common Stock**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or section 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 that the registrant was required to file such reports):

Yes ☑ No ☐

(b) has been subject to such filing requirements for the past 90 days.

Yes ☑ No ☐

13. Aggregate market value of the voting stock held by non-affiliates (as of December 31, 2012): **₱12,523,290,909**

TABLE OF CONTENTS

		Page No.
PART 1 – BUSINESS AND GENERAL INFORMATION		
Item 1.	Business	1
Item 2.	Properties	3
Item 3.	Legal Proceedings	8
Item 4.	Submission of Matters to a Vote of Security Holders	10
PART II – OPERATIONAL AND FINANCIAL INFORMATION		
Item 5.	Market for Issuer's Common Equity And Related Stockholders Matters	11
Item 6.	Management's Discussion and Analysis	13
Item 7.	Financial Statements	16
Item 8.	Information On Independent Accountant And Other Related Matters	16
PART III – CONTROL AND COMPENSATION INFORMATION		
Item 9.	Directors and Executive Officers of the Issuer	17
Item 10.	Executive Compensation	24
Item 11.	Security Ownership of Certain Beneficial Owners and Management	25
Item 12.	Certain Relationship and Related Transactions	27
PART IV – CORPORATE GOVERNANCE		
Item 13.	Corporate Governance	28
PART V – EXHIBITS AND SCHEDULES		
Item 14.	A. Exhibits	28
	B. Reports on SEC Form 17-C (Current Report)	28
SIGNATURES		30
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES		31

PART I – BUSINESS AND GENERAL INFORMATION

ITEM 1. BUSINESS

(1) Business Development

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

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

- *Significant Subsidiary*

Carmen Copper Corporation ("CCC") is the only significant subsidiary[1] of Atlas.

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

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

(2) Business of Atlas and CCC

Atlas, through CCC as operating subsidiary, is engaged in metallic mining and mineral exploration and development. CCC, as the operator of Atlas's copper mines in the City of Toledo, Province of Cebu (the "Toledo Copper Mine"), primarily produces and exports copper metal in concentrate and the principal by-products of copper mining and processing: gold and silver. It is also pursuing the development and commercial production of other marketable by-products such as pyrite, magnetite, and molybdenum.

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

While a substantial portion of the offtake agreements respecting the sale of CCC's copper production in 2012 were entered into with MRI on account of MRI's ability to provide the most favorable terms and facilities, CCC is not dependent upon a single counterparty and has the capacity to procure other offtake arrangements.

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

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

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

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

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

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

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

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

Atlas has forty seven employees, of whom fourteen are managerial or confidential, twenty two are professional/technical while 11 are rank and file. CCC, on the other hand, has approximately three thousand three hundred employees. Around two thousand seven hundred of such employees are rank and file and are members of the certified rank-and-file union that has an existing Collective Bargaining Agreement (the "CBA") with CCC. The CBA that was executed in October 2012 will expire in October 2017.

Neither Atlas nor CCC anticipates any material change in the number of its employees during the twelve months of 2013.

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

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

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

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

ITEM 2. PROPERTIES

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

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

A. LAND, MACHINERIES AND EQUIPMENT

The carrying values of the property, plant and equipment mortgaged as collaterals for various borrowings of ACMDC and CCC amounted to PhP16,882.2 million and PhP13,836.3 million as of 31 December 2012 and 31 December 2011, respectively.

B. CEBU

i) APPROVED MPSAs

MPSA NUMBER	Location	Mortgage, Lien or Encumbrance	AREA COVERED (in hectares)			DATE OF APPROVAL	WORK PERFORMED
			Owned by ACMDC	Under Operating Agreement	Total Area		
1. MPSA-210-2005-VII	Toledo City, Cebu	none	119.1663	115.1212	234.2875	April 28, 2005	This MPSA covers the Carmen ore body where open pit mine development works are in progress
2. MPSA-264-2008-VII	Toledo City, Cebu	none	546.2330	101.7829	648.0159	July 9, 2008	This MPSA covers the Lutopan ore body which CCC has been mining for commercial production since 2008 based on the work program approved by the Mines and Geosciences Bureau (MGB)
3. MPSA-307-2009-VII	Toledo City, Cebu	none	1,274.1270	-	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 ACMDC	Under Operating Agreement	Total Area		
1. APSA-000013VII	Toledo City, Cebu	none	287.6172	-	287.6172	Application documents are still under evaluation by the MGB Central Office	For exploration upon approval of APSA
2. APSA-000042VII	Toledo City, Cebu	none	252.3926	-	252.3926	Application documents are still under evaluation by the MGB Central Office	For exploration upon approval of APSA
3. APSA-000044VII	Toledo City, Cebu	none	236.2024	295.9382	532.1406	Application documents are still under evaluation by the MGB Central Office	For exploration upon approval of APSA
4. APSA-000045VII	Toledo City, Cebu	none	-	2,552.0993	2,552.0993	Application documents are still under evaluation by the MGB Central Office	For exploration upon approval of APSA
5. APSA-000046VII	Toledo City, Cebu	none	1,038.8948	653.9947	1,692.8895	Application documents are still under evaluation by the MGB Central Office	For exploration upon approval of APSA
6. APSA-000196VII	Toledo City, Cebu	none	-	764.7666	764.7666	Application documents are still under evaluation by the MGB Central Office	For exploration upon approval of APSA
Sub-total =			**1,815.10**	**4,266.798**	**6,081.90**		

			70	8	58		

iii) EXPLORATION PERMIT APPLICATION

EXPL. PERMIT APPLICATION NUMBER	Location	Mortgage, Lien or Encumbrance	AREA (in hectares)			STATUS OF APPLICATION	WORK PERFORMED
			Owned by ACMDC	Under Operating Agreement	Total Area		
1. EXPA-000083-VII	Toledo City, Cebu	none	323.5254	-	323.5254	Application documents are still under evaluation by the MGB Central Office	For exploration upon approval of APSA
Sub-total =			**323.5254**	**-**	**323.5254**		
TOTAL CEBU =			**4,078.1587**	**4,483.7029**	**8,561.8616**		

C. AGUSAN DEL SUR/SURIGAO DEL SUR

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

D. PALAWAN

i) APPROVED MPSA

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

2007-IVB							on-going
Sub-total =			**-**	**288.0000**	**288.0000**		

ii) MPSA APPLICATION

MPSA APPLICATION NUMBER	Location	Mortgage, Lien or Encumbrance	AREA (in hectares)			STATUS	WORK PERFORMED
			Owned by ACMDC	Under Operating Agreement	Total Area		
1. AMA-IVB-038(Amd) (APSA00369 IV)	Palawan	none	-	1,062.0000	1,062.0000	Application documents are still under evaluation by the MGB Regional Office	
3. AMA-IVB-147(Amd)	Palawan	none	-	2,493.0000	2,493.0000	Application documents are still under evaluation by the MGB Regional Office	
Sub-total =			**-**	**3.555.0000**	**3,555.0000**		

iii) EXPLORATION PERMIT APPLICATION

EXPLORATION PERMIT APPLICATION NUMBER	Location	Mortgage, Lien or Encumbrance	AREA (in hectares)			STATUS	WORK PERFORMED
			Owned by ACMDC	Under Operating Agreement	Total Area		
1. EPA-IVB-011	Palawan	none	-	16,130.4400	16,130.4400	Application documents are still under evaluation by the MGB Regional Office	For exploration upon approval of APSA
2. EPA-IVB-058	Palawan	none	970.0000	-	970.0000	Application documents are still under evaluation by the MGB Regional	For exploration upon approval of APSA

						Office	
3. EPA-IVB-060	Palawan	none	540.0000	5,466.2352	6,006.2352	Application documents are still under evaluation by the MGB Regional Office	For exploration upon approval of APSA
4. EPA-IVB-061	Palawan	none	810.0000	-	810.0000	Application documents are still under evaluation by the MGB Regional Office	For exploration upon approval of APSA
Sub-total =			**2,320.0000**	**21,596.6752**	**23,916.6752**		
TOTAL PALAWAN =			**2,320.0000**	**25,439.6752**	**27,759.6752**		

TOTAL PHILIPPINES=	**10,056.3203**	**30,134.0765**	**40,190.3968**

ITEM 3. LEGAL PROCEEDINGS

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

Atlas Consolidated Mining and Development Corporation vs. Atty. Kim S. Jacinto-Henares, in her Capacity as the Commissioner of Internal Revenue, et al.

CTA Case No. 8150, Court of Tax Appeals

This case involves a Petition for Review with Application for Temporary Restraining Order and/or Writ of Preliminary Injunction and Motion for Suspension of Collection of Tax filed by Atlas against Atty. Kim S. Jacinto-Henares, in her capacity as the Commissioner of Internal Revenue, and Melquiades A. Cancela, in his capacity as the OIC-Revenue District Officer of Revenue District No. 70, Masbate City (the “Respondents”), with the Court of Tax Appeals (“CTA”).

On 29 February 2000, the Bureau of Internal Revenue (“BIR”) Revenue Region No. 10 issued against the Corporation assessment notices for deficiency excise taxes for the taxable years 1991 to 1993 amounting to Php197,595,158.77. On 24 May 2000, Atlas received a Formal Letter of Demand from the BIR Revenue Region No. 10 requesting Atlas to settle its deficiency excise taxes. The assessments became final and executory on 23 June 2000.

On 21 November 2006, Atlas requested the BIR to confirm that the period to collect the Atlas's's deficiency excise taxes had already prescribed. On 15 December 2006, the BIR issued BIR Ruling No. DA-722-2006 (the "Ruling") confirming that the period to collect the alleged deficiency excise taxes of Atlas had already prescribed.

On 24 November 2008, the Regional Director of BIR Revenue Region Office No. 10 requested the BIR to revoke the Ruling. On 13 July 2010, the Commissioner of Internal Revenue issued a Memorandum Letter revoking the Ruling due to the alleged misrepresentation of facts by Atlas. The Memorandum Letter was circularized on 10 August 2010 through Revenue Memorandum Circular No. 67-2010.

In a demand letter dated 11 August 2010, the Respondent Revenue District Officer demanded the payment of the deficiency excise taxes from Atlas. Should no payment be made within ten days from receipt thereof, the demand letter stated that it likewise serves as a Formal Notice of Warrant of Distraint and/or Levy and Garnishment with Notices of Tax Lien on all the properties of Atlas.

Hence, on 17 August 2010, Atlas instituted the Petition for Review with Application for Temporary Restraining Order and/or Writ of Preliminary Injunction and Motion for Suspension of Collection of Tax in the CTA. On 14 October 2010, the CTA issued a Resolution granting Atlas's Motion for Suspension of Collection of Tax and ordered the Respondents to hold in abeyance the collection of the alleged deficiency excise tax assessed in the amount of Php197,595,158.77. Atlas posted a bond in the amount of Php296,392,738.06.

On 17 February 2011, the Pre-Trial Conference for the case was conducted. After presenting its witness, Mr. Jesus C. Valledor, Jr., Atlas filed its Formal Offer of Documentary Evidence on 5 September 2011.

After Respondents presented their witnesses, Revenue Officer Reynaldo S. Negro and Revenue District Officer Melquidaes Cancela, they filed their Formal Offer of Evidence on 1 June 2012.

Atlas filed its Comment to Respondents' Formal Offer of Evidence. Thereafter, the CTA issued a Resolution dated 1 July 2012 admitting Respondents' Exhibits except for Exhibits 1, 4, 6, and 7.

On 2 August 2012, Respondents filed an Omnibus Motion for Reconsideration for the admission of Exhibits 1, 4, 6, and 7 and requested that a Commissioner's Hearing be set for the presentation of the same. Atlas filed an Opposition to the Omnibus Motion on 24 August 2012.

In a Resolution dated 1 October 2012, the CTA granted the motion of Respondents to set a Commissioner's Hearing for the presentation of Exhibits 1, 4, 6, and 7, and held in abeyance the resolution of Respondents' motion for admission of the said exhibits.

The Commissioner's Hearings were held on 23 October 2012 and on 20 November 2012 wherein Respondents presented Exhibits 1 and 7, respectively.

On 27 November 2012, Respondents filed their Supplemental Formal Offer of Evidence. On 19 December 2012, the CTA issued a Resolution admitting only Exhibits 1 and 7 and affirming its previous resolution to deny admission of Exhibits 4 and 6 for failure of Respondents to identify the same during trial.

Atlas has filed a Motion for Reconsideration with respect to the 19 December 2012 Resolution of the CTA.

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

On 22 August 2012, the stockholders of Atlas convened for their annual general meeting for the year 2012.

At such meeting –

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

1) Audited Financial Statements for the fiscal year ended 31 December 2011
2) Minutes of the Annual General Stockholders' Meeting held on 9 November 2011
3) Acts and resolutions of the Board of Directors and Management during the period between 9 November 2011 and 22 August 2012

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

ALFREDO C. RAMOS (Chairman)
ADRIAN PAULINO S. RAMOS
GERARD ANTON S. RAMOS
JOSE T. SIO
RICHARD J. GORDON
LAURITO E. SERRANO
FREDERIC C. DYBUNCIO (Vice-Chairman)
MARTIN C. BUCKINGHAM
ISIDRO A. CONSUNJI
FULGENCIO S. FACTORAN Jr.
ALFREDO R. ROSAL Jr.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

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

(1) Market Information

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

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

Period	2012 (in PhP per share)		2011 (in PhP per share)	
	High	Low	High	Low
First Quarter	19.82	16.84	18.00	14.50
Second Quarter	19.66	17.14	20.85	14.96
Third Quarter	18.04	16.80	25.20	14.70
Fourth Quarter	19.50	17.02	19.70	14.50

The closing price of Atlas shares of stock on 22 March 2013 as quoted by the PSE is PhP22.00 per share.

(2) Holders

As of 28 February 2013, there were a total of 21,141 individuals/entities holding Atlas shares of stock.

The Top 20 stockholders of Atlas as of 28 February 2013 were:

No.	Name	No. of Shares Held	% of Ownership
1	PCD Nominee Corporation	758,203,683	36.54%
2	SM Investments Corporation	598,530,491	28.84%
3	Alakor Corporation	358,854,961	17.29%
4	Anglo Philippine Holdings Corporation	171,450,500	8.26%
5	PCD Nominee Corporation (Non-Filipino)	113,965,551	5.49%
6	Alfredo C. Ramos	10,000,100	0.48%
7	National Book Store Inc.	9,203,407	0.44%
8	The Bank of Nova Scotia	4,425,254	0.21%
9	Bank of Nova Scotia	2,950,169	0.14%
10	Merrill Lynch, Pierce Fenner & Smith	2,138,244	0.10%

	Safekeeping		
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	National Financial Services, Inc.	1,474,233	0.07%
15	First Clearing, LLC	1,160,817	0.06%
16	Lucio W. Yan &/Or Clara Yan	1,100,000	0.05%
17	Toledo City Government	1,000,000	0.05%
18	Asian Oceanic Holdings Phils. Inc.	972,501	0.05%
19	Donald R. Osborn	945,677	0.05%
20	William Ragos Enrile II	900,000	0.04%
	TOTAL	**2,042,443,869**	**98.42%**

(3) Dividends

On 8 March 2013, the Board of Directors of Atlas approved the declaration of cash dividends in the amount of PhP0.25 per share of its capital stock. The cash dividend will be payable on 19 April 2013 to stockholders of record as of 22 March 2013.

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

The table below provides the details of the issuances of Atlas shares of stock during the last two[2] 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
2011				
Abacus Securities Corporation	30,300,000	January 2011	Cash/PhP10.00	Section 10.1 (k) (notice of exemption was filed within ten days from the issuance of the shares)
Alakor Corporation	117,050,000	July 2011	Debt-to-Equity Conversion/PhP10.00	Section 10.1 (k) (notice of exemption

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

				was filed within ten days from the issuance of the shares)
Anglo Philippine Holdings, Inc.	50,450,500	July 2011	Debt-to-Equity Conversion/PhP10.00	Section 10.1 (k) (notice of exemption was filed within ten days from the issuance of the shares)
SM Investments Corporation	316,242,331	August 2011	Cash/PhP19.56	Section 10.1 (i) (notice of exemption is not required)
Zenith Holdings Corporation	111,196,319	August 2011	Cash/PhP19.56	Section 10.1 (i) (notice of exemption is not required)
		2012		
Spinnaker	35,000,000	March 2012	Cash/PhP10	----
SM Investments Corporation	273,098,160	July 2012	Cash/PhP20.11	Section 10.1 (i) (notice of exemption is not required)
Optionees under the Comprehensive Stock Option Plan	2,215,788	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

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

PhP ('000)	**2012**	**2011**	**2010**
Retained Earnings/(Capital Deficiency)	**18,434,748**	**2,431,361**	**(12,584,614)**

On 6 July 2012, the SEC approved Atlas'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 reversal in the financial position of the Atlas Group in 2011 was brought about (i) by the strong performance of CCC which posted a net income of PhP2.5 billion, and (ii) by the gain resulting from the recognition of the fair value of Atlas's previously held interest in CCC.

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

PhP ('000)	**2012**	**2011**	**2010**
Total Comprehensive Income (Loss)	3,434,765	15,073,429	(847,171)

The consolidated comprehensive income in 2012 was driven mainly by higher levels of production and lower operating costs that offset lower copper prices.

The appreciation of the Philippine Peso against the US dollar yielded favorable results in 2012 as it enabled the Atlas Group to recognize a net unrealized foreign exchange gain of PhP593 million. The discharge of a long-outstanding liability amounting to PhP438 million, the accrual of interest income of PhP232 million, and the turnaround in the nickel mining operations of Berong Nickel Corporation likewise boosted the 2012 financial performance of the Atlas Group.

The significant improvement in the operating results that was achieved in 2011 was due largely to (i) more robust copper prices in the global market, and (ii) increased productivity. Atlas reported a one-time gain of PhP14 billion with the recognition of the fair value gain resulting from its acquisition of the minority equity interest in CCC.

The losses incurred in 2010 were primarily attributable (i) to the decline in the price of copper as a result of the financial crisis, and (ii) to the inability of CCC to optimize production.

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

Performance Indicators

The following table shows the key performance indicators of Atlas and its majority-owned significant subsidiary for 2012, 2011 and 2010:

Consolidated						
Particulars		**12/31/2012**		**12/31/2011**		**12/31/2010**
Current ratio		2.03:1		0.29:1		0.66:1
Debt to equity		0.63:1		0.86:1		4.11:1

Return on equity	9.31%	57.54%	(26.20%)
Return on assets	5.67%	30.85%	(4.29%)
Net profit margin	22.69%	314.45%	(9.20%)
CARMEN COPPER CORPORATION			
Particulars	**12/31/2012**	12/31/2011	**12/31/2010**
Current ratio	1.83:1	0.44:1	0.65:1
Debt to equity	1.66:1	1.27:1	1.93:1
Return on equity	46.21%	30.99%	11.84%
Return on assets	17.39%	13.67%	4.04%
Net profit margin	24.55%	22.06%	8.13%

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

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 3,553
- Net cash flows used in investing activities - PhP (10,280)
- Net cash flows from financing activities - PhP 7,155
- Net increase in cash and cash equivalents - PhP 300

Increase in cash from operating activities was a result of higher production rates and restrained costs and expenses.

Net cash used in investing activities was a result of the increased acquisition of property, plant and equipment and placement in short-term investments.

Net cash from financing activities arose from (i) the issuance of US Dollar-denominated fixed-rate notes representing US$300 million of CCC's senior unsecured debt with a tenor of five (5) years and five (5) days (the "Notes") (ii) the issuance of Atlas shares of stock to SM Investments Corporation and Spinnaker.

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

2011 Material Events

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

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

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

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

In 2011, CCC had capital expenditure commitments amounting to PhP709.3 million.

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

Please see Supplementary Schedule (Index to Exhibits) that contains horizontal and vertical analyses of 2012 balance sheet and income statement accounts vis-à-vis those of 2011.

ITEM 7. FINANCIAL STATEMENTS

The consolidated financial statements of the Atlas Group for the year ended 31 December 2012 and the schedules listed in the accompanying *Index to Financial Statements and Supplementary Schedules* are integrally incorporated into this report.

ITEM 8. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

External Audit Fees and Services

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

The table below shows the aggregate amounts paid by the Atlas Group to SGV and Co. in 2012 and 2011 (i) for audit work pertaining to the annual financial statements

of the Atlas Group, (ii) for services pertaining to the conduct of review with respect to CCC's tax compliance, and (iii) for other related services involving the examination of Atlas's or CCC's books of account:

Particulars		2012		2011
Services related to the bond issue of CCC	PhP	14,500,000	PhP	-
Audit		3,474,409		3,805,000
Interim Review		800,000		-
Tax Compliance Review		396,000		700,000
Performance of agreed-upon procedures		110,000		90,000
TOTAL	PhP	19,280,409	PhP	4,595,000

- *Other Fees*

Except as described above, SGV and Co. did not perform any other service for the benefit of the Atlas Group in 2012 and 2011.

- *Approval by the Audit Committee of Audit Services*

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

Changes in and Disagreements with Accountants On Accounting and Financial Disclosures

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

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

PART III – CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

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

The incumbent directors of Atlas are:

ALFREDO C. RAMOS FREDERIC C. DYBUNCIO
ADRIAN PAULINO S. RAMOS MARTIN C. BUCKINGHAM

GERARD ANTON S. RAMOS	ISIDRO A. CONSUNJI
JOSE T. SIO	FULGENCIO S. FACTORAN Jr.
RICHARD J. GORDON	ALFREDO R. ROSAL Jr.
LAURITO E. SERRANO	

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

The incumbent principal officers of Atlas are:

ALFREDO C. RAMOS	-	Chairman and President
FREDERIC C. DYBUNCIO	-	Vice-Chairman
ADRIAN PAULINO S. RAMOS	-	Executive Vice-President
MARTIN C. BUCKINGHAM	-	Executive Vice-President
RODERICO V. PUNO	-	Corporate Secretary
NOEL T. DEL CASTILLO	-	Treasurer
FERNANDO A. RIMANDO	-	Chief Financial Officer
CARMEN-ROSE A. BASALLO-ESTAMPADOR	-	Compliance Officer/Assistant Corporate Secretary/Assistant Vice-President – Legal Affairs, Compliance and Corporate Governance

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

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

Profile of Atlas's directors and officers

Office/s	Name of Nominee	Citizenship	Age	Footnote Legends
Chairman of the Board of Directors/ President	Alfredo C. Ramos	Filipino	69	(a)
Vice-Chairman of the Board of Directors	Frederic C. DyBuncio	Filipino	53	(b)
Director/ExecutiveVice-President	Martin C. Buckingham	British	61	(c)
Director/Executive Vice-President	Adrian Paulino S. Ramos	Filipino	34	(d)
Director	Isidro A. Consunji	Filipino	64	(e)
Director	Gerard Anton S. Ramos	Filipino	39	(f)
Director	Jose T. Sio	Filipino	73	(g)

Independent Director	Fulgencio S. Factoran Jr.	Filipino	69	(h)
Independent Director	Richard J. Gordon	Filipino	67	(i)
Independent Director	Alfredo R. Rosal, Jr.	Filipino	65	(j)
Independent Director	Laurito E. Serrano	Filipino	52	(k)
Corporate Secretary	Roderico V. Puno	Filipino	49	
Treasurer	Noel T. del Castillo	Filipino	75	
Chief Financial Officer	Fernando A. Rimando	Filipino	48	
Compliance Officer/Assistant Corporate Secretary/Assistant Vice-President – Legal Affairs, Compliance and Corporate Governance	Carmen-Rose A. Basallo-Estampador	Filipino	35	

(a) - Elected as Chairman of the Board of Directors and President on 22 August 2012; nominee of Alakor Corporation ("Alakor")
(b) - Elected as Director on 22 August 2012; nominee of SM Investments Corporation ("SMIC")
(c) - Elected as Director and Executive Vice-President on 22 August 2012; nominee of Alakor
(d) - Elected as Director and Vice-President on 22 August 2012; nominee of Alakor
(e) - Elected as Director on 22 August 2012; nominee of SMIC
(f) - Elected as Director on 22 August 2012; nominee of Alakor
(g) - Elected as Director on 22 August 2012; nominee of SMIC
(h) - Elected as Independent Director on 22 August 2012; nominee of Alakor and SMIC
(i) - Elected as Independent Director on 22 August 2012; nominee of Alakor
(j) - Elected as Independent Director on 22 August 2012; nominee of Alakor
(k) - Elected as Independent Director on 22 August 2012; Nominee of SMIC

ALFREDO C. RAMOS

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

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

FREDERIC C. DYBUNCIO

- Director/ Vice Chairman of the Board of Directors of Atlas since 12 August 2011

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

MARTIN C. BUCKINGHAM

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

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

ADRIAN PAULINO S. RAMOS

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

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

ISIDRO A. CONSUNJI

- Director of Atlas since 20 April 2012

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

GERARD ANTON S. RAMOS

- Director of Atlas since 18 July 2007

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

  He is also an incumbent director of Carmen Copper Corporation.

❖ He obtained his bachelor's degree in Business Management from the Ateneo de Manila University in 1996.

JOSE T. SIO

- Director of Atlas since 12 August 2011

❖ Mr. Sio is concurrently the Executive Vice-President and Chief Financial Officer of SM Investments Corporation which is the holding company of the SM Group. He is also currently a director of SM Keppel Land, Manila North Tollways Corporation, Belle Corporation, China Banking Corporation, and Carmen Copper Corporation, and an adviser to the Board of Directors of Banco De Oro Unibank, Inc. Before joining the SM Group, he was a senior partner at SGV & Co.

❖ He obtained his bachelor's degree in Accountancy from the University of San Agustin in Iloilo City, and his master's degree in Business Administration from New York University.

❖ Awards and citations:

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

FULGENCIO S. FACTORAN Jr.

- Director of Atlas since 28 February 2012

❖ Atty. Factoran is the managing partner at the law office of Factoran and Associates. He is concurrently an independent director of Nickel Asia Corporation and a director of BDO Leasing and Finance Corporation. He

served as Secretary of the Department of Environment and Natural Resources during the term of President Corazon Aquino.

- ❖ He obtained his Bachelor of Laws degree from the University of the Philippines (Cum Laude; Valedictorian), and his Master of Laws degree from the Harvard Law School (Harvard University, Cambridge, Massachusetts).
- ❖ The law office of Factoran and Associates does not act as legal counsel of the Company.

RICHARD J. GORDON

- Independent Director of the Company since 5 April 2011

- ❖ Atty. Gordon served as a member of the House of Senate of the 13th and 14th Congresses of the Philippines. Prior to his election as a senator in 2004, he held the post of Secretary of the Department of Tourism for three years beginning January 2001. He is the founding Chairman of the Subic Bay Metropolitan Authority and is currently the Chairman and CEO of the Philippine Red Cross.
- ❖ He obtained his undergraduate degree in History and Government from the Ateneo de Manila University, and his Bachelor of Laws degree from the University of the Philippines-College of Law.

ALFREDO R. ROSAL JR.

- Independent Director of Atlas since 31 March 2003

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

LAURITO E. SERRANO

- Independent Director of Atlas since 22 August 2012

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

RODERICO V. PUNO

- Corporate Secretary of Atlas since 15 September 2006

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

NOEL T. DEL CASTILLO

- Treasurer of Atlas since 22 July 2002

- ❖ Mr. del Castillo is concurrently the treasurer of Carmen Copper Corporation and the corporate secretary of Berong Nickel Corporation. He served as director of the Company from 2002 to 2008.
- ❖ He is a Certified Public Accountant and a licensed Real Estate Broker. He completed the academic requirements for a master's degree in business administration at the Ateneo de Manila University.

FERNANDO A. RIMANDO

- Chief Financial Officer of Atlas since 1 September 2012

- ❖ Mr. Rimando is concurrently the Chief Financial Officer of Carmen Copper Corporation.
- ❖ He has more than 25 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. He obtained his bachelor's degree in accountancy from Saint Louis University.

CARMEN ROSE A. BASALLO-ESTAMPADOR

- Assistant Corporate Secretary and legal counsel of the Company since 15 September 2006
- Compliance Officer of the Company since 9 November 2011
- Assistant Vice-President (AVP) of the Company (for Legal Affairs, Compliance, and Corporate Governance) since 1 July 2012

- ❖ Atty. Basallo-Estampador is concurrently the Assistant Corporate Secretary and the AVP for Legal Affairs and Compliance of Carmen Copper Corporation. She served as corporate secretary of Berong Nickel Corporation from April 2007 to March 2011. Prior to joining the Company, she worked as

a tax and corporate attorney for the Manila office of the accounting firm KPMG.

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

ITEM 10. EXECUTIVE COMPENSATION

Compensation of Officers

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

Name and Position	Aggregate annual cash compensation (PhP)			
		Salaries	Other compensation	Bonuses
Alfredo C. Ramos -- President Martin C. Buckingham -- Executive Vice-President & CFO Adrian Paulino S. Ramos -- Vice-President Fernando A. Rimando -- Chief Financial Officer Rene G. De Ocampo – VP for Human Resources	2010 2011 2012	10,111,222 10,193,722 24,229,812	-0- -0- -0-	850,102 850,102 2,019,151
All other officers as a group	2010 2011 2012	1,600,000 696,000 12,420,000	-0- -0- -0-	130,000 58,000 1,035,00

* For 2013, the estimated aggregate cash compensation to be paid (i) to the five most highly compensated officers amounts to PhP28,222,514, and (ii) to all officers as a group amounts to PhP21,465,500.

Compensation of Directors

In 2011, the Company began paying its directors a *per diem* of PhP10,000.00 for every meeting attended.

Stock Options

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

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

comprising of Atlas's directors and officers

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

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

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

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

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

In 2012, qualified employees who were previously granted stock option awards exercised their subscription rights with respect to a total of 2,215,788 shares of stock of Atlas for which a total subscription price of PhP22,158,000 was paid.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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

Title or Class of Shares	**Name & Address of Record Owner and Relationship with the Company**	**Name of Beneficial Owner and Relationship with Record Owner**	**Citizenship**	**Holdings**	**%**
Common	SM INVESTMENTS CORPORATION 10th Floor, One E-Com Center, Mall of Asia Complex, CBP-1A Pasay City	Record and beneficial owner	Filipino	598,530,491	28.85%

	- Not related to the Company except as stockholder * Mr. Hans T. Sy and/or Mr. Harley T. Sy and/or Ms. Virginia A. Yap have been appointed as proxy to represent and vote for the shares of SM Investments Corporation at the Meeting				
Common	ALAKOR CORPORATION Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City - Not related to the Company except as stockholder * Mr. Alfredo C. Ramos has been appointed as proxy to represent and vote for the shares of Alakor Corporation at the Meeting	Record and beneficial owner	Filipino	358,854,961	17.30%
Common	ANGLO PHILIPPINE HOLDINGS CORPORATION Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City - Not related to the Company except as stockholder * Mr. Alfredo C. Ramos has been appointed as proxy to represent and vote for the shares of Anglo Philippine Holdings Corporation at the Meeting	Record and beneficial owner	Filipino	171,450,500	8.27%

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

Security ownership of management

Title of Class	Name of Directors / Officers	No. of Shares Held	Citizenship	Percent (%)	Nature of Ownership
Common	Alfredo C. Ramos	464,223,561	Filipino	22.3800	Record and Beneficial Owner
Common	Frederic C. DyBuncio	1,001	Filipino	0.0000	Beneficial Owner
Common	Martin C. Buckingham	24,753,301	British	1.1933	Beneficial Owner
Common	Isidro A. Consunji	95,991,305	Filipino	4.6275	Beneficial Owner
Common	Adrian Paulino S. Ramos	5,941,910	Filipino	0.2864	Beneficial Owner
Common	Gerard Anton S. Ramos	8,151,000	Filipino	0.3929	Beneficial Owner
Common	Jose T. Sio	1,001	Filipino	0.0000	Beneficial Owner
Common	Fulgencio S. Factoran Jr.	110,000	Filipino	0.0000	Beneficial Owner
Common	Richard J. Gordon	1	Filipino	0.0000	Beneficial Owner
Common	Alfredo R. Rosal Jr.	1	Filipino	0.0000	Beneficial Owner
Common	Laurito E. Serrano	2,000	Filipino	0.0001	Beneficial Owner
Common	Noel T. Del Castillo	150,000	Filipino	0.0000	Beneficial Owner
Common	Roderico V. Puno	0	Filipino	0.0000	N/A
Common	Fernando A. Rimando	0	Filipino	0.0000	N/A
Common	Carmen-Rose A. Basallo-Estampador	0	Filipino	0.0002	N/A
	All Directors and Officers as a Group	599,328,081		28.8804	

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

As disclosed in the Notes to the 2012 Audited Consolidated Financial Statements of the Company and its subsidiaries:

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Group[3], including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

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

	Nature of relationship	**2012**	2011
Receivable from related parties:			
Alakor	Stockholder	**₱31,481**	₱33,219
TMC	Related party	**2,150**	
CCC	Subsidiary/Associate	–	–

[3] "Group" refers to the Company and its subsidiaries.

		₱33,631	₱33,219
Payable to related parties:			
TMC	Related party	**₱321,338**	₱458,453
Alakor	Stockholder	**3,016****	–
The Philodrill Corporation	Related party	–	73,247
CCC	Subsidiary/Associate	–	–
		₱324,354**	₱531,700

**There were no sales and purchases to or from related parties as of December 31, 2012 and 2011.*
***A portion of the payable to Alakor amounting to ₱21,986 that was accrued in 2010 as interest payable (see Note 17a) is presented on the consolidated statements of financial position as part of Accounts payable and accrued expenses.*

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

Receivable from officers and employees as of December 31, 2012 and 2011 amounting to PhP30,539 and PhP19,938, respectively, pertain to the receivable extended by the Group to its officers and employees and unliquidated advances used in the Group's operations. These receivables from officers and employees are due and demandable.

PART IV – CORPORATE GOVERNANCE

ITEM 13. CORPORATE GOVERNANCE

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

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

PART V – EXHIBITS AND SCHEDULES

ITEM 14. EXHIBITS AND REPORTS ON SEC FORM 17-C

(a) Exhibits

See accompanying Index to Exhibits.

(b) Reports on SEC Form 17-C

Announcement Date		Title
12-Dec-12		Press Release: "Atlas Mining subsidiary declares PhP1 billion cash dividends"

10-Oct-12		Report on compliance with SEC Memorandum re: guidelines for the
		assessment of the performance of Audit Committees
8-Oct-12		Resignation/appointment of officers
22-Aug-12		Results of Annual Meeting of Stockholders and Organizational Meeting
		of Board of Directors
30-Jul-12		Definitive Information Statement for Annual General Meeting of
		Stockholders on August 22, 2012, Record Date on July 6, 2012
30-Jul-12		Definitive Information Statement for Annual General Meeting of
		Stockholders on August 22, 2012, Record Date on July 6, 2012
17-Jul-12		Preliminary Information Statement for Annual General Meeting of
		Stockholders on August 22, 2012, Record Date on July 6, 2012
17-Jul-12		Preliminary Information Statement for Annual General Meeting of
		Stockholders on August 22, 2012, Record Date on July 6, 2012
16-Jul-12		Issuance of shares to SM Investments Corporation; change in issued and outstanding shares
11-Jul-12		SEC approval of amendments to Articles of Incorporation: increase in
		authorized capital stock, decrease in par value, equity restructuring
11-Jul-12		Completion of equity restructuring exercise; SEC approval of increase
		in authorized capital stock, decrease in par value of shares
11-Jul-12		Amended 2011 Annual Report

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of PASIG CITY on APR 12 2013

By:

ALFREDO C. RAMOS
Chairman of the Board and President

ADRIAN PAULINO S. RAMOS
Director/Executive Vice President

FERNANDO A. RIMANDO
Chief Financial Officer

CARMEN-ROSE A. BASALLO-ESTAMPADOR
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 12 2013 day of ____ affiants exhibiting to me their Tax Identification Numbers/Passport, as follows:

NAMES	TIN
Alfredo C. Ramos	132-017-513
Adrian Paulino S. Ramos	188-355-989
Fernando A. Rimando	101-647-461
Carmen-Rose A. Basallo-Estampador	229-062-738

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Page No. 45
Book No. II
Series of 2013

ATTY. BENIGNO M. PUNO
NOTARY PUBLIC
PTR # 805[illegible] / [illegible]-2013 / PASIG CITY
IBP # 9[illegible] / [illegible]-2013 / PASIG CITY
VALID UNTIL DEC. 31, 2014
TIN # 113-425-074-000
MCLE # IV-0001109 1-04-11
ROLL NO. 15636

Notary Public

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
FORM 17-A, Item 7

Page No.

I CONSOLIDATED FINANCIAL STATEMENTS

1	Statement of Management's Responsibility for Financial Statements	36
2	Consolidated Financial Statements as of December 31, 2012 and 2011 and Independent Auditors' Report	37
3	Parent Company Financial Statements	131
4	Amosite Holdings Financial Statements	195
5	Aquatlas, Inc. Financial Statements	218
6	Atlas Exploration Inc. Financial Statements	248
7	Berong Nickel Corporation Financial Statements	282
8	Carmen Copper Corporation Financial Statements	335
9	Nickeline Resources Holdings Inc. Financial Statements	404
10	TMM Management, Inc. Financial Statements	429
11	Ulugan Nickel Corporation Financial Statements	467
12	Ulugan Resources Holdings, Inc. Financial Statements	496

II SUPPLEMENTARY SCHEDULES

1	Report of Independent Public Accountants on Supplementary Schedules	521
2	A schedule of all the effective standards and interpretations under the PFRS as of year-end and an indication in the second column on whether it is "Adopted" 'Not Adopted" or "Not applicable	522
Schedule A.	Financial Assets	526
Schedule B.	Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)	527
Schedule C.	Amounts Receivable from related parties which are eliminated during the consolidation of financial statements	528
Schedule D.	Intangible Assets - Other Assets	529
Schedule E.	Long Term Debt	530
Schedule F.	Schedule of Indebtedness to Related Parties	531
Schedule G.	Guarantees of Securities of Other Issuers	532
Schedule H.	Capital Stock	533
Schedule I.	Conglomerate Map of the Parent Company and its Subsidiaries	534
Schedule J.	Reconciliation of Retained Earnings Available for Dividend Declaration	535
Schedule K.	Horizontal Analysis and Vertical Analyses of Accounts in the Statements of Financial Position	536
Schedule L.	Horizontal and Vertical Analyses of Accounts in the Statements of Comprehensive Income	540
Schedule M.	Financial Ratios	543

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of **ATLAS CONSOLIDATED MINING & DEVELOPMENT CORPORATION** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 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 3/14
Chairman of the Board and President

Adrian Paulino S. Ramos
Executive Vice President

Fernando A. Rimando
Chief Financial Officer

SUBSCRIBED AND SWORN to before this 14 day of MAR 2013 affiants exhibiting to me their Tax Identification Numbers, as follows:

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

JOVEN GOMEZ AVILLANO
NOTARY PUBLIC
COMMISSION NO. 0285-13 UNTIL DECEMBER 31, 2014
ROLL NO. 53970
IBP LIFETIME NO. 011302 RIZAL
PTR NO. 1619599; 1-2-13; MANDALUYONG
MCLE COMPLIANCE NO. III 0017901; JUNE 2, 2010
METRO MART COMPLEX, MANDALUYONG CITY

Document no. 297
Page no. 61
Book no. VIII
Series of 2013

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

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Atlas Consolidated Mining and Development Corporation

We have audited the accompanying consolidated financial statements of Atlas Consolidated Mining and Development Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 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

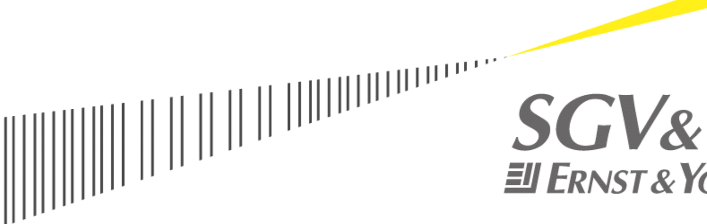
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements 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
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
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.

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company								
	Capital Stock	Additional Paid-in Capital (APIC)	Revaluation Increment on Land	Net Unrealized Gain on AFS Financial Assets	Deposits for Future Stock Subscriptions	Retained Earnings (Deficit)	Total	Non-controlling Interest	Total
BALANCES AT DECEMBER 31, 2010	₱11,388,139	₱830,666	₱218,559	₱1,464	₱3,028,293	(₱12,584,614)	₱2,882,507	₱92,984	₱2,975,491
Issuance of shares (Note 19)	6,252,391	4,985,640	–	–	(2,877,333)	–	8,360,698	–	8,360,698
Reversal of deposits for future stock subscriptions (Note 19)	–	–	–	–	(150,960)	–	(150,960)	–	(150,960)
Depletion of mining rights (Note 11)	–	–	–	–	–	–	–	–	–
Net income/total comprehensive income for the year	–	–	–	–	–	15,101,925	15,101,925	57,454	15,159,379
BALANCES AT DECEMBER 31, 2011, as previously reported	17,640,530	5,816,306	218,559	1,464	–	2,517,311	26,194,170	150,438	26,344,608
Effect of finalization of purchase price allocation (Note 11)	–	–	–	–	–	(85,950)	(85,950)	–	(85,950)
BALANCES AT DECEMBER 31, 2011, as restated	₱17,640,530	₱5,816,306	₱218,559	₱1,464	₱–	₱2,431,361	₱26,108,220	₱150,438	₱26,258,658
BALANCES AT DECEMBER 31, 2011, as restated	₱17,640,530	₱5,816,306	₱218,559	₱1,464	₱–	₱2,431,361	₱26,108,220	₱150,438	₱26,258,658
Issuance of shares (Note 19)	3,099,586	2,765,256	–	–	–	–	5,864,842	–	5,864,842
Equity restructuring (Note 19)	(4,145,180)	(8,578,008)	–	–	–	12,723,188	–	–	–
Net income/total comprehensive income for the year	–	–	–	696	–	3,280,199	3,280,895	153,870	3,434,765
BALANCES AT DECEMBER 31, 2012	₱16,594,936	₱3,554	₱218,559	₱2,160	₱–	₱18,434,748	₱35,253,957	₱304,308	₱35,558,265

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		
	2012	2011 As restated (see Note 11)	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱3,401,990**	₱14,966,896	(₱853,439)
Adjustments for:			
Depreciation and depletion (Notes 10 and 11)	**2,115,904**	621,791	57,131
Finance charge (Notes 26 and 34)	**1,206,221**	237,103	387,750
Net realized loss (gain) on derivatives (Note 6)	**430,018**	(218,094)	789,478
Retirement benefits costs (Notes 24)	**66,628**	25,807	1,924
Loss on asset write-down (see Note 10)	**20,552**	93,818	–
Impairment loss on:			
Input VAT (Note 14)	**–**	69,226	–
Receivables (Note 5)	**–**	1,688	770
Unrealized loss on derivatives (Note 6)	**7,590**	351,485	–
Net unrealized foreign exchange loss (gain)	**(592,964)**	119,144	(122,249)
Gain on settlement of liabilities (Note 16)	**(519,548)**	(90,458)	–
Interest income (Notes 4 and 17a)	**(213,753)**	(1,296)	–
Fair value gain on previously held interest (Note 11)	**–**	(13,788,051)	–
Equity in net loss in an associate	**–**	(1,247,884)	(300,812)
Change in accounting estimate for liability on mine rehabilitation cost (Note 18)	**–**	(417)	–
Share-based compensation expense (Note 20)	**–**	–	41,103
Security fee (Note 15)	**–**	–	32,450
Loss on disposals of property and equipment	**–**	–	327
Operating income before working capital changes	**5,922,638**	1,140,758	34,433
Decrease (increase) in:			
Receivables	**(873,919)**	959,696	(327,767)
Other current assets	**(777,621)**	519,653	114,605
Inventories	**79,185**	(275,368)	(1,472)
Derivative asset and liability	**250,021**	–	–
Increase in accounts payable and accrued liabilities	**(122,976)**	125,527	252,829
Net cash generated from operations	**4,477,328**	2,470,266	72,628
Interest received	**54,880**	1,296	–
Interest paid	**(956,075)**	(124,575)	(387,750)
Income taxes paid	**(15,319)**	(4,279)	(5,192)
Settlements and payments of retirement benefits (Note 24)	**(8,087)**	(4,042)	(716)
Net cash flows from (used in) operating activities	**3,552,727**	2,338,666	(321,030)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment (Note 10)	**(5,862,543)**	(2,524,389)	(1,427)
Short-term investments (Note 17)	**(4,339,832)**	(864,585)	–
Net cash outflow on step acquisition of a subsidiary (Note 2)	**–**	(14,054,342)	–
Proceeds of disposal of property, plant and equipment	**–**	–	600
Increase in other noncurrent assets	**(77,543)**	(34,486)	(47,853)
Net cash flows used in investing activities	**(10,279,918)**	(17,477,802)	(48,680)

(Forward)

	Years Ended December 31		
	2012	2011 As restated (see Note 11)	2010
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of loan and long-term debt (Note 17)	**₱11,993,727**	₱8,942,904	₱–
Issuance of shares (Note 19)	**372,158**	8,360,698	1,806,598
Payment of loans and long-term debt and other interest bearing liabilities (Notes 15 and 17)	**(5,003,726)**	(1,312,753)	(1,265,140)
Decrease in payable to related parties	**(207,346)**	(711,216)	(5,444)
Net cash flows from financing activities	**7,154,813**	15,279,633	536,014
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(127,292)**	(17,002)	(6,730)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**300,330**	123,495	159,574
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**354,458**	230,963	71,389
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱654,788**	₱354,458	₱230,963

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 the Issuance of the Consolidated Financial Statements

Corporate Information

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

The registered business address of the Parent Company is Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City.

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

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

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

The Parent Company has effective control in nine (9) subsidiaries as of December 31, 2012 and 2011. These subsidiaries are engaged in or are registered to engage in mining, professional services, asset and equity acquisition and bulk water supply. The Parent Company has no geographical segments as these entities were incorporated and are operating within the Philippines.

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

Subsidiaries	Nature of Business	Percentage of Ownership	
		2012	2011
Atlas Exploration, Inc. (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
AquAtlas, Inc. (AI)	Incorporated in the Philippines on May 26, 2005 to provide and supply wholesale or bulk water to local water districts and other customers.	**100.00**	100.00
Amosite Holdings, Inc. (AHI)	Incorporated in the Philippines on October 17, 2006 to hold assets for investment purposes.	**100.00**	100.00
Carmen Copper Corporation (CCC; see Note 11)	Incorporated in the Philippines on September 16, 2004 primarily to engage in exploration work for the purpose of determining the existence of mineral resources, extent, quality and quantity and the feasibility of mining them for profit.	**100.00**	100.00
TMM Management, Inc. (TMMI)	Incorporated in the Philippines on September 28, 2004 to provide management, investment and technical advice to companies.	**60.00**	60.00
Ulugan Resources Holding, Inc. (URHI)	Incorporated in the Philippines on June 23, 2005 to deal in and with personal properties and securities of every kind and description of any government, municipality, political subdivision or agency, corporation, association or entity; exercising any and all interest in respect of any of such securities; and promoting, managing, and participating in and act as agent for the purchase and sale of any securities as may be allowed by law.	**70.00**	70.00
Indirect subsidiaries of the Parent Company under URHI*:			
Ulugan Nickel Corporation (UNC)	Incorporated in the Philippines on June 23, 2005 to explore, develop and mine the Ulugan mineral properties located in the province of Palawan.	**42.00**	42.00
Nickeline Resources Holdings, Inc. (NRHI)	Incorporated in the Philippines on August 15, 2005 to deal in and with any kind of shares and securities and to exercise all the rights, powers and privileges of ownership or interest in respect to them.	**42.00**	42.00
Berong Nickel Corporation (BNC)	Incorporated in the Philippines on September 27, 2004 to explore, develop and mine the Berong Mineral Properties located in the province of Palawan.	**25.20**	25.20

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

a. *Atlas Exploration, Inc.*
   In 2012, AEI was engaged in preparatory activities for the geotechnical survey of the Sigpit gold prospect and for the drilling at the southern extension of the Lutopan orebody. AEI incurred a net loss of ₱3,658 in 2012 and had a capital deficiency of ₱102,105. AEI is considering the settlement of its outstanding debt to the Parent Company through a debt to equity conversion or merger.

b. *AquAtlas, Inc.*
In 2012, AI continued to explore and assess the feasibility of projects involving the bulk supply of potable water from ACMDC's Malubog Dam. AI incurred a net loss of ₱297 in 2012 and had a capital deficiency of ₱31,688. AI is considering the settlement of its outstanding debt to the Parent Company through a debt to equity conversion or merger.

c. *Carmen Copper Corporation*
On May 5, 2006, ACMDC entered into an Operating Agreement with CCC ("the Operating Agreement") respecting the terms of the assignment by ACMDC to CCC of operating rights over the Toledo mining complex, and the right to acquire certain fixed assets. The agreement may be terminated by ACMDC upon 30 days prior written notice. In February 2012, the BOD approved the waiver of its entitlement to receive from CCC, pursuant to the Operating Agreement, royalties due from operations in 2012 (see Note 33d).

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

On December 7, 2012, the CCC's Board of Directors (BOD) authorized the declaration of cash dividends out of the Company's retained earnings to stockholders of record as of December 31, 2011 amounting to ₱1,000,000. The dividend is unpaid as of December 31, 2012.

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

e. *Berong Nickel Corporation*
On February 12, 2010, the Mines and Geosciences Bureau (MGB) issued in favor of BNC an exploration permit designated as EP-002-2010-IVB (the "EP") which covers an area of approximately 1,069 hectares situated in the municipalities of Quezon and Aborlan in the province of Palawan. The EP is valid for an initial period of two (2) years reckoned from the date of issuance. Such period may be extended up to six (6) years.

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

f. *TMM Management, Inc.*
In 2012, TMMI's service income and net income amounted to ₱28,534 and ₱1,087, respectively.

g. *Ulugan Resources Holding, Inc./Ulugan Nickel Corporation/Nickeline Resources Holdings, Inc.*
These Companies have not started commercial operations as of December 31, 2012.

Authorization for the Issuance of the Consolidated Financial Statements
The consolidated financial statements of ACMDC and its subsidiaries (the Group) were authorized for issue by the BOD on March 8, 2013.

2. Significant Accounting Policies and Financial Reporting Practices

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

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

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

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Parent Company controls an investee if and only if the Parent Company has all of the following:

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

Subsidiaries are deconsolidated from the date on which control ceases.

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

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

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

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

- 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's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Business Combinations and Goodwill

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

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

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

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

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

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

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended PFRS and improvements to PFRS effective as of January 1, 2012. Except as otherwise indicated, the adoption of the following standards and amendments did not have any impact on the consolidated financial position or performance of the Group.

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* (Amendment)
  The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets* (Amendment)
  This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendments are effective for periods beginning on or after January 1, 2012. The Group does not have investment properties measured at fair value. The amendment has no impact on he Group's statement of financial position and financial performance.

Standards Issued but not yet Effective

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

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

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

b. The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
c. The net amounts presented in the statement of financial position;
d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
   i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
   ii. Amounts related to financial collateral (including cash collateral); and
e. The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied and are effective for annual periods beginning on or after January 1, 2013. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The standard becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
  The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendments will be applied retrospectively and will result to the modification of the presentation of items of OCI.

- PAS 19, *Employee Benefits* (Revised)
  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments become effective for annual periods beginning on or after January 1, 2013. Once effective, the Group has to apply the amendments retroactively to the earliest period presented.

The Group reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Group obtained the services of an external actuary to compute the impact to the financial statements upon adoption of the standard. The effects are detailed below:

	As at December 31, 2012	As at January 1, 2012
Increase (decrease) in:		
Consolidated statement of financial position		
Retirement benefit liability	₱127,670	₱53,848
Deferred tax asset	38,301	16,154
Other comprehensive income	(79,479)	(70,537)
Retained earnings	(117,780)	(86,691)

	2012
Consolidated statement of comprehensive income	
Net benefit cost	(₱5,658)
Income tax expense	1,697
Profit for the year	3,960
Attributable to the owners of the Parent Company	3,960
Attributable to non-controlling interests	–

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 10, and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 will not have a significant impact on the separate financial statements of the entities in the Group. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 11, and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. As of reporting date, the adoption will not have any significant impact on the consolidated financial statements since the accounting policy on stripping costs of the Group's subsidiaries is aligned with this standard. This interpretation becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group’s financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first phase on the replacement of PAS 39, *Financial Instruments: Recognition and Measurement* and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability’s credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. Since the impact evaluation is ongoing, the Group has decided not to early adopt PFRS 9 for its consolidated financial statements. PFRS 9 is effective for annual periods beginning on or after January 1, 2015.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Annual Improvements to PFRSs (2009-2011 cycle)

- The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

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

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

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

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

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

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

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

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

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

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

The Group has no financial assets classified as HTM investments as of December 31, 2012 and 2011.

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

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

each transaction, the Group determines the appropriate method of recognizing the amount of "Day 1" difference.

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

The Group's financial assets and liabilities at FVPL consist of derivative assets in 2011 and derivative liabilities in 2012 and 2011.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets. As of December 31, 2012 and 2011, the Group's loans and receivables consist of "Cash and cash equivalents", "Short-term investments" and "Receivables".

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

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

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

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

The Group's AFS financial asset pertains to its investment in equity shares as of December 31, 2012 and 2011.

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

The Group's financial liabilities at FVPL pertain to the derivative liability in the consolidated statement of financial position in 2012 and 2011.

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

As of December 31, 2012 and 2011, other financial liabilities consist of "Loans payable", Accounts payable and accrued liabilities", "Payable to related parties" and "Long-term debt and other interest-bearing liabilities".

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

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

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

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

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

AFS financial assets
For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more and 'prolonged' as greater than 12 months for quoted equity securities. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized on that investment is removed from other comprehensive income and recognized in profit or loss.

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

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

Derecognition of Financial Assets and Financial Liabilities

Financial assets

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

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

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

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

Financial liabilities

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

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

Derivatives and Hedging

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

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

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

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

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

Fair value hedges

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

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

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

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

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

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

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

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

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

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

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL. Changes in fair values are included in profit or loss. The Group recognized bifurcated derivative assets and derivative liabilities arising from the provisionally priced commodity sales contracts as of December 31, 2012 and 2011.

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 consolidated statement of changes of equity.

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

Issue costs are apportioned between the liability and equity components of the convertible bonds where appropriate based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity. The interest expense on the liability component is calculated by applying the effective interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loans payable 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, fuels 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, fuels and supplies, NRV is the value of the inventories when sold at their condition at the reporting date. Cost is determined using the following methods:

Copper 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, communication, light and waters, depreciation, depletion and amortization, personnel costs and other cost that are directly attributable in bringing the copper

concentrates and beneficiated nickel ore or nickeliferous laterite ore in its saleable condition. NRV for copper concentrates and beneficiated nickel ore or nickeliferous laterite ore is the fair value less cost to sell in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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

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

Related Parties
Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

Input Value-Added Tax (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 million pesos. The related Input VAT is recognized over five years or the useful life of the capital goods, whichever is shorter.

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

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

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

When assets are sold or retired, the cost and related accumulated depletion and depreciation are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

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

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

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

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

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

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

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

A portion of land is carried at revalued amount as determined by independent appraisers less impairment in value. The net appraisal increment resulting from the revaluation of land was credited to the "Revaluation increment on land" account shown under the equity section of the consolidated statement of financial position. Any appraisal decrease is first offset against revaluation increment on earlier revaluation. The revaluation increment pertaining to disposed land is transferred to the "Retained Earnings" account.

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

Construction in Progress
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 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.

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

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 and if the benefit from the stripping activity will be realized in the current period. When the benefit is the improved access to ore, the Company shall recognize these costs as a deferred stripping costs. The deferred stripping cost 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 or revalued amount less depreciation or amortization and less impairment losses.

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

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

Mining rights shall be subsequently depleted using the units-of-production method based on estimated recoverable reserves in tonnes or legal right to extract the minerals, whichever is shorter.

Depletion shall begin when the asset is available for use and shall cease at the earlier of the date that the asset is classified as held for sale in accordance with PFRS 5 and the date that the asset is derecognized. The depletion expense for each period shall be recognized in profit or loss.

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

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 cash-generating unit (CGU) is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's CGU's fair value less cost to sell and value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a large CGU. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value in use is the present value, using a pre-tax discount rate, of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Impairment losses are recognized in the 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 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 financial period in which this is determined. Exploration assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the following conditions is met:

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

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

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

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

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

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

Operating Leases
Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b). Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in the Group's profit or loss on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized.

<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 tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as of the reporting date.

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

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

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

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

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 other comprehensive income or directly in equity.

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

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

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

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

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. If a new award, however, is substituted for the cancelled awards and designated as a replacement award, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

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

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

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

The Group classifies a contract to deliver its own equity instruments under equity as a "Deposit for Stock Subscription" from liabilities if and only if, all of the following elements are present as of end of the reporting period:

a. the unissued authorized capital stock of the Group is insufficient to cover the amount of shares indicated in the contract;
b. there is BOD's approval on the proposed increase in authorized capital stock;
c. there is stockholders' approval of said proposed increase; and
d. the application for the approval of the proposed increase has been filed with the SEC.

There must be a subscription agreement which, among other things, states that the Group is not contractually obliged to return the consideration received and that the Group is obliged to deliver a fixed number of its own shares of stock for a fixed amount of cash or property paid or to be paid by the contracting party.

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

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

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

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

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

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

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

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

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

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

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

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

Provisions
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 statement of comprehensive income, net of any reimbursement.

Provision for Mine Rehabilitation and Decommissioning
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 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 provision for mine rehabilitation and decommissioning, 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 financial 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 provision for mine rehabilitation and decommissioning, which would affect future financial results.

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

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

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

Determination of functional currency
Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency has been determined to be the Philippine Peso. The Peso is the currency of the primary economic environment in which the Group operates. It is the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions of the Group.

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

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

Financial assets of the Group are classified into the following categories:

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

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

- Financial liabilities at FVPL
- Other financial liabilities

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

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

a. the ownership of the asset does not transfer at the end of the lease term;
b. the Group has no option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
c. the lease term is not for the major part of the economic life of the asset even if title is not transferred; and
d. at the inception of the lease, the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased asset.

Production start date
The Group assesses the stage of each mine development project to determine when a mine moves into the production stage. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase. Some of the criteria include, but are not limited to the following:

- the level of capital expenditure compared to construction cost estimates;
- completion of a reasonable period of testing of the mine plant and equipment;
- ability to produce metal in saleable form; and
- ability to sustain ongoing production of metal.

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

Units-of-production depreciation/depletion
Estimated recoverable reserves are used in determining the depreciation/depletion of mine specific assets. This results in a depreciation/depletion charge proportional to the depletion of the anticipated remaining mine life. Each item's life, which is assessed annually, has regard to both physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. The calculations require the use of estimates of future capital expenditure. The Group uses the tonnes of ore produced as the basis for depletion or depreciation. Any change in estimates is accounted for prospectively. Average depletion rate used by CCC in 2012 and 2011 are 3.36% and 2.91%, respectively. Average depletion rate used by BNC in 2012 and 2011 are 6.32% and 3.40%, respectively.

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

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

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

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

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

Allowance for impairment of receivables amounted to ₱39,871 and ₱40,599 as of December 31, 2012 and 2011, respectively. Receivables, net of allowance for impairment losses, amounted to ₱1,582,993 and ₱563,231 as of December 31, 2012 and 2011, respectively (see Note 5).

Estimating decline in value of mine products inventory
Copper, Gold and Silver Concentrate
The NRV of mine products inventory is the estimated fair value less cost of selling final product in the ordinary course of business. The selling price estimation of mine products inventory is based on the LME, which also represents an active market for the product. CCC concurrently uses the prices as agreed with MRI Trading AG (MRI) and Philippine Associated Smelting and Refining Corporation (PASAR) and the weight and assay for metal content in estimating the fair value less cost to sell of mine products inventory. Any changes in the assay for metal content of the mine products inventory is accounted for and adjusted accordingly.

Beneficiated Nickel Ore Reserves
Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and require complex geological judgment to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgment made in estimating the size and grade of the ore body. Changes in the reserve estimates may impact upon the carrying value of deferred mine exploration costs, property, plant and equipment, provision for mine rehabilitation and decommissioning, recognition of deferred tax assets, and depreciation and depletion charges.

Estimating allowance for obsolescence of materials and supplies inventory
The Group provides allowance for materials and supplies whenever utility of inventories becomes lower than cost due to damage, inventory losses, physical deterioration, obsolescence, changes in price levels or other causes. Materials and supplies inventory amounting to ₱324,024 and ₱333,173 as of December 31, 2012 and 2011, respectively, had been fully provided with an allowance for impairment.

Inventories at lower of cost and NRV, amounted to ₱1,032,056 and ₱1,111,241 as of December 31, 2012 and 2011, respectively (see Note 7).

Impairment of AFS financial assets
The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more and 'prolonged' as greater than 12 months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted securities. AFS financial assets amounted to ₱4,896 as of December 31, 2012 and ₱4,927 as of December 31, 2011 (see Note 13).

Estimating useful lives of property, plant and equipment except land
The useful lives of property, plant and equipment are estimated based on the period over which these assets are expected to be used. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible

that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. Any reduction in the estimated useful lives of property, plant and equipment would increase the Group's recorded costs and expenses and decrease noncurrent assets. There is no change in the estimated useful lives of items of property, plant and equipment in 2012 and 2011. The net book value of property, plant and equipment amounted to ₱17,935,263 and ₱13,849,281 as of December 31, 2012 and 2011, respectively (see Note 10).

Determining appraised value of land
The appraised value of land is based on a valuation by an independent appraiser firm, which management believes holds a recognized and relevant professional qualification and has recent experience in the location and category of the land being valued. The appraiser firm used the market data approach in determining the appraised value of land. As of December 31, 2012, the fair value of the land amounted to ₱315,888 based on the latest valuation obtained in 2011 by ACMDC. The resulting increase in the valuation of land amounting to ₱218,559 is presented as "Revaluation increment on land", net of related deferred tax liability and cost amounting to ₱3,661 (see Note 10).

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

The Group's reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. An impairment loss is recognized when the carrying values of these assets are not recoverable and exceeds their fair value. In 2012 and 2011, there was no impairment loss on the Group's deferred mine exploration costs (see Note 14).

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 ₱20,552 and ₱93,818 in 2012 and 2011, respectively (see Note 10).

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

Group considers the outcome of recent transactions for similar assets within the same industry. The Group recognized allowance for possible losses on input VAT amounting to ₱69,226 in 2011.

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

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units to which the goodwill relates. Where recoverable amount of the 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 of reporting date.

Management performed its initial annual impairment test as at December 31, 2012 and 2011. The recoverable amount of the CGU has been determined based on a value calculation using cash flow projections from financial budgets approved by Management covering the mine life of the CGU.

The calculation of value-in-use is most sensitive to the discount rate, projected capital expenditures, projected commodity prices and production output. Based on the management assessment, no impairment loss on goodwill needs to be recognized as of December 31, 2012 and 2011.

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

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

Estimating liability on mine rehabilitation costs
The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at

reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the consolidated statement of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognised as part of an asset measured in accordance with PAS 16. 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 recognized as of December 31, 2012 and 2011 amounted to ₱112,749 and ₱96,896, respectively (see Note 18).

Measurement of mine products sales
Mine products sales are provisionally priced such that these are not settled until predetermined future dates based on market prices at that time. Revenue on these sales are initially recognized based on shipment values calculated using the provisional metals prices, shipment weights and assays for metal content less deduction for insurance and smelting charges as marketing. The final shipment values are subsequently determined based on final weights and assays for metal content and prices during the applicable quotation period. Total mine product sales, net of smelting and related charges, amounted to ₱14,459,321, ₱4,775,252 and nil in 2012, 2011 and 2010, respectively.

Estimating realizability of deferred tax assets
The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized. As of December 31, 2012 and 2011, the Group has deductible temporary differences, NOLCO and excess MCIT amounting to ₱504,863 and ₱2,211,770, respectively (see Note 25c). No deferred tax asset was recognized for a portion of NOLCO and excess MCIT and temporary differences as management believes that the Group will not be able to realize in the future the carryforward benefits of NOLCO and excess MCIT prior to their expiration (see Note 25c). As of December 31, 2012 and 2011, deferred tax asset amounting to ₱43,019 and ₱86,963 was recognized as management believes that sufficient future taxable profits will be available against which benefits of deferred tax assets can be utilized (see Note 25d).

Estimating retirement benefits costs
The determination of the Group's obligation and cost of pension is dependent on the selection of certain assumptions in calculating such amounts. Those assumptions are described in Note 24 and include, among others discount rates and future salary increase rates. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the Group's recognized expenses and recorded obligation in such future periods. While management believes that its assumption are reasonable and appropriate, significant differences in the actual experience or significant change in the assumptions may materially affect the Group's retirement benefits liability. Retirement benefit liability amounted to ₱180,515 and ₱121,974 as of December 31, 2012 and 2011, respectively (see Note 24).

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

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

Estimating recoverability of mine development costs
Mineral property acquisition costs are capitalized until the viability of the mineral interest is determined. Exploration, evaluation and pre-feasibility costs are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case, subsequent exploration costs and the costs incurred to develop a property are capitalized. The Group reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. Mine development costs amounted to ₱6,042,839 in 2012 and ₱6,202,653 in 2011 (see Note 10). Mine development costs includes “Mine and mining properties”, “Development costs” and “Mine rehabilitation costs” in the property, plant and equipment account in the consolidated statement of financial position. An impairment loss is recognized when the carrying value of those assets is not recoverable and exceeds its fair value (see Note 10).

Provisions and contingencies
The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Group’s defense in these matters and is based upon an analysis of potential results. The Group is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Group’s management and legal counsel believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements. Accordingly, no provision for probable losses arising from contingencies were recognized by the Group in 2012 and 2011.

4. Cash and Cash Equivalents

	2012	2011
Cash in banks	**₱544,144**	₱349,921
Short-term investments	**107,463**	–
Cash on hand	**3,181**	4,537
	₱654,788	₱354,458

Cash in bank accounts earn interest based on the deposit rates of each of the Group's depository bank, while the yield on cash equivalents is based on short-term investment 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 these cash and cash equivalents amounted to ₱7,621, ₱1,296 and ₱240 in 2012, 2011 and 2010, respectively.

5. **Receivables**

	2012	2011
Trade (see Note 6)	**₱1,311,345**	₱446,596
Interest (see Note 17a)	**158,873**	–
Nontrade	**88,476**	104,077
Receivables from:		
Related parties (see Note 23a)	**33,631**	33,219
Officers and employees (see Note 23f)	**30,539**	19,938
Total	**1,622,864**	603,830
Less allowance for impairment losses	**39,871**	40,599
End of year	**₱1,582,993**	₱563,231

Trade

Trade receivables are noninterest-bearing and are normally settled on terms ranging from 15 to 30 days (see Note 29).

Nontrade

Nontrade receivables are noninterest-bearing advances as part of the Group's contracts to subcontractors and third parties.

Interest receivables

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

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

	2012	2011
Beginning of year	**₱40,599**	₱38,911
Provision for the year (see Note 22)	–	1,688
Others	**(728)**	–
End of year	**₱39,871**	₱40,599

6. **Pricing Agreements, Hedging and Derivative Financial Instruments**

Hedging Objectives

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

Pricing Agreements

MRI Trading AG (MRI) and Philippine Associated Smelting and Refining Corporation (PASAR)

In the normal course of selling its copper concentrate, CCC entered into (i) several contracts of purchase with MRI Trading AG ("MRI Contract") in 2012 and in prior years, and (ii) one contract of purchase with PASAR ("PASAR Contract") in 2012 (collectively, the "Copper Contracts"), whereby it agreed to sell a fixed volume of copper concentrate based on LME prices (as published in the Metal Bulletin) and as averaged over the quotational period (QP) as defined in the MRI Contract 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 PASAR have the option to price-fix in advance of the QP the payable copper contents of the concentrate to be delivered, subject to adjustments during the QP. If the option to price-fix prior to the QP is exercised, (i) the fixed price and the volume to which the fixed price applies will be confirmed in writing by the parties, and (ii) with respect to sales of copper concentrate to MRI, an addendum to the MRI Contract will be executed to confirm the actual volume of the copper shipped based on the fixed price.

Freestanding Derivatives

Commodity Forwards

The Group entered into freestanding commodity forward contracts that are accounted for at fair value through profit or loss. CCC does not have outstanding copper forward contracts as of December 31, 2012 and 2011.

Commodity Put Options

In 2012 and 2011, the Company purchased LME put options through Jefferies Prudential for the delivery of 33,325 tons and 41,050 tons of copper concentrates with a total premium amounting to $6.43 million and $10.8 million, respectively. This amount was advanced by MRI (see Note 17i). As of December 31, 2011, the outstanding notional quantity of the put options is 10,800 tons with a strike price of $8,000 per ton and maturities from February to April 2012. The positive fair value of the outstanding put options amounted to ₱243,109 and was recognized as current derivative assets as of December 31, 2011. Unrealized gain on derivatives recognized in the consolidated statement of comprehensive income amounted to ₱94,100 in 2011. CCC has no outstanding commodity put option as of December 31, 2012.

Foreign Currency Forwards

In 2012, CCC entered into foreign currency forwards amounting to Y780,300 and EUR8,455. CCC used these foreign currency forwards to hedge its exposure to US Dollar. Realized gain on foreign currency forwards amounted to ₱20,469. No foreign currency forwards were outstanding as of December 31, 2012 and 2011.

CCC will continuously assess its use of freestanding derivatives as part of its financial risk management objectives and policies.

Embedded Derivatives

Provisional Pricing

Based on CCC's pricing agreements with MRI 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 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. CCC recognized an unrealized loss on the related

derivative liability amounting to ₱7,590 on its delivery to PASAR in 2012 and ₱18,929 on its deliveries to MRI in 2011.

CCC recognized an unrealized gain on the related derivative asset amounting to ₱29,862 on its MRI delivery in 2010.

Prepayment Option
BDO Unibank, Inc (BDO)
In 2010, CCC bifurcated a prepayment option contained in the terms of the December 15, 2010 Omnibus Loan and Security Agreement that it executed with BDO (the "OLSA"). The prepayment option is accounted for at fair value through profit or loss and the initial prepayment option amounting to ₱721.9 million is treated as an effective interest adjustment on the loan (see Note 17j). As of December 31, 2011, the derivative current and noncurrent asset arising from the prepayment option amounted to ₱234,464 and ₱221,395, respectively. Unrealized losses on derivatives amounting to ₱247,435 and ₱18,654 were recognized in the consolidated statement of comprehensive income in 2011 and 2010, respectively.

On March 16, 2012, CCC prepaid all outstanding amounts under OLSA loan using part of the proceeds from its issuance of fixed-rate notes representing an aggregate debt of $300 million (see note on Bonds Payable below) (see Note 17a). As a result of the prepayment, the recognition of the related derivative asset and bifurcated liability was reversed. On the same date, the relevant liens on property, plant and equipment that were created to secure CCC's obligations under the OLSA was extinguished.

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 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 17a).

No derivative asset was recognized on the prepayment option since the probability of an equity offering by CCC is remote.

7. Inventories

	2012	2011
At cost:		
Mine products	**₱247,401**	₱553,457
Materials and supplies	**782,282**	553,316
At NRV:		
Materials and supplies and others	**2,373**	4,468
	₱1,032,056	₱1,111,241

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

Materials and Supplies
Materials and supplies from ACMDC carried at NRV amounting to ₱324,024 and ₱333,173 as of December 31, 2012 and 2011, respectively, are fully provided with allowance for impairment losses. Mine products and materials and supplies inventories are stated at cost, which is lower than NRV.

The cost of inventories recognized as part of mining and milling costs in the consolidated statements of comprehensive income amounted to ₱3,317,658 and ₱1,294,094 in 2012 and 2011, respectively (see Note 21).

8. Other Current Assets

	2012	2011
Deposits to suppliers	**₱1,117,153**	₱452,530
Advances for acquisition of rights to Exploration Permit Application (EPA) (see Note 9)	**28,473**	10,000
Prepayments	**23,493**	35,161
	₱1,169,119	₱497,691

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

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

9. Advances for Acquisition of Exploration Permit Application (EPA)

On November 3, 2004, ACMDC entered into a Heads of Agreement with Multicrest Mining and Development Corporation (“Multicrest”) to acquire a 100% interest in the rights and interests attached to the EPA that Multicrest has lodged with the Mines and Geosciences Bureau (MGB) (the “Multicrest Agreement”). The EPA covers an area measuring approximately 16,130.4 hectares which is situated in the City of Puerto Princesa in the Province of Palawan. The EPA, denominated as EPA-IVB-11, pertains to the Tagkawayan Project (the “Project”). Under the Multicrest Agreement, ACMDC paid ₱500 for the option to acquire 100% interest in the Project and for the right to do exploration work on the Project during the term of the Exploration Permit (“EP”) to be issued upon the approval of the EPA.

On July 13, 2007, ACMDC assigned to UNC all its rights under the Multicrest Agreement, particularly the right to acquire 100% interest in the Project. On account of UNC's failure to exercise the option under the Multicrect Agreement within the period provided therein, the Multicrest Agreement was terminated.

On November 29, 2012, Multicrest executed a Memorandum of Understanding (MOU) with BNC that embodies the terms of the offer by Multicrest to assign to BNC its rights to the Project.

10. **Property, Plant and Equipment**

December 31, 2012:

	At Cost									At Revalued Amount
	Land	**Mine Development Costs**	**Machinery and Equipment**	**Roadways and Bridges**	**Transportation Equipment**	**Furniture and Fixtures**	**Buildings and Improvements**	**Construction in Progress**	**Total**	**Land**
Revalued Amount/Cost:										
Balances at beginning of year	**₱82,787**	**₱6,294,775**	**₱5,365,654**	**₱173,722**	**₱79,894**	**₱36,544**	**₱1,081,814**	**₱1,547,294**	**₱14,662,484**	**₱315,888**
Additions (Note 11)	**–**	**240**	**1,834,807**	**–**	**33,914**	**6,680**	**71,335**	**3,935,236**	**5,882,212**	**–**
Reclassifications and disposals	**–**	**77,679**	**282,579**	**9,181**	**(5,400)**	**–**	**(159,460)**	**(506,959)**	**(302,380)**	**–**
Balances at end of year	**82,787**	**6,372,694**	**7,483,040**	**182,903**	**108,408**	**43,224**	**993,689**	**4,975,571**	**20,242,316**	**315,888**
Accumulated Depreciation, Depletion and amortization:										
Balances at beginning of year	**–**	**92,122**	**399,110**	**12,725**	**31,708**	**29,520**	**154,200**	**–**	**719,385**	**–**
Depreciation (see Notes 22 and 23)	**–**	**237,733**	**1,343,777**	**29,372**	**24,345**	**4,523**	**146,646**	**–**	**1,786,396**	**–**
Reclassifications and disposals	**–**	**–**	**(313,098)**	**–**	**–**	**–**	**–**	**–**	**(313,098)**	**–**
Balances at end of year	**–**	**329,855**	**1,429,789**	**42,097**	**56,053**	**34,043**	**300,846**	**–**	**2,192,683**	**–**
Allowance for asset write-downs:										
Balances at beginning of year	**–**	**–**	**93,818**	**–**	**–**	**–**	**–**	**–**	**93,818**	**330**
Provision for asset write-downs (see Note 21)	**–**	**–**	**20,552**	**–**	**–**	**–**	**–**	**–**	**20,552**	**–**
Balances at end of year	**–**	**–**	**114,370**	**–**	**–**	**–**	**–**	**–**	**114,370**	**330**
Net Book Values	**₱82,787**	**₱6,042,839**	**₱5,938,881**	**₱140,806**	**₱52,355**	**₱9,181**	**₱692,843**	**₱4,975,571**	**₱17,935,263**	**₱315,558**

December 31, 2011:

	At Cost									At Revalued Amount
	Land	Mine Development Costs	Machinery and Equipment	Roadways and Bridges	Transportation Equipment	Furniture and Fixtures	Buildings and Improvements	Construction in Progress	Total	Land
Revalued Amount/Cost:										
Balances at beginning of year	₱60,530	₱348,371	₱190,634	₱–	₱23,516	₱33,542	₱253,936	₱–	₱910,529	₱315,888
Additions (Note 11)	22,257	5,959,265	5,175,020	173,722	56,378	3,002	827,878	1,547,294	13,764,816	–
Reclassifications and disposals	–	(12,861)	–	–	–	–	–	–	(12,861)	–
Balances at end of year	82,787	6,294,775	5,365,654	173,722	79,894	36,544	1,081,814	1,547,294	14,662,484	315,888
Accumulated Depreciation, Depletion and amortization:										
Balances at beginning of year	–	23,725	79,503	–	16,132	24,017	77,002	–	220,379	–
Depreciation (see Notes 22 and 23)	–	68,397	319,607	12,725	15,576	5,503	77,198	–	499,006	–
Reclassifications and disposals	–	–	–	–	–	–	–	–	–	–
Balances at end of year		92,122	399,110	12,725	31,708	29,520	154,200	-	719,385	-
Allowance for asset write-downs:										
Balances at beginning of year	–	–	–	–	–	–	–	–	–	330
Provision for asset write-downs (see Note 21)	–	–	93,818	–	–	–	–	–	93,818	–
Balances at end of year	–	–	93,818	–	–	–	–	–	93,818	330
Net Book Values	₱82,787	₱6,202,653	₱4,872,726	₱160,997	₱48,186	₱7,024	₱927,614	₱1,547,294	₱13,849,281	₱315,558

The Group's acquisitions of property, plant and equipment amounted to ₱5,882,212 and ₱13,764,816 in 2012 and 2011, respectively.

Mine Development Costs consist of the following:

December 31, 2012:

	Mine and Mining Properties	**Development Costs**	**Mine Rehabilitation Costs** (see Note 18)	**Total**
Cost:				
Balances at beginning of year	**₱1,464,311**	**₱4,772,863**	**₱57,601**	**₱6,294,775**
Additions and reclassifications (Note 11)	**240**	**66,961**	**–**	**67,201**
Change in accounting estimate (Note 18)	**–**	**–**	**10,718**	**10,718**
Balances at end of year	**1,464,551**	**4,839,824**	**68,319**	**6,372,694**
Accumulated Depletion:				
Balances at beginning of year	**48,211**	**43,355**	**556**	**92,122**
Depletion	**37,393**	**198,425**	**1,915**	**237,733**
Balances at end of year	**85,604**	**241,780**	**2,471**	**329,855**
Net Book Values	**₱1,378,947**	**₱4,598,044**	**₱65,848**	**₱6,042,839**

December 31, 2011:

	Mine and Mining Properties	Development Costs	Mine Rehabilitation Costs (see Note 18)	Total
Cost:				
Balances at beginning of year	₱348,371	₱–	₱–	₱348,371
Additions and reclassifications (Note 11)	1,128,801	4,772,863	57,601	5,959,265
Change in accounting estimate (Note 18)	(12,861)	–	–	(12,861)
Balances at end of year	1,464,311	4,772,863	57,601	6,294,775
Accumulated Depletion:				
Balances at beginning of year	23,725	–	–	23,725
Depletion	24,486	43,355	556	68,397
Balances at end of year	48,211	43,355	556	92,122
Net Book Values	₱1,416,100	₱4,729,508	₱57,045	₱6,202,653

Revaluation increment on land
The fair value of the land amounted to ₱315,888 as of December 31, 2012 based on the latest valuation obtained in 2011 by ACMDC. The resulting increase in the valuation of land amounting to ₱218,559 is presented as "Revaluation increment on land", net of related deferred tax liability and cost. The carrying amount of the land had it been carried using the cost model amounted to ₱3,661 in 2012 and 2011.

Fully depreciated property and equipment
Fully depreciated property and equipment still used by the Group amounted to ₱239,714 and ₱39,912 as of December 31, 2012 and 2011, respectively. These are retained in the Group's records until they are disposed. No further depreciation and amortization are charged to current operations for these items.

Borrowing Costs
Borrowing costs in CCC, capitalized in "Construction in Progress" amounted to ₱17,929 in 2012 and ₱79,105 in 2011 at an interest of 6.5% to 8.0% in 2012 and 8.0% in 2011.

Provision for asset write-downs
The provision for asset write-downs represents the net book value of heavy equipment that CCC assessed to be operationally uneconomical amounting to ₱20,552 and ₱93,818 in 2012 and 2011, respectively (see Note 21).

Collaterals
The carrying value of the property, plant and equipment mortgaged as collaterals for various borrowings of ACMDC and CCC (see Notes 15 and 17) amounted to ₱16,882.2 million and ₱13,836.3 million as of December 31, 2012 and 2011, respectively.

Commitments
CCC has capital expenditure commitments amounting to ₱1,361 million and ₱709.3 million as of December 31, 2012 and 2011, respectively.

11. Business Combination

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

a. As at the Acquisition Date, the Parent Company adjusted its previously held 54.46% interest in CCC based on fair value. The fair value of such previously held interest amounted to ₱17,913,764 while the carrying value of the investment in CCC amounted to ₱4,125,713 as of the Acquisition Date. The fair value gain on the previously held interest amounting to ₱13,788,051 was recognized in the consolidated profit or loss (see Note 19c).

b. As of December 31, 2011, the total acquisition cost of $368,000 (₱16,008,000) ("Purchase Price") was allocated to the provisional fair values of identified assets and liabilities of CCC as at the Acquisition Date, resulting in the recognition of a provisional goodwill amounting to ₱25,972,054.

c. In July 2012, the Group finalized the allocation of the Purchase Price on the basis of fair values of the assets and liabilities of CCC at the Acquisition Date. The Group recognized the following adjustments to the provisional amounts:

	Fair value recognized on acquisition date, As previously reported	Effect of finalization of purchase price allocation	Fair value recognized on acquisition date, As Restated
ASSETS			
Current Assets			
Cash and cash equivalents	₱1,953,658	₱–	₱1,953,658
Receivables	454,505	–	454,505
Derivatives assets	733,157	–	733,157
Inventories	730,197	–	730,197
Other current assets	1,004,795	–	1,004,795
Total Current Assets	4,876,312	–	4,876,312

(Forward)

	Fair value recognized on acquisition date, As previously reported	Effect of finalization of purchase price allocation	Fair value recognized on acquisition date, As Restated
Noncurrent Assets			
Property, plant and equipment	₱11,779,531	₱–	₱11,779,531
Mining rights	–	9,944,209	9,944,209
Other noncurrent assets	1,372,390	–	1,372,390
Total Noncurrent Assets	13,151,921	9,944,209	23,096,130
TOTAL ASSETS	18,028,233	9,944,209	27,972,442
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	2,859,976	–	2,859,976
Derivative liabilities	4,623	–	4,623
Total Current Liabilities	2,864,599	–	2,864,599
Noncurrent liabilities			
Long-term debt and other interest bearing liabilities	7,055,020	–	7,055,020
Liability for mine rehabilitation cost	80,121	–	80,121
Retirement benefits liability	78,783	–	78,783
Deferred tax liabilities	–	2,983,263	2,983,263
Total Noncurrent Liabilities	7,213,924	2,983,263	10,197,187
TOTAL LIABILITIES	10,078,523	2,983,263	13,061,786
TOTAL IDENTIFIABLE NET ASSETS	₱7,949,710	₱6,960,946	₱14,910,656
Total identifiable net assets of CCC	₱7,949,710	₱6,960,946	₱14,910,656
Goodwill arising from the acquisition	25,972,054	(6,960,946)	19,011,108
Fair value of previously held interest (see Note 11a)	(17,913,764)	–	(17,913,764)
Acquisition cost	₱16,008,000	₱–	₱16,008,000

Cash flows on acquisition:

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

d. The adjustments to the provisional amounts resulted into the recognition of mining rights and related deferred tax liability. As a result of the recognition of mining rights and the related deferred tax liability, the Group restated its 2011 consolidated statement of financial position and consolidated statement 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 ₱2,946,428, respectively, and a decrease in “Retained earnings” amounting to ₱85,950 in the consolidated statements of financial position as of December 31, 2011. In 2012, the Group recognized depletion of mining rights amounting to ₱329,508 and the related reversal of deferred tax liability amounting to ₱98,852.

e. Revenue, net of smelting and related charges, and net income of CCC from the Acquisition Date to December 31, 2011 that is included in the consolidated statement of comprehensive income, amounted to ₱4,262,587 and ₱249,995, respectively. The equity in net earnings in CCC from January 1, 2011 up to the Acquisition Date amounted to ₱1,247,884.

f. Had the purchase of equity interest occurred as of January 1, 2011 (as restated), the consolidated statement of comprehensive income would have been reflected as follows:

INCOME	
Revenue	
Copper	₱11,659,679
Gold	530,598
Beneficiated nickel ore and others	611,275
	12,801,552
Less smelting and related charges	829,661
	11,971,891
Fair Value Gain on Previously Held Interest	12,744,557
Other Income	
Realized gain on derivatives	428,207
Gain on settlement of liability	90,458
Interest income	2,943
Foreign exchange gain	15,560
Other income	297,772
	25,551,388
EXPENSES	
Costs and Expenses	
Mining and milling costs	7,642,757
General and administrative expenses	1,390,395
Mine products taxes	491,325
Other Charges	
Finance charges	728,809
Unrealized loss on derivatives	208,421
Depletion of mining rights	122,785
	10,584,492
INCOME BEFORE INCOME TAX	14,966,896
BENEFIT FROM INCOME TAX	(106,533)
NET INCOME	14,860,363
OTHER COMPREHENSIVE INCOME	–
TOTAL COMPREHENSIVE INCOME	₱14,860,363

g. *Goodwill - CCC*

As of December 31, 2011, the Group recognized provisional fair values of identifiable assets and liabilities, including a goodwill amounting to ₱25,972,054. In July 2012, the Group finalized the fair values and recognized goodwill amounting to ₱19,011,108 (see Notes 11c and 12). No impairment loss on goodwill was recognized as of December 31, 2012 and 2011.

12. Goodwill

	2012	2011
CCC (see Note 11g)	**₱19,011,108**	₱19,011,108
AHI	**15,011**	15,011
	₱19,026,119	₱19,026,119

On May 16, 2007, the Parent Company's BOD approved the execution and implementation of the Deed of Sale of the Shares of Stock entered into between the Parent Company and Anscor Property Holdings, Inc. (APHI) on the sale to the Parent Company of APHI's 75,000 common shares in AHI or equivalent to 99.99% of AHI's total issued and outstanding shares for ₱77,510. AHI is the holder of rights to certain properties which will be needed in the operations of the Toledo Copper Mines. The execution of the purchase of shares of stock of AHI was undertaken pursuant to the Memorandum of Agreement entered into by the Parent Company with APHI on May 4, 2006 embodying the mechanics for the Parent Company's acquisition of rights over the AHI properties. At the time of the acquisition, the estimated fair value of the net identifiable assets of AHI, consisting substantially of parcels of land, amounted to ₱62,500, resulted in the recognition of a goodwill of ₱15,011 in the consolidated statement of financial position. No impairment loss on goodwill was recognized in 2012, 2011 and 2010.

13. AFS Financial Assets

	2012	2011
Toledo Mining Corporation Plc (TMC)	**₱4,874**	₱4,905
Philippine Long Distance Telecommunications (PLDT)	**22**	22
	₱4,896	₱4,927

In 2009, the Parent Company recognized an impairment loss amounting to ₱15,891 with respect to its investment in TMC due to the significant decline in its fair value. The Parent Company recognized other comprehensive income resulting from the recovery in the fair value of its investment in TMC that is classified as AFS financial assets amounting to ₱696 in 2012 and ₱1,463 in 2010. No income was recognized in 2011.

14. Other Noncurrent Assets

	2012	2011
Input VAT (net of accumulated allowance for possible losses of ₱124.9 million as of December 31, 2012 and 2011)	**₱1,602,838**	₱1,406,611
Deferred mine exploration costs	**49,249**	49,249
Mine rehabilitation funds	**14,467**	14,203
Others	**7,890**	8,091
	₱1,674,444	₱1,478,154

Input VAT

Input VAT represents the VAT imposed under Philippine tax laws upon the sale of goods and services which is passed on to the Group by its suppliers. The input VAT is recognized as an asset and will be used to offset against the Group's current output VAT liabilities. Any excess will be claimed as tax credits. Input VAT is stated at its estimated NRV. Input VAT, net of allowance for possible losses, amounting to ₱1,602,838 will be claimed by the Group as tax credits.

Deferred mine exploration costs
Deferred mine exploration costs pertain to BNC's exploration expenditures on the Moorsom, Dangla and Longpoint Project (adjacent area covering the Berong Nickel Project) (see Note 9). Management has established that economically recoverable reserves exist in the area, resulting in the decision to develop the area for commercial mining operation. Deferred mine exploration costs were transferred to property, plant and equipment in 2007. BNC started to explore and develop the area adjacent to the Berong Nickel Project in 2008. No allowance for impairment was recognized as of December 31, 2012 and 2011.

Mine rehabilitation funds
Mine rehabilitation funds pertain to rehabilitation trust funds that CCC and BNC are 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 held in government depository banks.

15. Loans Payable

a. Banco de Oro Unibank, Inc. ₱5.3 billion loan payable
On July 25, 2011, ACMDC availed from BDO a Philippine Peso-denominated convertible loan facility covering the amount of ₱5,341,800 (the "2011 BDO Loan"). The proceeds of the loan were used to finance (i) ACMDC's acquisition of the entire equity interest of CASOP Atlas B.V. and CASOP Atlas Corporation (collectively, "CASOP") in CCC, and (ii) CCC's working capital requirements.

The 2011 BDO Loan (i) had an initial term of 90 days that may be renewed for successive 90-day periods not exceeding an aggregate of 360 days (inclusive of the initial 90-day term); and (ii) accrues interest at the rate of 4% per annum. The terms of the 2011 BDO loan require ACMDC to, among others, maintain a debt service coverage of not less than 1.5:1 while the loan obligation remains outstanding.

Securities
The 2011 BDO Loan is secured by (i) a pledge over the CCC shares of stock purchased by ACMDC from CASOP using the loan proceeds, and (ii) unregistered mortgages respecting certain real and movable properties of CCC.

Covenants
Pursuant to the agreement covering the 2011 BDO Loan (the "2011 BDO Agreement"), BDO had an option to convert all or a portion of all amounts outstanding thereunder prior to maturity (the "Conversion Option"). The full exercise of the Conversion Option would result in the issuance to BDO or its assignee of 273,098,160 common shares stock of the Parent Company (the "Conversion Shares"). The Conversion Option is treated as an equity instrument with zero value on initial recognition. As of December 31, 2011, the Parent Company has ascertained its compliance with the covenants respecting the BDO Facility.

On January 24, 2012, the term of the 2011 BDO Loan was extended to move the maturity date to the end of its third 90-day period. The interest expense recognized on the 2011 BDO Loan amounted to ₱21,367 and ₱92,591 in 2012 and 2011, respectively.

₱129 million loan payable
On January 24, 2012, ACMDC availed another loan facility from BDO for the amount of ₱129,000 (the "2012 BDO Loan") which accrues interest at the rate of 4% per annum. On the same date, ACMDC, using the proceeds of the 2012 BDO Loan, paid BDO the interest that

had accrued on the 2011 BDO Loan in 2011 and as of that date amounting to ₱106,836 and other charges amounting to ₱22,164.

On February 28, 2012, BDO and SM Investments Corporation (SMIC) executed a Deed of Assignment of Notes embodying the assignment to SMIC of all of BDO's rights and interest to the 2011 BDO Loan and the 2012 BDO Loan. SMIC became bound by the terms of the 2011 BDO Loan and 2012 BDO Loan as if it were an original party thereto. On the same date, BDO cancelled and released, among others, the lien created over the properties of CCC that were mortgaged in favor of BDO to secure the performance of the Parent Company's obligations under the 2011 BDO Loan.

On May 18, 2012, the Parent Company and SMIC executed an addendum to the 2011 BDO Agreement to include in the Conversion Option the 2012 BDO Loan and the interest accruing thereon without increasing the number of the Conversion Shares. On May 21, 2012, SMIC formally notified the Parent Company of its intention to fully exercise the Conversion Option with respect to the 2011 BDO Loan and the 2012 BDO Loan, together with their accrued interest from January 24, 2012 to February 29, 2012 amounting to ₱21,367 and ₱517, respectively.

In July 2012, the total loan obligation, principal and interest, under the 2011 BDO Agreement, amounting to ₱5,492,684 was converted into equity of the Parent Company through the issuance to SMIC of the Conversion Shares (see Note 19a).

b. Loans Payable Converted to Equity

i. *Spinnaker Global Emerging Markets Fund Limited, Spinnaker Global Strategic Fund Limited and Spinnaker Global Opportunity Fund Limited (collectively known as "Spinnaker")*

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

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

Indemnity Agreements with Alakor Corporation (Alakor)

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

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

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

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

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

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

16. **Accounts Payable and Accrued Liabilities**

	2012	2011
Trade	**₱937,928**	₱1,062,823
Nontrade	**425,696**	738,276
Accrued expenses:		
Contracted services	**550,142**	285,238
Power and other utilities	**89,563**	180,234
Personnel	**89,220**	29,033
Others	**228,791**	108,492
Interest (see Notes 16, 17a, 17b, 17h and 23)	**252,524**	144,346
Payable to buyers (see Note 6 and 16)	**5,131**	376,020
Government payables	**135,542**	175,924
	₱2,714,537	₱3,100,386

Trade
Trade payables are noninterest bearing payables to various suppliers and are normally settled on terms ranging from 30 to 60 days (see Note 29).

Nontrade
Payable to TPC and THC
In February 2002, Toledo Power Corporation (TPC) and its wholly owned subsidiary, Toledo Holdings Corporation (THC) executed in favor of the Parent Company a Deed of Release and Quitclaim (the "Settlement Agreement") which was intended to effectuate the full settlement of certain loan obligations of the Parent Company to TPC in consideration of the conveyance by the Parent Company to THC of (i) a portion of an area covered by two foreshore leases, (ii) three deep wells, and (iii) portions of particular cadastral lots located in Toledo City, Cebu (the "Settlement Properties"). The BOD, however, deferred ratification of the Settlement Agreement to enable negotiation of the exclusion from the Settlement Properties of a portion of the assigned foreshore area that is critical to the Parent Company's mining operations (the "Foreshore Portion").

In December 2012, the BOD ratified the Settlement Agreement upon confirmation by TPC of its acceptance of the exclusion of the Foreshore Portion from the Settlement Properties, without prejudice to the effects of the Settlement Agreement. Accordingly, the Parent Company recognized a gain on the settlement of liability amounting to ₱438,249 in 2012.

Payable to TMC
The Parent Company has payables to TMC for its share in the operating expenses of BNC that was advanced by TMC for the account of the Parent Company. The mechanics for the repayment of such advance are embodied in the April 2006 loan agreement executed by the Parent Company and TMC with respect to a loan facility for an amount not exceeding US$5,000 which may be availed in tranches for the purpose of funding the operations of BNC (the "TMC Loan"). The TMC Loan accrued interest at the rate of 10% per annum and could be repaid through the conversion of the whole or a portion of the amount of the TMC Loan into equity of the Parent Company at the option of TMC (the "TMC Conversion Option").

On May 31, 2007, TMC notified the Parent Company of its intention to exercise the TMC Conversion Option with respect to a portion of the TMC Loan amounting to US$2,750 by subscribing to a total of 12,980,000 shares of stock of the Parent Company at the price of ₱10.00 per share.

Following such notice, the Parent Company re-classified as deposit for future stock subscription (the "Deposit on Subscription") the Peso equivalent of the portion of the TMC Loan subject of the exercise of the Conversion Option that amounts to ₱150,960 (see Note 19b).

On July 4, 2011, the ACMDC and TMC executed an agreement respecting the terms and conditions for the full settlement by the Parent Company of the full amount of the TMC Loan and all other amounts due to TMC. Such agreement enabled the Parent Company to discharge all of its outstanding loan obligations to TMC through the payment of the aggregate amount of US$4,499. As a result of the settlement, the Parent Company (i) recognized a gain amounting to ₱90,458 which arose from the condonation of a portion of the TMC Loan, and (ii) reversed the recognition of the Deposit on Subscription in 2011. In 2012, the Parent Company derecognized the remaining portion of its payable from TMC amounting to ₱81,299.

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 of December 31, 2012 and 2011. These are normally settled within six months.

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

MRI payables pertain to the CCC's US Dollar denominated borrowings against its shipments of copper concentrates which bear interest at one month LIBOR rate plus 3.5% per annum. Accrued interest amounted to ₱2,215 and ₱7,972 as of December 31, 2012 and 2011 respectively. Total outstanding borrowings from GHL and MRI, including the loan availed to finance the put options in 2011 (see Note 17i) amounted to ₱5,131 and ₱554,839 as of December 31, 2012 and 2011, respectively.

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

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

	2012	2011
Long-term debt:		
Bonds payable (see Note 17a)	**₱11,993,727**	₱–
US$75 million BDO loan (see Note 17b)	**2,701,761**	3,288,000
BDO Leasing (see Note 17c)	**916,764**	248,951
FLSmidth Krebs Pacific (see Note 17d)	**35,303**	142,893
Atlas Copco Customer Finance AB (see Note 17e)	**33,725**	–
MBTC and ORIX (see Note 17f)	**7,935**	14,294
US$140 million BDO loan (see Note 17j)	**–**	5,795,884
	15,689,215	9,490,022
Less noncurrent portion	**(14,473,422)**	(5,856,671)
	1,215,793	3,633,351
Other interest-bearing liabilities:		
UCPB (see Note 17g)	**369,450**	–
Maxima (see Note 17h)	**–**	486,183
MRI (see Note 17i)	**–**	178,819
	₱1,585,243	₱4,298,353

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

	2012	2011
Due in:		
2012	**₱–**	₱4,298,353
2013	**1,585,243**	3,774,239
2014	**1,028,740**	807,493
2015 and thereafter	**13,444,682**	1,274,939
	₱16,058,665	₱10,155,024

a. 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 21st of September at the rate of 6.5% and will carry a yield to maturity of 6.75%. The outstanding Bonds Payable, net of discount, amounted to ₱11,993,727 as of December 31, 2012. The accrued interest payable from bonds amounted to ₱224,578 million as of December 31, 2012 (see Note 16).

The Bonds Payable have an identified call option as they may be redeemed fully prior to maturity at a redemption price equal to 100% of the principal amount plus applicable premium and accrued and unpaid interest. No derivative asset was recognized on such prepayment option since it was assessed to be clearly and closely related to the host contract.

The Bonds Payable also contains an equity clawback option that allows CCC to redeem up to 35% of the Bonds Payable at any time prior to March 21, 2015, at a redemption price of 106.5% of the principal amount plus accrued and unpaid interest, using the net proceeds of an equity offering (see Note 6).

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

- *Incurrence of indebtedness other than permitted indebtedness* - CCC may incur indebtedness other than those permitted under Clause 4.6(b) of the Indenture if at the time of incurrence and the receipt and application of the proceeds therefrom, (i) no default, as such is defined in the Indenture ("Default"), has occurred or is continuing, and (ii) the Fixed Charge Coverage Ratio ("FCCR") of CCC is not less than 2.5 to 1.0 (the "Incurrence Conditions"). FCCR is the ratio of (1) the aggregate amount of earnings before interest, taxes, depreciation and amortization for the most recent four fiscal quarterly periods prior to the incurrence of the indebtedness (the "Four Quarter Period"), to (2) the aggregate fixed charges during the Four Quarter Period.

- *Payment of dividends* - CCC may declare and/or pay dividends if at the time of the declaration and/or payment, (i) no Default has occurred, is continuing, or will result from such declaration and/or payment, (ii) CCC can incur at least US$1.00 of indebtedness without violating the Incurrence Conditions, and (iii) the sum of the amount of the dividend declared and/or paid and of the aggregate amount of all restricted payments (as such is defined under the Indenture) does not exceed the aggregate amount of the items enumerated under Clause 4.7 (a) (3) of the Indenture.

CCC has ascertained its compliance with the above covenants as of December 31, 2012.

Short-term investments
A portion of the proceeds from the issuance of the Bonds Payable was put in multiple time deposit accounts that have a five-year maturity period reckoned from the date of placement and can be terminated anytime. Such deposits are classified as Short-term investments in the consolidated statement of financial position amounting to ₱4,740,313 as of December 31, 2012. Interest income earned from short-term investments amounted to ₱206,132 in 2012.

b. Banco de Oro Unibank, Inc. US$75 million
On July 25, 2011, the Parent Company availed from BDO a US dollar-denominated loan facility debt covering the amount of US$75 million ("the BDO Facility"). The proceeds from the BDO Facility were used to finance (i) the Parent Company's acquisition of the entire equity interest of CASOP Atlas B.V. and CASOP Atlas Corporation in CCC, and (ii) CCC's working capital requirements.

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

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 also created in favor of BDO mortgage liens over the real properties and chattels of CCC to secure the performance of the long-term debt agreement. The BDO Facility is also secured by a pledge of the shares of CCC that were purchased by the Parent Company. Such purchase was funded partly by the proceeds from the BDO Facility.

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

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

The outstanding liability from the BDO Facility amounted to ₱2,701,761 and ₱3,288,000 as of December 31, 2012 and 2011 respectively. The current portion of the loan amounted to ₱753,980 and ₱402,612 as of December 31, 2012 and 2011, respectively. The related interest expense recognized amounted to ₱237,308 and ₱107,308 in 2012 and 2011, respectively. The accrued interest payable amounted to ₱2,073.

Short-term investments
Restricted cash securities classified as short-term investments amounted to ₱242,082 and ₱194,067 as of December 31, 2012 and 2011, respectively.

As of December 31, 2012 and 2011, the ACMDC has ascertained its compliance with the covenants respecting the BDO Facility.

c. BDO Leasing & Finance, Inc. (BDO Leasing)
From August 2011 to November 2011, CCC availed of peso-denominated equipment financing facilities from BDO Leasing. The amounts due under such facilities which totalled ₱304.3 million are payable within 24 months and accrue interest at the rate of 10% per annum. In 2012, CCC availed of additional equipment financing facilities from BDO Leasing covering the total amount of ₱818.2 million (see Note 10). The outstanding amounts under the 2011 and 2012 facilities aggregated ₱916,764 as of December 31, 2012 and ₱248,951 as of December 31, 2011.

d. FLSmidth Krebs Pacific ("FLS")
On March 29, 2011, CCC availed from FLS a US dollar-denominated loan facility for the amount of $4.7 million that is payable within 24 months and accrues interest at the rate of 11% per annum. The loan is secured by a chattel mortgage covering the crushers and auxiliary equipment purchased from FLS using the proceeds thereof (see Note 10). As of December 31, 2012 and 2011, the outstanding portion of this loan amounted to ₱35,303 and ₱142,893, respectively.

e. Atlas Copco Customer Finance AB
On January 20, 2012, CCC obtained a supplier credit facility from Atlas Copco Customer Finance AB for the amount of $1.6 million which was used for the purchase of certain mining equipment. The amount drawn from the facility is payable within 24 months and accrues interest at the rate of 7% per annum. As of December 31, 2012, the outstanding balance of the supplier credit agreement amounted to ₱33,725.

f. Metropolitan Bank and Trust Company (MBTC) and Orix Metro Leasing and Finance Corporation (ORIX).
On various dates in 2010, CCC availed of peso-denominated loans from MBTC and ORIX that are payable within a period of 3 to 4 years. The loans are secured by chattel mortgages covering the transportation equipment purchased using the proceeds thereof (see Note 10). As of December 31, 2012 and 2011, the outstanding balance of this loan amounted to ₱7,935 and ₱14,294, respectively.

g. United Coconut Planters Bank (UCPB)
On October 29, 2012, CCC obtained from UCPB a short-term credit facility covering the amount of $9.0 million that was used to finance working capital requirements. The amount drawn from the facility is payable within 12 months accrues interest at the rate of 4% per annum. As of December 31, 2012, the outstanding balance of this loan amounted to ₱369,450.

h. Maxima Machineries, Inc. (Maxima)
On June 2, 2011, CCC obtained a supplier credit facility from Maxima for the amount of $13.7 million which was used for the purchase of certain mining equipment. The amount due under the credit facility was paid within 12 months from the date of issue of the bill of lading covering the purchased equipment and accrued at the interest rate of 8% per annum. The loan was secured by a chattel mortgage covering the equipment purchased using the proceeds thereof (see Note 10). As of December 31, 2012 and 2011, the outstanding balance of this loan amounted to nil and ₱486,183, respectively.

i. MRI Trading AG (MRI)
On various dates in 2011, CCC availed of US dollar-denominated loans amounting to $10.8 million payable over 30 installments to correspond to the shipments to be made under the MRI Contract (see Note 6) with interest of LIBOR plus 3.25% per annum. The loan was used to finance its put option contracts (see Note 6). The loan is secured by a grant of a second ranking encumbrance over CCC's moveable equipment (see Note 10). As of December 31, 2012 and 2011, the outstanding balance of this loan amounted to nil and ₱178,819, respectively.

j. Banco de Oro Unibank, Inc. US$140 million
In December 2010, CCC availed from BDO a US dollar-denominated loan amounting to $140,000 (the "BDO Loan"). The BDO Loan (i) is payable in 27 equal monthly installments starting October 2011, (ii) accrues interest at the rate of 8% per annum, and (iii) is secured by mortgages on real properties and chattels of CCC (see Note 10), cash collaterals, pledge over ACMDC's shares of stock in CCC, and a guarantee provided by ACMDC for which CCC paid ACMDC a guarantee fee amounting to ₱11,850 in 2010. Cash securities consist of short-term investments amounting to ₱670,518 as of December 31, 2011. As of December 31, 2011, the carrying balance of the BDO Loan of CCC amounted to ₱5,795,884, respectively.

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

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

As of December 31, 2011, CCC has ascertained its compliance with the covenants pertaining to the BDO Loan based on the mechanics provided under the BDO Loan Agreement for determining the same.

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

On March 16, 2012, CCC prepaid the BDO Loan using part of the proceeds from the Bonds Payable (see Note 6). As a result of the prepayment, the outstanding related derivative asset and bifurcated liability were reversed (see Note 6). On the same date, the relevant liens on property, plant and equipment related to the BDO Loan were extinguished (see Note 10).

k. Long-term debt converted to equity

BDO, Global Fund Holdings, Inc. (Globalfund) and Banco de Oro Unibank, Inc. - Trust and Investment Group (collectively known as the "BDO Loan Agreement")

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

Under the terms of the 2009 BDO Loan Agreement, the 2009 BDO Loan accrued interest at the rate of 10% per annum. Interest amounted to ₱141,716 in 2011.

The 2009 BDO Loan was discharged fully on October 21, 2010

Security for BDO Loan

To secure the Parent Company's obligation on the 2009 BDO loan, Alakor and an officer of the Parent Company executed a pledge agreement over a total of 357,000,000 of their shares of stock in the Parent Company in favor of BDO (the "Pledged Shares"). In the event of default, BDO shall have the option to require the Parent Company to substitute the Pledged Shares with a pledge of the Parent Company's shares in CCC.

Establishment of Accounts

Pursuant to the 2009 BDO Loan Agreement, the Parent Company established a Debt Service Account (DSA) using a portion of the proceeds of the 2009 BDO Loan. The initial cash deposit amounting to ₱115,500 (US$2,500) is restricted by BDO. As long as the 2009 BDO Loan remains outstanding, the DSA is required to have a minimum maintaining balance equal to the aggregate amount of interest payments due on all outstanding advances for two interest periods. This cash in bank deposit is classified as part of the Parent Company's current assets.

Under the terms of the 2009 BDO Loan Agreement, the designated collateral trustee shall invest and reinvest the funds deposited in the DSA in government securities or, at the Parent Company's request, in other types and mix of investments. Per regulations issued by the BSP, funds held in the DSA are not covered by the Philippine Deposit Insurance Corporation, and as such, any loss or depreciation in their value shall be for the account of the Parent Company.

As of December 31, 2010, the ₱115,500 DSA account is no longer restricted due to the extinguishment of the BDO loan on October 20, 2010 and thus classified as part of "Cash and cash equivalents".

Warrants

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

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

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

Mandatory Conversion
The 2009 BDO Loan Agreement provides for the mandatory conversion of the entire amount of the BDO Loan at the conversion price of ₱10 when, during the term of the loan, the volume weighted average price of the Parent Company's shares of stock based on trading at the Philippine Stock Exchange does not fall below ₱13 per day for twenty (20) consecutive trading days.

Under the terms of the BDO Loan Agreement, mandatory conversion may be effectuated through the transfer by Alakor to BDO and Globalfund of such number of its shares in the Parent Company that will have a total par value equal to the Philippine Peso equivalent of the 2009 BDO Loan amounting to ₱117,050 (the "Alakor Payment").

Conversion
On October 12, 2010 ("Conversion Date"), the conditions for mandatory conversion under the 2009 BDO Loan Agreement were satisfied. Following the delivery by the Parent Company of a notice of its intent to enforce the mandatory conversion provision, conversion of the 2009 BDO Loan was effectuated on October 21, 2010 through the Alakor Payment which involved the conveyance by Alakor to BDO and Globalfund of 117,050,000 of its shares in the Parent Company in consideration for the assignment by BDO and Globalfund to Alakor of their rights to the 2009 BDO Loan. The full discharge of the 2009 BDO Loan resulted from the Alakor Payment
(see Note 19a).

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

On December 30, 2010 ("Exercise Date"), Alakor exercised its option to convert the Indemnity Obligation by executing with the Parent Company a Deed of Assignment with Subscription Agreement which embodies the assignment by Alakor to the Parent Company of its rights to the Indemnity Obligation as payment for its subscription to a total of 117,050,000 of the Parent Company's shares. The Parent Company accrued interest on the Indemnity Obligation from Conversion Date to Exercise Date amounting to ₱21,986 (the "Alakor Interest Payable"). As of December 31, 2012, the Alakor Interest Payable remained outstanding and was recorded as part of accounts payable and accrued expenses (see Notes 16 and 23). The exercise by Alakor of the conversion option resulted in the full extinguishment of the Indemnity Obligation. As of December 31, 2010, the total converted amount is presented in the Deposits for Future Stock Subscriptions (see Note 19b). The share issue arising from the conversion was completed in August 2011.

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

18. Liability for Mine Rehabilitation Cost

Mine rehabilitation cost consists of rehabilitation costs incurred BNC and CCC that are detailed as follows:

	2012	2011
Balances at beginning of year	**₱96,896**	₱19,129
Change in accounting estimate	**10,718**	(417)
Accretion of interest (see Note 26)	**5,135**	1,167
Additions during the year (see Note 11)	**–**	77,017
Balances at end of year	**₱112,749**	₱96,896

Change in accounting estimate
CCC and BNC revised the assumptions used in 2012 and 2011, taking into consideration the estimated future cash outflows and the discount rate.

CCC
In 2012, CCC changed its estimated future cash flow in accordance with the terms of its Final Mine Rehabilitation and Decommissioning Plan (FMRDP) pursuant to which CCC shall make its first annual cash provision amounting to ₱19.4 million beginning 2014. Discount rates used by CCC are 5.1% and 5.8% for 2012 and 2011, respectively.

BNC
In 2011, BNC changed its estimated cost to rehabilitate the site of its mining operations resulting to a decrease in provision for mine rehabilitation and decommissioning and capitalized mining property amounting to ₱12,860. Discount rate used by BNC is 5.77 % for 2012 and 2011, respectively.

The change in accounting estimate resulted to the net increase and decrease in mine rehabilitation cost amounting to ₱10,718 and ₱417 in 2012 and 2011, respectively.

Mine rehabilitation cost
CCC's carrying value of capitalized mine rehabilitation cost amounted to ₱65,849 and ₱57,045 as of December 31, 2012 and 2011, respectively (see Note 10).

BNC's carrying value of capitalized mine rehabilitation cost amounted to ₱67,580 and ₱71,901 as of December 31, 2012 and 2011, respectively.

19. Capital Stock and Deposits for Future Stock Subscriptions

a. Capital Stock
The table below presents the details of the authorized and issued and outstanding capital stock as of December 31, 2012 and 2011:

	December 31, 2012		December 31, 2011	
	No. of Shares	**Amount**	No. of Shares	Amount
Authorized - ₱8 par value in 2012 and ₱10 par value in 2011 and 2010	**3,000,000,000**	**₱24,000,000**	2,000,000,000	₱20,000,000
Issued and outstanding	**2,074,366,980**	**16,594,936**	1,764,053,032	17,640,530

Increase in authorized capital stock
On October 8, 2010, the SEC approved the increase in the Parent Company's authorized capital stock from ₱12,000,000 to ₱14,200,000.

On September 5, 2011, the SEC approved the increase in the Parent Company's capital stock from ₱14,200,000 to ₱20,000,000.

On July 6, 2012, the SEC approved the increase in the Parent Company's authorized capital stock from ₱20,000,000 to ₱30,000,000. On the same date, the SEC approved the decrease in the par value of the Parent Company's shares of stock from ₱10.00 to ₱8.00 which resulted in the decrease in the Parent Company's authorized capital stock from ₱30,000,000 divided into 3,000,000,000 common shares with a par value of ₱10.00 per share to ₱24,000,000 divided into 3,000,000,000 common shares with a par value of ₱8.00 per share. Such decrease in authorized capital stock is part of the equity restructuring of the Parent Company.

Issuance of shares
Issuances of shares in 2012 and 2011 as follows:

2012

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

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

Spinnaker
In March 2012, the Parent Company issued 35,000,000 of its shares to Spinnaker for a total subscription price of ₱350,000 (see Note 15b*i*), following the full exercise by Spinnaker of subscription rights under stock warrants granted by the Parent Company in 2009.

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

2011

Name of Stockholder	No. of Shares	Capital Stock	APIC	Total
Abacus Securities Corporation (Abacus)	30,300,000	₱303,000	₱–	₱303,000
Alakor (see Note 17k)	117,050,000	1,170,500	511,867	1,682,367
APHC (see Note 15*ii*)	50,450,500	504,505	387,461	891,966
SMIC	316,242,331	3,162,423	3,023,275	6,185,698
Zenith Holdings Corporation	111,196,319	1,111,963	1,063,037	2,175,000
	625,239,150	₱6,252,391	₱4,985,640	₱11,238,031

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

Alakor
The loan obligations of the Parent Company under the 2009 BDO Loan Agreement were discharged in accordance with the mandatory conversion provision thereof which allowed the Parent Company to settle in full the principal amount of the loan by conveying to BDO and Globalfund a total of 117,050,000 of its shares of stock either through original issuance, or through the transfer by Alakor to BDO and Globalfund of such number of the Parent Company's shares that it owns. BDO and Globalfund elected the latter option in effectuating conversion. As a result, the Parent Company recognized an indemnity obligation in favor of Alakor amounting to ₱117,050 which is equivalent to the aggregate par value of the shares transferred by Alakor to BDO and Globalfund. Such indemnity obligation was converted by Alakor into shares of stock of the Parent Company based on the conversion price of ₱10 per share (see Note 17k).

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

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

As of December 31, 2012 and 2011, the common shares of the Parent Company are held by 21,164 and 21,296 equity holders, respectively.

b. Deposits for Future Stock Subscriptions

The table below shows the details of the deposits for future stock subscriptions account in 2011 that consisted of converted loans of TMC in 2007, converted loans of Alakor and APHC and subscriptions of Abacus in 2010:

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

The Parent Company recognized deposits for future stock subscriptions at the end of 2010 despite having sufficient authorized and unissued capital stock to cover the share issuances to the entities that exercised their rights under various debt-to-equity conversion options in 2010 since the SEC approved the debt-to-equity conversion in 2011.

c. APIC and Retained Earnings

Equity restructuring

On July 6, 2012, the Parent Company obtained SEC approval of its application for equity restructuring through the application of its additional paid-in capital of ₱12,723,188 to wipe out its deficit as of December 31, 2011 amounting to ₱12,722,320. The approval was subject to the condition that the remaining balance of the reduction surplus of ₱868 will not be used to wipe out any future loses, without prior approval of the SEC.

The additional paid-in capital of ₱12,723,188 that was applied in the equity restructuring comprised the existing additional paid-in capital of ₱5,816,306 as of December 12, 2011, the additional paid-in capital of ₱2,761,702 resulting from SMIC's exercise of the Conversion Option under the 2011 BDO Loan Agreement, and the reduction surplus of ₱4,145,180 resulting from the decrease in the Parent Company's authorized capital stock (see Note 19a).

Restricted retained earnings

The Group's retained earnings include fair value gain on previously held interest in 2011 amounting to ₱13,788,051 (see Note 11a) and equity in net earnings of an associate amounting to ₱1,247,884 in 2011 (see Note 11e), which are not available for dividend declaration.

20. Comprehensive Stock Option Plan

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

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

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

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

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

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

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

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

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

Share-based compensation expense presented as part of additional paid-in capital amounted to nil in 2012 and 2011 and ₱41,103 in 2010, respectively.

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

21. Mining and Milling Costs and Mine Products Taxes

Mining and milling costs consists of:

	2012	2011	2010
Materials and supplies (see Note 7)	**₱3,317,658**	₱1,294,094	₱–
Communication, light and water	**2,105,432**	850,947	–
Depreciation, depletion and amortization (see Note 10)	**1,592,860**	376,978	–
Personnel costs	**579,117**	197,811	–
Contracted services	**359,921**	473,319	–
Provision for asset write-downs (see Note 10)	**20,552**	93,818	–
Other costs	**703,032**	108,258	–
	₱8,678,572	₱3,395,225	₱–

Materials and supplies significantly consist of consumable bearing and grinding balls, coolant and lubricants for the concentrators, concentrator supplies like floatation regent to process the extracted ores, spare parts for concentrator machineries, crushers and conveyors, supplies such as diesel and gasoline fuels used by dump tracks and drilling machineries in extracting and transporting the ores and explosives, blasting and accessories for open pit mining.

Other costs consist of freight expenses, custom duties and vehicle insurances for the mine operations.

Mine Products Taxes

	2012	2011	2010
Excise taxes	**₱295,369**	₱96,375	₱–
Royalties (see Note 1c and 33d)	**11,897**	100,046	–
	₱307,266	₱196,421	₱–

22. **General and Administrative Expenses**

	2012	2011	2010
Personnel costs	**₱582,438**	₱226,743	₱110,687
Depreciation and amortization (see Note 10)	**179,242**	98,861	57,131
Taxes and licenses	**167,162**	79,911	33,042
Professional fees	**132,570**	155,888	22,351
Rentals	**75,510**	43,652	13,816
Communication, light and water	**47,735**	19,827	4,673
Transportation and travel	**38,857**	26,553	17,607
Entertainment, amusement and recreation	**21,266**	19,162	4,392
Repairs and maintenance	**11,958**	5,996	2,701
Office supplies	**8,984**	5,470	2,156
Provision for impairment loss on input VAT (see Note 14)	**–**	69,226	–
PSE listing, assessment and other processing fees	**–**	26,583	–
Provision for impairment loss on receivables (see Note 5)	**–**	1,688	770
Others	**211,169**	150,074	43,191
	₱1,476,891	₱929,634	₱312,517

Others consisted significantly of environmental and community development expense, insurance fees, diesel fuel costs, donations, severance pay, costs of general consumption items, medical expenses, drilling expenses, and cost of training and seminars. Severance pay expense incurred in 2012 arose from the implementation of the Parent Company's Voluntary Retirement Program covering certain officers and employees.

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

	2012	2011	2010
Salaries and wages	**₱930,684**	₱318,755	₱104,953
Retirement benefits costs (see Notes 11 and 24)	**66,628**	19,404	1,924
Other employee benefits	**164,243**	86,395	3,810
	₱1,161,555	₱424,554	₱110,687

23. Related Party Disclosures

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

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

	Nature of relationship	**2012**	2011
Receivable from related parties:			
Alakor (see Note 23c)	Stockholder	**₱31,481**	₱33,219
TMC (see Note 23b)	Related party	**2,150**	–
CCC (see Note 23e)	Subsidiary/Associate	**–**	–
		₱33,631	₱33,219
Payable to related parties:			
TMC (see Note 23b)	Related party	**₱321,338**	₱458,453
Alakor (see Notes 16 and 17k)**	Stockholder	**3,016**	–
The Philodrill Corporation (Philodrill) (see Note 23d)	Related party	**–**	73,247
CCC	Subsidiary/Associate	**–**	–
		₱324,354	₱531,700

There were no sales and purchases to or from related parties as of December 31, 2012 and 2011.
***A portion of the payable to Alakor amounting to ₱21,986 that was accrued in 2010 as interest payable (see Note 17a) is presented on the consolidated statements of financial position as part of Accounts payable and accrued expenses.*

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

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

b. Advances from TMC pertain to the Parent Company's share in the operating expenses of BNC that was advanced by TMC for the account of the Parent Company (see Note 16).

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

d. In December 2010, the Parent Company issued a promissory note to Philodrill Corporation for the principal amount of $1,670 (the "Philodrill Note"). The loan shall accrue interest from January 22, 2010 at the rate of 10% per annum. The Parent Company incurred interest expense amounting to ₱3,102 and ₱7,320 in 2012 and 2011, respectively. In June 2012, the Parent Company discharged fully the loan obligation under the Philodrill Note amounting to ₱73,213.

e. In July 2011, CCC agreed to provide security for the loan obligations of the Parent Company to BDO under the BDO Facility and the 2011 BDO Loan (see Notes 15a and 17j). CCC (i) executed an irrevocable suretyship in favor of BDO whereby it became solidarily liable with the Parent Company for the discharge of all obligations under the BDO Facility, and (ii) created in favor of BDO mortgage liens over its real properties and chattels to secure the performance of the Parent Company's obligations under the 2011 BDO Loan.

f. Receivable from officers and employees as of December 31, 2012 and 2011 amounting to ₱30,539 and ₱19,938, respectively, pertain to the receivable extended by the Group to its officers and employees and unliquidated advances used in the Group's operations. These receivables from officers and employees are due and demandable (see Note 5).

g. *Compensation of Key Management Personnel*

The Group considers all senior officers as key management personnel.

	2012	2011	2010
Short-term benefits	**₱106,644**	₱38,059	₱18,009
Retirement benefits	**7,869**	7,917	2,372
	₱114,513	₱45,976	₱20,381

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

24. **Retirement Benefits Liability**

The following tables summarize the components of the retirement benef its liability recognized in the consolidated statements of comprehensive income and the amounts recognized in the consolidated statement of financial position.

The details of retirement benefits cost follows:

	2012	2011	2010
Current service cost	**₱52,053**	₱35,155	₱1,447
Interest cost	**11,218**	8,039	842
Amortizations for past service cost (non-vested)	**29**	29	–
Net actuarial (gain) loss recognized in the year	**4,380**	3,528	(365)
Curtailment gain	**(1,052)**	(20,944)	–
Retirement benefit cost	**₱66,628**	₱25,807	₱1,924

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

	2012	2011
Balances at beginning of year	**₱121,974**	₱14,569
Additions due to acquisition (see Note 11)	**–**	85,640
Retirement benefits costs	**66,628**	25,807
Settlements	**(4,724)**	–
Benefits paid	**(3,363)**	(4,042)
Balances at end of year	**₱180,515**	₱121,974

Changes in the present value of defined benefit obligation as of December 31 follow:

	2012	2011
Beginning of year	**₱175,822**	₱12,743
Additions due to acquisition (see Note 11)	**–**	83,195
Current service cost	**52,053**	35,155
Actuarial loss	**79,928**	72,792
Interest cost	**11,218**	8,039
Benefits paid	**(3,363)**	(4,042)
Effect of curtailment	**(6,925)**	(32,060)
End of year	**₱308,733**	₱175,822

The details of accrued benefit cost are as follows:

	2012	2011
Defined benefits obligation	**₱308,733**	₱175,822
Fair value of plan assets	**–**	–
	308,733	175,822
Unrecognized net actuarial gains	**(128,218)**	(53,848)
Balances at end of year	**₱180,515**	₱121,974

The principal assumptions used in determining retirement benefits obligation as of December 31 for the Group's plans are shown below:

	2012	2011	2010	2009	2008
Discount rate	**6.28%**	7.18%	8.86%	13.62%	10.00%
Future salary increase	**8.33%**	8.33%	10.00%	10.00%	10.00%
Average expected term of obligation	**14**	11	12	11	11

Amounts for the current and previous periods are as follows:

	2012	2011	2010	2009	2008
Present value of the defined benefit retirement obligation	**₱308,733**	₱175,822	₱12,743	₱8,162	₱5,393
Experience adjustments on defined benefit retirement obligation	**79,928**	67,023	1,968	944	(4,205)

25. **Income Taxes**

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

	2012	2011 As restated (see Note 11)	2010
Current	**₱29,644**	₱8,849	₱4,571
Deferred	**(61,723)**	(115,382)	(9,376)
	(₱32,079)	(₱106,533)	(₱4,805)

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

	2012	2011	2010
RCIT	**₱416**	₱731	₱543
Excess of MCIT over RCIT	**29,228**	8,118	4,028
	₱29,644	₱8,849	₱4,571

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

	2012	2011
Carryforward benefits of:		
NOLCO	**₱114,034**	₱1,375,022
MCIT	**25,173**	16,294
Allowance for impairment losses on:		
Inventories	**321,792**	333,626
Receivables	**29,095**	40,599
Land	**330**	330
Property, plant and equipment	**–**	202,397
Input VAT	**–**	124,856
Retirement benefits liability	**14,439**	121,974
Unrealized foreign exchange gain	**–**	(3,328)
	₱504,863	₱2,211,770

d. The Group's net deferred tax assets as of December 31, 2012 and 2011 are as follows:

	2012	2011
Deferred tax assets:		
Unrealized foreign exchange loss	**₱428,761**	₱1,219
Provision for impairment losses:		
Allowance for asset write-down	**104,342**	–
Trade receivables	**3,233**	3,277
Allowance for inventory losses	**669**	669
Input VAT	**–**	61,003

(Forward)

	2012	2011
NOLCO	**₱55,810**	₱–
Retirement benefits liability	**49,823**	20,417
Provision for mine and rehabilitation and decommissioning	**33,825**	35
Accrued rent	**16**	16
Accumulated depletion of mining property	**–**	327
	676,479	86,963
Deferred tax liability:		
Unrealized foreign exchange gains	**633,202**	–
Others	**258**	–
	633,460	–
	₱43,019	₱86,963

e. The Group's deferred tax liabilities as of December 31, 2012 and 2011 are as follows:

	2012	2011 As restated (see Note 11)
Mining rights	**₱2,847,575**	₱2,946,428
Revaluation increment on land	**93,668**	93,668
Unrealized foreign exchange gains	**–**	6,814
	₱2,941,243	₱3,046,910

f. As of December 31, 2012, 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
2012	2015	₱12,065	₱10,997
2011	2014	124,110	8,118
2010	2013	171,871	6,058
		₱308,046	₱25,173

Movements in NOLCO and MCIT are as follows:

	2012	2011
NOLCO:		
Beginning of year	**₱1,375,022**	₱807,993
Additions	**12,065**	807,748
Application	**(18,482)**	(30,878)
Expirations	**(1,060,559)**	(209,841)
End of year	**₱308,046**	₱1,375,022
MCIT:		
Beginning of year	**₱16,294**	₱7,069
Additions	**10,997**	10,216
Expirations	**(2,118)**	(991)
End of year	**₱25,173**	₱16,294

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

	2012	2011 As restated (see Note 11)	2010
Provision for income tax at statutory income tax rates	**₱1,419,429**	₱4,490,069	(₱256,032)
Additions to (reductions in) income tax resulting from:			
Expired NOLCO	**169**	–	–
Operating (income) loss under income tax holiday	**(999,720)**	(257,630)	44,780
Nondeductible expenses	**(257,726)**	252,574	252,574
Depletion of mining rights	**(98,852)**	(36,836)	–
Movements on unrecognized DTA	**(31,253)**	21,887	44,189
Fair value gain on previously held interest	–	(4,136,415)	–
Equity in net earnings in an associate	–	(374,365)	(90,244)
Realized gain on derivatives	–	(65,428)	–
Interest income subjected to final tax and others	**(64,126)**	(389)	(72)
	(₱32,079)	(₱106,533)	(₱4,805)

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

BOI Incentives availed by CCC
CCC is registered with the Board of Investments (BOI) as a non-pioneer enterprise and as a new producer of copper concentrate. It is entitled to avail of the income tax holiday (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 E.O 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 ₱69.4 million in 2012.

In addition, CCC benefits from the automatic value added tax 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 per cent (100%) of its sales are export sales.

BOI Incentives availed by BNC
On November 5, 2010, the BOI approved the extension of the period of availment by BNC of the ITH incentive enjoyed by BOI-registered enterprises. Such extension allows BNC to claim ITH until May 27, 2012. In addition, BNC benefits from the automatic value added tax 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 per cent (100%) of its sales are export sales.

26. Finance Charges

	2012	2011	2010
Interest expense on loans and long term debt and other long term liabilities	**₱1,201,086**	₱235,936	₱386,579
Accretion of interest on liability for mine rehabilitation (see Note 18)	**5,135**	1,167	1,171
	₱1,206,221	₱237,103	₱387,750

27. Segment Information

The primary segment reporting format is determined to be the business segments since the Group is organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit. The mining segment is engaged in exploration and mining operations. Meanwhile, the non-mining segment is engaged in services, bulk water supply or acts as holding company.

The Group's operating business segments remain to be neither organized nor managed by geographical segment.

2012

	Mining	**Non-Mining**	**Total**	**Eliminations**	**Consolidated**
Segment revenue					
From external customers	**₱14,450,427**	**₱–**	**₱14,450,427**	**₱–**	**₱14,450,427**
From intersegment sales/services	**–**	**28,534**	**28,534**	**(19,640)**	**8,894**
	₱14,450,427	**₱28,534**	**₱14,478,961**	**(₱19,640)**	**₱14,459,321**
Segment results					
Income before income tax	**₱4,730,525**	**₱973**	**₱4,731,498**	**(₱1,329,508)**	**₱3,401,990**
Provision for (benefit from) income tax	**66,320**	**453**	**66,773**	**(98,852)**	**(32,079)**
Net income	**₱4,664,205**	**₱520**	**₱4,664,725**	**(₱1,230,656)**	**₱3,434,069**
Assets					
Segment assets	**₱31,714,053**	**₱86,601**	**₱31,800,654**	**(₱2,406,123)**	**₱29,394,531**
Investments	**18,382,461**	**113,575**	**18,496,036**	**(18,496,036)**	**–**
Goodwill	**–**	**–**	**–**	**19,026,119**	**19,026,119**
Mining rights	**–**	**–**	**–**	**9,491,916**	**9,491,916**
	₱50,096,514	**₱200,176**	**₱50,296,690**	**₱7,615,876**	**₱57,912,566**
Liabilities					
Segment liabilities	**₱20,849,187**	**₱153,959**	**₱21,003,146**	**₱1,351,155**	**₱22,354,301**
	₱20,849,187	**₱153,959**	**₱21,003,146**	**₱1,351,155**	**₱22,354,301**
Other segment information					
Depreciation, depletion, and amortization	**₱1,786,083**	**₱313**	**₱1,786,396**	**₱329,508**	**₱2,115,904**
Finance charges	**1,206,221**	**–**	**1,206,221**	**–**	**1,206,221**

2011 As restated (see Note 11)

	Mining	Non-Mining	Total	Eliminations	Consolidated
Segment revenue					
From external customers	₱4,775,252	₱–	₱4,775,252	₱–	₱4,775,252
From intersegment sales/services	–	30,010	30,010	(30,010)	–
	₱4,775,252	₱30,010	₱4,805,262	(₱30,010)	₱4,775,252
Segment results					
Income before income tax	₱3,621,470	₱736	₱3,622,206	₱11,344,690	₱14,966,896
Provision for (benefit from) income tax	(70,431)	733	(69,698)	(36,835)	(106,533)
Net income	₱3,691,901	₱3	₱3,691,904	₱11,381,525	₱15,073,429
Assets					
Segment assets	₱40,365,987	₱199,370	₱40,565,357	(₱20,740,300)	₱19,825,057
Investments	18,382,461	113,575	18,496,036	(18,496,036)	–
Goodwill	–	–	–	19,026,119	19,026,119
Mining rights	–	–	–	9,821,424	9,821,424
	₱58,748,448	₱312,945	₱59,061,393	(₱10,388,793)	₱48,672,600
Liabilities					
Segment liabilities	₱20,743,665	₱153,907	₱20,897,572	(₱1,632,125)	₱19,265,447
Unallocated liabilities	202,067	–	202,067	2,946,428	3,148,495
	₱20,945,732	₱153,907	₱21,099,639	₱1,314,303	₱22,413,942
Other segment information					
Depreciation, depletion, and amortization	₱475,629	₱23,377	₱499,006	₱122,785	₱621,791
Finance charges	237,103	–	237,103	–	237,103

The consolidated revenue in the above tables includes the non-mining revenue, which consist of management fees, which are presented as other income in the consolidated statement of comprehensive income since these are not significant.

28. Basic/Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share is computed as follows:

	2012	2011 As restated (see Note 11)	2010
Net income (loss) attributable to equity holders of the Parent Company	**₱3,280,895**	₱15,015,975	(₱758,611)
Divided by weighted average number of common shares outstanding (in thousands)	**1,930,527**	1,403,047	1,064,287
	₱1.6995	₱10.7024	(₱0.7128)

Diluted earnings (loss) per share is computed as follows:

	2012	2011 As restated (see Note 11)	2010
Net income (loss) attributable to equity holders of the Parent Company	**₱3,280,895**	₱15,015,975	(₱758,611)
Divided by weighted average number of common shares outstanding (in thousands)	**2,120,105**	1,611,335	1,064,287
	₱1.5475	₱9.3189	(₱0.7128)

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

	2012	2011	2010
Basic earnings per share	**1,930,527**	1,403,047	1,064,287
Adjustments:			
Convertible loans (see Notes 15a and 17a)	**166,794**	183,288	–
Stock options (see Note 20)	**22,784**	25,000	–
Diluted earnings per share	**2,120,105**	1,611,335	1,064,287

In 2010, as the Group was in a net loss position, the stock option and convertible loans were antidilutive and are ignored in the calculation of diluted loss per share; therefore, the basic and diluted loss per share are the same. There have been no other transactions involving common shares or potential common shares between the reporting date and the date of completion of these consolidated financial statements.

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

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

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

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

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

	2012		2011	
	Foreign Currency	**Peso Equivalent**	Foreign Currency	Peso Equivalent
Cash and cash equivalents*	**US$13,285**	**₱545,338**	US$5,691	₱249,493
JPY 3,288,600	**38,350**	**1,574,253**	–	–
Short - term investments	**115,476**	**4,740,313**	19,721	864,569
Receivables	**34,291**	**1,407,657**	12,227	536,031
Derivative assets	**–**	**–**	15,943	698,941
	US$201,402	**₱8,267,561**	US$53,582	₱2,349,034

**Excluding cash on hand*

The exchange rates used were ₱41.05 to US$1 at December 31, 2012 and ₱43.84 to US$1 at December 31, 2011.

The following table summarizes the impact on income before income tax of reasonably possible changes in the exchange rates of US$ against the Peso as of December 31, 2012 and 2011:

	US$ Appreciates/(Depreciates)	Increase/(Decrease)
2012	**5.00%**	**(₱377,558)**
	(5.00%)	**377,558**
2011	2.60%	111,564
	(6.50%)	(278,911)

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

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

Shown below is CCC's sensitivity to changes in the copper prices arising from its copper derivatives as of December 31, 2012 and 2011:

December 31, 2012:

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

December 31, 2011:

Change in Copper Prices	Effect on Income Before Income Tax
Increase by 10%	(₱234,158,070)
Decrease by 10%	366,437,982

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

Credit risk
Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligation. The Group's financial assets which are exposed to credit risk include its cash and cash equivalents, receivables, derivative asset and AFS financial assets with a maximum exposure equal to the carrying amount of these assets.

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

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

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

	2012	2011
Cash and cash equivalents*	**₱651,607**	₱349,921
Short-term investments	**4,982,395**	864,585
Receivables	**1,582,993**	563,231
Derivative assets	**–**	698,968
AFS financial assets	**4,896**	4,927
	₱7,221,891	₱2,481,632

**Excluding cash on hand*

No financial assets were subject to collateral arrangements as of December 31, 2012 and 2011.

Credit quality per class of financial assets
The credit quality by class of asset for the Group's financial assets as of December 31, 2012 and 2011 based on credit rating system follows:

December 31, 2012:

	Neither past due nor impaired			**Past Due**		
	High Grade	**Standard Grade**	**Substandard Grade**	**But Not Impaired**	**Impaired**	**Total**
Loans and receivables:						
Cash and cash equivalents *	**₱651,607**	**₱–**	**₱–**	**₱–**	**₱–**	**₱651,607**
Short-term investments	**4,982,395**	**–**	**–**	**–**	**–**	**4,982,395**
Receivables	**1,582,993**	**–**	**–**	**–**	**39,871**	**1,622,864**
AFS financial asset	**4,896**	**–**	**–**	**–**	**–**	**4,896**
	₱7,221,891	**₱–**	**₱–**	**₱**	**₱39,871**	**₱7,261,762**

**Excluding cash on hand*

December 31, 2011:

	Neither past due nor impaired			Past Due		
	High Grade	Standard Grade	Substandard Grade	But Not Impaired	Impaired	Total
Loans and receivables:						
Cash and cash equivalents *	₱349,921	₱–	₱–	₱–	₱–	₱349,921
Short-term investments	864,585	–	–	–	–	864,585
Receivables	493,248	–	–	69,983	40,599	603,830
Derivative assets	698,968	–	–	–	–	698,968
AFS financial asset	4,927	–	–	–	–	4,927
	₱2,411,649	₱–	₱–	₱69,983	₱40,599	₱2,522,231

**Excluding cash on hand*

High grade receivables pertain to those receivables from clients or customers that consistently pay before the maturity date. Standard grade receivable includes those that are collected on their due dates even without an effort from the Group to follow them up while receivables which are collected on their due dates provided that the Group made a persistent effort to collect them are included under substandard grade receivables. Past due receivables and advances include those that are either past due but still collectible or determined to be individually impaired.

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

- Cash in banks and AFS financial asset are classified as "High Grade" since cash is placed in high profile banking institutions while the concentration of AFS financial asset are invested in blue chip shares of stock; and

- Receivables are classified as "Standard Grade" since the collection of the balances depends on the availability of funds of existing and active parties, except for items specifically identified below as past due but not impaired.

The aging analysis of the Group's FVPL, loans and receivables and AFS financial asset are as follows:

December 31, 2012:

	Neither past due nor Impaired	Past due but not impaired Less than 30 days	30 - 60 days	More than 60 Days	Impaired	Total
Loans and receivables:						
Cash and cash equivalents *	**₱547,325**	**₱–**	**₱–**	**₱–**	**₱–**	**₱547,325**
Short-term investments	**4,982,395**	**–**	**–**	**–**	**–**	**4,982,395**
Receivables	**1,530,094**	**2,360**	**5,209**	**5,459**	**39,871**	**1,582,993**
AFS financial asset	**4,896**	**–**	**–**	**–**	**–**	**4,896**
	₱7,064,710	**₱2,360**	**₱5,209**	**₱5,459**	**₱39,871**	**₱7,117,609**

**Excluding cash on hand*

December 31, 2011:

	Neither past due nor Impaired	Past due but not impaired Less than 30 days	30 - 60 days	More than 60 Days	Impaired	Total
FVPL						
Derivative assets	₱698,968	₱–	₱–	₱–	₱–	₱698,968
Loans and receivables:						
Cash and cash equivalents *	349,921	–	–	–	–	349,921
Short-term investments	864,585	–	–	–	–	864,585
Receivables	493,248	30,869	2,729	36,385	40,599	603,830
AFS financial asset	4,927	–	–	–	–	4,927
	₱2,411,649	₱30,869	₱2,729	₱36,385	₱40,599	₱2,522,231

**Excluding cash on hand*

Concentration Risk
In 2012, majority of the Group's copper production were sold to MRI, however it has no significant concentration of credit risk since it can sell its copper concentrates to other third party customers. The Group continuously monitors its receivables with MRI to assess its credit risk exposure.

Impairment assessment
The main consideration for the loan impairment assessment include whether any payments of principal or interest are overdue by more than one year or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Group determines the allowance appropriate for each individually significant receivable on an individual basis. Items considered when determining allowance amounts include the availability of other financial support and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention. Impaired financial assets as of December 31, 2012 and 2011 relate to overdue accounts.

Liquidity Risk
Liquidity risk is such risk where the Group becomes unable to meet its payment obligations when they fall due under normal and stress circumstances. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group also manages its liquidity risk on a consolidated basis based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

The tables below summarizes the maturity profile of the financial liabilities of the Group, as well as financial assets considered by management as part of its liquidity risk management based on remaining undiscounted contractual obligations as of December 31, 2012 and 2011 follow:

December 31, 2012:

	On demand	Within 1 year	1 to <3 years	> 3 years	Total
Loans and receivables:					
Cash and cash equivalents	**₱654,788**	**₱–**	**₱–**	**₱–**	**₱654,788**
Short-term investments	**4,982,395**	**–**	**–**	**–**	**4,982,395**
Receivables	**58,820**	**1,524,173**	**–**	**–**	**1,582,993**
AFS Financial Assets	**4,896**	**–**	**–**	**–**	**4,896**
	5,700,899	**1,524,173**	**–**	**–**	**7,225,072**
Financial liabilities:					
Accounts payable and accrued liabilities **	**–**	**2,489,229**	**–**	**–**	**2,489,229**
Payables to related parties	**324,354**	**–**	**–**	**–**	**324,354**
Long-term debt and other interest-bearing liabilities	**–**	**9,640,153**	**5,856,671**	**–**	**15,496,824**
Derivative liabilities	**–**	**7,590**	**–**	**–**	**7,590**
	324,354	**12,136,972**	**5,856,671**	**–**	**18,317,997**
	₱5,376,545	**(₱10,612,799)**	**(₱5,856,671)**	**₱–**	**(₱11,092,925)**

***Excluding government payables*

December 31, 2011:

	On demand	Within 1 year	1 to <3 years	> 3 years	Total
Loans and receivables:					
Cash and cash equivalents	₱354,458	₱–	₱–	₱–	₱354,458
Short-term investments	864,585	–	–	–	864,585
Receivables	52,678	510,553	–	–	563,231
Derivatives asset at FVPL	–	477,573	221,395	–	698,968
AFS Financial Assets	4,927	–	–	–	4,927
	1,276,648	988,126	221,395	–	2,486,169
Financial liabilities:					
Accounts payable and accrued liabilities **	–	2,926,151	–	–	2,926,151
Payables to related parties	531,700	–	–	–	531,700
Loans payable	–	5,341,800	–	–	5,341,800
Long-term debt and other interest-bearing liabilities	–	4,298,353	5,856,671	–	10,155,024
Derivative liabilities	–	18,929		–	18,929
	531,700	12,585,233	5,856,671	–	18,973,604
	₱744,948	(₱11,597,107)	(₱5,635,276)	₱–	(₱16,487,435)

***Excluding government payables*

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's mix of fixed and floating interest rate debt is 100:0 and 92:8 in 2012 and 2011, 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.

Given the repricing position of the assets and liabilities of the Group, if interest rates move up by 10 basis points the Group would expect annualized net interest income to decrease by ₱54.5 million and if interest rates move down by 10 bps, it will increase by ₱55.8 million in 2011.

The Group has no outstanding floating interest rate debt as of December 31, 2012.

30. Financial Instruments

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

Fair Values of Financial Instruments

The following table shows the carrying values and fair values of the Group's financial assets and liabilities:

	Carrying Values		Fair Values	
	2012	2011	**2012**	2011
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**₱654,788**	₱354,458	**₱654,788**	₱354,458
Short-term investments	**4,982,395**	864,585	**4,982,395**	864,585
Receivables	**1,582,993**	563,231	**1,582,993**	563,231
Derivative asset at FVPL	–	698,968	–	698,968
AFS financial assets	**4,896**	4,927	**4,896**	4,927
	₱7,225,072	₱2,486,169	**₱7,225,072**	₱2,486,169
Financial Liabilities				
Accounts payable and accrued liabilities*	**₱2,489,229**	₱2,926,151	**₱2,489,229**	₱2,926,151
Payable to related parties	**414,121**	531,700	**414,121**	531,700
Loans payable	–	5,341,800	–	5,341,800
Long-term debt and other interest-bearing liabilities	**16,058,665**	10,155,024	**16,025,145**	8,700,011
Derivative liabilities	**7,590**	18,929	**7,590**	18,929
	₱18,969,605	₱18,973,604	**₱18,936,085**	₱17,518,591

**excluding government payables*

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, receivables and mine rehabilitation funds

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

AFS financial assets

The fair values were determined with reference to market quoted bid price as of reporting date.

Loans payable, accounts payable and accrued liabilities and payable to related parties

The carrying amounts of loans, accounts payable and accrued liabilities and payable to related parties approximate their fair values due to the relatively short-term maturities of these financial instruments.

Long-term debt and other interest-bearing liabilities

The fair value of long-term debt is computed using the discounted cash flow method, with credit-adjusted zero coupon rates as discount rate.

Derivative instruments
Fair values are estimated based on acceptable valuation models. All valuation inputs used such as volatility, copper spot and forward prices, discount rates, and foreign currency exchange rates are considered market observable obtained from an internationally recognized financial service provider.

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

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

December 31, 2012

	Level 1	**Level 2**	**Level 3**	**Total**
AFS financial assets	**₱4,896**	**₱–**	**₱–**	**₱4,896**
Derivative liabilities	**–**	**(7,590)**	**–**	**(7,590)**
Total	**₱4,896**	**(₱7,590)**	**₱–**	**(₱2,694)**

December 31, 2011

	Level 1	Level 2	Level 3	Total
AFS financial assets	₱4,927	₱–	₱–	₱4,927
Derivative assets	–	698,968	–	698,968
Derivative liabilities	–	(18,929)	–	(18,929)
Total	₱4,927	₱680,039	₱–	₱684,966

The Group has no financial assets and liabilities measured under Level 3.

31. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during 2012 and 2011.

The Group has no externally imposed requirements as of December 31, 2012 and 2011.

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

	2012	2011 (as restated)
Capital stock	**₱16,594,936**	₱17,640,530
Additional paid-in capital	**3,554**	5,816,306
Retained earnings	**18,434,748**	2,431,361
	₱35,033,238	₱25,888,197

32. **Commitments and Contingencies**

ACMDC

Contingencies

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

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

On July 13, 2010, the Commissioner of Internal Revenue issued a memorandum order on the revocation of the Ruling. Following such revocation, the BIR issued on August 11, 2010 a Warrant of Destraint or Levy to enforce collection of the Masbate Taxes amounting to ₱197,595. To enjoin the action to collect, the Parent Company filed with the Court of Tax Appeals (CTA) a Petition for Review with an Application for Temporary Restraining Order and/or Writ of Preliminary Injunction and a Motion for the Suspension of Collection of Tax.

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

As of December 31, 2012, the trial on the petition was still ongoing. Management and its legal counsel determined that the probability of an unfavorable outcome cannot be assessed at this stage of the proceedings, notwithstanding sufficient legal bases for the Parent Company's position. Management determined that there was no basis to provide for any contingent liability pertaining to the payment of the Masbate Excise Tax as of December 31, 2012.

CCC

Power Agreements

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

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

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

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

Waste Mining Service Agreement
In May 2012, CCC entered into a waste mining service agreement, as amended, with Galeo Equipment and Mining Company, Inc. ("Galeo") for waste works at CCC's Carmen and Lutopan Open Pit Mines at specified pricing formulas. The agreement has a term of years reckoned from the earlier of June 1, 2012 or the date when Galeo commences the performance of waste stripping services.

Fuel Supply Agreement
In August 2011, CCC entered into a fuel supply agreement, as amended, with Pilipinas Shell Petroleum Corporation for the purchase of petroleum products, lubricants and greases at established pricing formulas. The agreement will expire in October 2015. Total expenses related to the fuel supply agreement amounted to ₱1,908,927 million in 2012. Accrued expenses amounted to ₱26,086 million as of December 31, 2012.

Legal Contingencies
CCC is a party to minor labor cases arising from its operations. CCC's management and legal counsel believe that the eventual resolution of these cases will not have a material effect on CCC's financial statements. Accordingly, no provision for probable losses was recognized by CCC in 2012, 2011 and 2010.

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

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

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

Sales Agreement of Iron Concentrate
On March 16, 2012, CCC has entered into a sales agreement with MAC Stone Limited to sell 10,000 WMT (+/- 10% in quantity) of iron concentrate at FOB basis. The price is fixed at US$26 per WMT. On December 6, 2012, CCC has entered into a sales agreement with Goldwin Holdings Limited to sell 18,000 WMT (+/- 10% in quantity) of iron concentrate at FOB basis. The price is fixed at US$25 per WMT.

BNC
Management Agreement
On January 19, 2005, BNC entered into a management agreement with TMI wherein TMI will manage the operations of BNC with respect to the Mineral Properties and to any and all of the MPSA which shall be executed by BNC and the Government of the Republic of the Philippines. In consideration for such services, BNC will pay a monthly management fee of ₱200.

On July 1, 2008, BNC amended the management agreement wherein TMI shall be entitled to charge an additional monthly fee equivalent to up to five percent (5%) of the operating costs and expenses incurred at the end of each calendar month. Provided, further, that TMI may charge an additional fee for other special services outside the scope of the agreement at a rate to be agreed upon in advance by the parties. The rate will depend on the specialized nature of such services that BNC may require from TMI from time to time.

Environmental Compliance Certificate (ECC)
On June 14, 2006, the DENR, through the Environmental Management Bureau, granted BNC, the ECC for the Berong Project.

BNC, in compliance with the terms of the ECC, has set up an Environmental Trust Fund (ETF) on April 27, 2007, in the amount of ₱200 at the Landbank of the Philippines (LBP) Makati Branch. The ETF is a readily replenishable fund for compensation or indemnification of damages to life and property that may be caused by the project. The fund is included under "Other noncurrent assets" account in the consolidated statement of financial position. As at December 31, 2012 and 2011, BNC has ETF amounting to ₱207 and ₱206, respectively.

Service Agreement with China Nickel Corporation (CNC)
On April 13, 2007, BNC entered into a service agreement with CNC, wherein CNC will provide marketing support services to BNC which includes identification of material and equipment sourcing opportunities, monitoring of nickel industry developments, advice on appropriate methods of marketing ore and procuring sales contracts, and identification of investment opportunities. All such services will be provided outside the Philippines.

MRF
Pursuant to Section 181 of the Implementing Rules and Regulations of the Republic Act (R.A.) No. 7492, better known as the "Philippine Mining Act of 1995", BNC has opened a Rehabilitation Cash Fund (RCF) on November 22, 2007, amounting to ₱5,000 at the LBP Makati Branch. Such trust fund is set to ensure compliance with the approved rehabilitation activities and schedules of the project. In addition to RCF, BNC has also set up a Monitoring Trust Fund (MTF) amounting to ₱100,000 at the LBP Makati Branch on April 27, 2007. Such fund shall be used to cover the maintenance and other operating budget of the MTF Committee and is subject to periodic replenishments. The fund is included under "Other noncurrent assets" account in the consolidated statement of financial position. As at December 31, 2012 and 2011, BNC has RCF amounting to ₱5,147 and ₱5,128, respectively and MTF amounting to ₱150.

Memorandum of Agreement (MOA) with Tagbanua Indigenous Peoples (IP)/Indigenous Cultural Community (ICC)
In 2005, BNC, Tagbanua IPs/ICCs and National Commission on Indigenous Peoples entered into a MOA. The MOA relate exclusively to the areas applied for and disclosed to the Tagbanua IPs/ICCs of Berong Aramaywan, Quezon, Province of Palawan and shall cover and apply exclusively to all the activities, processes, operations and other related issues under the MPSA application of BNC. Under the MOA, the Tagbanua IPs/ICCs has the right to receive from BNC a royalty payment equivalent to 1% of the gross revenues based on the provisions of the Mining Act subject to devaluation of the Philippine peso. The said royalty is paid to BATA, a formal organization created by the IPs upon signing of the MOA, who is responsible in determining the share of every individual member in accordance with their customary laws and practices.

Total royalty payments to BATA for the years ended December 31, 2012 and 2011 amounted to ₱8.6 million and ₱1.1 million, respectively. In 2012 and 2011, BNC has recognized royalty expense amounting to ₱11,897 and ₱5,776, respectively.

Service Agreement with Ivy Michelle Trading & Construction (IMTC)
On May 10, 2011, a Service Agreement was entered into by BNC and IMTC, where the latter shall lease its equipments (e.g., dumptrucks, bulldozers compactor, excavator, wheel loader, water truck, etc.) for a fee. IMTC shall also undertake the loading and hauling activities in accordance with the production, shipping plans and procedures scheduled and prescribed by BNC. Further, IMTC shall also load and haul the waste or low grade nickel ore materials from the open pits to the designated stockpiles. The Service Agreement is valid for six months and renewable for another term, under the same conditions, or as may be agreed upon by both parties.

Sales Agreement with Shaanxi
In 2011, BNC entered into various sales agreement with Shaanxi to sell and deliver nickel laterite ores. Selling price of nickel laterite ores depends on its ore grading. High grade (1.8% to 1.9% nickel content) and low grade (1.45% to 1.5% nickel content) ores are priced at US$65 and US$23, respectively, per wet metric ton (WMT). These sales agreements are subject to price adjustments depending on the final nickel and moisture content agreed by both parties. In 2011, BNC exported to Shaanxi a total of 262,281 WMT of nickel laterite ores.

Sales Contract with Guangxi Yinyi Science and Technic Mine Metallurgy Co., Ltd. (Guangxi)
On November 12, 2011, BNC has entered into a general purchase and supply contract with Guangxi to sell and deliver 50,000 WMT (+ 10% in quantity) of 1.79% to 1.82% nickel laterite ores valid only for one shipment for US$46 per WMT. The contract is subject to price adjustments depending also on the final nickel and moisture content agreed by both parties. In 2011, BNC exported to Guangxi a total of 54,979 WMT of nickel laterite ores.

Others
Purchase Commitments
There were no unusual purchase commitments or losses on commitments entered into by the Group.

33. **Other Matters**

a. Executive Order (EO) 79
On July 12, 2012, EO79 was released to provide the general framework for the implementation of mining reforms in the Philippines. The Parent Company has assessed that EO 79 has no major impact on its current operations since the Group's current mining activities are covered by valid and existing Mineral Production and Sharing Agreements (MPSA). Pursuant to Section 1 of EO 79, a mining contract, such as an MPSA, that was approved before the effectivity of the EO shall continue to be valid, binding and enforceable so long as the contractor thereunder strictly complies with existing laws, rules and regulations and the terms and conditions under the mining contract.

b. Deed of assignment and exchange of assets for shares of stock
In 2006, CCC entered into an Operating Agreement with the Parent Company for the conveyance to CCC of rights over the Toledo minesite, certain fixed assets and surface rights for a royalty fee mutually agreed by the parties. The agreement may be terminated by CCC upon 30 days prior written notice.

c. Changes in ownership interest in CCC
On May 5, 2006, CCC entered into an agreement with CASOP Atlas II, Ltd (CASOP Atlas) amounting to US$5 million. The loan is convertible into voting preferred shares at any time prior to maturity date or to the date of early repayment into not less than 5.17% up to not more than 5.7% of the total issued and outstanding shares of CCC. On October 11, 2006, CCC and CASOP Atlas entered into an Amendment to the CLSA to increase the amount of the convertible loan to US$18 million.

   In an Assignment Agreement dated March 16, 2007, CASOP Atlas assigned the amended CLSA to CASOP Atlas BV (CASOP BV). On the same date, CASOP BV assigned 2% of the amended CLSA loan to CASOP Atlas Corporation (CAC).

   In 2007, CASOP BV and CAC (collectively known as CASOP) exercised its right to convert its loan to 294.14 million and 4.70 million of voting preferred shares, respectively. As a result, CCC became 65.53%, 34.09% and 0.38% owned by ACMDC, CASOP BV and CAC, respectively. As of December 31, 2007, all the issued and outstanding voting preferred shares were owned by CASOP. In September 2007, CCC amended its bylaws to present the approval and participation of ACMDC and CASOP on the operations of CCC.

   In October 2008, ACMDC agreed with CASOP to a schedule of cash advances for infusion to CCC amounting to US$48 million. The advances may be converted into common equity of CCC. Of the amount US$48 million contributed by CASOP, US$24.95 million is convertible at the option of CASOP into 308,170,751 of CCC's common shares. In 2009, CASOP exercised its right to convert its advances to CCC's common shares.

   As a result, CCC became 54.46%, 37.80% and 7.73% owned by ACMDC, CASOP BV and CASOP Atlas, respectively. As of December 31, 2009, all the issued and outstanding preferred shares are owned by CASOP.

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

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

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

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

e. BDO Loan Facility
On January 20, 2011, the Parent Company entered into a convertible loan facility and security agreement with BDO covering the principal amount of US$10 million. The proceeds of the facility were not drawn prior to the expiration of the period of availment in 2011.

f. Declaration of Cash Dividends
The Parent Company, upon the approval granted by its BOD on March 8, 2013, has declared cash dividends in the amount of ₱0.25 per share of its capital stock. The dividends will be paid on April 19, 2013 to all stockholders of record as of March 22, 2013.

34. Note 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 ₱17,929 and ₱79,105 in 2012 and 2011, respectively.

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

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

Report on the Parent Company Financial Statements

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

Management's Responsibility for the Parent Company Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the parent company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the parent company 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 parent company 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 parent company financial statements.

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

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Opinion

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

Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010

Our audits were conducted for the purposes of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 19-2011 and 15-2010 in Notes 22 and 23 to the parent company financial statements, respectively, is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Atlas Consolidated Mining and Development Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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

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INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Atlas Consolidated Mining and Development Corporation

Report on the Parent Company Financial Statements

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

Management's Responsibility for the Parent Company Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the parent company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the parent company 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 parent company 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 parent company 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 parent company financial statements present fairly, in all material respects, the financial position of Atlas Consolidated Mining and Development Corporation as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010

Our audits were conducted for the purposes of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 19-2011 and 15-2010 in Notes 22 and 22 to the parent company financial statements, respectively, is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Atlas Consolidated Mining and Development Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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Partner
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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

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands, Except Par Value per Share)

	December 31	
	2012	2011
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱122,436**	₱12,123
Short-term investments (Note 11a)	**242,082**	194,067
Receivables (Note 5)	**1,806,504**	1,674,389
Other current assets	**–**	5,256
Total Current Assets	**2,171,022**	1,885,835
Noncurrent Assets		
Investments in shares of stock (Note 6)	**18,382,461**	18,382,461
Available-for-sale (AFS) financial assets (Note 8)	**4,896**	4,927
Property and equipment (Note 7)		
At revalued amount	**315,558**	315,558
At cost	**9,491**	2,018
Other noncurrent assets (Note 9)	**32,889**	29,584
Total Noncurrent Assets	**18,745,295**	18,734,548
TOTAL ASSETS	**₱20,916,317**	₱20,620,383
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Note 11)	**₱–**	₱5,341,800
Accounts payable and accrued liabilities (Note 10)	**127,711**	851,162
Current portion of long-term debt (Note 11)	**753,980**	402,612
Payable to related parties (Note 14)	**2,725**	76,031
Income tax payable (Note 17)	**4,518**	–
Total Current Liabilities	**888,934**	6,671,605
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 11)	**1,947,781**	2,885,388
Retirement benefits liability (Note 16)	**14,439**	15,183
Deferred tax liabilities (Note 17)	**93,668**	93,668
Total Noncurrent Liabilities	**2,055,888**	2,994,239
Total Liabilities	**2,944,822**	9,665,844

(Forward)

	December 31	
	2012	2011
Equity		
Capital stock - ₱8 par value in 2012 and ₱10 par value in 2011 (Note 12) Authorized - 3.0 billion shares in 2012 and 2.0 billion shares in 2011 Issued and outstanding - 2.07 billion shares in 2012 and 1.76 billion shares in 2011	**₱16,594,936**	₱17,640,530
Additional paid-in capital (Note 12)	**3,554**	5,816,306
Revaluation increment on land (Note 7)	**218,559**	218,559
Unrealized gain on AFS financial assets (Note 8)	**2,160**	1,464
Retained Earnings (Deficit) (Note 20)	**1,152,286**	(12,722,320)
Total Equity	**17,971,495**	10,954,539
TOTAL LIABILITIES AND EQUITY	**₱20,916,317**	₱20,620,383

See accompanying Notes to Parent Company Financial Statements

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

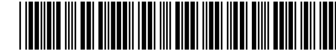
	Years Ended December 31	
	2012	2011
INCOME		
Dividend income (Note 6)	**₱1,000,000**	₱–
Gain on settlement of liability (Note 10)	**519,548**	90,458
Net foreign exchange gain	**185,307**	–
Interest income (Note 4)	**808**	592
Royalty income (Note 6)	**–**	244,479
Others	**9,730**	3,417
	1,715,393	338,946
EXPENSES		
Interest expense (Note 11)	**276,985**	216,710
General and administrative expenses (Note 15)	**276,363**	279,662
Net foreign exchange loss	**–**	3,072
	553,348	499,444
INCOME (LOSS) BEFORE INCOME TAX	**1,162,045**	(160,498)
PROVISION FOR INCOME TAX (Note 17)	**10,627**	7,501
NET INCOME (LOSS)	**1,151,418**	(167,999)
OTHER COMPREHENSIVE INCOME (Note 8)	**696**	–
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱1,152,114**	(₱167,999)

See accompanying Notes to Parent Company Financial Statements.

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION
PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(Amounts in Thousands)

	Capital Stock (Note 12)	Additional Paid-in Capital (Note 12)	Deposits for Future Stock Subscriptions (Note 12)	Revaluation Increment on Land (Note 7)	Net Unrealized Gain on AFS Financial Assets (Note 12)	Retained Earnings (Deficit) (Note 12)	Total
Balances at December 31, 2010	₱11,388,139	₱830,666	₱3,028,293	₱218,559	₱1,464	(₱12,554,321)	₱2,912,800
Issuance of shares (Notes 11 and 12)	6,252,391	4,985,640	(2,877,333)	–	–	–	8,360,698
Reversal of deposits for future stock subscriptions (Note 12)	–	–	(150,960)	–	–	–	(150,960)
Net loss/total comprehensive loss for the year	–	–	–	–	–	(167,999)	(167,999)
Balances at December 31, 2011	17,640,530	5,816,306	–	218,559	1,464	(12,722,320)	10,954,539
Issuance of shares (Notes 11 and 12)	3,099,586	2,765,256	–	–	–	–	5,864,842
Equity restructuring (Note 12)	(4,145,180)	(8,578,008)	–	–	–	12,723,188	–
Net income/total comprehensive income for the year	–	–	–	–	696	1,151,418	1,152,114
Balances at December 31, 2012	₱16,594,936	₱3,554	₱–	₱218,559	₱2,160	₱1,152,286	₱17,971,495

See accompanying Notes to Parent Company Financial Statements.



ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**₱1,162,045**	(₱160,498)
Adjustments for:		
Interest expense (Notes 11 and 14)	**276,985**	216,710
Retirement benefits expense (Note 16)	**3,980**	3,006
Depreciation (Note 7)	**1,381**	614
Dividend income (Note 6)	**(1,000,000)**	–
Gain on settlement of payables (Note 10)	**(519,548)**	(90,458)
Net foreign exchange (gain) loss	**(185,307)**	3,072
Interest income (Note 4)	**(808)**	(592)
Provision for impairment loss on receivables (Note 5)	**–**	1,692
Royalty income (Note 6)	**–**	(244,479)
Operating loss before working capital changes	**(261,272)**	(270,933)
Decrease (increase) in:		
Receivables	**861,040**	(178,756)
Short-term investments	**(62,749)**	(194,067)
Other current assets	**–**	(11,381)
Increase (decrease) in:		
Accounts payable and accrued liabilities	**(74,018)**	(250,036)
Payable to related parties	**(73,309)**	(126,287)
Net cash from (used in) operations	**389,692**	(1,031,460)
Interest received	**808**	592
Interest paid	**(252,473)**	(124,119)
Settlement and payments of retirement benefits (Note 15)	**(4,724)**	(2,392)
Income taxes paid	**(853)**	(2,636)
Net cash flows from (used in) operating activities	**132,450**	(1,160,015)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 7)	**(8,854)**	(1,601)
Investment in shares of stock (Note 6)	**–**	(16,008,000)
Increase in other noncurrent assets	**(3,305)**	(4,574)
Cash flows used in investing activities	**(12,159)**	(16,014,175)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Issuance of shares (Note 12)	**372,158**	8,360,698
Loan drawdown (Note 11)	**–**	8,604,300
Payments of loans payable	**(381,234)**	–
Net cash flows (used in) from financing activities	**(9,076)**	16,964,998
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(902)**	14,946
NET INCREASE (DECREASE) IN CASH	**110,313**	(194,246)
CASH AT BEGINNING OF YEAR	**12,123**	206,369
CASH AT END OF YEAR (Note 4)	**₱122,436**	₱12,123

See accompanying Notes to Parent Company Financial Statements.

1. Corporate Information and Authorization for the Issuance of the Parent Company Financial Statements

Corporate Information

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

The registered business address of the Parent Company is Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City.

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

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

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

The Parent Company has effective control in nine (9) subsidiaries as of December 31, 2012 and 2011. These subsidiaries are engaged or are registered to engage in mining, professional services, asset and equity acquisition and bulk water supply (see Note 6). The Parent Company has no geographical segments as these entities were incorporated and are operating within the Philippines.

Authorization for the Issuance of the Parent Company Financial Statements

These financial statements were authorized for issue by the Parent Company's Board of Directors (BOD) on March 8, 2013.

2. Summary of Significant Accounting Policies and Financial Reporting Practices

Basis of Preparation

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

The Parent Company prepares consolidated financial statements for the same period. The consolidated financial statements may be obtained at Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City.

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended PFRS and improvements to PFRS effective as of January 1, 2012. Except as otherwise indicated, the adoption of the following standards and amendments did not have any impact on the financial position or performance of the Parent Company.

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* (Amendment)
  The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments affect disclosures only and have no impact on the Parent Company's financial position or performance.

- PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets* (Amendment)
  This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendments are effective for periods beginning on or after January 1, 2012. The Parent Company does not have investment properties measured at fair value. The amendment has no impact on the Parent Company's statement of financial position and financial performance.

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

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable

master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

a. The gross amounts of those recognized financial assets and recognized financial liabilities;
b. The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
c. The net amounts presented in the statement of financial position;
d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
    i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
    ii. Amounts related to financial collateral (including cash collateral); and
e. The net amount after deducting the amounts in (d) from the amounts in (c) above.

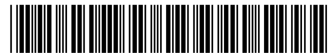
The amendments to PFRS 7 are to be retrospectively applied and are effective for annual periods beginning on or after January 1, 2013. The amendments affect disclosures only and have no impact on the Parent Company's financial position or performance.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The standard becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI* (Amendments)
  The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Parent Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendments will be applied retrospectively and will result to the modification of the presentation of items of OCI.

- PAS 19, *Employee Benefits* (Revised)
  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk.

  The amendments become effective for annual periods beginning on or after January 1, 2013. Once effective, the Parent Company has to apply the amendments retroactively to the earliest period presented.



The Parent Company reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Parent Company obtained the services of an external actuary to compute the impact to the financial statements upon adoption of the standard. The effects are detailed below:

	As at 31 December 2012	As at 1 January 2012
Increase (decrease) in:		
Statement of financial position		
Retirement benefit liability	(₱3,957)	(₱449)
Deferred tax asset/liability	(1,187)	(135)
Other comprehensive income	2,248	(1,437)
Retained earnings	3,435	(1,302)

	2012
Statement of comprehensive income	
Net benefit cost	(₱1,260)
Income tax expense	378
Profit for the year	882

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements* and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 will not have a significant impact on the separate financial statements of the entities in the Parent Company. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal costs (“stripping costs”) that are incurred in surface mining activity during the production phase of the mine (“production stripping costs”). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met (“stripping activity asset”). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. As of reporting date, the adoption will not have any significant impact on the parent company financial statements since its accounting policy on stripping costs of its subsidiaries is aligned with this standard. This interpretation becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Parent Company's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first phase on the replacement of PAS 39, *Financial Instruments: Recognition and Measurement* and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. Since the impact evaluation is ongoing, the Parent Company and its subsidiaries have decided not to early adopt PFRS 9 for its parent company financial statements. PFRS 9 is effective for annual periods beginning on or after January 1, 2015.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Annual Improvements to PFRSs (2009-2011 cycle)

- The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

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

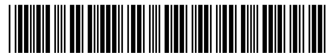
- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
  The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or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

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

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

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

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



<u>Financial Instruments</u>

Date of recognition

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

Initial recognition and classification of financial instruments

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

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

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

The Parent Company has no financial assets classified as FVPL and HTM investments as of December 31, 2012 and 2011.

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 parent company statement of financial position. Changes in the fair value of such assets are accounted for in profit or loss. The Parent Company has no financial assets and liabilities at FVPL as of December 31, 2012 and 2011.

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 Parent Company provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial

measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognized in profit or loss when the loans and other receivables are derecognized or impaired, as well as through the amortization process. Loans and other receivables are included in current assets if maturity is within twelve months from the reporting date. Otherwise, these are classified as noncurrent assets.

As of December 31, 2012 and 2011, the Parent Company's loans and other receivables consist of "Cash and cash equivalents", "Short-term investments" and "Receivables".

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

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

The Parent Company evaluated its AFS financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Parent Company 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 Parent Company 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 Parent Company has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the HTM category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

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

The Parent Company's AFS financial asset pertains to its investment in equity shares as of December 31, 2012 and 2011.

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

As of December 31, 2012 and 2011, other financial liabilities consist of "Loans payable", "Accounts payable and accrued liabilities", "Payable to related parties", and "Long-term debt".

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

"Day 1" difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Parent Company 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 Parent Company determines the appropriate method of recognizing the amount "Day 1" difference.

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

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

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 Parent Company assesses whether embedded derivatives are required to be separated from host contracts when the Parent Company 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 the profit or loss.

The Parent Company has no bifurcated derivative assets and liabilities as of December 31, 2012 and 2011.

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

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

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

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

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

In relation to receivables, a provision for impairment is made when there is no objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Parent Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivables 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 Parent Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In 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 Parent Company treats 'significant' generally as 20% or more and 'prolonged' as greater than 12 months for quoted equity securities. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized on that investment is removed from other comprehensive income and recognized in profit or loss.

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

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

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

- the rights to receive cash flows from the asset have expired;
- the Parent Company 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 Parent Company 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 Parent Company 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 Parent Company'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 Parent Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Parent Company's continuing involvement is the amount of the transferred asset that the Parent Company 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 Parent Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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

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

Inventories
Inventories include materials and supplies. These are carried at the lower of cost and net realizable value (NRV). Cost is determined using the weighted-average method. NRV is the value of the inventories when sold at their condition at the reporting date.

Investments in Shares of Stock
Investments in subsidiaries and associates are accounted for under the cost method of accounting. A subsidiary is an entity that the Parent Company controls. An associate is an entity in which the Parent Company has significant influence and which is neither a subsidiary or a joint venture.

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

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

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

Related Parties Transactions
Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Parent Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Parent Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Parent Company that gives them significant influence over the enterprise, key management

personnel, including directors and officers of the Parent Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

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

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

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

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the property and equipments to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been placed into operation, such as repairs and maintenance costs, are normally recognized in profit or loss in the period in which they are incurred. In situations where it can be clearly demonstrated that the expenditures would result in an increase in future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of such property and equipment.

When assets are sold or retired, the cost and related accumulated depreciation and accumulated impairment in value are removed from the accounts and any resulting gain or loss is reflected in profit or loss.

The office equipment, furniture and fixtures, computer software and transportation equipment are depreciated or amortized using the straight-line method over the estimated useful life of five (5) years. Leasehold improvements are amortized over the estimated useful life of five (5) years or the lease term, whichever is shorter.

Depreciation of an item of property 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 ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, and the date the asset is derecognized.

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

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

Land is carried at revalued amount as determined by independent appraisers less impairment in value. The net appraisal increment resulting from the revaluation of land was credited to the "Revaluation increment on land" account shown under the equity section of the parent company statement of financial position. Any appraisal decrease is first offset against revaluation increment on earlier revaluation. The revaluation increment pertaining to disposed land is transferred to the "Retained Earnings/Deficit" account.

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

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

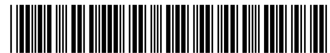
a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
b. a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. there is a change in the determination of whether fulfillment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

Operating Leases
Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b). Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in the Group's profit or loss on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized.

Impairment of Nonfinancial Assets
The Parent Company assesses at each reporting date whether there is an indication that property and equipment and other noncurrent assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset



is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss, unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount less any residual value on a systematic basis over its remaining useful life.

Convertible Loans Payable and Long-term Debt

Convertible loans payable and long-term debt denominated in the functional currency of the Parent Company 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 Parent Company is included in parent company 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 Parent Company, the option is classified as a liability. The option is mark-to-market with subsequent gains and losses being recognized in profit or loss.

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

Borrowing Costs

Borrowing costs are interest and other costs that the Parent Company 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 Parent Company during the period. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Retirement Benefits Liability

Retirement benefits liability is actuarially determined using the projected unit credit method. The projected unit credit method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Upon introduction of a new plan or improvement of an existing plan, past service cost are recognized on a straight-line basis over the average period until the amended benefits become vested. To the

extent that the benefits are already vested immediately, past service costs are immediately expensed. Actuarial gains and losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses for each individual plan exceed 10% of the higher of the present value of the defined benefit obligation and the fair value of the plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan. Gains or losses on the curtailment or settlement of retirement benefits are recognized when the curtailment or settlement occurs.

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

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current 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 other comprehensive income 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 reporting date up to and until the vesting date reflects the extent to which the vesting period has expired, as well as the Parent Company's best estimate of the number of equity instruments that will ultimately vest.

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

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

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

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

Where the Parent Company purchases its own capital stock (treasury shares), the consideration paid, including any directly attributable incremental costs (net of applicable taxes) is deducted from equity attributable to Parent Company equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the Parent Company's equity holders.

Amount of contribution in excess of par value is accounted for as an additional paid-in capital.

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

The Parent Company classifies a contract to deliver its own equity instruments under equity as a "Deposit for Stock Subscription" from liabilities if and only if, all of the following elements are present as of end of the reporting period:

a. the unissued authorized capital stock of the Parent Company is insufficient to cover the amount of shares indicated in the contract;
b. there is BOD's approval on the proposed increase in authorized capital stock;
c. there is stockholders' approval of said proposed increase; and
d. the application for the approval of the proposed increase has been filed with the SEC.

There must be a subscription agreement which, among other things, states that the Parent Company is not contractually obliged to return the consideration received and that the Parent Company is obliged to deliver a fixed number of its own shares of stock for a fixed amount of cash or property paid or to be paid by the contracting party.

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

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

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Parent Company 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 Parent Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Parent Company has concluded that it is acting as principal in all of its revenue arrangements.

Dividend Income
Dividend income is recognized when the Parent Company's right to receive the payment is established, which is generally upon the date of declaration.

Royalty income
Revenue from royalties shall be recognized on an accrual basis in accordance with the substance of relevant agreement.

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

Expenses
Expenses are decreases in economic benefits during the accounting period in the form of outflows or depletion of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized in the Parent Company's profit or loss when the services are used or the expenses are incurred.

Provisions
Provisions, if any, are recognized when the Parent Company 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 Parent Company 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 profit or loss, net of any reimbursement.

Contingencies
Contingent liabilities are not recognized in the parent company 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 parent company financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the parent company 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 parent company financial statements.

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

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the parent company financial statements in accordance with PFRS requires the Parent Company 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 Parent Company financial statements as they become reasonably determinable.

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

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

Determination of functional currency
Based on the economic substance of the underlying circumstances relevant to the Parent Company, the functional currency has been determined to be the Philippine Peso. The Peso is the currency of the primary economic environment in which the Parent Company operates. It is the

currency that mainly influences the income and general and administrative expenses of the Parent Company.

Determination of control
The Parent Company determines control when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity.

The Parent Company controls an entity if and only if the Parent Company has all the following:

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

Classification of financial instruments
The Parent Company exercises judgment in classifying financial instruments in accordance with PAS 39. The Parent Company 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 parent company statements of financial position.

Financial assets of the Parent Company are classified into the following categories:

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

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

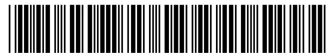
- Financial liabilities at FVPL
- Other financial liabilities

The Parent Company determines the classification at initial recognition and re-evaluates this classification, where allowed and appropriate, at each reporting date (see Note 19).

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

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

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



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

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

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainties at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as 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 profit or loss. The fair values and carrying values of the Parent Company's financial instruments are presented in Note 18 of the financial statements.

Estimating allowance for impairment losses of loans and receivables
The Parent Company assesses on a regular basis if there is objective evidence of impairment of loans and receivables. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The determination of impairment requires the Parent Company to estimate the future cash flows based on certain assumptions, as well as to use judgment in selecting an appropriate rate in discounting. The Parent Company uses specific impairment on its loans and receivables. The Parent Company did not assess its loans and receivables for collective impairment due to few counterparties which can be specifically identified. The amount of loss is recognized in profit or loss with a corresponding reduction in the carrying value of the loans and receivables through an allowance account.

In 2011, the Parent Company recognized an impairment loss on its receivables from officers and employees amounting to ₱1,692. There was no additional impairment on the Parent Company's receivables for the year ended December 31, 2012. Allowance for impairment of receivables amounted to ₱29,096 in 2012 and 2011. Receivables, net of valuation allowance, amounted to ₱1,806,504 and ₱1,674,389 as of December 31, 2012 and 2011, respectively (see Note 5).

Estimating allowance for obsolescence of materials and supplies inventory
The Parent Company 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.

In 2008, materials and supplies inventory amounting to ₱345,205 had been fully provided with an allowance for impairment loss. In 2012 and 2011, the sale of inventories resulted to a reversal of allowance for impairment amounting to ₱5,327 and ₱2,685, respectively, which are recorded as

part of "Others" in parent company the statement of comprehensive income. As of December 31, 2012, the cost of remaining inventory amounted to ₱321,792 with a net realizable value at nil.

Estimating impairment of AFS financial assets
The Parent Company treats AFS financial assets as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Parent Company treats 'significant' generally as 30% or more and 'prolonged' as greater than 12 months for quoted equity securities. In addition, the Parent Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted securities. AFS financial assets amounted to ₱4,896 and ₱4,927 as of December 31, 2012 and 2011, respectively (see Note 8).

Estimating useful lives of property and equipment
The useful lives of property and equipment are estimated based on the period over which these assets are expected to be used. The estimated useful lives of property 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 Parent Company's recorded costs and expenses and decrease noncurrent assets.

There is no change in the estimated useful lives of items of property and equipment in 2012 and 2011. The net book values of property and equipment amounted to ₱9,491 and ₱2,018 as of December 31, 2012 and 2011 respectively (see Note 7).

Determination of the appraised value of land
The appraised value of land is based on a valuation by an independent appraiser firm, which management believes holds a recognized and relevant professional qualification and has recent experience in the location and category of the land being valued. The appraiser firm used the market data approach in determining the appraised value of land. As of December 31, 2012, the fair value of the land amounted to ₱315,888 based on the latest valuation obtained in 2011. The resulting increase in the valuation of land amounting to ₱218,559 is presented as "Revaluation increment on land", net of related deferred tax liability and cost. The carrying amount of the land had it been carried using the cost model amounts to ₱3,661 in 2012 and 2011 (see Note 7).

Estimating impairment of property and equipment
The useful lives of property 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 Parent Company's recorded costs and expenses and decrease noncurrent assets.

Estimating impairment of nonfinancial assets and investments in shares of stock
The Parent Company determines whether its investment in shares of stock 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 cash-generating unit's fair value less cost to sell and value-in-use. Estimating the value-in-use requires the Parent Company to make an estimate of the expected

future cash flows from the cash-generating unit and to choose an appropriate discount rate in order to calculate the present value of those cash flows. Estimating the fair value less cost to sell is based on the information available to reflect the amount that the Parent Company could obtain as of the reporting date. In determining this amount, the Parent Company considers the outcome of recent transactions for similar assets within the same industry.

Estimating fair values of structured debt instruments and derivatives
The fair values of structured debt instruments and derivatives that are not quoted in active markets are determined using valuation techniques such as discounted cash flow analysis and standard option pricing models. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are reviewed before they are used and are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments. There are no derivative assets and liabilities recognized as of December 31, 2012 and 2011.

Valuation of financial assets and financial liabilities
The Parent Company carries certain financial assets and financial liabilities (i.e., derivatives and AFS financial assets) at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates and quoted security prices), the amount of changes in fair value would differ if the Parent Company utilized a different valuation methodology. Any change in fair value of these financial assets and financial liabilities would affect the parent company statement of comprehensive income. The carrying values and corresponding fair values of financial assets and financial liabilities, as well as the manner, in which fair values were determined, are disclosed in Note 18 of the parent company financial statements.

Estimating realizability of deferred tax assets
The Parent Company reviews the carrying amounts of deferred tax asset at each reporting date and reduces the amounts 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 asset to be utilized. The Parent Company has unrecognized deferred tax assets amounting to ₱149,444 and ₱322,016 as of December 31, 2012 and 2011, respectively (see Note 17).

Estimating retirement benefits liability
The determination of the Parent Company's obligation and cost of pension is dependent on the selection of certain assumptions in calculating such amounts. Those assumptions are described in Note 16 of the parent company financial statements and include, among others, discount rates and future salary increase rates.

Actual results that differ from the Parent Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the Parent Company's recognized expenses and recorded obligation in such future periods. While management believes that its assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the Parent Company's retirement benefits liability.
The Parent Company's retirement benefits costs amounted to ₱3,980 and ₱3,006 in 2012 and 2011 respectively. Retirement benefits liability amounted to ₱14,439 and ₱15,183 as of December 31, 2012 and 2011, 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 Parent Company's defense in these matters and is based upon an analysis of potential results. The Parent Company is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Parent Company'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 parent company financial statements. Accordingly, no provision for probable losses arising from contingencies was recognized by the Parent Company in 2012 and 2011 (see Note 21d).

4. **Cash and cash equivalents**

	2012	2011
Short-term investments	**₱107,463**	₱–
Cash in banks	**14,643**	11,677
Cash on hand	**330**	446
	₱122,436	₱12,123

Cash in bank accounts earn interest based on the deposit rates of each of the Company's depository bank, while the yield on cash equivalents is based on short-term investment 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 Company and earn interest at the agreed short-term investments rates.

Interest income earned from cash in banks to ₱808 and ₱592 in 2012 and 2011, respectively.

5. **Receivables**

	2012	2011
Dividends receivable (see Note 6c)	**₱1,000,000**	₱–
Royalties receivable (see Note 6c)	**504,375**	505,226
Receivables from:		
Related parties (see Note 14a)	**287,558**	1,153,322
Officers and employees (see Note 14b)		
Unimpaired	**6,211**	8,063
Impaired	**308**	308
Others:		
Unimpaired	**8,360**	7,778
Impaired	**28,788**	28,788
	1,835,600	1,703,485
Less allowance for impairment losses	**29,096**	29,096
	₱1,806,504	₱1,674,389

Receivables from related parties and receivables from officers and employees are noninterest-bearing and are due and demandable.

The following is a rollforward analysis of the allowance for impairment losses recognized on receivables from officers and employees and other receivables:

	2012	2011
Balances at beginning of year	**₱29,096**	₱27,404
Add provision for the year (see Note 15)	–	1,692
Balances at end of year	**₱29,096**	₱29,096

6. **Investments in Shares of Stock**

The investments in shares of stock as of December 31, 2012 and 2011 consist of:

	2012	2011
CCC (see Note 6c)	**₱18,297,799**	₱18,297,799
AHI (see Note 6d)	**80,012**	80,012
AEI (see Note 6a)	**2,500**	2,500
URHI Group (see Note 6e and 6g)	**1,750**	1,750
TMMI (see Note 6f)	**300**	300
AI (see Note 6b)	**100**	100
	₱18,382,461	₱18,382,461

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:

		Percentage of Ownership	
	Nature of Business	**2012**	2011
Atlas Exploration, Inc. (AEI)	Incorporated in the Philippines on August 26, 2005 to engage in the business of searching, prospecting, exploring and locating ores and mineral resources and other exploration work.	**100.00**	100.00
AquAtlas, Inc. (AI)	Incorporated in the Philippines on May 26, 2005 to provide and supply wholesale or bulk water to local water districts and other customers.	**100.00**	100.00
Amosite Holdings, Inc. (AHI)	Incorporated in the Philippines on October 17, 2006 to hold assets for investment purposes.	**100.00**	100.00
Carmen Copper Corporation (CCC)	Incorporated in the Philippines on September 16, 2004 primarily to engage in exploration work for the purpose of determining the existence of mineral resources, extent, quality and quantity and the feasibility of mining them for profit.	**100.00**	100.00
TMM Management, Inc. (TMMI)	Incorporated in the Philippines on September 28, 2004 to provide management, investment and technical advice to companies.	**60.00**	60.00
Ulugan Resources Holding, Inc.	Incorporated in the Philippines on June 23, 2005 to deal in and with personal properties and securities of every kind and	**70.00**	70.00

	Nature of Business	Percentage of Ownership 2012	2011
(URHI)	description of any government, municipality, political subdivision or agency, corporation, association or entity; exercising any and all interest in respect of any of such securities; and promoting, managing, and participating in and act as agent for the purchase and sale of any securities as may be allowed by law.		
Indirect subsidiaries of the Parent Company under URHI*:			
Ulugan Nickel Corporation (UNC)	Incorporated in the Philippines on June 23, 2005 to explore, develop and mine the Ulugan mineral properties located in the province of Palawan.	**42.00**	42.00
Nickeline Resources Holdings, Inc. (NRHI)	Incorporated in the Philippines on August 15, 2005 to deal in and with any kind of shares and securities and to exercise all the rights, powers and privileges of ownership or interest in respect to them.	**42.00**	42.00
Berong Nickel Corporation (BNC)	Incorporated in the Philippines on September 27, 2004 to explore, develop and mine the Berong Mineral Properties located in the province of Palawan.	**25.20**	25.20

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

Summarized financial information of the Parent Company's subsidiaries as of and for the years ended December 31 is as follows:

	2012	2011
Atlas Exploration, Inc.		
Total assets	**₱3,943**	₱3,954
Total liabilities	**106,048**	102,401
Revenues	**–**	–
Net loss	**(3,658)**	(34,526)
Aquatlas, Inc.		
Total assets	**101**	101
Total liabilities	**31,789**	31,493
Revenues	**–**	–
Net loss	**(297)**	(1,423)
Amosite Holdings, Inc.		
Total assets	**62,736**	62,829
Total liabilities	**37**	80
Revenues	**–**	–
Net loss	**(50)**	(97)
Carmen Copper Corporation		
Total assets	**27,951,970**	18,585,053
Total liabilities	**17,431,930**	10,385,348
Revenues	**13,524,280**	11,520,802
Net income	**3,320,335**	2,541,373

(Forward)

	2012	2011
TMM Management, Inc.		
Total assets	**18,365**	17,747
Total liabilities	**9,963**	10,430
Revenues	**28,534**	30,010
Net income	**1,085**	1,712
Ulugan Resources Holding, Inc.		
Total assets	**5,566**	5,566
Total liabilities	**4,204**	4,104
Revenues	**1**	2
Net loss	**(100)**	(100)
Ulugan Nickel Corporation		
Total assets	**30,482**	12,209
Total liabilities	**33,686**	15,210
Revenues	**–**	–
Net loss	**(204)**	(162)
Nickeline Resources Holdings, Inc.		
Total assets	**113,126**	113,127
Total liabilities	**111,029**	110,940
Revenues	**–**	–
Net loss	**(90)**	(88)
Berong Nickel Corporation		
Total assets	**1,193,805**	1,137,573
Total liabilities	**644,884**	784,949
Revenues	**1,189,716**	577,589
Net income	**196,297**	77,829

a. *Atlas Exploration, Inc.*
In 2012, AEI was engaged in preparatory activities for the geotechnical survey of the Sigpit gold prospect and for the drilling at the southern extension of the Lutopan orebody. AEI incurred a net loss of ₱3,658 and had a capital deficiency of ₱102,105 as of December 31, 2012. AEI is considering the settlement of its outstanding debt to the Parent Company through a debt to equity conversion or merger.

b. *AquAtlas, Inc.*
In 2012, AI continued to explore and assess the feasibility of projects involving the bulk supply of potable water from ACMDC's Malubog Dam. AI incurred a net loss of ₱297 as of December 31, 2012 and had a capital deficiency of ₱31,688. AI is considering the settlement of its outstanding debt to the Parent Company through a debt to equity conversion or merger.

c. *Carmen Copper Corporation*
On May 5, 2006, ACMDC entered into an Operating Agreement with CCC respecting the terms of the assignment by ACMDC to CCC of operating rights over the Toledo mining complex, and the right to acquire certain fixed assets. The agreement may be terminated by ACMDC upon 30 days prior written notice. In February 2012, the BOD approved the waiver of its entitlement to receive from CCC royalties due in 2012. The Parent Company's royalty income amounted to ₱244,479 in 2011. Royalties receivable amounted to ₱504,375 and ₱505,226 as of December 31, 2012 and 2011 (see Note 5).

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

On December 7, 2012, CCC's BOD authorized the declaration of cash dividends out of the Company's retained earnings to stockholders of record as of December 31, 2011 amounting to ₱1,000,000. The dividend is unpaid as of December 31, 2012 (see Note 5).

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

e. *Berong Nickel Corporation*
On February 12, 2010, the Mines and Geosciences Bureau (MGB) issued in favor of BNC an exploration permit designated as EP-002-2010-IVB (the "EP") which covers an area of approximately 1,069 hectares situated in the municipalities of Quezon and Aborlan in the province of Palawan. The EP is valid for an initial period of two (2) years reckoned from the date of issuance. Such period may be extended up to six (6) years.

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

f. *TMM Management, Inc*
In 2012, TMMI's service income and net income amounted to ₱28,534 and ₱1,087, respectively.

g. *Ulugan Resources Holding, Inc. /Ulugan Nickel Corporation/Nickeline Resources Holdings, Inc.*
These Companies have not started commercial operations as of December 31, 2012.

7. Property and Equipment

2012

	At Cost					
	Office Equipment, Furniture and Fixtures	Computer Software	Transportation Equipment	Leasehold Improvements	Total	At Revalued Amount - Land
Revalued Amount/Cost:						
Balances at beginning of year	₱4,931	₱–	₱–	₱–	₱4,931	₱315,888
Additions	2,371	1,130	1,728	3,625	8,854	–
Balances at end of year	7,302	1,130	1,728	3,625	13,785	315,888
Accumulated Depreciation:						
Balances at beginning of year	2,913	–	–	–	2,913	–
Depreciation (see Note 15)	546	383	29	423	1,381	–
Balances at end of year	3,459	383	29	423	4,294	–
Allowance for asset write-downs beginning and end of year	–	–	–	–	–	330
Net Book Values	₱3,843	₱747	₱1,699	₱3,202	₱9,491	₱315,558

2011

	At Cost					
	Office Equipment, Furniture and Fixtures	Computer Software	Transportation Equipment	Leasehold Improvements	Total	At Revalued Amount - Land
Revalued Amount/Cost:						
Balances at beginning of year	₱3,330	₱–	₱–	₱–	₱3,330	₱315,888
Additions	1,601	–	–	–	1,601	–
Balances at end of year	4,931	–	–	–	4,931	315,888
Accumulated Depreciation:		–	–	–		
Balances at beginning of year	2,299	–	–	–	2,299	–
Depreciation (see Note 15)	614	–	–	–	614	–
Balances at end of year	2,913	–	–	–	2,913	–
Allowance for asset write-downs beginning and end of year	–	–	–	–	–	330
Net Book Values	₱2,018	₱–	₱–	₱–	₱2,018	₱315,558

The Company's acquisition of property and equipment amounted to ₱8,854 and ₱1,601 in 2012 and 2011, respectively,

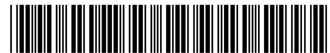
Fully depreciated property and equipment
As of December 31, 2012 and 2011, the cost of fully depreciated office equipment and furniture and fixtures amounted to ₱2,560 and ₱2,557, respectively. These assets are still being used by the Parent Company.

Revaluation increment on land
The fair value of the land amounted to ₱315,888 as of December 31, 2012 and 2011 based on the latest valuation obtained in 2011 by the Parent Company. The resulting increase in the valuation of land amounting to ₱218,559 is presented as "Revaluation increment on land", net of related deferred tax liability and cost. The carrying amount of the land had it been carried using the cost model amounts to ₱3,661 in 2012 and 2011.

8. AFS Financial Assets

The Parent Company's AFS financial assets consist of investments in:

	2012	2011
Toledo Mining Corporation (TMC)	**₱4,874**	₱4,905
Philippine Long Distance Telecommunications (PLDT)	**22**	22
	₱4,896	₱4,927



In 2009, the Parent Company recognized an impairment loss amounting to ₱15,891 with respect to its investment in TMC due to the significant decline in its fair value. The Parent Company recognized other comprehensive income resulting from the recovery in fair value of AFS financial assets from TMC amounting to ₱696 in 2012 and nil in 2011.

9. Other Noncurrent Assets

Other noncurrent assets consist of advances to Longos and Nesbitan Gold Project amounting to ₱4,333 and ₱4,296 as of December 31, 2012 and 2011, respectively and input VAT amounting to ₱28,556 and ₱25,288 as of December 31, 2012 and 2011, respectively. No allowance for impairment was provided in 2012 and 2011.

10. Accounts Payable and Accrued Liabilities

	2012	2011
Accrued liabilities	**₱72,810**	₱70,375
Nontrade	**30,389**	656,378
Interest (see Notes 11a and 14)	**24,512**	124,409
	₱127,711	₱851,162

Accrued Expenses
As of December 31, 2012 and 2011, accrued expenses consists of government payables, utilities and salaries payables.

Nontrade
Payable to TPC and THC
In February 2002, Toledo Power Corporation (TPC) and its wholly owned subsidiary, Toledo Holdings Corporation (THC) executed in favor of the Parent Company a Deed of Release and Quitclaim (the “Settlement Agreement”) which was intended to effectuate the full settlement of certain loan obligations of the Parent Company to TPC in consideration of the conveyance by the Parent Company to THC of (i) a portion of an area covered by two foreshore leases, (ii) three deep wells, and (iii) portions of particular cadastral lots located in Toledo City, Cebu (the “Settlement Properties”). The BOD, however, deferred ratification of the Settlement Agreement to enable negotiation of the exclusion from the Settlement Properties of a portion of the assigned foreshore area that is critical to the Parent Company’s mining operations (the “Foreshore Portion”).

In December 2012, the BOD ratified the Settlement Agreement upon confirmation by TPC of its acceptance of the exclusion of the Foreshore Portion from the Settlement Properties without prejudice to the effects of the Settlement Agreement. Accordingly, the Parent Company recognized a gain on settlement of liability amounting to ₱438,249 in 2012.

Payable to TMC
The Parent Company has payables to TMC for its share in the operating expenses of BNC that was advanced by TMC for the account of the Parent Company. The mechanics for the repayment of such advance are embodied in the April 2006 loan agreement executed by the Parent Company and TMC with respect to a loan facility for an amount not exceeding US$5,000 which may be availed in tranches for the purpose of funding the operations of BNC (the “TMC Loan”). The TMC Loan accrued interest at the rate of 10% per annum and could be repaid through the conversion of the whole or a portion of the amount of the TMC Loan into equity of the Parent Company at the option of TMC (the “TMC Conversion Option”).

On May 31, 2007, TMC notified the Parent Company of its intention to exercise the TMC Conversion Option with respect to a portion of the TMC Loan amounting to US$2,750 by subscribing to a total of 12,980,000 shares of stock of the Parent Company at the price of ₱10.00 per share.

Following such notice, the Parent Company re-classified as deposit for future stock subscription (the "Deposit on Subscription") the Peso equivalent of the portion of the TMC Loan subject of the exercise of the Conversion Option that amounts to ₱150,960 (see Note 12b).

On July 4, 2011, the Parent Company and TMC executed an agreement respecting the terms and conditions for the full settlement by the Parent Company of the full amount of the TMC Loan and all other amounts due to TMC. Such agreement enabled the Parent Company to discharge all of its outstanding loan obligations to TMC through the payment of the aggregate amount of US$4,499. As a result of the settlement, the Parent Company (i) recognized a gain amounting to ₱90,458 which arose from the condonation of a portion of the TMC Loan , and (ii) reversed the recognition of the Deposit on Subscription in 2011 (see Note 12b). In 2012, the Parent Company derecognized the remaining portion of its payable from TMC amounting to ₱81,299.

11. Loans Payable and Long-Term Debt

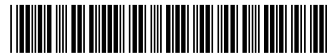
Loans payable and long-term debt as of December 31 2012 and 2011 consists of:

	2012	2011
Loans payable		
Banco de Oro Unibank, Inc. (BDO) (see Note 11b)	**₱–**	₱5,341,800
Long-term debt		
Banco de Oro Unibank, Inc. (BDO) (see Note 11a)	**2,701,761**	3,288,000
	2,701,761	3,288,000
Less noncurrent portion	**1,947,781**	2,885,388
	₱753,980	₱402,612

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

	2012	2011
Due in:		
2012	**₱–**	₱402,612
2013	**753,980**	805,224
2014	**753,980**	805,224
2015 and thereafter	**1,193,801**	1,274,939
	₱2,701,761	₱3,288,000

a. Banco de Oro Unibank, Inc US$75 million long-term debt
On July 25, 2011, the Parent Company availed from BDO a US dollar-denominated loan facility debt covering the amount of US$75 million ("the BDO Facility"). The proceeds from the BDO Facility were used to finance (i) the Parent Company's acquisition of the entire equity interest of CASOP Atlas B.V. and CASOP Atlas Corporation in CCC, and (ii) CCC's working capital requirements.



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

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 also created in favor of BDO mortgage liens over the real properties and chattels of CCC to secure the performance of the long-term debt agreement. The BDO Facility is also secured by a pledge of the shares of CCC that were purchased by the Parent Company. Such purchase was funded partly by the proceeds from the BDO Facility.

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

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

The outstanding liability from the BDO Facility amounted to ₱2,701,761 and ₱3,288,000 as of December 31, 2012 and 2011 respectively. The current portion of the loan amounted to ₱753,980 and ₱402,612 as of December 31, 2012 and 2011, respectively. The related interest expense recognized amounted to ₱237,308 and ₱107,308 in 2012 and 2011, respectively. The accrued interest payable amounted to ₱2,073.

Short-term investments
Restricted cash securities consisting of short-term investments amounted to ₱242,082 and ₱194,067 as of December 31, 2012 and 2011, respectively.

As of December 31, 2012 and 2011, the Parent Company has ascertained its compliance with the covenants respecting the BDO Facility.

b. Loans Payable and long-term debt converted to equity
   i. *Banco de Oro Unibank, Inc ₱5.3 billion loan payable*
   On July 25, 2011, the Parent Company availed from BDO a Philippine Peso-denominated convertible loan facility covering the amount of ₱5,341,800 (the "2011 BDO Loan"). The proceeds of the loan were used to finance (i) the Parent Company's acquisition of the entire equity interest of CASOP Atlas B.V. and CASOP Atlas Corporation (collectively, "CASOP") in CCC, and (ii) CCC's working capital requirements.

The 2011 BDO Loan (i) had an initial term of 90 days that may be renewed for successive 90-day periods not exceeding an aggregate of 360 days (inclusive of the initial 90-day term); and (ii) accrues interest at the rate of 4% per annum. The terms of the 2011 BDO loan require the Parent Company to, among others, maintain a debt service coverage of not less than 1.5:1 while the loan obligation remains outstanding.

Securities
The 2011 BDO Loan is secured by (i) a pledge over the CCC shares of stock purchased by the Parent Company from CASOP using the loan proceeds, and (ii) unregistered mortgages respecting certain real and movable properties of CCC.

Covenants
Pursuant to the agreement covering the 2011 BDO Loan (the "2011 BDO Agreement"), BDO had an option to convert all or a portion of all amounts outstanding thereunder prior to maturity (the "Conversion Option"). The full exercise of the Conversion Option would result in the issuance to BDO or its assignee of 273,098,160 common shares of stock of the Parent Company (the "Conversion Shares"). The Conversion Option is treated as an equity instrument with zero value on initial recognition. As of December 31, 2011, the Parent Company has ascertained its compliance with the covenants respecting the BDO Facility.

On January 24, 2012, the term of the 2011 BDO Loan was extended to move the maturity date to the end of its third 90-day period. The interest expense recognized on the 2011 BDO Loan amounted to ₱21,367 and ₱92,591 in 2012 and 2011, respectively.

₱129 million loan payable
On January 24, 2012, the Parent Company availed another loan facility from BDO for the amount of ₱129,000 (the "2012 BDO Loan") which accrues interest at the rate of 4% per annum. On the same date, the Parent Company, using the proceeds of the 2012 BDO Loan, paid BDO the interest that had accrued on the 2011 BDO Loan in 2011 and as of that date amounting to ₱106,836 and other charges amounting to ₱22,164.

On February 28, 2012, BDO and SM Investments Corporation (SMIC) executed a Deed of Assignment of Notes embodying the assignment to SMIC of all of BDO's rights and interest to the 2011 BDO Loan and the 2012 BDO Loan. SMIC became bound by the terms of the 2011 BDO Loan and the 2012 BDO Loan as if it were an original party thereto. On the same date, BDO cancelled and released, among others, the lien created over the properties of CCC that were mortgaged in favor of BDO to secure the performance of the Parent Company's obligation under the 2011 BDO Loan.

On May 18, 2012, the Parent Company and SMIC executed an addendum to the 2011 BDO Agreement to include in the Conversion Option the 2012 BDO Loan and the interest accruing thereon without increasing the number of the Conversion Shares.

On May 21, 2012, SMIC formally notified the Parent Company of its intention to fully exercise the Conversion Option with respect to the 2011 BDO Loan and the 2012 BDO Loan, together with their accrued interest from January 24, 2012 to February 29, 2012 amounting to ₱21,367 and ₱517, respectively.

In July 2012, the total loan obligation, principal and interest, under the 2011 BDO Agreement, amounting to ₱5,492,684 was converted into equity of the Parent Company through the issuance to SMIC of the Conversion Shares (see Note 12a).

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

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

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

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

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

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

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

On December 29, 2010, APHC effectuated the conversion of the entire amount of the Anglo Loan by executing with the Parent Company a Deed of Assignment with Subscription Agreement embodying the assignment by APHC to the Parent Company of its rights to the Anglo Loan as payment for its subscription to a total of 50,450,500 shares of the Parent Company, together with the derivative liability of ₱387,461, into equity (see Note 12b).

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

Under the terms of the 2009 BDO Loan Agreement, the 2009 BDO Loan accrued interest at the rate of 10% per annum. Interest amounted to ₱141,716 in 2011.

The 2009 BDO Loan was discharged fully on October 21, 2010

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

Establishment of Accounts
Pursuant to the 2009 BDO Loan Agreement, the Parent Company established a Debt Service Account (DSA) using a portion of the proceeds of the 2009 BDO Loan. The initial cash deposit amounting to ₱115,500 (US$2,500) is restricted by BDO. As long as the 2009 BDO Loan remains outstanding, the DSA is required to have a minimum maintaining balance equal to the aggregate amount of interest payments due on all outstanding advances for two interest periods. This cash in bank deposit is classified as part of the Parent Company's current assets.

Under the terms of the 2009 BDO Loan Agreement, the designated collateral trustee shall invest and reinvest the funds deposited in the DSA in government securities or, at the Parent Company's request, in other types and mix of investments. Per regulations issued by the BSP, funds held in the DSA are not covered by the Philippine Deposit Insurance

Corporation, and as such, any loss or depreciation in their value shall be for the account of the Parent Company.

As of December 31, 2010, the ₱115,500 DSA account is no longer restricted due to the extinguishment of the BDO loan on October 20, 2010 and thus classified as part of "Cash and cash equivalents".

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

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

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

Mandatory Conversion
The 2009 BDO Loan Agreement provides for the mandatory conversion of the entire amount of the BDO Loan at the conversion price of ₱10 when, during the term of the loan, the volume weighted average price of the Parent Company's shares of stock based on trading at the Philippine Stock Exchange does not fall below ₱13 per day for twenty (20) consecutive trading days.

Under the terms of the BDO Loan Agreement, mandatory conversion may be effectuated through the transfer by Alakor to BDO and Globalfund of such number of its shares in the Parent Company that will have a total par value equal to the Philippine Peso equivalent of the 2009 BDO Loan amounting to P117,050 (the "Alakor Payment").

Conversion
On October 12, 2010 ("Conversion Date"), the conditions for mandatory conversion under the 2009 BDO Loan Agreement were satisfied. Following the delivery by the Parent Company of a notice of its intent to enforce the mandatory conversion provision, conversion of the 2009 BDO Loan was effectuated on October 21, 2010 through the Alakor Payment which involved the conveyance by Alakor to BDO and Globalfund of 117,050,000 of its shares in the Parent Company in consideration for the assignment by BDO and Globalfund to Alakor of their rights to the 2009 BDO Loan. The full discharge of the 2009 BDO Loan resulted from the Alakor Payment (see Note 12a).

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

On December 30, 2010 ("Exercise Date"), Alakor exercised its option to convert the Indemnity Obligation by executing with the Parent Company a Deed of Assignment with Subscription Agreement which embodies the assignment by Alakor to the Parent Company of its rights to the Indemnity Obligation as payment for its subscription to a total of 117,050,000 of the Parent Company's shares. The Parent Company accrued interest on the Indemnity Obligation from Conversion Date to Exercise Date amounting to ₱21,986 (the "Alakor Interest Payable"). As of December 31, 2012, the Alakor Interest Payable remained outstanding and was recorded as part of accounts payable and accrued liabilities (see Notes 10 and 14). The exercise by Alakor of the conversion option resulted in the full extinguishment of the Indemnity Obligation. As of December 31, 2010, the total converted amount is presented in the Deposits for Future Stock Subscriptions (see Note 12b). The share issue arising from the conversion was completed in August 2011.

The summary of interest expense as of December 31, 2012 and 2011 are as follows:

	2012	2011
BDO US$75 million long-term debt	**₱237,308**	₱107,308
BDO ₱5.3 billion loan	**36,575**	92,591
Philodrill note (see Note 14d)	**3,102**	7,320
TMC loan (see Note 10)	–	5,991
Alakor loan (see Note 11b*iv*)	–	3,500
	₱276,985	₱216,710

12. Capital Stock and Deposits for Future Stock Subscriptions

a. Capital Stock

The table below presents the details of the Parent Company's authorized and issued and outstanding capital stock as of December 31, 2012 and December 31, 2011:

	December 31, 2012		December 31, 2011	
	No. of Shares	**Amount**	No. of Shares	Amount
Authorized - ₱8 par value in 2012 and ₱10 par value in 2011	**3,000,000,000**	**₱24,000,000**	2,000,000,000	₱20,000,000
Issued and outstanding	**2,074,366,980**	**16,594,936**	1,764,053,032	17,640,530

Increase in authorized capital stock

On October 8, 2010, the SEC approved the increase in the Parent Company's authorized capital stock from ₱12,000,000 to ₱14,200,000.

On September 5, 2011, the SEC approved the increase in the Parent Company's capital stock from ₱14,200,000 to ₱20,000,000.

On July 6, 2012, the SEC approved the increase in the Parent Company's authorized capital stock from ₱20,000,000 to ₱30,000,000. On the same date, the SEC approved the decrease in the par value of the Parent Company's shares of stock from ₱10.00 to ₱8.00 which resulted in the decrease in the Parent Company's authorized capital stock from ₱30,000,000 divided into 3,000,000,000 common shares with a par value of ₱10.00 per share to ₱24,000,000 divided into 3,000,000,000 common shares with a par value of ₱8.00 per share. Such decrease in authorized capital stock is part of the equity restructuring of the Parent Company.

Issuance of shares
Issuance of shares in 2012 and 2011 are as follows:

2012

Name of Stockholder	No. of Shares	Capital Stock	APIC	Total
SMIC (see Note 11b)	**273,098,160**	**₱2,730,982**	**₱2,761,702**	**₱5,492,684**
Spinnaker Capital Group (Spinnaker)	**35,000,000**	**350,000**	**–**	**350,000**
Stock issuances arising from Comprehensive Stock Option Plan (CSOP)	**2,215,788**	**18,604**	**3,554**	**22,158**
	310,313,948	**₱3,099,586**	**₱2,765,256**	**₱5,864,842**

SMIC
On May 21, 2012, SMIC formally notified the Parent Company of its intention to fully exercise the Conversion Option with respect to the 2011 and 2012 BDO Loans together with the accrued interest amounting to ₱21,367 and ₱517, respectively. The total loan obligation under the 2011 BDO Agreement amounting ₱5,492,684 was converted into equity of the Parent Company through the issuance to SMIC of the Conversion Shares in July 2012 (see Note 11b).

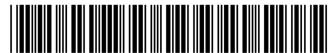
Spinnaker
In March 2012, the Parent Company issued 35,000,000 of its shares to Spinnaker for a total subscription price of ₱350,000, following the full exercise by Spinnaker of subscription rights under stock warrants granted by the Parent Company in 2009.

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

2011

Name of Stockholder	No. of Shares	Capital Stock	APIC	Total
Abacus	30,300,000	₱303,000	₱–	₱303,000
Alakor (see Note 11b*iv*)	117,050,000	1,170,500	511,867	1,682,367
APHC (see Note 11b*iii*)	50,450,500	504,505	387,461	891,966
SMIC	316,242,331	3,162,423	3,023,275	6,185,698
Zenith Holdings Corporation	111,196,319	1,111,963	1,063,037	2,175,000
	625,239,150	₱6,252,391	₱4,985,640	₱11,238,031

Abacus
During the period between September 17, 2010 and December 31, 2010, Abacus exercised in tranches its option to subscribe to a total of 50,000,000 of the Parent Company's shares of stock at the price of ₱10 per share by executing several subscription agreements with the Parent Company. Of the 50,000,000 shares subscribed by Abacus, 19,700,000 were issued before December 31, 2010. The payments made by Abacus for the remaining 30,300,000 shares, which were issued in January 2011, were recorded as part of deposits for future stock subscriptions in the parent company statement of financial position as at December 31, 2010 (see Note 12).



Alakor
The loan obligations of the Parent Company under the Convertible Loan and Security Agreement (CLSA) were discharged in accordance with the mandatory conversion provision thereof which allowed the Parent Company to settle in full the principal amount of the loan by conveying to BDO and Globalfund a total of 117,050,000 of its shares of stock either through original issuance, or through the transfer by Alakor to BDO and Globalfund of such number of the Parent Company's shares that it owns. BDO and Globalfund elected the latter option in effectuating conversion. As a result, the Parent Company recognized an indemnity obligation in favor of Alakor amounting to ₱117,050 which is equivalent to the aggregate par value of the shares transferred by Alakor to BDO and Globalfund. Such indemnity obligation was converted by Alakor into shares of stock of the Parent Company based on the conversion price of ₱10 per share (see Note 11*iv*).

APHC
The issuance of 50,450,500 shares of stock to APHC (the "Anglo Shares") resulted from the conversion into equity of the Parent Company's loan obligations under its July 9, 2009 US$11.5 million loan agreement with APHC (the "Anglo Loan"). The Peso equivalent of the Anglo Loan which amounted to ₱504,505 based on the Philippine Peso-US Dollar exchange rate of US$1.00: ₱43.87 was converted to equity shares of the Parent Company at the price of ₱10.00 per share (see Note 11*biii*).

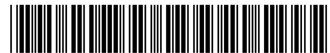
SMIC and Zenith
As part of the capital raising activities undertaken by the Parent Company in July 2011 to finance its acquisition of the entire equity interest of CASOP Atlas B.V. and CASOP Atlas Corporation in CCC, the Parent Company entered into subscription agreements respecting (i) the issuance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

As of December 31, 2012 and 2011, the common shares of the Parent Company are held by 21,164 and 21,296 equity holders, respectively.

b. Deposits for Future Stock Subscriptions
The table below shows the details of the deposits for future stock subscriptions account in 2011 that consisted of converted loans of TMC in 2007, converted loans of Alakor and APHC and subscriptions of Abacus in 2010:

	Alakor (see Note 11b*iv*)	APHC (see Note 11b*iii*)	Abacus (see Note 12a)	TMC (see Note 10)	Total
January 1, 2011	₱1,682,367	₱891,966	₱303,000	₱150,960	₱3,028,293
Issuance of shares (see Note 19)	(1,682,367)	(891,966)	(303,000)	–	(2,877,333)
Reclassification to liability	–	–	–	(150,960)	(150,960)
December 31, 2011	₱–	₱–	₱–	₱–	₱–

The Parent Company recognized deposits for future stock subscriptions at the end of 2010 despite having sufficient authorized and unissued capital stock to cover the share issuances to the entities that exercised their rights under various debt-to-equity conversion options in 2010 since the SEC approved the debt-to-equity conversion in 2011.



c. APIC and Retained Earnings

Equity restructuring

On July 6, 2012, the Parent Company obtained SEC approval of its application for equity restructuring through the application of its additional paid-in capital of ₱12,723,188 to wipe out its deficit as of December 31, 2011 amounting to ₱12,722,320. The approval was subject to the condition that the remaining balance of the reduction surplus of ₱868 will not be used to wipe out any future loses, without prior approval of the SEC.

The additional paid-in capital of ₱12,723,188 that was applied in the equity restructuring comprised the existing additional paid-in capital of ₱5,816,306 as of December 12, 2011, the additional paid-in capital of ₱2,761,702 resulting from SMIC's exercise of the Conversion Option under the 2011 BDO Loan Agreement, and the reduction surplus of ₱4,145,180 resulting from the decrease in the Parent Company's authorized capital stock (see Note 12a).

13. Comprehensive Stock Option Plan

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

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

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

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

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

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

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

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

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

Share-based compensation expense presented as part of additional paid-in capital amounted to nil in 2012 and 2011 and ₱41,103 in 2010, respectively.

As discussed in Note 12a, in 2012, qualified employees who were previously granted stock option awards exercised their subscription rights with respect to a total of 2,215,788 shares for a total subscription price of ₱22,158.

14. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Parent Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Parent Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Parent Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Parent Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

a. The parent company statements of financial position include the following amounts resulting from the various transactions with related parties:

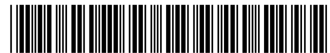
	Nature of Relationship	**2012**	2011
Receivable from related parties:			
AEI (see Note 14a)	Subsidiary	**₱102,244**	₱98,824
BNC (see Note 14a)	Subsidiary	**100,759**	107,607
AI (see Note 14)	Subsidiary	**31,336**	30,980
Alakor* (see Note 14c)	Stockholder	**28,464**	30,202
CCC (see Note 14e)	Subsidiary	**19,928**	880,882
URHI (see Note 14a)	Subsidiary	**3,006**	3,006
NRHI (see Note 14a)	Subsidiary	**1,224**	1,224
UNC (see Note 14a)	Subsidiary	**597**	597
		₱287,558	₱1,153,322
Payable to related parties:			
AHI (see Note 14a)	Subsidiary	**₱2,725**	₱2,818
The Philodrill Corporation (see Note 14d)	Stockholder	–	73,213
		₱2,725	₱76,031

There were no sales transactions and purchases to and from related parties in 2012 and 2011.
**A portion of the payable to Alakor amounting to ₱21,986 that was accrued in 2010 as interest payable (see Note 11biv) is presented on the parent company statements of financial position as part of Accounts payable and accrued expenses.*

The Parent Company's transactions consist mainly of receivable from and payable to related parties to cover administrative and operating costs and expenses. These amounts are non-interest bearing and are due and demandable to be paid when sufficient funds are available.

b. Receivable from officers and employees as of December 31, 2012 and 2011 amounting to ₱6,519 and ₱8,371, respectively, pertain to cash advances extended by the Parent Company to its officers and employees.

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



loan agreements executed by the Parent Company. The balance of the receivable from Alakor amounted to ₱28,464 and ₱30,202 as of December 31, 2012 and 2011, respectively.

d. In December 2010, the Parent Company issued a promissory note to Philodrill Corporation for the principal amount of $1,670 (the "Philodrill Note"). The loan shall accrue interest from January 22, 2010 at the rate of 10% per annum. The Parent Company incurred interest expense amounting to ₱3,102 and ₱7,320 in 2012 and 2011, respectively. In June 2012, the Parent Company discharged fully the loan obligation under the Philodrill Note amounting to ₱73,213.

e. In 2012, CCC settled in tranches its payable to the Parent Company amounting to ₱860,954. In July 2011, CCC agreed to provide security for the loan obligations of the Parent Company to BDO under the BDO Facility and the 2011 BDO Loan (see Note 11). CCC (i) executed an irrevocable suretyship in favor of BDO whereby it became solidarily liable with the Parent Company for the discharge of all obligations under the BDO Facility, and (ii) created in favor of BDO mortgage liens over its real properties and chattels to secure the performance of the Parent Company's obligations under the 2011 BDO Loan.

f. *Compensation of Key Management Personnel*

The Parent Company considers all seniors officers as key management personnel.

	2012	2011
Short-term benefits	**₱37,475**	₱15,889
Retirement benefits	**2,743**	3,253
	₱40,218	₱19,142

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

15. General and Administrative Expenses

	2012	2011
Professional and consultancy fees	**₱92,799**	₱123,721
Salaries, wages and benefits	**44,487**	18,607
Taxes and licenses	**47,558**	75,862
Entertainment, amusement and recreation	**19,695**	3,525
Transportation and travel	**5,087**	2,862
Severance pay	**4,568**	–
Rental	**4,016**	3,580
Retirement benefit expense (see Note 16)	**3,980**	3,006
Communication, light and water	**1,960**	1,938
Depreciation (see Note 7)	**1,381**	614
Repairs and maintenance	**1,355**	2,130
Provision for impairment loss on receivables (see Note 5)	**–**	1,692
Others	**49,477**	42,125
	₱276,363	₱279,662

Professional and consultancy fees in 2012 and 2011 include arranger's fee for the acquisition of loans payable and long-term debt. Severance pay in 2012 covers expenses incurred in connection with the implementation of the Parent Company's Voluntary Retirement Program covering certain officers and employees.
Others consist mainly of bond premium expense, expenses related to the conversion of the loan liability to equity, expenses related to the annual stockholders meeting, insurance expense and membership dues.

16. **Retirement Benefits Liability**

The Parent Company has an unfunded defined benefit retirement plan covering substantially all of its employees. The following tables summarize the components of net benefit expense recognized in the profit and loss and the amounts recognized in the parent company statements of financial position.

a. The details of net retirement benefits cost follow:

	2012	2011
Current service cost	**₱3,306**	₱1,923
Interest cost on defined benefits obligation	**1,614**	1,129
Amortization of actuarial gain on obligation	**112**	(46)
Curtailment gain	**(1,052)**	–
	₱3,980	₱3,006

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

	2012	2011
Balances at beginning of year	**₱15,183**	₱14,569
Retirement benefits cost	**3,980**	3,006
Settlements	**(4,724)**	–
Benefits paid	**–**	(2,392)
Balances at end of year	**₱14,439**	₱15,183

c. Changes in the present value of defined benefit obligation as of December 31 follow:

	2012	2011
Balances at beginning of year	**₱14,734**	₱12,743
Current service cost	**3,306**	1,923
Interest cost	**1,615**	1,129
Actuarial loss:		
Experience adjustment	**(2,730)**	(864)
Changes in assumptions	**482**	2,195
Benefits paid	**–**	(2,392)
Curtailment loss	**(6,925)**	–
Balances at end of year	**₱10,482**	₱14,734

d. The details of accrued retirement benefits cost are as follows:

	2012	2011
Defined benefits obligation	**₱10,482**	₱14,734
Fair value of plan assets	**–**	–
	10,482	14,734
Unrecognized net actuarial gains	**3,957**	449
	₱14,439	₱15,183

e. The principal assumptions used in determining retirement benefits cost for the Parent Company's defined benefit retirement plan as of January 1 follow:

	2012	2011	2010
Discount rate	**6.03%**	6.85%	8.86%
Future annual increase in salary	**10.00%**	10.00%	10.00%
Average expected term of obligation	**12**	12	12

f. The present value of the defined benefit obligation and experience adjustments for the current and previous periods follow:

	2012	2011	2010	2009
Present value of defined benefit obligation	**₱10,482**	₱14,734	₱12,743	₱8,162
Experience adjustments	**(2,730)**	(864)	1,968	944

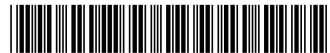
17. **Income Taxes**

a. The current provision for income tax in 2012 and 2011 represents MCIT. No RCIT was recognized in 2012 and 2011 due to the Parent Company's net taxable loss position.

b. The reconciliation of provision for income tax computed at the statutory income tax rates to the provision for income tax follows:

	2012	2011
Benefit from income tax computed at statutory income tax rates	**₱348,613**	(₱48,149)
Additions to (reductions in) income tax resulting from:		
Nondeductible expenses	**8,708**	9,551
Income exempt from tax	**(300,000)**	–
Movement of unrecognized deferred tax assets	**(46,452)**	46,277
Income already subjected to final tax	**(242)**	(178)
	₱10,627	₱7,501

As of December 31, 2012 and 2011, the deferred tax liability amounting to ₱93,668 represents the revaluation increment on land which is presented at its net revaluation increment in the parent company statement of changes in equity.



c. As of December 31, 2012, the NOLCO and MCIT that can be claimed as deduction from future taxable income follow:

Year Incurred	Available Until	NOLCO	MCIT
2012	2015	₱–	₱10,627
2011	2014	88,372	7,501
2010	2013	156,294	4,028
		₱244,666	₱22,156

Movements in NOLCO and MCIT follow:

	2012	2011
NOLCO:		
Beginning of year	**₱689,163**	₱744,916
Additions	**–**	88,372
Application	**(7,978)**	–
Expiration	**(436,519)**	(144,125)
End of year	**₱244,666**	₱689,163

	2012	2011
MCIT:		
Beginning of year	**₱13,604**	₱7,069
Additions	**10,627**	7,501
Expirations	**(2,075)**	(966)
End of year	**₱22,156**	₱13,604

d. The Parent Company has the following deductible temporary differences and carryforward benefits of NOLCO and MCIT 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.

	2012	2011
Deferred tax assets		
Carry-forward benefits of:		
NOLCO	**₱17,590**	₱195,747
MCIT	**22,156**	13,604
Allowance for impairment on:		
Inventories	**96,538**	99,282
Receivables	**8,729**	8,729
Revaluation increment on land	**99**	99
Retirement benefits liability	**4,332**	4,555
Total	**₱149,444**	₱322,016

The Company recognized deferred tax asset up to the extent of the deferred tax liabilities since they are expected to be reversed in the same period.

	2012	2011
Deferred tax assets		
NOLCO	**₱55,810**	₱11,002
Unrealized foreign exchange loss	**51,564**	922

(Forward)

	2012	2011
Deferred tax liabilities		
Unrealized foreign exchange gains	**(₱107,374)**	(₱11,924)
Total	**₱–**	₱–

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

18. Financial Instruments

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

Fair Values of Financial Instruments

The following table shows the carrying values and fair values of the Parent Company's financial assets and liabilities:

	Carrying Values		Fair Values	
	2012	2011	**2012**	2011
Financial assets				
Loans and receivables:				
Cash and cash equivalents	**₱122,436**	₱12,123	**₱122,436**	₱12,123
Short-term investments	**242,082**	194,067	**242,082**	194,067
Receivables:				
Dividends receivable	**1,000,000**	–	**1,000,000**	–
Royalties receivable	**504,375**	505,226	**504,375**	505,226
Receivable from related parties	**287,558**	1,153,322	**287,558**	1,153,322
Subscription receivable	**1,710**	1,710	**1,710**	1,710
AFS financial asset	**4,896**	4,927	**4,896**	4,927
	₱2,163,057	₱1,871,375	**₱2,163,057**	₱1,871,375
Financial liabilities				
Other financial liabilities:				
Accounts payable and accrued liabilities:				
Nontrade	**₱6,585**	₱634,791	**₱6,585**	₱634,791
Interest	**24,512**	124,409	**24,512**	124,409
Payable to related parties	**2,725**	76,031	**2,725**	76,031
Accrued and other liabilities*	**1,701**	2,189	**1,701**	2,189
Loans payable and long-term debt	**2,701,761**	8,629,800	**2,427,766**	8,369,737
	₱2,737,284	₱9,467,220	**₱2,737,283**	₱9,207,157

**Excluding government payables*

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents, short-term investments, receivables, accounts payable and accrued liabilities and loans payable
The carrying values approximate the fair values due to the relatively short-term maturity of these financial instruments and receivable from and payable to related parties will be settled on demand and when available funds are obtained.

AFS financial assets
The fair values were determined by reference to market bid quotes as of reporting date.

Long-term debt
The fair value of long-term debt is computed using the discounted cash flow method with credit adjusted zero coupon rates as discount rate.

The Parent Company uses the following hierarchy for determining and disclosing the fair value of financial instruments 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 of AFS investment is classified as Level 1 as of December 31, 2012 and 2011 since it is quoted in an active market. There were no transfers between levels of fair value measurement as of December 31, 2012 and 2011. The Parent Company has no financial assets and liabilities measured under Level 3.

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

The Parent Company's main financial instruments are cash, short-term investments, receivables and AFS financial assets which are directly related from its operations. It has various other financial assets and liabilities such as accounts payable and accrued liabilities, loans payable and long term debt which arise from the Parent Company's operations.

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

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

As of December 31, 2012 and 2011, foreign currency-denominated assets and liabilities are as follows:

	2012		2011	
	Foreign Currency	**Peso Equivalent**	Foreign Currency	Peso Equivalent
Assets:				
Cash and cash equivalents	**US$5,909**	**₱242,562**	US$4,594	₱201,393
Receivables	**2,455**	**100,759**	2,455	107,607
	8,364	**343,321**	7,049	309,000
Liabilities:				
Accounts payable and accrued liabilities	**241**	**9,879**	2,602	114,069
Payable to related parties	**–**	**–**	1,670	73,213
Long-term debt	**65,816**	**2,701,760**	75,000	3,288,000
	66,057	**2,711,639**	79,272	3,475,282
	(US$57,693)	**(₱2,368,318)**	(US$72,223)	(₱3,166,282)

The exchange rates used were ₱41.05 to US$1 and ₱43.84 to US$1 at December 31, 2012 and 2011, respectively.

The following table summarizes the impact on income before income tax of reasonably possible changes in the exchange rates of US Dollar against the Peso as of December 31, 2012 and 2011:

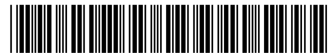
	US$ Appreciates/ (Depreciates)	Increase/ (Decrease)
2012	**5.0%**	**(₱118,416)**
	(5.0%)	**118,416**
2011	2.60%	(82,323)
	(6.50%)	205,808

There is no other impact of exchange rates on the Parent Company's equity other than those affecting profit or loss.

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 Parent Company is exposed to equity price risk because of financial assets held, 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 parent company financial statements.

Credit risk
Credit risk is the risk that the Parent Company will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligation. The Parent Company's financial assets which are exposed to credit risk include its cash, short-term investments, receivables and AFS financial assets with a maximum exposure equal to the carrying amount of these assets.

With respect to cash, short-term investments 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 parent company's statement of financial position.



The following table summarizes the gross maximum exposure to credit risk for the components of the parent company statements of financial position as of December 31, 2012 and 2011. The maximum exposure is shown gross, before the effect of mitigation through use of master netting and collateral agreements.

	2012	2011
Loans and receivables:		
Cash and cash equivalents*	**₱122,106**	₱11,677
Short-term investments	**242,082**	194,067
Receivables:		
Dividends receivable	**1,000,000**	–
Royalties receivable	**504,375**	505,226
Receivable from related parties	**287,558**	1,153,322
AFS financial assets	**4,896**	4,927
	₱2,161,017	₱1,869,219

**Excluding cash on hand*

It is the Parent Company's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Parent Company has internal mechanism to monitor the granting of credit and management of credit exposures. The Parent Company has no significant concentration risk to a counterparty or group of counterparties.

The credit quality of financial assets is managed by the Parent Company using internal credit ratings.

Credit quality per class of financial assets
The credit quality by class of asset for the Parent Company's financial assets as of December 31, 2012 and 2011 based on credit rating system follows:

2012

	Neither Past Due nor Impaired			
	High Grade	**Standard Grade**	**Substandard Grade**	**Total**
Loans and receivables:				
Cash and cash equivalents*	**₱122,106**	**₱–**	**₱–**	**₱122,106**
Short-term investments	**242,082**	**–**	**–**	**242,082**
Receivables:				
Dividend receivable	**1,000,000**	**–**	**–**	**1,000,000**
Royalties receivable	**–**	**504,375**	**–**	**504,375**
Receivable from related parties	**–**	**287,558**	**–**	**287,558**
AFS financial assets	**4,896**	**–**	**–**	**4,896**
	₱1,369,084	**₱791,933**	**₱–**	**₱2,161,017**

****Excluding cash on hand***

2011

	Neither Past Due nor Impaired			
	High Grade	Standard Grade	Substandard Grade	Total
Loans and receivables:				
Cash and cash equivalents	₱11,677	₱–	₱–	₱11,677
Short-term investments	194,067	–	–	194,067
Receivables:				
Receivable from related parties	–	1,153,322	–	1,153,322
Royalties receivable	–	505,226	–	505,226
AFS financial assets	4,927	–	–	4,927
	₱210,671	₱1,658,548	₱–	₱1,869,219

**Excluding cash on hand*

High grade receivables pertain to those receivables from clients or customers that consistently pay before the maturity date. Standard grade receivable includes those that are collected on their due dates even without an effort from the Parent Company to follow them up while receivables which are collected on their due dates, provided that the Parent Company made a persistent effort to collect them are included under substandard grade receivables. Past due receivables include those that are either past due but still collectible or determined to be individually impaired.

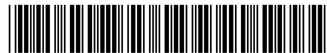
The credit quality of the financial assets was determined as follows:

- Cash in banks and AFS financial assets are classified as "High Grade" since cash is placed in high profile banking institutions while the concentration of AFS financial assets are invested in blue chip shares of stock; and
- Receivables are classified as "Standard Grade" since the collection of the balances depends on the availability of funds of existing and active parties, except for items specifically identified below as past due but not impaired.

Impairment assessment
The main consideration for the loan impairment assessment include whether any payments of principal or interest are overdue by more than one year or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract.

The Parent Company determines the allowance appropriate for each individually significant receivable on an individual basis. Items considered when determining allowance amounts include the availability of other financial support and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention. Impaired financial assets as of December 31, 2012 and 2011 relate to overdue accounts.

Liquidity risk
Liquidity risk is such risk where the Parent Company becomes unable to meet its payment obligations when they fall due under normal and stress circumstances. The Parent Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Parent Company 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 Parent Company, as well as financial assets considered by management as part of its liquidity risk management based on remaining undiscounted contractual obligations as of December 31, 2012 and 2011 follow:

2012

	On demand	**1 to 12 months**	**More than 12 months**	**Total**
Cash and cash equivalents	**₱122,436**	**₱–**	**₱–**	**₱122,436**
Short-term investments	**242,082**	**–**	**–**	**242,082**
Receivables:				
Dividend receivable	**–**	**1,000,000**	**–**	**1,000,000**
Receivable from related parties	**287,558**	**–**	**–**	**287,558**
Royalty receivable	**504,375**	**–**	**–**	**504,375**
AFS financial assets	**4,896**	**–**	**–**	**4,896**
	1,161,347	**1,000,000**	**–**	**2,161,347**
Accounts payable and accrued liabilities*	**–**	**32,798**	**–**	**35,523**
Payable to related parties	**2,725**	**–**	**–**	**–**
Loans payable and long-term debt	**–**	**753,980**	**1,947,781**	**2,701,761**
	2,725	**786,778**	**1,947,781**	**2,737,284**
	₱1,158,622	**₱213,222**	**(₱1,947,781)**	**(₱575,937)**

Excluding government payables

2011

	On demand	1 to 12 months	More than 12 months	Total
Cash and cash equivalents	₱12,123	₱–	₱–	₱12,123
Short-term investments	194,067	–	–	194,067
Receivables:				
Receivable from related parties	1,153,322	–	–	1,153,322
Royalty receivable	505,226	–	–	505,226
Subscriptions receivable	1,710	–	–	1,710
AFS Financial assets	4,927	–	–	4,927
	1,869,665	–	–	1,869,665
Accounts payable and accrued liabilities*	–	761,389	–	837,420
Payable to related parties	76,031	–	–	–
Loans payable and long-term debt	–	5,744,412	2,885,388	8,629,800
	76,031	6,505,801	2,885,388	9,467,220
	₱1,793,634	(₱6,505,801)	(₱2,885,388)	(₱7,597,555)

**Excluding government payables*

As of December 31, 2012 and 2011, the Parent Company's accounts payable and accrued liabilities are due and demandable (see Note 10).

20. **Capital Management**

The primary objective of the Parent Company'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 Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company 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 2012 and 2011.

The Parent Company has no externally imposed requirements as of December 31, 2012 and 2011.

The table below summarizes the total capital considered by the Parent Company:

	2012	2011
Capital stock	**₱16,594,936**	₱17,640,530
Additional paid-in capital	**3,554**	5,816,306
Retained earnings (Deficit)	**1,152,286**	(12,722,320)
	₱17,750,776	₱10,734,516

21. **Other Matters**

a. Deed of assignment and exchange of assets for shares of stock

In 2006, CCC entered into an Operating Agreement with the Parent Company for the conveyance to the Parent Company of rights over the Toledo minesite, certain fixed assets and surface rights for a royalty fee mutually agreed by the parties. The agreement may be terminated by CCC upon 30 days prior written notice.

b. Changes in ownership interest in CCC

On May 5, 2006, CCC entered into a Convertible Loan and Security Agreement (CLSA) with CASOP Atlas II, Ltd (CASOP Atlas) amounting to US$5 million. The loan is convertible into voting preferred shares at any time prior to maturity date or to the date of early repayment into not less than 5.17% up to not more than 5.7% of the total issued and outstanding shares of CCC. On October 11, 2006, CCC and CASOP Atlas entered into an Amendment to the CLSA to increase the amount of the convertible loan to US$18 million.

In an Assignment Agreement dated March 16, 2007, CASOP Atlas assigned the amended CLSA to CASOP Atlas BV (CASOP BV). On the same date, CASOP BV assigned 2% of the amended CLSA loan to CASOP Atlas Corporation (CAC).

In 2007, CASOP BV and CAC (collectively known as CASOP) exercised its right to convert its loan to 294.14 million and 4.70 million of voting preferred shares, respectively. As a result, CCC became 65.53%, 34.09% and 0.38% owned by ACMDC, CASOP BV and CAC, respectively. As of December 31, 2007, all the issued and outstanding voting preferred shares were owned by CASOP. In September 2007, CCC amended its bylaws to present the approval and participation of ACMDC and CASOP on the operations of CCC.

In October 2008, ACMDC agreed with CASOP to a schedule of cash advances for infusion to CCC amounting to US$48 million. The advances may be converted into common equity of CCC. Of the amount US$48 million contributed by CASOP, US$24.95 million is convertible at the option of CASOP into 308,170,751 of CCC's common shares. In 2009, CASOP exercised its right to convert its advances to CCC's common shares.

As a result, CCC became 54.46%, 37.80% and 7.73% owned by ACMDC, CASOP BV and CASOP Atlas, respectively. As of December 31, 2009, all the issued and outstanding preferred shares are owned by CASOP.

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.

c. BDO Loan Facility
On January 20, 2011, the Parent Company entered into a convertible loan facility and security agreement with BDO covering the principal amount of US$10 million. The proceeds of the facility were not drawn prior to the expiration of the period of availment in 2011.

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

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

On July 13, 2010, the Commissioner of Internal Revenue issued a memorandum order on the revocation of the Ruling. Following such revocation, the BIR issued on August 11, 2010 a Warrant of Destraint or Levy to enforce collection of the Masbate Taxes amounting to ₱197,595. To enjoin the action to collect, the Parent Company filed with the Court of Tax Appeals (CTA) a Petition for Review with an Application for Temporary Restraining Order and/or Writ of Preliminary Injunction and a Motion for the Suspension of Collection of Tax.

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

As of December 31, 2012, the trial on the petition was still ongoing. Management and its legal counsel determined that the probability of an unfavorable outcome cannot be assessed at this stage of the proceedings, notwithstanding sufficient legal bases for the Parent Company's position. Management determined that there was no basis to provide for any contingent liability pertaining to the payment of the Masbate Excise Tax as of December 31, 2012.

e. Executive Order (EO) 79
On July 12, 2012, EO 79 was released to provide the general framework for the implementation of mining reforms in the Philippines. The Parent Company has assessed that EO 79 has no major impact on its subsidiaries' current operations since the Group's current mining activities are covered by valid and existing Mineral Production and Sharing Agreements (MPSA). Pursuant to Section 1 of EO 79, a mining contract, such as an MPSA, that was approved before the effectivity of the EO shall continue to be valid, binding and enforceable so long as the contractor thereunder strictly complies with existing laws, rules and regulations and the terms and conditions under the mining contract.

f. Declaration of Cash Dividends
The Parent Company, upon the approval granted by its BOD on March 8, 2013, has declared cash dividends in the amount of ₱0.25 per share of its capital stock. The dividends will be paid on April 19, 2013 to all stockholders of record as of March 22, 2013.

22. Supplementary Information Required Under Revenue Regulations 19-2011

On December 9, 2011, the BIR issued RR No. 19-2011 prescribing the new income tax forms to be used effective calendar year 2011. As a result, corporations using BIR Form 1702, are now required to include as part of its Notes to the Audited Financial Statements, to be attached to the income tax return, schedules and information on taxable income and deductions made.

The following are the required schedules prescribed under existing revenue issuances applicable to the Parent Company in 2012

a. *Revenue*

Royalty income	₱–

b. *Non-operating and taxable other income not subjected to final tax*

Gain on settlement of liability	₱519,548
Realized foreign exchange gain	1,110
Others	9,730
	₱530,388

c. *Regular allowable itemized deductions*

Interest expense	₱276,652
Professional and consultancy fees	92,799
Salaries, wages and benefits	44,487
Taxes and licenses	47,558
Transportation and travel	5,087
Separation pay	4,568
Rental	4,016
Communication, light and water	1,960
Depreciation	1,381
Repairs and maintenance	1,355
Write-off of receivables	115
Others	37,507
	₱517,485

23. Supplementary Information Required Under Revenue Regulations 15-2010

On November 25, 2010, the BIR issued RR 15-2010 to amend certain provisions of RR 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements accompanying the tax returns. The Parent Company reported and/or paid the following types of taxes in 2012

a. *Input VAT credits*

Balance at beginning of year	₱25,288
Current year's domestic purchases/payments for:	
Services	2,698
Goods other than for resale or manufacture	570
Balance at end of year	₱28,556

b. *Documentary stamp tax (DST) paid/accrued on the following transactions are:*

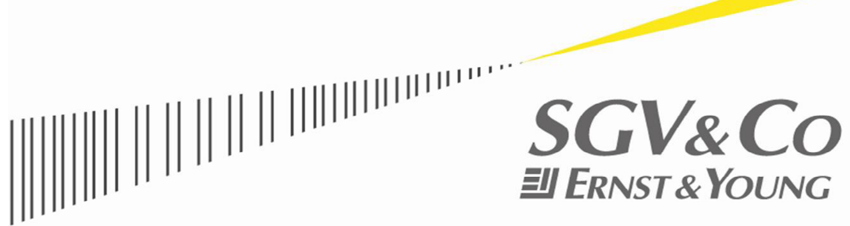
Transaction	Amount	DST thereon
Shares of stock	₱3,102,309	₱15,525
Loan instruments	5,470,800	8,994
Fidelity bonds and other insurance policies	2,314	289
	₱8,575,423	₱24,808

c. *Other Taxes and Licenses*
Other taxes and licenses, which include filing and permit fees, property tax and fringe benefit tax, among others, for the year ended December 31, 2012 that forms part of the general and administrative expenses are as follows:

Filing and permit fees	₱22,419
Property tax	164
Fringe benefit tax	48
Others	119
	₱22,750

d. *Withholding taxes*

Tax on compensation and benefits	15,580
Creditable withholding taxes	7,155
	₱22,735



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www.sgv.com.ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Amosite Holdings, Inc.

We have audited the accompanying financial statements of Amosite Holdings, Inc. (a wholly owned subsidiary of Atlas Consolidated Mining and Development Corporation), which comprise the statements of financial position as at December 31, 2012 and 2011, and the statements of comprehensive income, statement of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 company'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 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 financial statements present fairly, in all material respects, the financial position of Amosite Holdings, Inc. as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

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

AMOSITE HOLDINGS, INC.
(A Wholly Owned Subsidiary of Atlas Consolidated Mining and Development Corporation)
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2012	2011
ASSETS		
Current Assets		
Cash	**₱11,100**	₱11,100
Receivable from parent company (Note 4)	**2,725,190**	2,818,137
Total Current Assets	**2,736,290**	2,829,237
Noncurrent Assets		
Investment properties (Note 5)	**60,000,000**	60,000,000
TOTAL ASSETS	**₱62,736,290**	₱62,829,237
LIABILITY AND EQUITY		
Current Liabilities		
Accrued liabilities	**₱36,556**	₱79,572
Equity (Note 6)		
Capital stock - ₱100 par value		
Authorized and issued - 100,000 shares	**10,000,000**	10,000,000
Additional paid-in capital	**55,000,000**	55,000,000
Deficit	**(2,300,266)**	(2,250,335)
Total Equity	**62,699,734**	62,749,665
TOTAL LIABILITY AND EQUITY	**₱62,736,290**	₱62,829,237

See accompanying Notes to Financial Statements.

AMOSITE HOLDINGS, INC.

(A Wholly Owned Subsidiary of Atlas Consolidated Mining and Development Corporation)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2012	2011
OPERATING EXPENSES (Note 1)		
Professional fees	**₱49,431**	₱95,192
Taxes and licenses	**500**	1,033
Others	**–**	1,200
NET LOSS (Note 7)	**49,931**	97,425
OTHER COMPREHENSIVE INCOME	**–**	–
TOTAL COMPREHENSIVE LOSS	**₱49,931**	₱97,425

See accompanying Notes to Financial Statements.

AMOSITE HOLDINGS, INC.
(A Wholly Owned Subsidiary of Atlas Consolidated Mining and Development Corporation)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Capital Stock	Additional Paid-in Capital	Deficit	Total
Balances at December 31, 2010	₱10,000,000	₱55,000,000	(₱2,152,910)	₱62,847,090
Net loss/total comprehensive loss	–	–	(97,425)	(97,425)
Balances at December 31, 2011	10,000,000	55,000,000	(2,250,335)	62,749,665
Net loss/total comprehensive loss	–	–	(49,931)	(49,931)
Balances at December 31, 2012	₱10,000,000	₱55,000,000	(₱2,300,266)	₱62,699,734

See accompanying Notes to Financial Statements.

AMOSITE HOLDINGS, INC.
(A Wholly Owned Subsidiary of Atlas Consolidated Mining and Development Corporation)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	**(₱49,931)**	(₱97,425)
Increase (decrease) in accrued liabilities	**(43,016)**	2,972
Decrease in receivable from parent company (Note 4)	**92,947**	98,253
NET INCREASE (DECREASE) IN CASH	**–**	3,800
CASH AT BEGINNING OF YEAR	**11,100**	7,300
CASH AT END OF YEAR	**₱11,100**	₱11,100

See accompanying Notes to Financial Statements.

AMOSITE HOLDINGS, INC.
(A Wholly Owned Subsidiary of Atlas Consolidated Mining and Development Corporation)
NOTES TO FINANCIAL STATEMENTS

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

Amosite Holdings, Inc. (the Company), a wholly owned subsidiary of Atlas Consolidated Mining and Development Corporation (ACMDC or the Parent Company), was registered with the Philippine Securities and Exchange Commission (SEC) on October 17, 2006 primarily to purchase, subscribe for, otherwise acquire and own, hold, use, manage, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property of every kind and description without doing business as an investment company under the Investment Company Act; or as a real estate broker, a developer or a realty company; and only holds such assets purely for investment purposes.

ACMDC was incorporated and was registered with the Philippine SEC as Masbate Consolidated Mining Company, Inc. on March 9, 1935 as a result of the merger of assets and equities of three pre-war mining companies, namely, Masbate Consolidated Mining Company, Antamok Goldfields Mining Company and IXL Mining Company. Thereafter, it amended its articles of incorporation to reflect the present corporate name. The Parent Company, through its subsidiaries, is engaged in metallic mineral mining and exploration, and currently produces copper concentrate (with gold and silver), magnetite iron ore concentrate, and laterite nickel.

The net loss of the Company in 2012 was minimized on account of the assumption by the Parent Company of certain portions of its operating expenses, being the principal beneficiary of its activities. All of the Company's administrative work is handled by the Parent Company.

The registered business address of the Company is 7th Floor, Pacific Star Building, Gil J. Puyat Avenue Corner Makati Avenue, Makati City.

The financial statements were authorized for issue by the Company's Board of Directors (BOD) on March 8, 2013.

2. Summary of Significant Accounting Policies and Financial Reporting Practices

Basis of Preparation
The financial statements of the Company have been prepared using the historical cost basis. These financial statements are presented in Philippine peso which is the Company's functional currency. All amounts are rounded to nearest Peso, except when otherwise indicated. The purpose of the financial statements is to assist the Parent Company in preparing its consolidated financial statements.

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

The PFRS for Small and Medium-sized Entities (SMEs) has been approved for adoption by the Philippine Financial Reporting Standards Council on October 13, 2009 and by the SEC, on December 3, 2009. The PFRS for SMEs is effective for annual periods beginning on or after January 1, 2010, and is required to be applied by entities that meet the definition of an SME which

include, among others, an entity with total assets of between ₱3 million and ₱350 million or a total liabilities of between ₱3 million and ₱250 million.

The PFRS for SMEs is a self-contained standard that is tailored for the needs and capabilities of smaller businesses. Many of the principles in full PFRS for recognizing and measuring assets, liabilities, income and expenses have been simplified, topics not relevant to SMEs have been omitted and the number of required disclosures has been significantly reduced.

On October 7, 2010, the SEC issued a resolution approving the exemption from mandatory adoption of PFRS for SMEs of entities that meet certain criteria which include, among others, being a subsidiary of a parent company reporting under the full PFRS. The Company, which currently presents its financial statements in compliance with full PFRS, applies the full PFRS since it is being consolidated into ACMDC, which reports under full PFRS.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the following amended PFRS effective as of January 1, 2012. Except as otherwise indicated, the adoption of the following standards and amendments did not have any impact on the financial position or performance of the Company:

PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* (Amendments)
The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets* (Amendments)
This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendments are effective for periods beginning on or after January 1, 2012.

Standards Issued but not yet Effective
Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt these standards when they become effective. Except as otherwise indicated, the adoption of the following standards and amendments did not have any impact on the financial position or performance of the Company.

- PFRS 7*, Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all

recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments: Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

a. The gross amounts of those recognized financial assets and recognized financial liabilities;
b. The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
c. The net amounts presented in the statement of financial position;
d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
   i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
   ii. Amounts related to financial collateral (including cash collateral); and
e. The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied and are effective for annual periods beginning on or after January 1, 2013. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*. This addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The standard becomes effective for annual periods beginning on or after January 1, 2013. The adoption of PFRS 12 will affect disclosures only and have no impact on the Company's financial position or performance.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The standard becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (OCI)* (Amendments)
  The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendments will be applied retrospectively and will result to the modification of the presentation of items of OCI. The amendments affect presentation only and have no impact on the Company's financial position or performance.

- PAS 19, *Employee Benefits* (Revised)
  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments become effective for annual periods beginning on or after January 1, 2013. Once effective, the Company has to apply the amendments retroactively to the earliest period presented. The adoption of the standard has no impact in the Company's financial position or performance.

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset

of which it is a part. The Company expects that this interpretation will not have any impact on its financial position or performance. This interpretation becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The amendments affect presentation only and have no impact on the Company's financial position or performance.

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. PFRS 9 is effective for annual periods beginning on or after January 1, 2015. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Annual Improvements to PFRSs (2009-2011 cycle)

- The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

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

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

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

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

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

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the entity and it can be measured reliably.

Operating Expenses

Operating 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. Operating expenses are recognized when the service is used or the expense is incurred.

Financial Instruments

Date of recognition

The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments

All financial assets and financial liabilities are recognized initially at fair value. Except for securities at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transactions costs. The Company classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets, as appropriate. The Company also classifies its financial liabilities into FVPL and other financial liabilities, as appropriate. The classification depends on the purpose for which the investments were acquired or 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 every reporting date.

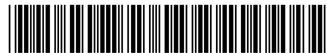
Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders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

As of December 31, 2012 and 2011, the Company's financial assets are cash and receivable from parent company.

Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments and are not quoted in an active market. They arise when the Company 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 cost or amortized cost using the effective interest method less any allowance for impairment. Gains or losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets. As of December 31, 2012 and 2011, loans and receivables consist of cash and receivable from parent company.



Other financial liabilities
This category pertains to financial liabilities that are not held for trading or not designated as FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings (e.g., payables, accruals).

The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction cost.

Impairment of Financial Assets
The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

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

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

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

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

- the rights to receive cash flows from the asset have expired;
- the Company 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 Company 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 Company 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 Company'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 Company could be required to repay.

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

Where 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 amounts is recognized in profit or loss.

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

Investment Properties
Investment properties consist of parcels of land owned by the Company, which are held primarily for capital appreciation. Investment properties are measured at cost, including transaction costs, less any accumulated impairment losses.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment properties are recognized in profit or loss in the year of retirement or disposal.

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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

Income Taxes

Current Income Tax

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

Deferred Tax

Deferred tax is provided using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of NOLCO can be utilized.

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

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

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

Provisions

Provisions are recognized when the Company 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 discounted using a

current pre-tax discount rate that reflects, 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 interest expense. When the Company expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is recognized in profit or loss, net of any reimbursement.

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

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

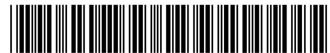
Retained Earnings (Deficit)
The amount included in retained earnings (deficit) includes profit (loss) attributable to the Company's equity holders and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when declared. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Contingencies
Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date
Events afer reporting date that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Events afer reporting date that are not adjusting events are disclosed in the notes to the financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's financial statements in accordance with PFRS requires the Company to exercise judgment, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses. 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 financial statements as they become reasonably determinable.



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

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

Determining functional currency
Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the operating expenses of the Company.

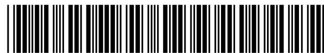
Classification of financial instruments
The Company classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Company's statement of financial position.

The Company's loans and receivables pertain to cash and receivable from parent company and other financial liabilities pertain to accrued liabilities as of December 31, 2012 and 2011.

Estimates and Assumptions
The key assumptions involving the future and other key sources of estimation at the report date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Determination of fair value of financial instruments
The Company carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Company utilized a different valuation methodology. Any changes in fair value of these financial assets would affect profit or loss and equity. The carrying amounts and fair values of financial assets and financial liabilities as of December 31, 2012 and 2011 are disclosed in Note 8 to the financial statements.

Determination of impairment of investment properties
The Company determines whether its investment properties are impaired at least on an annual basis. This requires an estimation of recoverable amount which is the higher of an asset's or cash-generating unit's fair value less cost to sell and value-in-use. Estimating the value-in-use requires the Company to make an estimate of the expected future cash flows from the cash-generating unit and also 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 Company could obtain as of the reporting date. In determining this amount, the Company considers the outcome of recent transactions for similar assets within the same industry.



As of December 31, 2012 and 2011, the Company does not have any provision for impairment loss on its investment properties.

Estimating realizability of deferred tax assets
The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized. The Company did not recognize deferred tax assets on the carryforward benefits of NOLCO amounting to ₱243,827 and ₱294,103 as of December 31, 2012 and 2011, respectively (see Note 7).

4. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

Receivable from parent company representing advances made to finance certain working capital requirements amounted to ₱2,725,190 and ₱2,818,137 as of December 31, 2012 and 2011, respectively. These receivables are noninterest-bearing and due and demandable.

5. Investment Properties

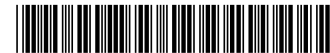
Investment properties pertain to parcels of land located in Cebu with an aggregate area of 1,312.12 hectares. These investment properties were assigned to the Company in exchange for 50,000 of its shares of stock (see Note 6). The fair value of the properties have not been determined on transactions observable in the market because of lack of comparable data.

6. Equity

On November 22, 2006, Anscor Property Holdings, Inc. (APHI) assigned investment properties valued at ₱60,000,000 to the Company (the “Assignment”) with the intention of exchanging the same for shares of the Company.

At the time of the Assignment, the Company had 25,005 issued and outstanding shares, 25,000 of which were owned by APHI.

On March 1, 2007, the BIR confirmed that the Assignment and the issuance of the Company’s shares of stock to APHI in consideration thereof are not subject to income tax, capital gains tax, withholding tax, donor’s tax,value-added tax, and documentary stamp tax (except for that due on the original issuance of the shares). Thereupon, the Company issued 50,000 shares of its capital stock to APHI at a subscription price of ₱1,200 per share in exchange for the Assignment.



The deposit for future stock subscription amounting to ₱60,000,000 that was recognized as a result of the Assignment was properly credited to capital stock and additional paid-in capital.

On May 11, 2007, ACMDC acquired 75,005 shares of the Company that were held by APHI, making the Company a wholly owned subsidiary of ACMDC.

On September 1, 2008, the Company's BOD approved the issuance to ACMDC of the remaining unissued 24,995 shares of its authorized capital stock having a total par value of ₱2,499,500.

7. Income Taxes

There is no provision for income tax in 2012 and 2011 because the Company did not realize any income subject to the regular corporate income tax.

The reconciliation of the benefit from income tax computed at the statutory income tax rates with the provision for income tax at the effective income tax rate is as follows:

	2012	2011
Benefit from income tax computed at the statutory income tax rates	**(₱14,979)**	(₱29,228)
NOLCO for which deferred tax asset was not recognized	**14,979**	29,228
Provision for income tax	**₱–**	₱–

Deferred tax assets representing the carryforward benefits of NOLCO amounting to ₱243,827 and ₱294,103, as of December 31, 2012 and 2011 respectively, were not recognized because management believes that sufficient future taxable profits may not be available to allow all or part of deferred tax assets to be utilized prior to its expiration.

As of December 31, 2012, NOLCO that can be claimed as deduction from future taxable income is as follows:

Year Incurred	Available Until	Amount
2012	2015	₱49,931
2011	2014	97,425
2010	2013	96,471
		₱243,827

The following are the movements in NOLCO in 2012 and 2011:

	2012	2011
Beginning of year	**₱294,103**	₱286,714
Additions	**49,931**	97,425
Expirations	**(100,207)**	(90,036)
End of year	**₱243,827**	₱294,103

8. Financial Instruments

The Company's principal financial instruments comprise of cash, receivable from parent company and accrued liabilities.

The following table summarizes the carrying values and fair values of the Company's financial assets and financial liabilities per class as of December 31, 2012 and 2011:

	2012		2011	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets				
Loans and receivables:				
Cash	**₱11,100**	**₱11,100**	₱11,100	₱11,100
Receivable from parent company	**2,725,190**	**2,725,190**	2,818,137	2,818,137
	₱2,736,290	**₱2,736,290**	₱2,829,237	₱2,829,237
Financial Liability				
Other financial liabilities:				
Accrued liabilities	**₱36,556**	**₱36,556**	₱79,572	₱79,572

The carrying values of these financial instruments were assessed to approximate their fair values due to the short-term nature of cash, receivables, accrued liabilities and payables to related parties

Financial Instruments Carried at Fair Value
As of December 31, 2012 and 2011, the Company had no financial instruments carried at fair value. Thus, no disclosure on fair value hierarchy is necessary.

9. Financial Risk Management Objectives and Policies

The main purpose of the Company's financial instruments is to finance the Company's operations. The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and manage the Company's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Company's activities.

The main risks arising from the Company's financial instruments are credit risk and liquidity risk. The Company's BOD reviews and adopts policies for managing each of these risks summarized below:

Credit Risk
Credit risk is the risk that the Company will incur losses if its counterparties fail to discharge their contractual obligations. The table below shows the gross maximum exposure to credit risk for the components of the statements of financial position:

	2012	2011
Loans and receivables:		
Cash*	**₱11,100**	₱11,100
Receivable from parent company	**2,725,190**	2,818,137
	₱2,736,290	₱2,829,237

**Excluding cash on hand*

Cash is classified as high grade since this is deposited with a reputable bank and can be withdrawn anytime. These financial assets are considered collectible on demand and no impairment was identified as of December 31, 2012 and 2011, respectively.

Liquidity Risk
Liquidity risk arises from the possibility that an entity will encounter difficulty in raising funds to meet associated commitments with financial instruments. The Company's objective is to maintain a continuity of funding until the Company commences operations.

The following tables show the maturity profile of the Company's financial liabilities based on undiscounted payments as well as the undiscounted cash flows from financial assets used for liquidity purposes as of:

2012

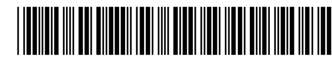
	On demand	**Less than one year**	**Total**
Financial Asset			
Loans and receivables:			
Cash	**₱11,100**	**₱–**	**₱11,100**
Receivable from parent company	**2,725,190**	**–**	**2,725,190**
	₱2,736,290	**₱–**	**₱2,736,290**
Financial Liabilities			
Other financial liabilities:			
Accrued liabilities*	**₱–**	**₱36,556**	**₱36,556**

****Excluding other government payables***

2011

	On demand	Less than one year	Total
Financial Asset			
Loans and receivables:			
Cash	₱11,100	₱–	₱11,100
Receivable from parent company	2,818,137	–	2,818,137
	₱2,829,237	₱–	₱2,829,237
Financial Liabilities			
Other financial liabilities:			
Accrued liabilities*	₱–	₱79,572	₱79,572

**Excluding other government payables*



10. **Capital Management**

The primary objective of the Company's capital management policies is to ensure that it maintains sufficient capital to safeguard its ability to continue as a going concern as evidenced by its ability to pay its creditors, and to ensure that the Company provides returns for shareholders and benefits for other stakeholders.

No changes were made in the objectives, policies and processes of the Company for the years ended December 31, 2012 and 2011.

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

	2012	2011
Capital stock	**₱10,000,000**	₱10,000,000
Additional paid-in capital	**55,000,000**	55,000,000
Deficit	**(2,300,266)**	(2,250,335)
Total	**₱62,699,734**	₱62,749,665

The Company manages its capital structure and makes necessary adjustments to it in light of changes in economic conditions. To maintain or adjust its capital structure, the Company may obtain financial support from the Parent Company.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **AQUATLAS INCORPORATED** 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 4/11
Chairman of the Board and President

Christopher M. Gotangco
Treasurer

SUBSCRIBED AND SWORN to before this APR 12 2013 day of ____ affiants exhibiting to me their Tax Identification Numbers, as follows:

Name	TIN
Alfredo C. Ramos	132-017-513-000
Christopher M. Gotangco	125-114-467-000

ATTY. BENIGNO M. PUNO
NOTARY PUBLIC
PTR # 8050... PASIG CITY
IBP # 916... PASIG CITY
VALID UNTIL DEC. 31, 2014
TIN # ...-974-000
MCLE # IV-000 1109 1-04-11
ROLL NO. 15636

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Board of Directors
AquAtlas, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of AquAtlas, Inc. (a wholly owned subsidiary of Atlas Consolidated Mining and Development Corporation), which comprise the statements of financial position as at December 31, 2012 and 2011, and the statements of comprehensive income, statement of changes in capital deficiency and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal controls as management determines is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of AquAtlas, Inc. as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the financial statements, which indicates that the Company incurred a net loss of ₱296,683 and ₱1,422,688 in 2012 and 2011, respectively, and had a capital deficiency of ₱31,688,403 as of December 31, 2012. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The Company's plans for future actions to address such capital deficiency include debt restructuring and the continuing financial support of its Parent Company to enable it to operate as a going concern and meet its obligations for at least twelve months. We have performed audit procedures to evaluate management's plans for such future actions as to likelihood to improve the situation and as to feasibility under the circumstances.

Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 19-2011 and 15-2010 in Notes 9 and 10 to the financial statements, respectively, is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of AquAtlas, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

AQUATLAS, INC.

(A Wholly Owned Subsidiary of Atlas Consolidated Mining and Development Corporation)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2012	2011
ASSETS		
Current Assets		
Cash	**₱101,000**	₱101,000
TOTAL ASSETS	**₱101,000**	₱101,000
LIABILITIES AND CAPITAL DEFICIENCY		
Current Liabilities		
Accrued liabilities	**₱453,020**	₱512,814
Payable to parent company (Note 4)	**31,336,383**	30,979,906
Total Liabilities	**31,789,403**	31,492,720
Capital Deficiency		
Capital stock - ₱1 par value		
Authorized and issued - 100,000 shares	**100,000**	100,000
Deficit	**(31,788,403)**	(31,491,720)
Capital Deficiency	**(31,688,403)**	(31,391,720)
TOTAL LIABILITIES AND CAPITAL DEFICIENCY	**₱101,000**	₱101,000

See accompanying Notes to Financial Statements.

AQUATLAS, INC.

(A Wholly Owned Subsidiary of Atlas Consolidated Mining and Development Corporation)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2012	2011
OPERATING EXPENSES		
Professional fees	**₱291,733**	₱921,589
Taxes and licenses	**3,168**	5,337
Salaries and wages	–	184,528
Transportation and travel	–	71,682
Water permits	–	71,339
Entertainment, amusement and recreation	–	3,713
Others	**1,782**	164,500
NET LOSS (Note 5)	**296,683**	1,422,688
OTHER COMPREHENSIVE INCOME	–	–
TOTAL COMPREHENSIVE LOSS	**₱296,683**	₱1,422,688

See accompanying Notes to Financial Statements.

AQUATLAS, INC.
(A Wholly Owned Subsidiary of Atlas Consolidated Mining and Development Corporation)

STATEMENT OF CHANGES IN CAPITAL DEFICIENCY
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Capital Stock	Deficit	Total
Balances at December 31, 2010	₱100,000	(₱30,069,032)	(₱29,969,032)
Net loss/total comprehensive loss	–	(1,422,688)	(1,422,688)
Balances at December 31, 2011	100,000	(31,491,720)	(31,391,720)
Net loss/total comprehensive loss	–	(296,683)	(296,683)
Balances at December 31, 2012	₱100,000	(₱31,788,403)	(₱31,688,403)

See accompanying Notes to Financial Statements.

AQUATLAS, INC.
(A Wholly Owned Subsidiary of Atlas Consolidated Mining and Development Corporation)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	**(₱296,683)**	(₱1,422,688)
Increase (decrease) in:		
Accrued liabilities	**(59,794)**	94,127
Payable to parent company (Note 4)	**356,477**	1,328,561
Net cash flows used in operating activities	**–**	–
CASH AT BEGINNING AND END OF YEAR	**₱101,000**	₱101,000

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

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

AquAtlas, Inc. (the Company), a wholly owned subsidiary of Atlas Consolidated Mining and Development Corporation (ACMDC or the Parent Company), was registered with the Philippine Securities and Exchange Commission (SEC) on May 26, 2005 for the purpose of providing and supplying wholesale or bulk water to local water districts and other customers, and providing other related and value added services.

The registered business address of the Company is 7th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City.

ACMDC was incorporated and was registered with the Philippine SEC as Masbate Consolidated Mining Company, Inc. on March 9, 1935 as a result of the merger of assets and equities of three pre-war mining companies, namely, Masbate Consolidated Mining Company, Antamok Goldfields Mining Company and IXL Mining Company. Thereafter, it amended its articles of incorporation to reflect the present corporate name. The Parent Company, through its subsidiaries, is engaged in metallic mineral mining and exploration, and currently produces copper concentrate (with gold and silver), magnetite iron ore concentrate, and laterite nickel.

The Company incurred a net loss of ₱296,683 and ₱1,422,688 in 2012 and 2011, respectively, and had a capital deficiency of ₱31,688,403 as of December 31, 2012. These conditions, along with other matters as set forth in this note, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The Company's plans for future actions to address such capital deficiency include debt restructuring and the continuing financial support of its Parent Company to enable it to operate as a going concern and meet its obligations for at least twelve months.

In 2012, the Company continued to explore and assess the feasibility of projects as follows:

a. *Bulk water supplies*
Several investors expressed their interest in procuring raw water from the Company. They will put up the infrastructure and facilities that will process and deliver potable water to the Metropolitan Cebu Water District (MCWD) which holds the franchise for supplying water to Metro Cebu. These investors will negotiate with MCWD for the bulk supply of potable water as well as upgrading of MCWD's water distribution system.

b. *Hydroelectric power generation*
Discussions were held on the prospects of producing pumped-storage hydroelectricity using water from the Atlas Dam.

The net loss of the Company in 2012 was minimized on account of the assumption by the Parent Company of certain portions of its operating expenses, being the principal beneficiary of the its activities. All of the Company's administrative work is handled by the Parent Company.

The financial statements were authorized for issue by the Company's Board of Directors (BOD) on March 8, 2013.

2. Summary of Significant Accounting Policies and Financial Reporting Practices

Basis of Preparation
The financial statements of the Company have been prepared using the historical cost basis. These financial statements are presented in Philippine peso which is the Company's functional currency. All amounts are rounded to nearest Peso, except when otherwise indicated.

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

The PFRS for Small and Medium-sized Entities (SMEs) has been approved for adoption by the Philippine Financial Reporting Standards Council on October 13, 2009 and by the SEC, on December 3, 2009. The PFRS for SMEs is effective for annual periods beginning on or after January 1, 2010, and is required to be applied by entities that meet the definition of an SME which include, among others, an entity with total assets of between ₱3 million and ₱350 million or a total liabilities of between ₱3 million and ₱250 million.

The PFRS for SMEs is a self-contained standard that is tailored for the needs and capabilities of smaller businesses. Many of the principles in full PFRS for recognizing and measuring assets, liabilities, income and expenses have been simplified, topics not relevant to SMEs have been omitted and the number of required disclosures has been significantly reduced.

On October 7, 2010, the SEC issued a resolution approving the exemption from mandatory adoption of PFRS for SMEs of entities that meet certain criteria which include, among others, being a subsidiary of a parent company reporting under the full PFRS. The Company, which currently presents its financial statements in compliance with full PFRS, applies the full PFRS since it is being consolidated into ACMDC which reports under full PFRS.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the following amended PFRS effective as of January 1, 2012. Except as otherwise indicated, the adoption of the following standards and amendments did not have any impact on the financial position or performance of the Company.

PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* (Amendments)
The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets* (Amendments)
This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through

sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendments are effective for periods beginning on or after January 1, 2012.

Standards Issued but not yet Effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt these standards when they become effective. Except as otherwise indicated, the adoption of the following standards and amendments did not have any impact on the financial position or performance of the Company.

- PFRS 7*, Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32, *Financial Instruments: Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
  a. The gross amounts of those recognized financial assets and recognized financial liabilities;
  b. The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c. The net amounts presented in the statement of financial position;
  d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e. The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The amendments to PFRS 7 are to be retrospectively applied and are effective for annual periods beginning on or after January 1, 2013. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*. This addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The standard becomes effective for annual periods beginning on or after January 1, 2013.

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

standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31, *Interests in Joint Ventures,* and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The standard becomes effective for annual periods beginning on or after January 1, 2013. The adoption of PFRS 12 will affect disclosures only and have no impact on the Company's financial position or performance.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The standard becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (OCI)* (Amendments)
  The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendments will be applied retrospectively and will result to the modification of the presentation of items of OCI. The amendments affect presentation only and have no impact on the Company's financial position or performance.

- PAS 19, *Employee Benefits* (Revised)
  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments become effective for annual periods beginning on or after January 1, 2013. Once effective, the Company has to apply the amendments retroactively to the earliest period presented. The adoption of the standard has no impact in the Company's financial position or performance.

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 11 and PFRS 12, PAS 28, *Investments in Associates* has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after

January 1, 2013.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The Company expects that this interpretation will not have any impact on its financial position or performance. This interpretation becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The amendments affect presentation only and have no impact on the Company's financial position or performance

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. PFRS 9 is effective for annual periods beginning on or after January 1, 2015. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation

requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts* or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Annual Improvements to PFRSs (2009-2011 cycle)

- The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

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

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

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

- PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Company expects that this amendment will not have any impact on its financial position or performance.

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

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the entity and it can be measured reliably.

Operating Expenses
Operating 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. Operating expenses are generally recognized when the service is used or the expense incurred.

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

Initial recognition of financial instruments
All financial assets and financial liabilities are recognized initially at fair value. Except for securities at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transactions costs. The Company classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets, as appropriate. The Company also classifies its financial liabilities into FVPL and other financial liabilities, as appropriate. The classification depends on the purpose for which the investments were acquired or 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 every reporting date.

Financial instruments are classified as liability 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 of December 31, 2012 and 2011, the Company has no financial assets and financial liabilities at FVPL, AFS financial asset and HTM investments.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments and are not quoted in an active market. They arise when the Company 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 cost or amortized cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognized

in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets. As of December 31, 2012 and 2011, loans and receivables consist only of cash.

Other financial liabilities
This category pertains to financial liabilities that are not held for trading or not designated as FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings (e.g., payables, accruals).

These financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction cost.

As of December 31, 2012 and 2011, the Company's other financial liabilities include accrued liabilities and payable to parent company.

Impairment of Financial Assets
The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Loans and receivables
The Company first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. Objective evidence includes observable data that comes to the attention of the Company about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments probability that the borrower will enter bankruptcy or other financial reorganization.

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 and 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 there is objective evidence that loans and receivables are impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

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.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Company 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 Company 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 Company 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 Company'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 Company could be required to repay.

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

Financial liabilities

Financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where 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 amounts is recognized in profit or loss.

Offsetting Financial Instruments

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

Income Taxes

Current Income Tax

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

Deferred Tax
Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred tax asset is recognized for the carryforward benefit of unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the carryforward benefit of NOLCO can be utilized.

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

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

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

Provisions
Provisions are recognized when the Company 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 discounted using a current pre-tax discount rate that reflects, 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 interest expense. When the Company expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is recognized in profit or loss, net of any reimbursement.

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

Where the Company purchases the Company's capital stock (treasury shares), the consideration paid, including any directly attributable incremental costs (net of applicable taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the Company's equity holders.

Retained Earnings (Deficit)
The amount included in retained earnings (deficit) includes profit (loss) attributable to the 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 declared. Dividends for the year that

are approved after the reporting date are dealt with as an event after the reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Contingencies
Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable.

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

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's financial statements in accordance with PFRS requires the Company to exercise judgment, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses. 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 financial statements as they become reasonably determinable.

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

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

Determining functional currency
Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the operating expenses of the Company.

Classification of financial instruments
The Company classifies a financial instrument, or its component parts, 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 Company's statement of financial position.

Estimates and Assumptions
The key assumptions involving the future and other key sources of estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Determination of fair value of financial instruments
The Company carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Company utilized a different valuation methodology. Any changes in fair value of these financial assets would affect profit or loss and equity. The carrying amounts and fair values of financial assets and financial liabilities as of December 31, 2012 and 2011 are disclosed in Note 6 to the financial statements.

Estimating realizability of deferred tax assets
The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized. The Company did not recognize deferred tax asset on the carryforward benefits of NOLCO amounting to ₱3,427,447 and ₱4,402,299 as of December 31, 2012 and 2011, respectively (see Note 5).

4. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

The payable to parent company represents noninterest-bearing payables used to finance the working capital requirements of the Company. They are due and demandable. The payable to the parent company amounted to ₱31,336,383 and ₱30,979,906 as of December 31, 2012 and 2011, respectively.

5. Income Taxes

There is no provision for current income tax in 2012 and 2011 because the Company did not realize any income subject to the regular corporate incorporate tax.

The reconciliation of the provision for income tax computed at statutory rate with the actual provision for income tax follows:

	2012	2011
Tax at statutory rate	**(₱89,005)**	(₱426,806)
Additions to:		
NOLCO for which no deferred tax asset was recognized in current year	**88,470**	379,223
Nondeductible expense	**535**	47,583
Provision for income tax	**₱–**	₱–

Deferred tax asset representing the carryforward benefits of NOLCO amounting to ₱3,427,447 and ₱4,402,299 as of December 31, 2012 and 2011, respectively, was not recognized because management believes that sufficient future taxable profits may not be available to allow all or part of the deferred tax asset to be utilized prior to its expiration.

As of December 31, 2011, the NOLCO that can be claimed as deduction from future taxable income is as follows:

Year Incurred	Available Until	Amount
2012	2015	₱294,901
2011	2014	1,264,075
2010	2013	1,868,471
		₱3,427,447

The following are the movements in NOLCO in 2012 and 2011:

	2012	2011
Beginning of year	**₱4,402,299**	₱10,772,607
Additions	**294,901**	1,264,075
Expirations	**(1,269,753)**	(7,634,383)
End of year	**₱3,427,447**	₱4,402,299

6. Financial Instruments

The Company's principal financial instruments comprise of cash, accrued liabilities and payable to parent company.

The following table summarizes the carrying values and fair values of the Company's financial assets and financial liabilities per class as of December 31, 2012 and 2011:

	2012		2011	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Asset				
Loans and receivables:				
Cash	**₱101,000**	**₱101,000**	₱101,000	₱101,000
Financial Liabilities				
Other financial liabilities:				
Accrued liabilities*	**₱298,119**	**₱298,119**	₱357,914	₱357,914
Payable to parent company	**31,336,383**	**31,336,383**	30,979,906	30,979,906
	₱31,634,502	**₱31,634,502**	₱31,337,820	₱31,337,820

**Excluding other government payables*

The carrying values of these financial instruments were assessed to approximate their fair values due to the short-term nature of cash, receivables, accrued liabilities and payable to parent company.

Financial Instruments Carried at Fair Value
As of December 31, 2012 and 2011, the Company had no financial instruments carried at fair value. Thus, no disclosure on fair value hierarchy is necessary.

7. Financial Risk Management Objectives and Policies

The main purpose of the Company's financial instruments is to finance the Company's operations. The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and manage the Company's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Company's activities.

The main risks arising from the Company's financial instruments are credit risk and liquidity risk. The Company's BOD reviews and adopts policies for managing each of these risks and are summarized below:

Credit Risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Company deals only with counterparties duly approved by the BOD. The gross maximum exposure to credit risk of the Company pertains to its cash in bank amounting to ₱101,000 in both years. Cash is classified as high grade since this is deposited with a reputable bank and can be withdrawn anytime.

Liquidity risk
Liquidity risk arises from the possibility that an entity will encounter difficulty in raising funds to meet associated commitments with financial instruments. The Company's objective is to maintain a continuity of funding until it commences operations.

The following tables show the maturity profile of the Company's other financial liabilities based on undiscounted payments as well as the undiscounted cash flows from loans and receivables used for liquidity purposes.

2012

	On demand	Less than one year	Total
Financial Asset			
Loans and receivables:			
Cash	**₱101,000**	**₱–**	**₱101,000**
Financial Liabilities			
Other financial liabilities:			
Accrued liabilities*	**₱–**	**₱298,119**	**₱298,119**
Payable to parent company	**31,336,383**	**–**	**31,336,383**
	₱31,336,383	**₱298,119**	**₱31,634,502**

****Excluding other government payables***

2011

	On demand	Less than one year	Total
Financial Asset			
Loans and receivables:			
Cash	₱101,000	₱–	₱101,000
Financial Liabilities			
Other financial liabilities:			
Accrued liabilities*	₱–	₱357,914	₱357,914
Payable to parent company	30,979,906	–	30,979,906
	₱30,979,906	₱357,914	₱31,337,820

**Excluding other government payables*

8. Capital Management

The primary objective of the Company's capital management policies is to ensure that it maintains sufficient capital to safeguard its ability to continue as a going concern as evidenced by its ability to pay its creditors, and to ensure that it provides returns for shareholders and benefits to other stakeholders.

No changes were made in the objectives, policies and processes of the Company for the years ended December 31, 2012 and 2011.

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

	2012	2011
Payable to parent company	**₱31,336,383**	₱30,979,906
Capital stock	**100,000**	100,000
Deficit	**(31,788,403)**	(31,491,720)
	(₱352,020)	(₱411,814)

The Company manages its capital structure and makes necessary adjustments to it in light of changes in economic conditions. To maintain or adjust its capital structure, the Company may obtain financial support from the Parent Company.

9. Supplementary Information Required Under Revenue Regulation 19-2011

On December 9, 2011, the Bureau of Internal Revenue (BIR) issued Revenue Regulation (RR) No. 19-2011 which prescribes the new income tax forms to be used effective calendar year 2011. Corporations using BIR Form 1702 are now required to include as part of the notes to the Audited Financial Statements accompanying their tax returns the schedules and information on taxable income and deductions made.

Revenue
The Company has no revenue or other income as of December 31, 2012.

Non-operating and Taxable Other Income
The Company has no non-operating and other taxable income as of December 31, 2012.

Itemized Deductions
Details of the Company's itemized deductions for the year are as follows:

	Taxable amount
Professional fees	₱291,733
Taxes and licenses	3,168
	₱294,901

10. **Supplementary Information Required Under Revenue Regulation 15-2010**

On November 25, 2010, RR No. 15-2010 became effective and amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements accompanying tax returns.

Taxes and Licenses
In 2012, the Company reported and paid license fees and permits amounting to ₱3,168 lodged under "Taxes and licenses" in profit or loss.

Tax Assessment and Cases
As of December 31, 2012, the Company had not received any assessment notice from the BIR for its open taxable years.

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Board of Directors
AquAtlas, Inc.
7th Floor, Quad Alpha Centrum
125 Pioneer Street, Mandaluyong City

We have audited the financial statements of AquAtlas, Inc. (a wholly owned subsidiary of Atlas Consolidated Mining and Development Corporation) as at and for the year ended December 31, 2012, on which we have rendered the attached report dated March 8, 2013.

In compliance with Securities Regulation Code Rule 68, As Amended (2011), we are stating that the above Company has only one (1) stockholder owning more than one hundred (100) shares.

SYCIP GORRES VELAYO & CO.

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

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULE**

The Board of Directors
AquAtlas, Inc.
7th Floor, Quad Alpha Centrum
125 Pioneer Street, Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of AquAtlas, Inc. (a wholly owned subsidiary of Atlas Consolidated Mining and Development Corporation) as at and for the years then ended December 31, 2012 and 2011 and have issued our report thereon dated March 8, 2013. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of All Effective Standards and Interpretations (Part 1, 4J) is the responsibility of the Company's management. This schedule is presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011) and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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

AQUATLAS, INC.

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS

DECEMBER 31, 2012

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] and Philippine Interpretations Committee (PIC) Q&As effective as of December 31, 2012:

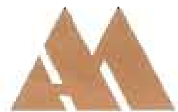
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics				
PFRSs Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial 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 Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓

[illegible]				
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition			✓
	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	**Not Early Adopted**		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	**Not Early Adopted**		
PFRS 8	Operating Segments			✓
PFRS 9	Financial Instruments	**Not Early Adopted**		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	**Not Early Adopted**		
PFRS 10	Consolidated Financial Statements	**Not Early Adopted**		
PFRS 11	Joint Arrangements	**Not Early Adopted**		
PFRS 12	Disclosure of Interests in Other Entities	**Not Early Adopted**		
PFRS 13	Fair Value Measurement	**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	**Not Early Adopted**		
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			✓

[illegible]				
PAS 16	Property, Plant and Equipment	✓		
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	**Not Early Adopted**		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	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	**Not Early Adopted**		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	**Not Early Adopted**		
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	**Not Early Adopted**		
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓

PAS 39	Financial Instruments: Recognition and Measurement	✓		
	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			✓
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			✓
	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	**Not Early Adopted**		
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-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
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			✓



ATLAS EXPLORATION, INC.

9th Floor, Quad Alpha Centrum 125 Pioneer St. Mandaluyong City, Metro Manila
Tel Nos. (02) 584-9788 Fax No. (02) 635-4495

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **ATLAS EXPLORATION, INC.** 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

Noel T. Del Castillo
Treasurer

APR 12 2013

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

Name	TIN
Alfredo C. Ramos	132-017-513-000
Noel T. Del Castillo	100-718-884-000

Document no. 258
Page no. 4
Book no. II
Series of 2013

ATTY. BENIGNO M. PUNO
NOTARY PUBLIC
PTR # 8050597 / 1-04-2013 / PASIG CITY
IBP # 916143 / 1-01-2013 / PASIG CITY
VALID UNTIL DEC. 31, 2014
TIN # 113-425-074-000
MCLE # IV-0001109 1-04-11
ROLL NO. 15636

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

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Atlas Exploration, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Atlas Exploration, Inc. (a wholly owned subsidiary of Atlas Consolidated Mining and Development Corporation), which comprise the statements of financial position as at December 31, 2012 and 2011, and the statements of comprehensive income, statement of changes in capital deficiency and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal controls as management determines is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of Atlas Exploration, Inc. as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Empahsis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the financial statements, which indicate that the Company incurred a net loss of ₱3,657,837 and ₱34,526,005 in 2012 and 2011, respectively, and had a capital deficiency of ₱102,104,626 as of December 31, 2012. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The Company's plans for future actions to address such capital deficiency include debt restructuring and continued financial support from its Parent Company to enable it to operate as a going concern and to meet its obligations for at least twelve months. We have performed audit procedures to evaluate management's plans for such future actions as to likelihood to improve the situation and as to feasibility under the circumstances.

Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010

Our audits were conducted for the purposes of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under revenue regulations 19-2011 and 15-2010 in Notes 11 and 12 to the financial statements, respectively, is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Atlas Exploration, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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 EXPLORATION, INC.
(A Wholly Owned Subsidiary of Atlas Consolidated Mining and Development Corporation)
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2012	2011
ASSETS		
Current Assets		
Cash	**₱882,939**	₱1,170,027
Receivables	**112,235**	79,326
Prepayment and other current assets (Note 4)	**2,426,421**	2,337,800
Total Current Assets	**3,421,595**	3,587,153
Noncurrent Assets		
Property and equipment (Note 5)	**521,297**	367,113
TOTAL ASSETS	**₱3,942,892**	₱3,954,266
LIABILITIES AND CAPITAL DEFICIENCY		
Current Liabilities		
Accrued liabilities	**₱661,355**	₱920,315
Payables to related parties (Note 6)	**105,386,163**	101,480,740
Total Current Liabilities	**106,047,518**	102,401,055
Capital Deficiency		
Capital stock - ₱1 par value		
Authorized - 10,000,000 shares		
Issued - 2,500,000 shares	**2,500,000**	2,500,000
Deficit	**(104,604,626)**	(100,946,789)
Capital Deficiency	**(102,104,626)**	(98,446,789)
TOTAL LIABILITIES AND CAPITAL DEFICIENCY	**₱3,942,892**	₱3,954,266

See accompanying Notes to Financial Statements.

ATLAS EXPLORATION, INC.

(A Wholly Owned Subsidiary of Atlas Consolidated Mining and Development Corporation)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2012	2011
INTEREST INCOME	**₱199**	₱263
OPERATING EXPENSES (Note 1)		
Salaries and wages	**1,368,109**	5,799,254
Supplies	**913,321**	2,187,236
Transportation and travel	**508,287**	1,192,039
Professional fees	**232,800**	3,461,921
Repairs and maintenance	**193,274**	10,188
Depreciation (Note 5)	**162,056**	178,587
Entertainment, amusement and recreation	**86,675**	1,229
Communications	**80,008**	75,561
Taxes and licenses	**79,857**	60,596
Dues and subscription	**11,585**	20,037
Drilling expense (Note 1)	–	19,955,314
Rent (Notes 1 and 6)	–	231,144
Others	**22,064**	1,353,162
	3,658,036	34,526,268
NET LOSS (Note 7)	**3,657,837**	34,526,005
OTHER COMPREHENSIVE INCOME	–	–
TOTAL COMPREHENSIVE LOSS	**₱3,657,837**	₱34,526,005

See accompanying Notes to Financial Statements.

ATLAS EXPLORATION, INC.

(A Wholly Owned Subsidiary of Atlas Consolidated Mining and Development Corporation)

STATEMENT OF CHANGES IN CAPITAL DEFICIENCY

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Capital Stock	Deficit	Total
Balances at December 31, 2010	₱2,500,000	(₱66,420,784)	(₱63,920,784)
Net loss/total comprehensive loss for the year	–	(34,526,005)	(34,526,005)
Balances at December 31, 2011	2,500,000	(100,946,789)	(98,446,789)
Net loss/total comprehensive loss for the year	–	(3,657,837)	(3,657,837)
Balances at December 31, 2012	₱2,500,000	(₱104,604,626)	(₱102,104,626)

See accompanying Notes to Financial Statements.

ATLAS EXPLORATION, INC.

(A Wholly Owned Subsidiary of Atlas Consolidated Mining and Development Corporation)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	**(₱3,657,837)**	(₱34,526,005)
Adjustments for:		
Depreciation (Note 5)	**162,056**	178,587
Interest income	**(199)**	(263)
Operating loss before working capital changes	**(3,495,980)**	(33,347,681)
Decrease (increase) in:		
Receivables	**(32,909)**	46,185
Prepayment and other current assets	**(88,621)**	(2,337,800)
Increase (decrease) in accrued liabilities	**(258,960)**	308,057
Net cash used in operations	**(3,876,470)**	(36,331,239)
Interest received	**199**	263
Net cash flows used in operating activities	**(3,876,271)**	(36,330,976)
CASH FLOWS TO INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 5)	**(316,240)**	(135,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in payable to related parties (Note 6)	**3,905,423**	37,020,964
NET INCREASE (DECREASE) IN CASH	**(287,088)**	554,988
CASH AT BEGINNING OF YEAR	**1,170,027**	615,039
CASH AT END OF YEAR	**₱882,939**	₱1,170,027

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

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

Atlas Exploration, Inc. (the Company), a wholly owned subsidiary of Atlas Consolidated Mining and Development Corporation (ACMDC; Parent Company) was registered with the Philippine Securities and Exchange Commission (SEC) on August 26, 2005 primarily to engage in the business of searching, prospecting, exploring and locating ores and mineral resources and to conduct all ground and airborne geophysical surveys and other work or means commonly regarded as exploration work for the purpose of determining the existence of mineral resources, extent, quality and quantity and the feasibility of mining them for profit.

The registered business address of the Company is 9th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City.

ACMDC was incorporated and was registered with the Philippine SEC as Masbate Consolidated Mining Company, Inc. on March 9, 1935 as a result of the merger of assets and equities of three pre-war mining companies, namely, Masbate Consolidated Mining Company, Antamok Goldfields Mining Company and IXL Mining Company. Thereafter, it amended its articles of incorporation to reflect the present corporate name. The Parent Company, through its subsidiaries, is engaged in metallic mineral mining and exploration, and currently produces copper concentrate (with gold and silver), magnetite iron ore concentrate, and laterite nickel.

The Company incurred a net loss of ₱3,657,837 and ₱34,526,005 in 2012 and 2011, respectively, and had a capital deficiency of ₱102,104,626 as of December 31, 2012. These conditions, along with other matters as set forth in this note, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The Company's plans for future actions to address such capital deficiency include debt restructuring and continued financial support from its Parent Company to enable it to operate as a going concern and to meet its obligations for at least twelve months.

In 2012, the Company continued its exploration activities for the geotechnical survey of the gold prospect in Sigpit, Toledo City, Cebu and for the drilling at the southern extension of the Lutopan ore body found within the Toledo mining complex of ACMDC. The Company also started preparatory activities for its Diwata Gold/Copper Project in Surigao del Sur.

The net loss in 2012 was minimized on account of the assumption by the Parent Company of certain operating expenses, being the principal beneficiary of the exploration activities of the Company. A significant portion of the Company's administrative work is handled by ACMDC.

The financial statements of the Company as at and for the year ended December 31, 2012 and 2011 were authorized for issue by its Board of Directors (BOD) on March 8, 2013.

2. Summary of Significant Accounting Policies and Financial Reporting Practices

Basis of Preparation
The financial statements of the Company have been prepared using the historical cost basis. These financial statements are presented in Philippine peso which is the Company's functional currency. All amounts are rounded to nearest Peso, except when otherwise indicated.

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

The PFRS for Small and Medium-sized Entities (SMEs) has been approved for adoption by the Philippine Financial Reporting Standards Council on October 13, 2009 and by the SEC, on December 3, 2009. The PFRS for SMEs is effective for annual periods beginning on or after January 1, 2010, and is required to be applied by entities that meet the definition of an SME which include, among others, an entity with total assets of between ₱3 million and ₱350 million or a total liabilities of between ₱3 million and ₱250 million.

The PFRS for SMEs is a self-contained standard that is tailored for the needs and capabilities of smaller businesses. Many of the principles in full PFRS for recognizing and measuring assets, liabilities, income and expenses have been simplified, topics not relevant to SMEs have been omitted and the number of required disclosures has been significantly reduced.

On October 7, 2010, the SEC issued a resolution approving the exemption from mandatory adoption of PFRS for SMEs of entities that meet certain criteria which include, among others, being a subsidiary of a parent company reporting under the full PFRS. The Company, which currently presents its financial statements in compliance with full PFRS, applies the full PFRS since it is being consolidated into ACMDC, which reports under full PFRS.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the following amended PFRS effective as of January 1, 2012. Except as otherwise indicated, the adoption of the following standards and amendments did not have any impact on the financial position or performance of the Company:

PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* (Amendments)
The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets* (Amendments)
This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, *Investment Property*, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through

sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, *Property, Plant and Equipment*, always be measured on a sale basis of the asset. The amendments are effective for periods beginning on or after January 1, 2012.

Standards Issued but not yet Effective
Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt these standards when they become effective. Except as otherwise indicated, the adoption of the following standards and amendments did not have any impact on the financial position or performance of the Company.

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

  a. The gross amounts of those recognized financial assets and recognized financial liabilities;
  b. The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c. The net amounts presented in the statement of financial position;
  d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e. The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The amendments to PFRS 7 are to be retrospectively applied and are effective for annual periods beginning on or after January 1, 2013. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements*. This addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The standard becomes effective for annual periods beginning on or after January 1, 2013. The adoption of PFRS 12 will affect disclosures only and have no impact on the Company's financial position or performance.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The standard becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (OCI)* (Amendments)
  The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendments will be applied retrospectively and will result to the modification of the presentation of items of OCI. The amendments affect presentation only and have no impact on the Company's financial position or performance.

- PAS 19, *Employee Benefits* (Revised)
  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments become effective for annual periods beginning on or after January 1, 2013. Once effective, the Company has to apply the amendments retroactively to the earliest period presented. The adoption of the standard has no impact in the Company's financial position or performance.

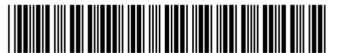
- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The Company expects that this interpretation will not have any impact on its financial position or performance. This interpretation becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The amendments affect presentation only and have no impact on the Company's financial position or performance

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. PFRS 9 is effective for annual periods beginning on or after January 1, 2015. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.



- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts* or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Annual Improvements to PFRSs (2009-2011 cycle)

- The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

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

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

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

- *PAS 32, Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. The Company expects that this amendment will not have any impact on its financial position or performance.

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

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the entity and it can be measured reliably.

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

Operating Expenses
Operating 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. Operating expenses are generally recognized when the service is used or the expense is incurred.

Cash
Cash includes cash on hand and with banks.

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

Initial recognition of financial instruments
All financial assets and financial liabilities are recognized initially at fair value. Except for securities at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transactions costs. The Company classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets, as appropriate. The Company also classifies its financial liabilities into FVPL and other financial liabilities, as appropriate. The classification depends on the purpose for which the investments were acquired or whether they are quoted in an active market. The Company determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

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

The Company has no financial assets and financial liabilities at FVPL, AFS financial asset and HTM investments as of December 31, 2012 and 2011.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments and are not quoted in an active market. They arise when the Company 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 cost or amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets. As of December 31, 2012 and 2011, this category includes the Company's cash and receivables.

Other financial liabilities
This category pertains to financial liabilities that are not held for trading or not designated as FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings (e.g., payables, accruals).

The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

As of December 31, 2012 and 2011, other financial liabilities consist of "Accrued liabilities" and "Payables to related parties".

Impairment of Financial Assets
The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Loans and receivables
The Company first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. Objective evidence includes observable data that comes to the attention of the Company about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments probability that the borrower will enter bankruptcy or other financial reorganization.

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 and 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 there is objective evidence that loans and receivables are impaired, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

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.

Derecognition of Financial Assets and Financial Liabilities

Financial assets

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 Company 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 Company 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 risks and rewards of the asset, but has transferred control of the asset.

Where the Company 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 Company'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 Company could be required to repay.

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

Financial liabilities

Financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where 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 amounts is recognized in profit or loss.

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

Input value-Added Tax (VAT)
Input VAT represents VAT imposed on the Company by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations.

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

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment includes their purchase price and any directly attributable costs of bringing the assets to their working condition and location for their intended use. Expenditures incurred after the property and equipment have been put into operation such as repairs and maintenance and overhaul costs are normally recognized in profit or loss in the period in which these costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment loss are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Depreciation is computed on a straight-line basis over the estimated useful lives of the property and equipment as follows:

	Number of Years
Transportation equipment	5
Office equipment	2 - 5
Furniture and fixtures	2 - 5
Field equipment	10

The estimated useful lives and depreciation method are reviewed periodically and adjusted if appropriate to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment.

Depreciation of items of property 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 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, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the item is derecognized.

Impairment of Nonfinancial Assets
The Company assesses at each reporting date whether there is an indication that property and equipment and other noncurrent assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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

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

Deferred Tax
Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefit of unused 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 carryforward benefit of NOLCO can be utilized.

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

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

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

Provisions

Provisions are recognized when the Company 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 discounted using a current pre-tax discount rate that reflects, 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 interest expense. When the Company expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is recognized in profit or loss, net of any reimbursement.

Capital Stock

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

Where the Company purchases the Company's capital stock (treasury shares), the consideration paid, including any directly attributable incremental costs (net of applicable taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued.

Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the Company's equity holders.

Retained Earnings (Deficit)

The amount included in retained earnings (deficit) includes profit (loss) attributable to the 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 declared. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Contingencies

Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

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

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

The preparation of the Company's financial statements in accordance with PFRS requires the Company to exercise judgment, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses. 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 financial statements as they become reasonably determinable.

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

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

Determining functional currency
Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the operating expenses of the Company.

Classification of financial instruments
The Company classifies a financial instrument or its component parts 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 Company's statements of financial position.

Operating leases - Company as lessee
The Company has entered into property leases, where it has determined that all the risks and rewards incidental and related to those properties are substantially retained by the lessors. As such, these lease agreements are accounted for as operating leases.

Estimates and Assumptions
The key assumptions involving the future and other key sources of estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Determination of fair value of financial instruments
The Company carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Company utilized a different valuation methodology. Any changes in fair value of these financial assets would affect profit or loss and equity. The carrying amounts and fair values of financial assets and financial liabilities as of December 31, 2012 and 2011 are disclosed in Note 8 to the financial statements.

Estimating useful lives of property and equipment
The useful lives of property and equipment are estimated based on the period over which these assets are expected to be available for use. The estimated useful lives are reviewed periodically and 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 operations could be materially affected by changes in these estimates brought about by changes in factors mentioned. There is no change in the estimated useful lives of the property and equipment. As of December 31, 2012 and 2011, the carrying values of property and equipment amounted to ₱521,297 and ₱367,113, respectively (see Note 5).

Estimating impairment of nonfinancial assets
The Company assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value 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. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. For impairment loss on specific assets, the recoverable amount represents the fair value.

Estimating realizability of deferred tax assets
The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized. The Company did not recognize deferred tax assets on the carryforward benefits of NOLCO amounting to ₱50,690,037 and ₱66,560,033 as of December 31, 2012 and 2011, respectively (see Note 7).

4. Prepayments and Other Current Assets

The Company has input VAT credits amounting to ₱567,657 and ₱479,036 as of December 31, 2012 and 2011, respectively, net of allowance for impairment losses amounting to ₱312,236 as of December 31, 2012 and 2011.

In 2012 and 2011, the Company posted a cash bond amounting to ₱2,171,000 to secure the performance of certain obligations relating to preparatory activities for the geotechnical survey of the Sigpit gold prospect and for the drilling at the southern extension of the Lutopan orebody (see Note 1).

5. Property and Equipment

2012

	Transportation Equipment	**Office Equipment**	**Furniture and Fixtures**	**Field Equipment**	**Total**
Cost					
Balances at beginning	**₱650,000**	**₱912,010**	**₱40,009**	**₱135,000**	**₱1,737,019**
Additions	**–**	**316,240**	**–**	**–**	**316,240**
Balances at end of year	**650,000**	**1,228,250**	**40,009**	**135,000**	**2,053,259**
Accumulated depreciation					
Balances at beginning	**405,278**	**911,119**	**40,009**	**13,500**	**1,369,906**
Depreciation for the year	**94,722**	**40,334**	**–**	**27,000**	**162,056**
Balances at end of year	**500,000**	**951,453**	**40,009**	**40,500**	**1,531,962**
Net book values	**₱150,000**	**₱276,797**	**₱–**	**₱94,500**	**₱521,297**

2011

	Transportation Equipment	Office Equipment	Furniture and Fixtures	Field Equipment	Total
Cost					
Balances at beginning	₱650,000	₱912,010	₱40,009	₱–	₱1,602,019
Additions (Note 1)	–	–	–	135,000	135,000
Balances at end of year	650,000	912,010	40,009	135,000	1,737,019
Accumulated depreciation					
Balances at beginning	305,278	846,032	40,009	–	1,191,319
Depreciation for the year	100,000	65,087	–	13,500	178,587
Balances at end of year	405,278	911,119	40,009	13,500	1,369,906
Net book values	₱244,722	₱891	₱–	₱121,500	₱367,113

The cost of fully depreciated furniture and fixtures amounted to ₱40,009 as of December 31, 2012 and 2011. These assets are in the books and are still in use by the Company.

6. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

a. Payables to related parties consist of:

		Amounts		**Outstanding Balances**	
	Nature of relationship	**2012**	2011	**2012**	2011
ACMDC	Parent	**₱6,430,015**	₱36,520,344	**₱102,254,154**	₱98,824,139
Carmen Copper Corporation (CCC)	Under common control	**475,408**	500,620	**3,132,009**	2,656,601
		₱6,905,423	₱37,020,964	**₱105,386,163**	₱101,480,740

The payables to related parties represent noninterest-bearing payables to ACMDC and CCC to finance the working capital requirements of the Company.

b. The Company shares office space with ACMDC. Rent expense amounted to ₱231,144 in 2011. In 2012, ACMDC assumed the rent expense attributable to the Company's use of the common office space (see Note 1).

7. Income Taxes

There is no provision for current income tax in 2012 and 2011 because the Company did not realize income subject to the regular corporate income tax.

The reconciliation of the provision for income tax computed at statutory rate with the actual provision for income tax follows:

	2012	2011
Benefit from income tax computed at the statutory income tax rates	**(₱1,097,351)**	(₱10,357,801)
Additions (deductions) to:		
Net movements on unrecognized deferred tax assets	**1,065,550**	10,205,290
Nondeductible expense	**31,861**	152,590
Interest income subjected to final tax	**(60)**	(79)
Provision for income tax	**₱–**	₱–

Deferred tax assets representing the carryforward benefits of NOLCO amounting to ₱50,690,037 and ₱66,560,033, as of December 31, 2012 and 2011, respectively, were not recognized because management believes that sufficient future taxable profits may not be available to allow all or part of deferred tax assets to be utilized prior to their expiration.

As of December 31, 2012, the NOLCO that can be claimed as deduction from future taxable income is as follows:

Year Incurred	Available Until	Amount
2012	2015	₱3,551,834
2011	2014	34,017,634
2010	2013	13,120,569
		₱50,690,037

The following are the movements in NOLCO in 2012 and 2011:

	2012	2011
Beginning of year	**₱66,560,033**	₱46,495,188
Additions	**3,551,834**	34,017,634
Expirations	**(19,421,830)**	(13,952,789)
End of year	**₱50,690,037**	₱66,560,033

8. Financial Instruments

The Company's principal financial instruments comprise of cash, receivables, accrued liabilities and payable to related parties.

The following table summarizes the carrying values and fair values of the Company's financial assets and financial liabilities per class as of December 31, 2012 and 2011:

	2012		2011	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Assets				
Loans and receivables:				
Cash	**₱882,939**	**₱882,939**	₱1,170,027	₱1,170,027
Receivables	**112,235**	**112,235**	79,326	79,326
	₱995,174	**₱995,174**	₱1,249,353	₱1,249,353
Financial Liabilities				
Other financial liabilities:				
Accrued liabilities*	**₱653,494**	**₱653,494**	₱499,432	₱499,432
Payable to related parties	**105,386,163**	**105,386,163**	101,480,740	101,480,740
	₱106,039,657	**₱106,039,657**	₱101,980,172	₱101,980,172

**Excluding government payables*

The carrying values of these financial instruments were assessed to approximate their fair values due to the short-term nature of cash, receivables, accrued liabilities and payables to related parties.

Financial Instruments Carried at Fair Value
As of December 31, 2012 and 2011, the Company had no financial instruments carried at fair value. Thus, no disclosure on fair value hierarchy is necessary.

9. Financial Risk Management Objectives and Policies

The main purpose of the Company's financial instruments is to finance the Company's operations. The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and manage the Company's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance with internal control policies. Risk management policies and structures are reviewed regularly to reflect changes in market conditions and the Company's activities.

The main risks arising from the Company's financial instruments are credit risk and liquidity risk. The Company's BOD reviews and adopts policies for managing each of these risks and are summarized below:

Credit Risk
Credit risk is the risk that the Company will incur losses if its counterparties fail to discharge their contractual obligations. The table below shows the gross maximum exposure to credit risk for the components of the statements of financial position:

	2012	2011
Loans and receivables:		
Cash*	**₱52,759**	₱43,410
Receivables	**112,235**	79,326
	₱164,994	₱122,736

**Excluding cash on hand*

Cash is classified as high grade since it is deposited with reputable banks and can be withdrawn anytime. Significant portion of the Company's receivables balances pertain to advances to employees which the Company classifies as past due but not impaired since these are still collectible although had been long-outstanding.

Liquidity Risk
Liquidity risk arises from the possibility that an entity will encounter difficulty in raising funds to meet associated commitments with financial instruments. The Company's objective is to maintain a continuity of funding until the Company commences operations.

The following tables show the maturity profile of the Company's financial liabilities based on undiscounted payments as well as the undiscounted cash flows from financial assets used for liquidity purposes as of:

2012

	On demand	**Within one year**	**Total**
Financial Asset			
Loans and receivables:			
Cash	**₱882,939**	**₱–**	**₱882,939**
Receivables	**–**	**112,235**	**112,235**
	₱882,939	**₱112,235**	**₱995,174**
Financial Liabilities			
Other financial liabilities:			
Accrued liabilities*	**₱–**	**₱653,494**	**₱653,494**
Payables to related parties	**105,386,163**	**–**	**105,386,163**
	₱105,386,163	**₱653,494**	**₱106,039,657**

Excluding government payables

2011

	On demand	Within one year	Total
Financial Asset			
Loans and receivables:			
Cash	₱1,170,027	₱–	₱1,170,027
Receivables	–	79,326	79,326
	₱1,170,027	₱79,326	₱1,249,353
Financial Liabilities			
Other financial liabilities:			
Accrued liabilities*	₱–	₱499,432	₱499,432
Payables to related parties	101,480,740	–	101,480,740
	₱101,480,740	₱499,432	₱101,980,172

**Excluding government payables*

10. Capital Management

The primary objective of the Company's capital management policies is to ensure that it maintains sufficient capital to safeguard its ability to continue as a going concern as evidenced by its ability to pay its creditors, and to ensure that the Company provides returns for shareholders and benefits for other stakeholders.

No changes were made in the objectives, policies and processes of the Company for the years ended December 31, 2012 and 2011.

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

	2012	2011
Payables to related parties	**₱105,386,163**	₱101,480,740
Capital stock	**2,500,000**	2,500,000
Deficit	**(104,604,626)**	(100,946,789)
	₱3,281,537	₱3,033,951

The Company manages its capital structure and makes necessary adjustments to it in light of changes in economic conditions. To maintain or adjust its capital structure, the Company may obtain financial support from the Parent Company.

11. Supplementary Tax Information under Revenue Regulation 19-2011

On December 9, 2011, the Bureau of Internal Revenue (BIR) issued Revenue Regulation (RR) No. 19-2011 which prescribes the new income tax forms to be used effective calendar year 2011. Corporations using BIR Form 1702 are now required to include as part of the notes to the Audited Financial Statements accompanying their tax returns the schedules and information on taxable income and deductions made.

The schedule of and information on the taxable income of and deductions made by the Company are as follows:

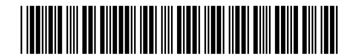
Revenue
The Company has no revenue or other taxable income as of December 31, 2012.

Non-operating and Taxable Other Income
The Company has no non-operating and other taxable income as of December 31, 2012.

Itemized Deductions
The details of the Company's itemized deductions for 2012 are as follows:

	Taxable amount
Salaries and wages	₱1,368,109
Supplies	913,321
Transportation and travel	508,287
Professional fees	232,800

(Forward)



	Taxable amount
Repairs and maintenance	₱193,274
Depreciation	162,056
Communications	80,008
Taxes and licenses	60,330
Dues and subscription	11,585
Others	22,064
	₱3,551,834

12. **Supplementary Tax Information under Revenue Regulation 15-2010**

On November 25, 2010, RR No. 15-2010 became effective and amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements accompanying tax returns.

The Company paid the following taxes for 2012:

Value added tax (VAT)
The National Internal Revenue Code of 1997, as amended, provides for the imposition of VAT at the rate of twelve per cent (12%) on sales of goods and services. Accordingly, the Company's sales are subject to output VAT while its importations and its purchases from other VAT-registered individuals or corporations are subject to input VAT.

Input VAT

Balance at January 1	₱479,036
Current year's domestic purchases/payments for:	
Goods other than for resale or manufacture	83,708
Services lodged under other accounts	4,913
Balance at December 31	₱567,657

Other Taxes and License Fees
Other taxes and license fees consist of the following:

License and permits fees	₱49,285
Others	11,045
	₱60,330

Tax Assessment and Cases
As of December 31, 2012, the Company had not received any assessment notice from the BIR for its open taxable years.

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Atlas Exploration, Inc.
9th Floor, Quad Alpha Centrum
125 Pioneer Street, Mandaluyong City

We have audited the financial statements of Atlas Exploration, Inc. (a wholly owned subsidiary of Atlas Consolidated Mining and Development Corporation) as at and for the year ended December 31, 2012, on which we have rendered the attached report dated March 8, 2013.

In compliance with Securities Regulation Code Rule 68, As Amended (2011), we are stating that the above Company has six (6) stockholders owning more than one hundred (100) shares each.

SYCIP GORRES VELAYO & CO.

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

A member firm of Ernst & Young Global Limited

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December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULE

The Board of Directors
Atlas Exploration, Inc.
9th Floor, Quad Alpha Centrum
125 Pioneer Street, Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Atlas Exploration, Inc. (a wholly owned subsidiary of Atlas Consolidated Mining and Development Corporation) as at and for the years ended December 31, 2012 and 2011 and have issued our report thereon dated March 8, 2013. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of All Effective Standards and Interpretations (Part 1, 4J) is the responsibility of the Company's management. This schedule is presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011), and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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 EXPLORATION, INC.
SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS
DECEMBER 31, 2012

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] and Philippine Interpretations Committee (PIC) Q&As effective as of December 31, 2012:

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 Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓

[illegible]				
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition			✓
	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	**Not Early Adopted**		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	**Not Early Adopted**		
PFRS 8	Operating Segments			✓
PFRS 9	Financial Instruments	**Not Early Adopted**		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	**Not Early Adopted**		
PFRS 10	Consolidated Financial Statements	**Not Early Adopted**		
PFRS 11	Joint Arrangements	**Not Early Adopted**		
PFRS 12	Disclosure of Interests in Other Entities	**Not Early Adopted**		
PFRS 13	Fair Value Measurement	**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	**Not Early Adopted**		
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	✓		
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	**Not Early Adopted**		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	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	**Not Early Adopted**		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	**Not Early Adopted**		
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	**Not Early Adopted**		
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓

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PAS 39	Financial Instruments: Recognition and Measurement	✓		
	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			✓
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			✓
	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	**Not Early Adopted**		
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-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
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			✓

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SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong City, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Berong Nickel Corporation** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2012 and 2011, 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 or members.

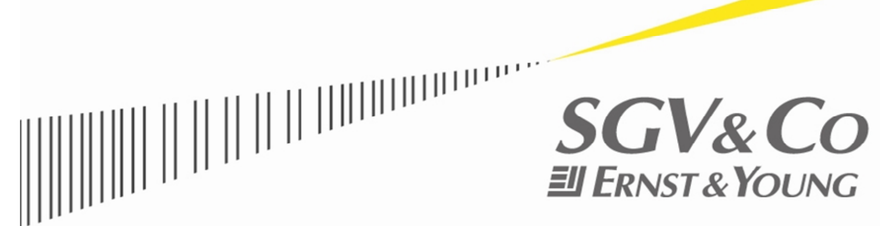
SyCip, Gorres, Velayo & Co., the independent auditors, appointed by the stockholders has examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon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

Alfredo C. Ramos
Chairman

Atty. Roberto O. Parel - Director
On Behalf of Victor Kolesnikov – VP / COO

Marissa S. Nicdao
OIC - Finance

Signed this ___ day of April 2013



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December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Berong Nickel Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Berong Nickel Corporation, which comprise the statements of financial position as at December 31, 2012 and 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

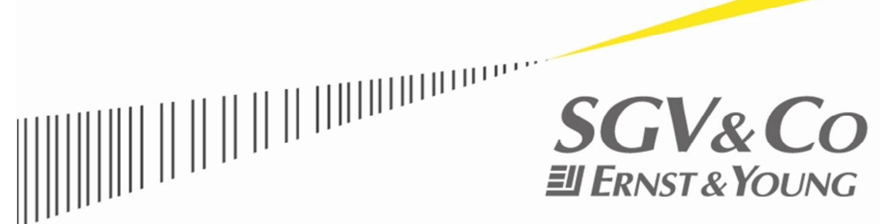
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of Berong Nickel Corporation as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 19-2011 and 15-2010 in Notes 27 and 28 to the financial statements, respectively, is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Berong Nickel Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Alicia O. Lu
Partner
CPA Certificate No. 0062493
SEC Accreditation No. 0661-AR-1 (Group A),
March 3, 2011, valid until March 2, 2014
Tax Identification No. 102-090-613
BIR Accreditation No. 08-001998-66-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3669693, January 2, 2013, Makati City

March 22, 2013

BERONG NICKEL CORPORATION
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2012	2011
ASSETS		
Current Assets		
Cash (Note 4)	**₱208,816,709**	₱83,541,159
Trade and other receivables (Note 5)	**85,970,409**	128,526,373
Inventories (Note 6)	**207,326,510**	191,813,671
Other current assets (Note 7)	**117,334,513**	113,864,670
Total Current Assets	**619,448,141**	517,745,873
Noncurrent Assets		
Property and equipment (Note 8)	**515,818,277**	561,435,358
Deferred mine exploration costs (Note 9)	**49,248,879**	49,248,879
Deferred income tax assets - net (Note 20)	**–**	73,557
Other noncurrent assets (Note 24)	**9,289,958**	9,069,803
Total Noncurrent Assets	**574,357,114**	619,827,597
TOTAL ASSETS	**₱1,193,805,255**	₱1,137,573,470
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 10)	**₱218,868,162**	₱229,229,657
Income tax payable	**9,732,181**	–
Amounts due to a related party (Note 19)	**1,660,791**	1,893,398
Advances from stockholders (Note 19)	**398,514,078**	547,225,194
Total Current Liabilities	**628,775,212**	778,348,249
Noncurrent Liabilities		
Provision for mine rehabilitation and decommissioning (Note 11)	**2,235,273**	2,113,413
Retirement benefits liability (Note 12)	**6,146,800**	4,487,700
Deferred income tax liabilities - net (Note 20)	**7,343,341**	–
Total Noncurrent Liabilities	**15,725,414**	6,601,113
Total Liabilities	**644,500,626**	784,949,362
Equity		
Capital stock - ₱1 par value Authorized - 700,000,000 shares Issued - 303,750,000 shares	**303,750,000**	303,750,000
Actuarial loss (Note 12)	**(636,160)**	(1,020,390)
Retained earnings	**246,190,789**	49,894,498
Total Equity	**549,304,629**	352,624,108
TOTAL LIABILITIES AND EQUITY	**₱1,193,805,255**	₱1,137,573,470

See accompanying Notes to Financial Statements.

BERONG NICKEL CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2012	2011
SALE OF BENEFICIATED NICKEL ORE/ NICKELIFEROUS LATERITE ORE (Notes 1 and 24)	**₱1,189,715,630**	₱577,589,307
COST OF SALES (Note 13)	**508,478,961**	208,937,821
GROSS PROFIT	**681,236,669**	368,651,486
OPERATING EXPENSES		
Marketing and shipping (Note 14)	**250,442,533**	116,651,180
General and administrative (Note 15)	**175,232,276**	147,359,119
Excise taxes and royalties (Note 16)	**35,691,469**	17,327,679
	461,366,278	281,337,978
FINANCE INCOME (COST)		
Finance interest (Note 10)	**(4,211,700)**	–
Accretion income (expense) on provision for mine rehabilitation and decommissioning (Note 11)	**(121,859)**	4,154,344
Interest income (Notes 4 and 22)	**89,383**	52,276
	(4,244,176)	4,206,620
OTHER INCOME (CHARGES) - Net (Note 18)	**5,818,804**	(10,291,582)
INCOME BEFORE INCOME TAX	**221,445,019**	81,228,546
PROVISION FOR INCOME TAX (Note 20)		
Current	**17,896,500**	–
Deferred	**7,252,228**	2,596,513
	25,148,728	2,596,513
NET INCOME	**196,296,291**	78,632,033
OTHER COMPREHENSIVE INCOME (LOSS)		
Actuarial gain (loss) (Note 12)	**548,900**	(1,146,300)
Income tax effect	**(164,670)**	343,890
	384,230	(802,410)
TOTAL COMPREHENSIVE INCOME	**₱196,680,521**	₱77,829,623

See accompanying Notes to Financial Statements.

BERONG NICKEL CORPORATION

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Capital Stock	Actuarial Gain (Loss) (Note 12)	Retained Earnings (Deficit)	Total
Balances at December 31, 2010	**₱303,750,000**	**(₱217,980)**	**(₱28,737,535)**	**₱274,794,485**
Net income for the year	–	–	78,632,033	78,632,033
Other comprehensive loss, net of tax	–	(802,410)	–	(802,410)
Total comprehensive income (loss)	–	(802,410)	78,632,033	77,829,623
Balances at December 31, 2011	**303,750,000**	**(1,020,390)**	**49,894,498**	**352,624,108**
Net income for the year	–	–	196,296,291	196,296,291
Other comprehensive income, net of tax	–	384,230	–	384,230
Total comprehensive income	–	384,230	196,296,291	196,680,521
Balances at December 31, 2012	**₱303,750,000**	**(₱636,160)**	**₱246,190,789**	**₱549,304,629**

See accompanying Notes to Financial Statements.

BERONG NICKEL CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱221,445,019**	₱81,228,546
Adjustments for:		
Depreciation, amortization and depletion (Note 8)	**67,887,107**	65,999,861
Unrealized foreign exchange loss (gain) - net	**(21,227,458)**	237,397
Retirement benefit costs (Note 12)	**2,208,000**	913,700
Accretion expense (income) for provision for mine rehabilitation and decommissioning (Note 11)	**121,860**	(4,154,344)
Interest income (Notes 4 and 22)	**(89,383)**	(52,276)
Movement in accrued rent	**–**	(9,801)
Operating income before changes in working capital	**270,345,145**	144,163,083
Decrease (increase) in:		
Trade and other receivables	**42,555,964**	(120,875,279)
Inventories	**(15,512,839)**	(86,138,294)
Other current assets	**(3,469,843)**	(59,553,887)
Increase (decrease) in:		
Trade and other payables	**(10,361,495)**	153,861,394
Amounts due to a related party	**(232,607)**	1,893,398
Net cash generated from operations	**283,324,325**	33,350,415
Income tax paid	**(8,164,319)**	–
Interest received	**89,383**	52,276
Net cash flows from operating activities	**275,249,389**	33,402,691
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 8)	**(22,270,026)**	(12,065,135)
Increase in:		
Deferred mine exploration costs	**–**	(2,225,000)
Other noncurrent assets	**(220,155)**	(3,481,658)
Cash flows used in investing activities	**(22,490,181)**	(17,771,793)
CASH FLOW FROM FINANCING ACTIVITY		
Additional (Payments of) advances from stockholders	**(148,711,116)**	53,313,821
NET INCREASE IN CASH	**104,048,092**	68,944,719
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**21,227,458**	–
CASH AT BEGINNING OF YEAR	**83,541,159**	14,596,440
CASH AT END OF YEAR	**₱208,816,709**	₱83,541,159

See accompanying Notes to Financial Statements.

BERONG NICKEL CORPORATION
NOTES TO FINANCIAL STATEMENTS

1. **Corporate Information and Status of Operations**

   a. Corporate Information

   Berong Nickel Corporation (the Company) was registered with the Philippine Securities and Exchange Commission on September 27, 2004, for the purpose of exploring, developing and mining the Berong Mineral Properties located in Barangay Berong, Quezon, province of Palawan. The Company shall have the exclusive privilege and right to explore, develop, mine, operate, produce, utilize, process and dispose of all the minerals and the products or by-products that may be produced, extracted, gathered, recovered, unearthed or found within the Mineral Properties, inclusive of Direct Shipping Project, under a Mineral Production Sharing Agreement (MPSA) with the Government of the Philippines or under any appropriate rights granted by law or the Government of the Philippines.

   In 2011, the Company is 60%-owned by Nickeline Resources Holdings, Inc. (NRHI), 21.3%-owned by Toledo Mining Corporation (TMC) and 18.7%-owned by European Nickel Plc (ENK). Its ultimate parent is Atlas Consolidated Mining and Development Corporation (ACMDC).

   In 2012, the new structure of the Company's ownership is 40%-owned by TMC and 60%-owned by NRHI after TMC exercised its option to purchase the 18.7% of ENK's direct stake in the Company and sold to DMCI the 31.0% direct stake in NRHI making TMC's direct stake in the Company to 40% (see Note 19).

   The registered office address of the Company is 9th Flr. Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City.

   b. Status of Operations

   Mining Project

   In 2005, following the grant of temporary exploration permit by the Philippine Government, the Company commenced a confirmatory exploration and resampling program in the initial production area of the "Berong Nickel Mining Project" (the Berong Project).

   In 2006, after establishing that economically recoverable reserves exist in the area, the Company proceeded to develop the area into commercial mining operation. On November 24, 2006, the Company was issued a Special Mines Permit (SMP) by the Department of Environment and Natural Resources (DENR), through the Mines and Geosciences Bureau (MGB) subject to the pertinent provisions of DENR Administrative Order No. 96-40. The issuance of the SMP allowed the Company to commence its mining operations while it completes a feasibility report as part of the requirements for the Company's commercial MPSA application.

   On June 8, 2007, the government approved MPSA No. 235-2007-IVB in favor of the Company as the Contractor. The MPSA covers a contract area of approximately two hundred eighty-eight (288) hectares situated in Barangay Berong, Municipality of Quezon, Province of Palawan.

In November 2008, the Company has decided to temporarily stop its mining operations in the Berong Project due to low nickel prices and demand.

On February 12, 2010, MGB granted Exploration Permit (EP) No. EP-002-2010IVB in favor of the Company. The EP covers an area of approximately one thousand sixty-nine (1,069) hectares situated in the Municipalities of Quezon and Aborlan, Province of Palawan. The EP is for a period of two (2) years from the date of issuance thereof. As at December 31, 2012, the Company has pending renewal of the EP with MGB. In May 2011, the Company resumed its business operations.

On July 12, 2012, Executive Order (EO) 79 was released to lay out the framework for the implementation of mining reforms in the Philippines. The policy highlights several issues that includes area of coverage of mining, small-scale mining, creation of a council, transparency and accountability and reconciling the roles of the national government and local government units. Management assessed that EO 79 has no major impact to its current operations.

Registration with the Board of Investments (BOI)
On May 28, 2007, the Company was registered with the BOI as a new producer of beneficiated nickel ore on a non-pioneer status. On November 5, 2010, BOI has approved the extension of Income Tax Holiday (ITH) period of the Company for another year until May 27, 2012 (see Note 25).

The Company has been certified by BOI as a qualified enterprise for the purpose of Value Added Tax (VAT) zero-rating of its transactions pursuant to the terms and conditions set forth by the BOI. On January 27, 2012, the Company received the renewed certification of BOI for the VAT-zero rated status, which is valid until December 31, 2012.

The financial statements of the Company as at and for the years ended December 31, 2012 and 2011 were authorized for issuance by the Board of Directors (BOD) on March 22, 2013.

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

Basis of Preparation
The Company's financial statements have been prepared on a historical cost basis and are presented in Philippine peso, which is the Company's functional and presentation currency. All values are rounded to the nearest Philippine peso, except when otherwise stated.

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to previously issued PAS and PFRS which became effective on January 1, 2012:

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets (Amendments)*, effective for annual periods beginning on or after January 1, 2012, with earlier application permitted; and

- PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets (Amendments)*, effective for annual periods beginning on or after January 1, 2012, with earlier application permitted.

The adoption of the new and amended standards and interpretations above do not have an impact on the accounting policies, financial position or performance of the Company.

Future Changes in Accounting Policies
The Company did not early adopt the following standards and Philippine Interpretations that will become effective subsequent to December 31, 2012:

Effective in 2013:

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

  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The amendments are to be retrospectively applied and are effective for annual periods beginning on or after January 1, 2013. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaces the portion of PAS 27, *Separate and Consolidated Financial Statements*, which addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The standard becomes effective for annual periods beginning on or after January 1, 2013. The adoption of PFRS 10 has no impact on the Company's financial position or performance as the Company does not present consolidated financial statements.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The standard becomes effective for annual periods beginning on or after January 1, 2013. The adoption of PFRS 11 will affect disclosure only and has no impact on the Company's financial position and performance.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The standard becomes effective for annual periods beginning on or after January 1, 2013. The adoption of PFRS 12 will affect disclosures only and have no impact on the Company's financial position or performance.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13.

  The standard becomes effective for annual periods beginning on or after January 1, 2013. The Company does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (Amendments)*
  The amendments to PAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Company's financial position or performance. The amendments become effective for annual periods beginning on or after July 1, 2012.

- PAS 19, *Employee Benefits (Revised)*
  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments become effective for annual periods beginning on or after January 1, 2013.

The Company reviewed its existing employee benefits and determined that the amended standard has an impact on its accounting for retirement benefits. The Company obtained the services of an external actuary to compute the impact to the financial statements upon adoption of the standard. The effects are detailed below:

	As at December 31, 2012	As at December 31, 2011
Increase (decrease) in:		
Statement of financial position		
Net pension liability	₱1,659,100	₱2,060,000
Deferred tax assets	497,430	618,000
Other comprehensive loss	(548,900)	1,146,300
Retained earnings	(1,545,600)	(639,590)

	2012
Statement of comprehensive income	
Pension expense	₱2,208,000
Provision for income tax	(662,400)
Net income for the year	1,545,600

- PAS 27, *Separate Financial Statements (as revised in 2011)*
  As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The adoption of the amended PAS 27 will not have a significant impact on the Company's financial position and performance since the Company does not present separate financial statements.

- PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*
  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The Company has no investments in associates and joint ventures and therefore, does not expect these amendments to have an impact on its financial performance or position.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After an initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization less impairment losses, in the same way as the existing asset of which it is a part. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after January 1, 2013. The

Company will assess if the new interpretation will have a significant impact on the Company's financial position or performance.

Effective in 2014:

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Company's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective in 2015:

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have no impact on the Company's classification and measurement of financial assets and liabilities.

  PFRS 9 is effective for annual periods beginning on or after January 1, 2015.

To Be Determined:

- Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Company.

The Company does not expect any significant impact in the financial statements when it adopts the above standards, amendments and interpretations. The revised and additional disclosures provided by the standards, amendments and interpretations will be included in the financial statements when these are adopted in the future, if applicable.

Annual Improvements to PFRSs (2009-2011 cycle)
The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

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

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

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

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

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

Summary of Significant Accounting Policies

Presentation of Financial Statements
The Company has elected to present all items of recognized income and expenses in one single statement of comprehensive income.

Financial Instruments
Date of Recognition
Financial instruments are recognized in the Company's statement of financial position when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date (i.e. the date that the Company commits to purchase or sell the asset).
Initial Recognition and Measurement of Financial Instruments
The Company determines the classification of financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at every end of the reporting period.

Financial instruments are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of all financial instruments, except for financial instruments measured at fair value through profit or loss (FVPL).

Financial Assets
Financial assets within the scope of PAS 39 are classified as at FVPL, loans and receivables, available-for-sale (AFS) investments, held-to-maturity (HTM) investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market.

The Company's financial assets are in the nature of loans and receivables. The Company has no financial assets classified as at FVPL, AFS investments, HTM investments and derivatives designated as hedging instruments in an effective hedge as at December 31, 2012 and 2011.

Financial Liabilities
Financial liabilities within the scope of PAS 39 are classified as at FVPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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.

The Company's financial liabilities are in the nature of loans and borrowings. The Company has no financial liabilities classified as at FVPL and derivatives designated as hedging instrument in an effective hedge as at December 31, 2012 and 2011.

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

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 are not entered into with the intention of immediate or short-term resale and are not classified as "financial assets held for trading", designated as "AFS investments" or 'financial asset designated at FVPL". After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less any allowance for impairment, in the statement of financial position. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in the statement of comprehensive income when the loans 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 financial reporting period or within the Company's operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

As at December 31, 2012 and 2011, the Company's loans and receivables pertain to cash, trade and other receivables, deposits with supplier included under "other current assets" and Mine Rehabilitation Fund (MRF) included under "Other noncurrent assets".

Loans and Borrowings
This category pertains to financial liabilities that are not held for trading, not derivatives, or not designated as at FVPL upon the inception of the liability. These financial liabilities are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization or accretion for any related premium, discount and any directly attributable transaction cost. Gains and losses are recognized in the statement of comprehensive income when the loans are derecognized or impaired as well as through the amortization process.

Loans and borrowings are included under current liabilities if it will be settled within 12 months after the end of the financial reporting period or within the Company's operating cycle, whichever is longer. Otherwise, these are classified as noncurrent liabilities.

As at December 31, 2012 and 2011, the Company's loans and borrowings pertain to trade and other payables, advances from stockholders and amounts due to a related party, which are classified under current liabilities.

Determination of Fair Values of Financial Instruments
The fair value of financial instruments that are traded in active markets at each end of the financial reporting period is determined by reference to quoted market prices or dealer price quotations, bid price for long positions and ask price for short positions, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.
The Company uses hierarchy below in determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 - Quoted prices in active markets for identical asset or liability;

- Level 2 - Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3 - Those with inputs for asset or liability that are not based on observable market data (unobservable inputs).

When fair values of listed equity and debt securities as well as publicly traded derivatives at the end of the financial reporting period are based on quoted market prices or binding dealer price quotations without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy.

For all other financial instruments, fair value is determined using valuation technique. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models and other relevant valuation model. For these financial instruments, inputs into models are market observable and are therefore included within Level 2.

Instruments included in Level 3 include those for which there is currently no active market.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 23.

Offsetting of Financial Instruments
Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and the liability simultaneously.

Impairment of Financial Assets Carried at Amortized Cost
The Company assesses at each end of the reporting period whether there is objective evidence that a specific financial asset or group of financial assets may be impaired.

The Company 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. The factors in determining whether objective evidence of impairment exist include, but are not limited to, the length of the Company’s relationship with debtors, their payment behavior and known market factors. Evidence of impairment may also include indications that the borrowers are experiencing significant difficulty, default and delinquency in 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. 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 asset 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 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 the statement of comprehensive income.

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 the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Impairment losses are estimated by taking into consideration the following information: current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Management is responsible for deciding the length of this period which can extend for as long as one year.

Derecognition of Financial Instruments

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 Company 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 Company 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.

When the Company 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 Company'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 Company could be required to repay.

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 amounts is recognized in the statement of comprehensive income.

Inventories

Inventories are valued at the lower of cost or net realizable value (NRV). Cost of beneficiated nickel ore or nickeliferous laterite ore is determined by the moving average production cost and comprise of outside services, production overhead, personnel cost and depreciation, amortization and depletion that are directly attributable in bringing the beneficiated nickel ore or nickeliferous laterite ore in its saleable condition. NRV for beneficiated nickel ore or nickeliferous laterite ore is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

NRV for supplies and fuel is the current replacement cost. For supplies and fuel, cost is also determined using the moving average method and composed of purchase price, transport, handling and other costs directly attributable to its acquisition. NRV of supplies and fuel is the current replacement cost. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision or obsolescence.

Property and Equipment

Property and equipment, except land, is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, amortization and depletion and any accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. Land is carried at cost.

Depreciation and amortization are computed on a straight-line basis over the following estimated useful lives of the assets or the term of the lease, whichever is shorter, in case of leasehold improvements.

Category	Number of Years
Leasehold improvements	5-10
Laboratory and other equipment	5-10
Transportation equipment	5
Office equipment	5

Mine and mining properties consists of mine development costs, capitalized cost of mine rehabilitation and decommissioning (refer to accounting policy on “Provision for mine rehabilitation and decommissioning”) and mining rights. Mine development costs consist of capitalized costs previously carried under “Deferred mine exploration costs”, which were transferred to property and equipment upon start of commercial operations. Mining rights are expenditures for the acquisition of property rights that are capitalized.

The net carrying amount of mine and mining properties is depleted using unit-of-production method based on the estimated economically recoverable reserves of the mine concerned and are written-off if the property is abandoned.

Property and equipment, except for land, are depreciated, amortized and depleted in the following month from its availability for use and after the risks and rewards are transferred to the Company, or, in case of mine and mining properties, from start of commercial operations upon extraction of ore reserves. Depreciation, amortization and depletion ceases when the assets are fully depreciated, amortized or depleted, or at the earlier of the date that the item is classified as held for sale (or included in the disposal group that is classified as held for sale) in accordance with

PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the item is derecognized.

The estimated useful lives and depreciation, amortization and depletion methods are reviewed at the end of each financial reporting period to ensure that the period and methods of depreciation, amortization and depletion are consistent with the expected pattern of economic benefits that the Company will derive from items of property and equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation, amortization and depletion and any impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

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

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Fully depreciated assets are retained in the accounts until these are no longer in use. When assets are sold or retired, the cost and the related accumulated depreciation, amortization and any impairment in value are eliminated from the accounts and any gain or loss resulting from the disposal is included in the statement of comprehensive income.

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 “Property and equipment”. 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.

Other Asset
VAT
Input VAT represents VAT imposed by Company’s suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations. Input VAT is recognized as an asset as it can be recovered as tax credit against certain future tax liability or can be claimed as a tax refund. Input VAT is stated at its estimated net realizable value.

Impairment of Nonfinancial Assets

Inventories

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

Other Current Assets

The Company provides allowance for impairment losses on non-financial prepayments and other current assets when they can no longer be realized. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease prepayments and other current assets.

Property and Equipment

Property and equipment, 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 cash-generating unit (CGU) is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's CGU's fair value less cost to sell and value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a large CGU. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value in use is the present value, using a pre-tax discount rate, of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Impairment losses are recognized in the 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 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 financial period in which this is determined. Exploration assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the following conditions is met:

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

Provisions

General

Provisions are recognized when the Company 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. Provisions are reviewed at each end of the financial reporting period and adjusted to reflect the current and best estimate. When the Company expects some or all of the provisions to be reimbursed, the reimbursement is recognized as a separate asset but only when reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement.

If the effect of the time value of money is material, provisions are made by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment 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 accretion expense.

Provision for Mine Rehabilitation and Decommissioning

The Company 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 statement of comprehensive income under “Finance cost”. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and provision for mine rehabilitation and decommissioning, 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 financial reporting period and the cost is charged to the 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 provision for mine rehabilitation and decommissioning, which would affect future financial results.

MRF committed for use in satisfying environmental obligations are included within “Other noncurrent assets” in the statement of financial position.

Foreign Currency Denominated Transactions
Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are restated using the closing rate of exchange ruling at the end of the financial reporting period. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are restated using exchange rates at the date when the fair value was determined. All differences are taken to the statement of comprehensive income.

Capital Stock
Common shares are classified as equity.

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from proceeds. The excess of proceeds from issuance of shares over the par value of the shares are credited to additional paid-in capital.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments.

Dividends are recognized as a liability and deducted from retained earnings when they are approved by the stockholders of the Company. Dividends for the period that are approved after the end of the financial reporting period are dealt with as an event after the end of the financial reporting period.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when payments are being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The following specific recognition criteria must also be met before revenue is recognized:

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

Interest Income
Income is recognized as interest accrues using the EIR, that is, the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the year in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in retained earnings or increase in deficit. Costs and expenses are recognized in the statement of comprehensive income in the year these are incurred.

Cost of Sales

Cost of sales is incurred in the normal course of business and is recognized when incurred. They comprise mainly of cost of outside services, production overhead, personnel cost and depreciation, amortization and depletion that are directly attributable in bringing the inventory to its saleable condition. These are provided in the period when the goods are delivered.

Expenses

Expenses consist of costs associated with the development and execution of marketing and promotion activities, excise taxes and royalties due to the government and indigenous people and expense incurred in the direction and general administration of day-to-day operations of the Company. These are generally recognized in the period these were incurred.

Retirement Benefits Costs

The Company has an unfunded, noncontributory retirement plan covering all of its regular employees. Retirement benefit costs are actuarially determined using the projected unit actuarial cost method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Actuarial gains and losses are recognized as income or expense immediately in the year they arise. Gains and losses on the curtailment or settlement of retirement benefits are recognized when the curtailment or settlement occurs.

The retirement benefits liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized reduced by past service costs not yet recognized.

Past service costs are recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service costs are recognized immediately.

Leases

Determination of Whether an Arrangement Contains a Lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

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

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

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

Company as a Lessee
Operating leases represent those leases under which substantially all risks and rewards of ownership of the leased assets remains with the lessors. Noncancellable operating lease payments are recognized as expense in the statement of comprehensive income on a straight-line basis over the lease term.

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in the statement of comprehensive income for the year in accordance with PFRS.

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

Deferred Income Tax
Deferred income tax is provided using the liability method on temporary differences at the end of each financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused 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 of unused tax credits and unused NOLCO can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and sufficient future taxable profits will be available against which the temporary differences can be utilized.

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

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

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Events after the End of the Financial Reporting Period

Post year-end events that provide additional information about the Company's position at the end of the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

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

The preparation of the financial statements in compliance with PFRS requires the Company to make judgments, estimates and 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 estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments, estimates and assumptions 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 Company's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements:

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences labor, material and other costs of providing goods.

Operating Lease Commitments - Company as a Lessee
The Company has entered into various commercial property leases. The Company has determined that it does not retain all the significant risks and rewards of ownership of these properties which are leased on operating leases.

Assessing Production Start Date
The Company 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 Company 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 property 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 or depletion commences.

Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimating Allowance for Impairment Losses on Trade and Other Receivables
The Company maintains allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of the factors that affect the collectibility of the accounts. These factors include, but are not limited to, the Company's relationship with its customer, customer's current credit status and other known market factors. The Company reviews the age and status of trade and other receivables and identifies accounts that are to be provided with allowance either individually or collectively. The amount and timing of recorded expenses for any period would differ if the Company made different judgment or utilized different estimates. An increase in the Company's allowance for impairment losses will increase the Company's recorded expenses and decrease current assets. As at December 31, 2012 and 2011, the carrying value of trade and other receivables amounted to ₱85,970,409 and ₱128,526,373, respectively, net of allowance for impairment losses of ₱10,775,296 and ₱11,503,164, respectively (see Note 5).

Estimating Beneficiated Nickel Ore Reserves
Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. The Company estimates its ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and require complex geological judgment to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgment made in estimating the size and grade of the ore body. Changes in the reserve estimates may impact upon the carrying value of deferred mine exploration costs, property

and equipment, provision for mine rehabilitation and decommissioning, recognition of deferred income tax assets, and depreciation and depletion charges.

Estimating Allowance for Inventory Losses
The Company maintains allowance for inventory losses at a level considered adequate to reflect the excess of cost of inventories over its NRV. NRV of inventories are assessed regularly based on prevailing estimated selling prices of inventory less the corresponding estimated costs necessary to make the sale. The carrying values of inventories amounted to ₱207,326,510 and ₱191,813,671, net of allowance for inventory losses of ₱2,231,556 as at December 31, 2012 and 2011, respectively (see Note 6).

Estimating Useful Lives of Property and Equipment except Land
The Company estimates the useful lives of property and equipment, except land, based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. There were no changes in the estimated useful lives of the property and equipment during the year.

The aggregate net book values of property and equipment, excluding land, amounted to ₱506,120,727 and ₱551,737,808 as at December 31, 2012 and 2011, respectively. As at December 31, 2012 and 2011, accumulated depreciation amounted to ₱347,623,019 and ₱279,735,912, respectively (see Note 8).

Estimating Allowance for Impairment on Property and Equipment
The Company assesses impairment on property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that can materially affect the financial statements.

These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. As at December 31, 2012 and 2011, the Company has not recognized impairment losses on its property and equipment. The carrying values of property and equipment amounted to ₱515,818,277 and ₱561,435,358 as at December 31, 2012 and 2011, respectively (see Note 8).

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

The Company reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. An impairment loss is recognized when the carrying values of these assets are not recoverable and exceeds their fair value. In 2012 and 2011, there were no impairment losses on the Company's deferred mine exploration costs. Deferred mine exploration costs amounted to ₱49,248,879 as at December 31, 2012 and 2011, respectively (see Note 9).

Estimating Allowance for Impairment Losses on Nonfinancial Other Current and Noncurrent Assets
The Company provides allowance for impairment losses on nonfinancial other current and noncurrent assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease other current and noncurrent assets.

There is no allowance for impairment losses on the Company's nonfinancial other current and noncurrent assets as at December 31, 2012 and 2011 since the management has noted no indicators of impairment.

The carrying values of nonfinancial other current assets amounted to ₱111,278,874 and ₱105,768,818 as at December 31, 2012 and 2011, respectively. The nonfinancial other current assets include input VAT, prepaid rent, prepaid insurance, prepaid taxes and others (see Note 7).

The carrying value of nonfinancial other noncurrent asset amounted to ₱67,000 as at December 31, 2012 and 2011. The non-financial other noncurrent asset includes only security deposit.

Estimating Retirement Benefits Liability
The determination of the Company's obligation and retirement benefits costs is dependent on management's selection of certain assumptions used by actuaries in calculating such amounts. The assumptions for retirement benefits costs are described in Note 12 and include among others, discount rates, expected returns on plan assets and rates of compensation increase. In accordance with PFRS, actual results that differ from assumptions are recognized in full in the period in which they occur through other comprehensive income. While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in management assumptions may materially affect the Company's retirement benefits costs and liability. As at December 31, 2012 and 2011, the Company's retirement benefits liability amounted to ₱6,146,800 and ₱4,487,700, respectively. Retirement benefits costs amounted to ₱2,208,000 and ₱913,700 in 2012 and 2011, respectively (see Note 12).

Estimating Provision for Mine Rehabilitation and Decommissioning
The Company assesses its provision for mine rehabilitation and decommissioning annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the provision. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at end of the financial 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 statement of financial position by adjusting the mine and mining properties and provision for mine rehabilitation and decommissioning. Provision for mine rehabilitation and decommissioning amounted to ₱2,235,273 and ₱2,113,413 as at December 31, 2012 and 2011, respectively (see Note 11).

Estimating the Realizability of Deferred Income Tax Assets
The Company reviews the carrying amounts of deferred income tax assets at each end of the financial reporting period and reduces deferred income tax assets to the extent that it is probable that sufficient future taxable income will be available against which these can be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

The Company recognized deferred income tax assets on the provision for mine rehabilitation and decommissioning costs, accumulated depletion of mining property, provision for impairment losses on trade and other receivables and fuel inventory, accrued rent, retirement benefits liability, and unrealized foreign exchange losses amounting to ₱6,432,274 and ₱6,887,172 as at December 31, 2012 and 2011, respectively (see Note 20).

Estimating Fair Values of Financial Instruments
Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Any change in the fair value of these financial instruments would directly affect the statement of comprehensive income and statement of changes in equity.

Fair values of financial assets as at December 31, 2012 and 2011 amounted to ₱310,065,715 and ₱229,166,187, respectively, while the fair values of financial liabilities as at December 31, 2012 and 2011 amounted to ₱607,330,441 and ₱727,284,070, respectively (see Note 23).

4. **Cash**

	2012	2011
Cash with banks	**₱208,509,844**	₱83,117,220
Cash on hand	**306,865**	423,939
	₱208,816,709	₱83,541,159

Cash with banks earn interest at the respective bank deposit rates. In 2012 and 2011, the Company earned interest from its cash with banks amounting to ₱49,275 and ₱44,972, respectively.

5. Trade and Other Receivables

	2012	2011
Trade	**₱70,599,394**	₱133,278,113
Amounts owed by related parties (Note 19)	**23,401,808**	4,378,803
Advances to officers and employees	**315,226**	464,337
Others	**2,429,277**	1,908,284
	96,745,705	140,029,537
Less allowance for impairment losses	**(10,775,296)**	(11,503,164)
	₱85,970,409	₱128,526,373

The following are the terms and conditions of the above financial assets:

- Trade receivables are noninterest-bearing and are normally settled on 15 to 30 days' terms.
- Amounts owed by related parties and other receivables are noninterest-bearing and are payable on demand.
- Advances to officers and employees are noninterest-bearing and are subject to salary deduction from officers' and employees' salary.
- Other receivables pertain to advances to contractors, interest receivables and advances to suppliers which are noninterest-bearing and are payable on demand.

Movement of allowance for impairment losses as at December 31, 2012 and 2011 follows:

	2012		
	Trade	**Advances to Officers and Employees**	**Total**
Balances at beginning of year	**₱11,503,164**	**₱–**	**₱11,503,164**
Write-off	**–**	**–**	**–**
Exchange rate adjustment	**(727,868)**	**–**	**(727,868)**
Balances at end of year	**₱10,775,296**	**₱–**	**₱10,775,296**

	2011		
	Trade	Advances to Officers and Employees	Total
Balances at beginning of year	₱11,503,164	₱4,200	₱11,507,364
Write-off	–	(4,200)	(4,200)
Balances at end of year	₱11,503,164	₱–	₱11,503,164

As at December 31, 2012 and 2011, trade and other receivables amounting to ₱96,745,705 and ₱140,029,537, respectively, were subjected to specific impairment assessment. Based on the assessment done, the Company recognized allowance for impairment losses amounting to ₱10,775,296 and ₱11,503,164 as at December 31, 2012 and 2011, respectively, covering those receivables considered as individually impaired.

With the foregoing level of allowance for impairment losses, management believes that the Company has sufficient allowance to cover any losses that the Company may incur from the noncollection or nonrealization of its trade and other receivables.

6. Inventories

	2012	2011
Beneficiated nickel ore / Nickeliferous laterite ore - at cost	**₱191,623,822**	₱185,218,840
Supplies - at cost	**13,330,731**	4,358,685
Fuel - at NRV	**4,603,513**	4,467,702
	209,558,066	194,045,227
Less allowance for inventory losses	**(2,231,556)**	(2,231,556)
	₱207,326,510	₱191,813,671

The allowance for inventory losses pertains to fuel inventory as at December 31, 2012 and 2011.

The cost of inventories recognized as expense in the statements of comprehensive income amounted to ₱508,478,961 and ₱208,937,821 in 2012 and 2011, respectively (see Note 13).

7. Other Current Assets

	2012	2011
Input VAT	**₱105,937,440**	₱103,960,753
Deposits with suppliers	**6,055,639**	8,095,852
Prepaid rent	**4,024,405**	453,023
Prepaid insurance	**899,233**	1,071,282
Prepaid income tax	**195,650**	195,650
Others	**222,146**	88,110
	₱117,334,513	₱113,864,670

Input VAT represent tax paid on purchases of applicable goods and services which can be recovered as tax credit against certain future tax liability of the Company upon approval by the Bureau of Internal Revenue (BIR).

Deposits with suppliers represent advance payment to suppliers in exchange for future services.

Prepaid rent represents advance rental payments to the lessors for the properties leased by the Company.

Others pertain to prepayments made by the Company for international mining journals and other subscriptions.

8. Property and Equipment

	2012						
	Land	**Mine and Mining Properties**	**Leasehold Improvements**	**Laboratory and Other Equipment**	**Transportation Equipment**	**Office Equipment**	**Total**
Cost:							
Balances at beginning of year	**₱9,697,550**	**₱335,510,247**	**₱253,934,864**	**₱192,808,613**	**₱22,865,684**	**₱26,354,312**	**₱841,171,270**
Additions	**–**	**252,216**	**–**	**19,237,715**	**1,604,777**	**1,175,318**	**22,270,026**
Balances at end of year	**9,697,550**	**335,762,463**	**253,934,864**	**212,046,328**	**24,470,461**	**27,529,630**	**863,441,296**
Accumulated depreciation, amortization and depletion:							
Balances at beginning of year	**–**	**34,314,133**	**101,348,188**	**101,623,949**	**20,180,245**	**22,269,397**	**279,735,912**
Depreciation, amortization and depletion (Notes 13 and 14)	**–**	**19,055,478**	**24,322,621**	**18,822,799**	**2,700,120**	**2,986,089**	**67,887,107**
Balances at end of year	**–**	**53,369,611**	**125,670,809**	**120,446,748**	**22,880,365**	**25,255,486**	**347,623,019**
Net book values	**₱9,697,550**	**₱282,392,852**	**₱128,264,055**	**₱91,599,580**	**₱1,590,096**	**₱2,274,144**	**₱515,818,277**

	2011						
	Land	Mine and Mining Properties	Leasehold Improvements	Laboratory and Other Equipment	Transportation Equipment	Office Equipment	Total
Cost:							
Balances at beginning of year	₱529,900	₱348,371,153	₱253,934,864	₱190,633,692	₱22,865,684	₱25,631,748	₱841,967,041
Additions	9,167,650	–	–	2,174,921	–	722,564	12,065,135
Adjustment (Note 11)	–	(12,860,906)	–	–	–	–	(12,860,906)
Balances at end of year	9,697,550	335,510,247	253,934,864	192,808,613	22,865,684	26,354,312	841,171,270
Accumulated depreciation, amortization and depletion:							
Balances at beginning of year	–	23,724,699	77,002,071	79,502,641	15,827,316	17,679,324	213,736,051
Depreciation, amortization and depletion (Notes 13 and 14)	–	10,589,434	24,346,117	22,121,308	4,352,929	4,590,073	65,999,861
Balances at end of year	–	34,314,133	101,348,188	101,623,949	20,180,245	22,269,397	279,735,912
Net book values	₱9,697,550	₱301,196,114	₱152,586,676	₱91,184,664	₱2,685,439	₱4,084,915	₱561,435,358

As at December 31, 2012 and 2011, mining rights, included in the mine and mining properties, amounting to ₱68,894,251 and ₱73,542,566, net of accumulated depletion of ₱13,062,049 and ₱8,413,734, pertain to the acquisition costs of property rights on the Berong Project (see Note 24).

Depletion rates used to deplete the mine and mining properties are 6.3213% and 3.396% in 2012 and 2011, respectively.

Fully depreciated property and equipment as at December 31, 2012 and 2011 amounting to ₱55,441,286 and ₱33,883,018, respectively, are retained in the Company's records until they are disposed. No further depreciation and amortization are charged to current operations for these items.

9. Deferred Mine Exploration Costs

	2012	2011
Balances at beginning of year	**₱49,248,879**	₱47,023,879
Additions	**–**	2,225,000
Balances at end of year	**₱49,248,879**	₱49,248,879

Deferred mine exploration costs pertain to the exploration expenditures on the Moorsom, Dangla and Longpoint Project (adjacent area covering the Berong Project). Distribution of deferred exploration costs incurred in relation the three (3) projects are as follows:

Grade assay control	₱17,376,571
Personnel cost	9,451,871
Supplies	5,248,096
Fuel	2,850,477
Taxes and licenses	2,836,884
Professional fee	2,376,815
Travel and accommodation	2,276,123
Drilling tools	1,955,402
Exploration and development - Direct materials	1,000,000
Environment and community development	990,279
Repairs and maintenance	713,556
Detailed geographic and geophysical surveys	424,855
Representation and entertainment	377,873
Communications, light and water	229,711
Rent	57,789
Test pitting	51,227
Donations	31,092
Insurance	18,184
Bank charges	8,380
Miscellaneous	973,694
	₱49,248,879

10. **Trade and Other Payables**

	2012	2011
Trade	**₱193,192,900**	₱160,641,914
Royalty (Note 24)	**8,600,809**	5,336,926
Excise tax	**5,856,058**	3,022,572
Accrued expenses	**3,826,854**	8,655,612
Amounts owed to a related party (Note 19)	**1,035,009**	3,031,026
Accrued rent (Note 21)	**51,985**	51,985
Customer's deposits	–	43,840,000
Others	**6,304,547**	4,649,622
	₱218,868,162	₱229,229,657

The following are the terms and conditions of the above liabilities:

- Trade payables, accrued expenses and others are noninterest-bearing and are normally settled on 7 to 30 days' terms.
- Royalty payable is paid to Berong Aramaywan Tagbanua Association (BATA) and are settled upon demand (see Note 24).
- Excise tax payable is settled within 15 days after the end of the quarter when the beneficiated nickel ore is shipped.
- Customer's deposits are noninterest-bearing and will be settled upon completion of delivery of beneficiated nickel ores to customers.
- Accrued rent is noninterest-bearing and settled once the lease is consummated.
- Other payables represent payables to Social Security System, Home Development Mutual Fund and Philippine Health Insurance Corporation which are noninterest-bearing and have an average term of 15 to 30 days' term.

In 2012, the contract with a certain customer was cancelled. Accordingly, the amount advanced by the customer in 2011 amounting to ₱43,840,000 was returned by the Company and paid the interest amounting to ₱4,211,700.

11. Provision for Mine Rehabilitation and Decommissioning

	2012	2011
Balances at beginning of year	**₱2,113,413**	₱19,128,663
Adjustment (Note 8)	**–**	(12,860,906)
Accretion expense (income)	**121,860**	(4,154,344)
Balances at end of year	**₱2,235,273**	₱2,113,413

The Company makes full provision for the future cost of rehabilitating mine sites on a discounted basis on the development of mines. The rehabilitation provision represents the present value of rehabilitation costs relating to mine sites, which are expected to be incurred up to 2019. These provisions have been created based on the Company's internal estimates. Assumptions based on the current economic environment have been made, which management believes are reasonable bases upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in return, will depend upon future ore prices, which are inherently uncertain.

In 2011, the Company has made changes to its estimated cost to rehabilitate the mine site resulting to a decrease in provision for mine rehabilitation and decommissioning and capitalized mining property amounting to ₱12,860,906.

12. Retirement Benefits Liability

The Company has an unfunded defined benefit retirement plan covering all regular employees. Retirement benefits are equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year. The unfunded defined retirement benefit liability is determined using projected unit credit actuarial cost method.

The following tables summarize the retirement benefit costs recognized in the statement of comprehensive income and the amounts recognized in the statement of financial position and other information about the plan.

Retirement benefits costs recognized follow:

	2012	2011
Current service cost	**₱1,906,400**	₱701,300
Interest cost	**301,600**	212,400
	₱2,208,000	₱913,700

In 2012 and 2011, all retirement benefits costs are charged to general and administrative expenses.

As at December 31, 2012 and 2011, the component of retirement benefits liability recognized in the statement of financial position includes present value of defined benefits obligation only. Change in the present value of defined benefits obligation follows:

	2012	2011
Balances at beginning of year	**₱4,487,700**	₱2,427,700
Current service cost	**1,906,400**	701,300
Interest cost	**301,600**	212,400
Actuarial loss (gain)		
Experience adjustments	**(1,125,400)**	248,600
Changes in assumptions	**576,500**	897,700
Balances at end of year	**₱6,146,800**	₱4,487,700

Reconciliation of other comprehensive loss:

	2012	2011
Balances at beginning of year	**₱1,457,700**	₱311,400
Actuarial losses	**(548,900)**	1,146,300
Balances at end of year	**₱908,800**	₱1,457,700

The experience adjustments arising from the changes in the defined benefits obligation and plan assets for current and last four years are as follows:

	2012	2011	2010	2009	2008
Present value of the defined benefits obligation	**₱6,146,800**	₱4,487,700	₱2,427,700	₱1,419,600	₱–
Experience adjustments on plan obligation	**(1,125,400)**	248,600	12,000	–	–

Principal actuarial assumptions used to determine retirement benefits obligation in 2012 and 2011 follow:

	2012	2011
Discount rate	**6.04%**	6.72%
Salary increase rate	**5.00%**	5.00%

The Company does not expect payment of benefits in 2013.

13. **Cost of Sales**

	2012	2011
Outside services	**₱335,085,066**	₱186,472,412
Production overhead	**70,018,759**	39,988,154
Personnel costs (Note 17)	**64,118,716**	34,762,399
Depreciation and depletion (Note 8)	**45,661,402**	29,431,366
	514,883,943	290,654,331
Net change in beneficiated nickel ore / nickeliferous laterite ore (Note 6)	**(6,404,982)**	(81,716,510)
	₱508,478,961	₱208,937,821

Production overhead consists of the following:

	2012	2011
Fuel	**₱38,569,455**	₱24,704,658
Repairs and maintenance	**16,278,563**	8,560,565
Materials and supplies	**6,299,987**	3,493,244
Rentals	**4,718,147**	1,152,511
Others	**4,152,607**	2,077,176
	₱70,018,759	₱39,988,154

14. **Marketing and Shipping**

	2012	2011
Outside services (Note 24)	**₱238,623,852**	₱109,652,936
Others	**11,818,681**	6,998,244
	₱250,442,533	₱116,651,180

15. **General and Administrative**

	2012	2011
Personnel costs (Note 17)	**₱53,525,074**	₱37,988,353
Transportation and travel	**31,361,370**	19,800,464
Depreciation, amortization and depletion (Note 8)	**22,225,705**	36,568,495
Management fees (Note 24)	**19,639,553**	20,641,560
Environment and community development	**9,311,112**	2,597,685
Professional fees	**8,684,710**	6,970,554
Rentals (Note 21)	**8,610,747**	10,003,096
Taxes and licenses	**6,478,509**	1,794,472
Insurance	**3,524,077**	3,090,288
Communication, light and water	**3,294,871**	2,925,223
Supplies	**2,194,962**	869,048
Repairs and maintenance	**1,368,834**	1,656,171
Representation and entertainment	**769,560**	543,096
Dues and subscriptions	**384,069**	159,304
Others	**3,859,123**	1,751,310
	₱175,232,276	₱147,359,119

16. **Excise Taxes and Royalties**

	2012	2011
Excise taxes	**₱23,794,313**	₱11,551,786
Royalties (Note 24)	**11,897,156**	5,775,893
	₱35,691,469	₱17,327,679

17. **Personnel Cost**

	2012	2011
Salaries, wages and allowances	**₱106,086,533**	₱64,639,249
Employee benefits	**9,349,257**	7,197,803
Retirement benefits costs (Note 12)	**2,208,000**	913,700
	₱117,643,790	₱72,750,752

The above is distributed as follows:

	2012	2011
Cost of sales (Note 13)	**₱64,118,716**	₱34,762,399
General and administrative expenses (Note 15)	**53,525,074**	37,988,353
	₱117,643,790	₱72,750,752

18. **Other Income (Charges)** - Net

	2012	2011
Foreign exchange gains - net		
Unrealized foreign exchange gains (loss) - net	**₱22,355,088**	(₱3,478,973)
Realized foreign exchange gains - net	**(711,417)**	4,458,402
Demurrage	**(13,127,328)**	(9,848,107)
Bank charges	**(2,364,738)**	(1,422,704)
Others	**(332,801)**	(200)
	₱5,818,804	(₱10,291,582)

The finance expense (income) represents payment of finance interest to a third party for the advances made in relation to a contract that did not push through. Finance income in 2011 pertains to the revision of the FMRDP which resulted to a decrease in accretion liability hence it was closed to income in 2011.

19. **Related Party Transactions**

Related party relationship exists 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 relationship also exists between and/or among entities, which are under common control with the reporting enterprises and its key management personnel, directors, or its shareholders. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

In the normal course of business, the following are transactions with related parties as at December 31, 2012 and 2011.

		2012			
Related Parties	**Relationship**	**Amount**	**Outstanding Balance**	**Terms**	**Conditions**
***Amounts owed by** (Note 5):*					
Ulugan Nickel Corporation (UNC)	**With common shareholder**	**₱18,472,500**	**₱18,472,500**	**Collectible on 30-60 days' term, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
TMC	**Shareholder**	**324,534**	**2,150,007**	**Collectible on 30-60 days' term, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
Ipilan Nickel Corporation (INC)	**With common shareholder**	**2,464,430**	**1,577,267**	**Collectible on 30-60 days' term, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
Ulugan Resources Holdings, Inc (URHI)	**Under common control of a shareholder**	**98,228**	**730,763**	**Collectible on 30-60 days' term, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
NRHI	**Parent**	**86,121**	**387,271**	**Collectible on 30-60 days' term, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
ENK	**Shareholder**	**–**	**84,000**	**Collectible on 30-60 days' term, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
		₱21,445,813	**₱23,401,808**		
***Trade and other payables** (Note 10):*					
TMM Management, Inc. (TMI)	**Under common control of a shareholder**	**19,639,553**	**₱1,035,009**	**Payable on 120 days' term, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
Advances from stockholders:					
TMC	**Shareholder**	**₱–**	**₱297,755,429**	**Payable on demand, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
ACMDC	**Shareholder/ Ultimate Parent**	**–**	**100,758,649**	**Payable on demand, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
ENK	**Shareholder**	**–**	**–**	**Payable on demand, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
		₱–	**₱398,514,078**		
Amounts due to:					
TMI	**Under common control of a shareholder**	**₱2,346,249**	**₱1,660,791**	**Payable on 120 days' term, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
***Management fee** (Note 15):*					
TMI	**Under common control of a shareholder**	**₱19,639,553**	**₱–**	**Payable on 120 days' term, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**

Related Parties		2011 Amount	Outstanding Balance	Terms	Conditions
Amounts owed by (Note 5):					
TMC	Shareholder	₱1,045,362	₱1,825,473	Collectible on 30-60 days' term, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
INC	With common shareholder	2,960,785	1,535,645	Collectible on 30-60 days' term, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
URHI	Under common control of a shareholder	92,346	632,535	Collectible on 30-60 days' term, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
NRHI	Parent	61,403	301,150	Collectible on 30-60 days' term, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
ENK	Shareholder	–	84,000	Collectible on 30-60 days' term, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
		₱4,159,896	₱4,378,803		
Trade and other payables (Note 10):					
TMI	Under common control of a shareholder	₱20,641,559	₱3,031,026	Payable on 120 days' term, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
Advances from stockholders:					
TMC	Shareholder	₱61,502,460	₱361,178,977	Payable on demand, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
ACMDC	Shareholder/ Ultimate Parent	9,799,801	107,606,801	Payable on demand, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
ENK	Shareholder	9,409,077	78,439,416	Payable on demand, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
		₱80,711,338	₱547,225,194		
Amounts due to:					
TMI	Under common control of a shareholder	₱2,895,610	₱1,893,398	Payable on 120 days' term, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
Management fee (Note 15):					
TMI	Under common control of a shareholder	₱20,641,559	₱–	Payable on 120 days' term, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment

Amounts owed by related parties pertain to various expenses paid by the Company on behalf of these related parties. Amounts due to a related party pertain to various expenses shouldered by the related party in behalf of the Company.

Advances from stockholders pertain to noninterest-bearing cash advances from TMC, ENK and ACMDC to finance the working capital requirements of the Company and these are payable on demand.

In 2012, TMC, the Company's ultimate parent, sold to DMCI TMC's percent stake in the Company's nickel project in Palawan. DMCI's subsidiary acquired thirty one percent (31%) of TMC's shares in NRHI for $6.552 million. NRHI owns sixty percent (60%) interest of the Company's shares. TMC used the proceeds from the sale to acquire 18.7% of ENK's direct stake in the Company. Accordingly, the liability of the Company to ENK was assigned to TMC.

The Company has no key management personnel. The Company's financial and administrative functions are being handled by employees of TMI, as provided in the management agreement.

20. Income Taxes

Effective May 28, 2007, the Company is entitled to ITH until May 27, 2011 as one of the incentives granted by the BOI as a non-pioneer enterprise. On November 5, 2010, BOI has approved the extension of ITH period of the Company for another year until May 27, 2012 (see Note 25).

The reconciliation between the provision for deferred income tax computed at the statutory income tax rate and the provision for deferred income tax at the effective income tax rates as shown in the statement of comprehensive income follows:

	2012	2011
Income before income tax at statutory rate	**₱66,433,505**	₱24,368,564
Add (deduct) tax effects of:		
Benefit from ITH (Note 25)	**(41,373,800)**	(25,513,870)
Change in unrecognized deferred income tax assets and liability	–	3,723,384
Nondeductible expenses	**115,838**	34,118
Interest income subjected to final tax	**(26,815)**	(15,683)
	₱25,148,728	₱2,596,513

As at December 31, 2012 and 2011, the Company recognized net deferred income tax liabilities and net deferred income tax assets, respectively, as follows:

	2012	2011
Deferred income tax assets:		
Provision for impairment losses on:		
Trade and other receivables (Note 5)	**₱3,232,589**	₱3,277,286
Allowance for inventory losses (Note 6)	**669,467**	669,467
Retirement benefits liability	**1,844,040**	1,346,310
Unrealized foreign exchange loss	–	1,217,354
Provision for mine and rehabilitation and decommissioning (Note 11)	**670,582**	34,565
Accumulated depletion of mining property	–	326,594
Accrued rent (Note 21)	**15,596**	15,596
	6,432,274	6,887,172
Deferred income tax liabilities:		
Unrealized foreign exchange gain - net	**(13,520,142)**	(6,813,615)
Accumulated depletion of mining property	**(255,473)**	–
	(13,775,615)	(6,813,615)
Net deferred income tax assets (liabilities)	**(₱7,343,341)**	₱73,557

The Company did not avail of the Optional Standard Deduction in 2012 and 2011.

21. Operating Lease Commitments

Company as a Lessee
The Company has entered into operating lease of properties. These leases have remaining terms of less than five (5) years expiring on September 4, 2013. Renewals are subject to the mutual consent of the lessors and the Company.

On October 1, 2007, Andres Soriano Foundation, the lessor, and the Company, the lessee, entered into a property lease of aerodome and its access road located in Berong, Palawan for a term of five (5) years. The annual rental fee is fixed for the first two (2) years and subject to an increase of fifteen percent (15%) every year thereafter. The contract expired on October 1, 2012 and was not yet renewed as at December 31, 2012.

Total rent expense included in general and administrative expenses amounted to ₱8,610,747 and ₱10,003,096 in 2012 and 2011, respectively (see Note 15).

The future minimum rental payable under the leases as at December 31, 2012 and 2011 follow:

	2012	2011
Within one (1) year	**₱8,600,000**	₱9,450,000
After one (1) year but not more than five (5) years	**17,200,000**	28,350,000
	₱25,800,000	₱37,800,000

22. Financial Risk Management and Capital Management Objectives and Policies

Financial Risk Management Objectives and Policies
The Company's principal financial instrument comprises advances from stockholders. The main purpose of this financial instrument is to raise funds for the Company's operations. It has various other financial instruments such as cash, trade and other receivables, deposits from suppliers MRF, trade and other payables and amounts due to a related party, which arise directly from its operations.

The main risks arising from the Company's financial instruments are liquidity risk, credit risk and market risk. The Company's BOD reviews and adopts policies for managing each of these risks and they are summarized below:

Liquidity Risk
Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments.

The Company seeks to manage its liquid funds through cash planning on a monthly basis. The Company uses historical figures and experiences and forecasts from its collection and disbursement. As part of its liquidity risk management, the Company regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue short-term investments.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of advances from stockholders. The Company considers its available funds and its liquidity in managing its long-term financial requirements. For its short-term funding, the Company's policy is to ensure that there are sufficient capital inflows to match repayments of trade and other payables and amounts due to a related party.

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31, 2012 and 2011 based on contractual undiscounted payments.

	2012		
	On Demand	**Less than 3 Months**	**Total**
Trade and other payables:			
Trade	**₱141,167,389**	**₱52,025,511**	**₱193,192,900**
Royalty	**8,600,809**	**–**	**8,600,809**
Accrued expenses	**–**	**3,826,854**	**3,826,854**
Amounts owed to a related party	**–**	**1,035,009**	**1,035,009**
Others	**500,000**	**–**	**500,000**
Amounts due to a related party	**1,660,791**	**–**	**1,660,791**
Advances from stockholders	**398,514,078**	**–**	**398,514,078**
	₱550,443,067	**₱56,887,374**	**₱607,330,441**

	2011		
	On Demand	Less than 3 Months	Total
Trade and other payables:			
Trade	₱108,616,403	₱52,025,511	₱160,641,914
Accrued expenses	4,074,076	4,581,536	8,655,612
Royalty	5,336,926	–	5,336,926
Amounts owed to a related party	–	3,031,026	3,031,026
Others	500,000	–	500,000
Amounts due to a related party	1,893,398	–	1,893,398
Advances from stockholders	547,225,194	–	547,225,194
	₱667,645,997	₱59,638,073	₱727,284,070

As at December 31, 2012 and 2011, the Company's current assets amounted to ₱619,448,141 and ₱517,745,873, respectively. Cash and trade receivables with carrying values amounting to ₱208,816,709 and ₱85,970,409, respectively, as at December 31, 2012 and ₱83,541,159 and ₱128,526,373, respectively as at December 31, 2011, may be used to meet the Company's immediate liquidity needs.

Credit Risk
Credit risk refers to the potential loss arising from any failure by related parties and customers 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 related parties and customers to fulfill their obligations on maturity dates or due to adverse market conditions.

The Company trades only with recognized, creditworthy customers. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The Company does not require collateral as it usually trades only with recognized third parties. With respect to credit risk arising from cash with banks and MRF, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Company has no significant concentration of credit risk in relation to its financial assets.

The credit quality and aging analysis of the Company's financial assets as at December 31, 2012 and 2011 follows:

	2012				
		Neither Past Due nor	Past Due but Not Impaired		
	Total	**Impaired**	**< 30 Days**	**30-60 Days**	**Impaired**
Cash with banks	**₱208,509,844**	**₱208,509,844**	**₱–**	**₱–**	**₱–**
Trade and other receivables:					
Trade	**70,599,394**	**59,824,098**	**–**	**–**	**10,775,296**
Amounts owed by related parties	**23,401,808**	**18,472,500**	**–**	**4,929,308**	**–**
Advances to officers and employees	**315,226**	**–**	**315,226**	**–**	**–**
Others	**2,429,277**	**1,632,441**	**657,208**	**139,628**	**–**
MRF which is included under "Other noncurrent assets"	**9,222,958**	**9,222,958**	**–**	**–**	**–**
	₱314,478,507	**₱297,661,841**	**₱972,434**	**₱5,068,936**	**₱10,775,296**

	2011				
		Neither Past Due nor	Past Due but Not Impaired		
	Total	Impaired	< 30 Days	30-60 Days	Impaired
Cash with banks	₱83,117,220	₱83,117,220	₱–	₱–	₱–
Trade and other receivables:					
Trade	133,278,113	121,774,949	–	–	11,503,164
Amounts owed by related parties	4,378,803	1,199,110	–	3,179,693	–
Advances to officers and employees	464,338	–	464,338	–	–
Others	1,908,283	1,455,688	292,080	160,515	–
MRF which is included under "Other noncurrent assets"	9,002,803	9,002,803	–	–	–
	₱232,149,560	₱216,549,770	₱756,418	₱756,418	₱3,340,208

The credit quality of financial asset is managed by the Company using internal credit ratings as follows:

- High grade cash with banks and MRF are those which are deposited in top banks with good reputation in the Philippines;
- High grade receivables have no history of default; standard grade receivables, which pertain to accounts with history of one (1) or two (2) defaults; and substandard grade receivables, which pertain to accounts with history of at least three (3) payment defaults.

Accordingly, the Company has assessed the credit quality of the following financial assets which are neither past due nor impaired:

- Cash with banks and MRF, were assessed as high grade since these are deposited in reputable banks approved by BOD, and which have a low probability of insolvency.

- Trade receivables were assessed as high grade since these are receivables from a customer that consistently pays on or before maturity dates.
- Amounts owed by related parties were assessed as standard grade because amounts are settled several days after the incurrence of the liability.
- Advances to officers and employees were assessed as standard grade as these are paid through salary deductions.
- Other receivables were assessed as standard grade because amounts are settled at an average of 30 to 60 days.

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

Foreign Currency Risk
The Company has transactional foreign currency exposures. Such exposure arises from sale of beneficiated nickel ore in United States (US) dollar. All of the Company's sales are denominated in US dollar, while substantially all of the costs are denominated in Philippine peso. Transactions with companies outside the Philippines are carried out with currencies that management believes to be stable such as the US dollar. The Company does not generally believe that active currency hedging would provide long-term benefits to stockholders.

Foreign currency denominated financial assets and liabilities follow:

	2012		2011	
	US$	**Peso**	US$	Peso
Financial Assets				
Cash	**$4,607,993**	**₱189,158,113**	$1,593,800	₱69,872,192
Trade receivables	**1,457,347**	**59,824,094**	2,777,713	121,774,949
	6,065,340	**248,982,207**	4,371,513	191,647,141
Financial Liabilities				
Trade payables	**897,320**	**36,834,986**	1,215,897	53,304,924
Advances from stockholders	**9,708,017**	**398,514,098**	12,482,327	547,225,194
Customer's deposit	**–**	**–**	1,000,000	43,840,000
	10,605,337	**435,349,084**	14,698,224	644,370,118
Net Financial Liabilities	**$4,539,997**	**₱507,103,170**	$10,326,711	₱452,722,977

The exchange rates used per US$1.00 were ₱41.05 and ₱43.84 as at December 31, 2012 and 2011, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's income before income tax (due to changes in fair value of monetary assets and liabilities) as at December 31, 2012 and 2011:

	Peso Strengthens (Weakens)	**Sensitivity to Pre-Tax Income**
December 31, 2012	**₱0.75**	**₱3,404,998**
	(0.72)	**(3,268,798)**
December 31, 2011	₱0.68	₱7,022,163
	(0.79)	(8,158,102)

There is no other impact on the Company's equity other than those already affecting the statement of comprehensive income.

Capital Management Objectives and Policies
The primary objective of the Company's capital management is to ensure that the Company has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. As at December 31, 2012 and 2011, the Company considers advances from stockholders amounting to ₱398,514,078 and ₱547,225,194, respectively, and total equity, amounting to ₱549,304,629 and ₱352,624,108, respectively, as capital.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may obtain additional advances from stockholders, return capital to shareholders or issue new shares. The Company is not subject to externally imposed capital restrictions. No changes were made in the objectives, policies or processes during the years ended 2012 and 2011.

23. Financial Instruments

Fair Value Information and Categories of Financial Instruments
The tables below present a comparison by category and class of carrying values and fair values of the Company's financial assets and liabilities as at December 31, 2012 and 2011:

	2012		2011	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Loans and receivables				
Cash	**₱208,816,709**	**₱208,816,709**	₱83,541,159	₱83,541,159
Trade and other receivables:				
Trade	**59,824,098**	**59,824,098**	121,774,949	121,774,949
Amounts owed by related parties	**23,401,808**	**23,401,808**	4,378,803	4,378,803
Advances to officers and employees	**315,226**	**315,226**	464,338	464,338
Others	**2,429,277**	**2,429,277**	1,908,283	1,908,283
MRF which is included under "Other noncurrent assets"	**9,222,958**	**9,222,958**	9,002,803	9,002,803
	₱304,010,076	**₱304,010,076**	₱221,070,335	₱221,070,335
Financial Liabilities				
Loans and borrowings				
Trade and other payables:				
Trade	**₱194,227,909**	**₱194,227,909**	₱163,672,941	₱163,672,941
Accrued expenses	**3,826,854**	**3,826,854**	8,655,611	8,655,611
Royalty	**8,600,809**	**8,600,809**	5,336,926	5,336,926
Others	**500,000**	**500,000**	500,000	500,000
Amounts due to a related party	**1,660,791**	**1,660,791**	1,893,398	1,893,398
Advances from stockholders	**398,514,078**	**398,514,078**	547,225,194	547,225,194
	₱607,330,441	**₱607,330,441**	₱727,284,070	₱727,284,070

The following methods and assumptions were used to estimate the fair values of each class of financial instruments for which it is practicable to estimate such value:

Cash
The carrying amount of cash approximates its fair value due to the short-term nature of this financial instrument.

Trade and Other Receivables, Trade and Other Payables, Amounts Due to a Related Party and Advances from Stockholders
The carrying amounts of trade and other receivables and trade and other payables, which are subject to normal credit terms, and amounts due to a related party and advances from stockholders approximate their fair values due to the short-term nature of these financial instruments.

MRF
The carrying amount of MRF approximate their fair value since they are restricted cash with banks that earn interest based on prevailing market rates repriced monthly.

24. **Significant Agreements and Other Matters**

Venture Agreement (VA)
On January 19, 2005, ACMDC, Minoro Mining and Exploration Corporation (MMEC), Investika and TMC entered into a VA covering all mining tenements or applications for mining tenements, MPSA and EP covering the areas known as the Berong Mineral Properties and the Ulugan Mineral Properties held by ACMDC and/or Anscor Property Holdings, Inc. (Anscor) and/or Multicrest Mining Corporation.

The VA provides that ACMDC and/or MMEC grant to Investika and/or TMC the right to earn a percentage equity in the Company upon fulfillment of certain conditions, including the granting of advances to the Company and ACMDC. ACMDC and MMEC shall transfer the title or mining rights or applications over the Berong Mineral Properties (collectively “mining rights”) held and maintained either by ACMDC or Anscor to the Company from the funds provided equally by TMC and Investika. By virtue of the VA, the Company acquired the mining rights amounting to ₱20.2 million in 2007, ₱3.4 million in 2006 and ₱58.4 million in 2005 (see Note 8).

Management Agreement
On January 19, 2005, the Company entered into a management agreement with TMI wherein TMI will manage the operations of the Company with respect to the Mineral Properties and to any and all of the MPSA which shall be executed by the Company and the Government of the Republic of the Philippines. In consideration for such services, the Company will pay a monthly management fee of ₱200,000.

On July 1, 2008, the Company amended the management agreement wherein TMI shall be entitled to charge an additional monthly fee equivalent to up to five percent (5%) of the operating costs and expenses incurred at the end of each calendar month. Provided, further, that TMI may charge an additional fee for other special services outside the scope of the agreement at a rate to be agreed upon in advance by the parties. The rate will depend on the specialized nature of such services that the Company may require from TMI from time to time.

In 2012 and 2011, TMI charged the Company management fees of ₱19,639,553 and ₱20,641,560, respectively, in consideration for the services rendered during the year (see Note 15).

Environmental Compliance Certificate (ECC)
On June 14, 2006, the DENR, through the Environmental Management Bureau, granted the Company, the ECC for the Berong Project.

The Company, in compliance with the terms of the ECC, has set up an Environmental Trust Fund (ETF) on April 27, 2007, in the amount of ₱200,000 at the Land bank of the Philippines (LBP) Makati Branch. The ETF is a readily replenishable fund for compensation or indemnification of damages to life and property that may be caused by the project. The fund is included under "Other noncurrent assets" account in the statement of financial position. As at December 31, 2012 and 2011, the Company has ETF amounting to ₱206,707 and ₱205,856, respectively.

MRF
Pursuant to Section 181 of the Implementing Rules and Regulations of the Republic Act (R.A.) No. 7492, better known as the "Philippine Mining Act of 1995", the Company has opened a Rehabilitation Cash Fund (RCF) on November 22, 2007, amounting to ₱5,000,000 at the LBP Makati Branch. Such trust fund is set to ensure compliance with the approved rehabilitation activities and schedules of the project. In addition to RCF, the Company has also set up a Monitoring Trust Fund (MTF) amounting to ₱100,000 at the LBP Makati Branch on April 27, 2007. Such fund shall be used to cover the maintenance and other operating budget of the MTF Committee and is subject to periodic replenishments. The fund is included under "Other noncurrent assets" account in the statement of financial position. As at December 31, 2012 and 2011, the Company has RCF amounting to ₱5,146,913 and ₱5,128,113, respectively, and MTF amounting to ₱150,104 and ₱150,293, respectively.

Also, the Company set up the Final Mine Rehabilitation and Decommissioning Plan (FMRDP) fund to be used for the FMRDP, submitted to MGB, of the Company at end of the life of the mine. As at December 31, 2012 and 2011 the balance of the fund amounts to ₱1,249,517 and ₱20,004, respectively.

Interest earned from MRF amounted to ₱40,108 and ₱7,304 as at December 31, 2012 and 2011, respectively.

Long term security deposits to supplier, reported as others, amounting to ₱67,000 as at December 31, 2012 and 2011 are recorded under "noncurrent assets.

Memorandum of Agreement (MOA) with Tagbanua Indigenous Peoples (IP)/Indigenous Cultural Community (ICC)
In 2005, the Company, Tagbanua IPs/ICCs and National Commission on Indigenous Peoples entered into a MOA. The MOA relate exclusively to the areas applied for and disclosed to the Tagbanua IPs/ICCs of Berong Aramaywan, Quezon, Province of Palawan and shall cover and apply exclusively to all the activities, processes, operations and other related issues under the MPSA application of the Company.

Under the MOA, the Tagbanua IPs/ICCs has the right to receive from the Company a royalty payment equivalent to 1% of the gross revenues based on the provisions of the Mining Act subject to devaluation of the Philippine peso. The said royalty is paid to BATA, a formal organization created by the IPs upon signing of the MOA, who is responsible in determining the share of every individual member in accordance with their customary laws and practices.

Total royalty payments to BATA for the years ended December 31, 2012 and 2011 amounted to ₱8,633,273 and ₱1,137,950, respectively. In 2012 and 2011, the Company has recognized royalty expense amounting to ₱11,897,156 and ₱5,775,893, respectively (see Note 16). Royalty payable amounted to ₱8,600,809 and ₱5,336,926 as at December 31, 2012 and 2011, respectively (see Note 10).

As at December 31, 2012 and 2011, available indigenous people trust fund amounted to ₱2,469,717 and ₱3,498,537, respectively.

Service Agreement

Ivy Michelle Trading & Construction (IMTC)

On May 10, 2011, a Service Agreement was entered into by the Company and IMTC, where the latter shall lease its equipment (e.g., dumptrucks, bulldozers compactor, excavator, wheel loader, water truck, etc.) for a fee. IMTC shall also undertake the loading and hauling activities in accordance with the production, shipping plans and procedures scheduled and prescribed by the Company. Further, IMTC shall also load and haul the waste or low grade nickel ore materials from the open pits to the designated stockpiles. The Service Agreement is valid for six months and renewable for another term, under the same conditions, or as may be agreed upon by both parties. As at December 31, 2012, the agreement is still in effect and binding. The shipping and hauling expenses amounted to ₱95,853,298 and ₱84,771,385 in 2012 and 2011, respectively.

Marine Max Shipping Corporation

In 2012, the Company entered into a contract for the hire of vessel with Marinemax Shipping Corporation for a total cost of ₱1.568,000 (VAT included) divided pro-rata during the period of hire. The hire shall be for a period of nine months from the day the vessel is delivered. The date of delivery is March 16, 2012 at port of Manila, Philippines. The contract is renewable for another period subject to agreements of both parties. The shipping expenses amounted to ₱11,615,000 and nil in 2012 and 2011, respectively.

Estardo Marine Merchandise

In 2012, the Company entered into a contract with Estardo Marine Merchandise to hire the vessels namely M/B Mumay II and M/B Joshmar II, for a period of eight (8) months starting February 2012, and M/B Michael Ellis II and M/T Alysia for a period of seven (7) months starting on the second week of March 20, 2012. The Company shall redeliver the vessel at Cebu port at the end of contract. The contract is renewable subject to agreement of both parties. The shipping expenses amounted to ₱12,356,667 and nil in 2012 and 2011, respectively.

ABL Shipping Corporation

The Company entered into a leasing agreement in 2012 with ABL Shipping Corporation for the lease of various vessels namely LCT Maria Dulce, LCT Zhia, LCT Maria Kriska for the lease period of six (6) months, three (3) months and six (6) months, respectively. The point of delivery of the vessels is at Port of Mauban, Quezon. All lease agreements are renewable subject to the approval of both parties. The shipping expenses amounted to ₱88,300,000 and nil in 2012 and 2011, respectively.

Accufast Logistic and Trading Corporation

The Company entered into a leasing agreement with Accufast Logistic and Trading Corporation to hire the vessels namely Barge HLI-222 and Tugboat MT-Strong Will. The contract will be for a period of six months, to commence upon the departure of vessel at port of Cebu and to expire automatically upon safe return at the port of Cebu. The Company incurred shipping expenses related to the agreement amounting to ₱8,210,526 and ₱7,533,684 in 2012 and 2011, respectively.

Intertek Testing Services
The Company entered into a contract with Intertek Testing Services to carry out draft survey weight determination, supervision of loading, sampling supervision, sample preparation supervision and moisture determination supervision. The agreed contract term is from May 16, 2011 to December 15, 2011 and January 2, 2012 to January 1, 2013. The contract is renewable subject to agreements of both parties. The total shipping and draft survey expenses amounted to ₱7,297,737 and ₱5,266,987 in 2012 and 2011, respectively.

Sunworld Logistics Corporation
The Company entered into a contract with Sunworld Logistics Corporation to hire the vessels namely Barge D/B Celina Marae and Tugboat M/T-Django to service within safe waters specifically Southern Luzon and Palawan areas. The contract period shall be one month charter hire subject to extension. The shipping expenses amounted to ₱12,203,957 and ₱12,080,880 in 2012 and 2011, respectively.

Ocean Coast Trading
The Company entered into a contract with Ocean Coast Trading to hire vessel namely Nobility Princess and MT Grand Regent. The shipping expenses related to the agreement amounted to ₱2,786,667 and nil in 2012 and 2011, respectively.

Sales Agreement
The Company entered into various sales agreements with different customers to sell and deliver nickel laterite ores. The selling price of the nickel laterite ores depends on its ore grading. High grade (1.805% to 1.83%) and low grade (1.51% to 1.59%) are priced at US$43 to US$53 and US$16 to US$29, respectively. The sales agreements are subject to price adjustments depending on the final nickel and moisture content agreed by both parties. The Company exported a total of 777,366 WMT and 317,260 WMT of nickel laterite ores as at December 31, 2012 and 2011, respectively. The sales revenue in 2012 and 2011 amounted to ₱1,189,715,630 and ₱577,589,307, respectively.

25. Registration with the BOI

On May 28, 2007, the Company was registered with the BOI as a new producer of beneficiated nickel ore on a non-pioneer status.

The terms and conditions of the registration, as well as the fiscal and non-fiscal incentives available to the registered project are as follow:

Significant Terms and Conditions
- The Company shall start commercial operations in May 2007.
- The Company shall comply with all the provisions of Republic Act No. 7942, Philippine Mining Act of 1995, its implementing rules and regulations, the Company’s SMP and MPSA.
- The Company shall increase its authorized, subscribed, and paid-up capital stock to at least ₱303,750,000, and shall submit proof of compliance prior to availment of ITH incentive.
- Observance of a specified production and sales schedule and project timetable.

Fiscal and Non-fiscal Incentives

- ITH for a period of four (4) years from May 2007 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.
- Additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers, for the first five (5) years from the date of registration, provided that this incentive shall not be availed of simultaneously with the ITH.
- Employment of foreign nationals for five (5) years from the date of registration.
- Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for ten (10) years from the start of commercial operations.
- Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.
- Access to Customs Bonded Manufacturing Warehouse (CBMW).
- Exemption from wharfage dues, any export tax, duty, impose and fees for ten (10) years from date of registration.
- Importation of consigned equipment for a period of ten (10) years from date of registration.
- Exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least seventy percent (70%) of production.

Extension of ITH Period

On November 5, 2010, BOI issued an approval of extension of ITH period until May 27, 2012 pursuant to Art. 39 (a) (iii) of Executive Order No. 226 provided that the Company shall comply to the condition to undertake Corporate Social Responsibilities (CSR) activities which shall be completed on the actual availment of the extension. Provided further, that the CSR activities shall be aligned with the priority programs/projects of the National Anti-Poverty Commission, R.A. No. 7942, Department of Energy's Energy Regulation 1-94 and/or other special laws. Failure to comply shall mean forfeiture of the ITH extension. The total CSR activities for the year amounted to ₱10,120,392.

26. Supplemental Disclosure to Statement of Cash Flow

In 2011, non-cash investing activities pertains to the change in estimate resulting to the decrease in the Company's provision for rehabilitation and decommissioning and mining property amounting to ₱12,860,906.

27. Supplementary Information Required Under Revenue Regulations (RR) No. 19-2011

On December 9, 2011, the Bureau of Internal Revenue (BIR) issued RR No. 19-2011 prescribing the new income tax forms to be used effective calendar year 2011. In the case of corporations using BIR Form 1702, the taxpayer is now required to include as part of its notes to the audited financial statements, which will be attached to the income tax return, schedules and information on taxable income and deductions taken.

Pursuant to the Company's BOI registration, the Company shall not be liable for income tax on its registered activities until May 27, 2012. In 2012, all of the Company's revenues and expenses are within its registered activities. Details are as follow:

	ITH	Regular Corporate Income Tax
Revenue	₱578,046,181	₱611,669,449
Less: Cost of sales	235,983,334	272,437,653
Gross income from operations	342,062,847	339,231,796
Add: Other taxable income not subject to final tax	–	–
Total gross income	342,062,847	339,231,796
Less: Allowable itemized deductions		
Outside services	98,962,818	139,661,034
Personnel costs	19,384,970	31,932,104
Transportation and travel	16,899,428	14,461,943
Excise taxes	11,560,924	12,233,389
Depreciation, amortization and depletion	9,611,301	12,614,404
Demurrage	8,622,904	4,504,424
Management fees	7,158,403	12,481,150
Rent	3,124,126	5,486,621
Professional fees	4,867,681	3,817,029
Royalties	5,780,462	6,116,694
Taxes and licenses	3,954,951	2,523,558
Environment and community development	2,025,287	7,285,825
Insurance	1,476,509	2,047,568
Communication, light and water	1,438,055	1,856,816
Supplies	1,346,725	848,237
Bank charges	1,185,436	1,179,302
Repairs and maintenance	805,954	562,880
Representation and entertainment	205,196	564,364
Dues and subscription	211,920	172,149
Finance expense	–	4,211,700
Realized foreign exchange loss	–	4,190,390
Others	5,527,126	10,825,218
Total itemized deductions	204,150,176	279,576,799
Net taxable income	₱137,912,671	₱59,654,997

28. Supplementary Information Required Under RR No. 15-2010

On November 25, 2010, BIR has issued RR No. 15-2010 prescribing the manner of compliance in connection with the preparation and submission of financial statements accompanying the tax returns. It includes provisions for additional disclosure requirements in the notes to the financial statements, particularly on taxes, duties and license fees paid or accrued during the year.
The Company reported and/or paid the following types of taxes in 2012:

VAT

The Company's sales are VAT zero-rated pursuant to its BOI registration. Input VAT claimed by the Company for 2012 follow:

Balance at beginning of the year	₱103,960,753
Current year's domestic purchases of:	
Services lodged under other accounts	1,615,951
Goods other than for resale or manufacture	360,736
Balance at end of the year	₱105,937,440

Taxes and License Fees

The components of "Taxes and license fees" recognized under "General and Administrative Expenses" in the statement of comprehensive income in 2012 follow:

Business permit fees	₱3,647,894
Municipal inspection and monitoring clearance fees	2,182,566
Land Transportation Office registration fees	251,195
MGB verification fees	232,200
Ore transport permit/mineral ore export permits	42,050
ISAG verification fees/permits	40,760
Occupation fees	21,600
Professional tax receipt	4,500
BOI issuance fees	4,500
Discharge permit fees	4,065
Smoke emission tests	860
Community tax certificate	500
BIR registration fees	500
Barangay clearance	265
Others	45,054
	₱6,478,509

Withholding Taxes

Withholding taxes paid by the Company follows:

Expanded withholding taxes	₱22,433,825
Withholding taxes on compensation and benefits	7,473,142
	₱29,906,967

As at December 31, 2012, expanded withholding taxes payable, included under other payables, amounted to ₱1,099,615. The Company has not paid any final withholding taxes in 2012.

Excise Tax

Excise tax paid by the Company in 2012 amounted to ₱20,960,827. As at December 31, 2012, accrued excise tax payable included under trade and other payables amounted to ₱5,856,058.

Others

The Company has no landed cost of imports, custom duties and tariff fees paid or accrued as at December 31, 2012. There has been no payment of any documentary stamp tax on loan instruments, shares of stock and other transactions subject thereto during the year ended December 31, 2012. There were no deficiency tax assessments, tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR.

CARMEN COPPER CORPORATION
9th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City,
Metro Manila, 1550 Philippines
Telephone Nos.: (632) 584-9788 Telefax: (632) 635-4495

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **CARMEN COPPER CORPORATION** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2012 and 2011, 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** Vice President	**Fernando A. Rimando** Chief Financial Officer

SUBSCRIBED AND SWORN to before this APR 1 2 2013 affiants exhibiting to me their Tax Identification Numbers, as follows:

Name	TIN
Alfredo C. Ramos	132-017-513
Adrian Paulino S. Ramos	188-355-989
Fernando A. Rimando	101-647-641

Document no. 253
Page no. 52
Book no.
Series of 2013

ATTY. BENIGNO M. PUNO
NOTARY PUBLIC
PTR # [illegible] / 1-04-2013 / PASIG CITY
IBP # [illegible] 01-2013 / PASIG CITY
VALID UNTIL DEC 31, 2014
TIN # [illegible]
MCLE # IV-0000109 1-04-11
ROLL NO. 15636

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

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Carmen Copper Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Carmen Copper Corporation (a wholly owned subsidiary of Atlas Consolidated Mining and Development Corporation), which comprise the statements of financial position as at December 31, 2012 and 2011, and the statements of comprehensive income, statement of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal controls as management determines is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of Carmen Copper Corporation as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010

Our audits were conducted for the purposes of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under revenue regulations 19-2011 and 15-2010 in Notes 26 and 27 to the financial statements, respectively, is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Carmen Copper Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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

CARMEN COPPER CORPORATION
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2012	2011
ASSETS		
Current Assets		
Cash (Note 4)	**₱314,273,254**	₱249,396,128
Short-term investments (Note 12)	**4,740,312,725**	670,518,576
Receivables (Note 5)	**1,465,575,066**	380,166,223
Inventories (Note 7)	**824,728,582**	919,427,216
Derivative assets (Note 6)	**–**	477,573,387
Other current assets (Note 8)	**1,121,045,504**	464,103,422
Total Current Assets	**8,465,935,131**	3,161,184,952
Noncurrent Assets		
Property, plant and equipment (Note 9)	**17,959,314,317**	13,836,275,673
Derivative assets (Note 6)	**–**	221,395,253
Deferred tax assets (Note 15)	**49,897,609**	80,073,626
Other noncurrent assets (Note 10)	**1,476,822,575**	1,286,123,790
Total Noncurrent Assets	**19,486,034,501**	15,423,868,342
TOTAL ASSETS	**₱27,951,969,632**	₱18,585,053,294
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 11)	**₱2,797,479,302**	₱3,301,988,378
Dividends payable (Note 14)	**1,000,000,000**	–
Current portion of long-term debt and other interest-bearing liabilities (Note 12)	**831,263,238**	3,907,951,702
Derivative liabilities (Note 6)	**7,589,596**	18,928,870
Income tax payable (Note 15)	**62,898**	322,726
Total Current Liabilities	**4,636,395,034**	7,229,191,676
Noncurrent Liabilities		
Long-term debt and other interest-bearing liabilities - net of current portion (Note 12)	**12,525,641,180**	2,959,071,864
Liability for mine rehabilitation cost (Note 13)	**110,513,789**	94,782,472
Retirement benefits liability (Note 20)	**159,379,600**	102,302,400
Total Noncurrent Liabilities	**12,795,534,569**	3,156,156,736
Total Liabilities	**17,431,929,603**	10,385,348,412
Equity (Note 14)		
Capital stock - ₱1 par value		
Authorized - 3.2 billion shares		
Issued and outstanding - 1.9 billion shares	**1,909,820,561**	1,909,820,561
Additional paid-in capital	**3,748,511,439**	3,748,511,439
Retained earnings	**4,861,708,029**	2,541,372,882
Total Equity	**10,520,040,029**	8,199,704,882
TOTAL LIABILITIES AND EQUITY	**₱27,951,969,632**	₱18,585,053,294

See accompanying Notes to Financial Statements.

CARMEN COPPER CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2012	2011
REVENUE (Note 6)		
Copper	**₱13,412,754,370**	₱11,659,679,179
Gold	**905,559,891**	530,598,447
Silver	**475,896**	–
Magnetite	**22,561,883**	33,685,648
	14,341,352,040	12,223,963,274
Less smelting and related charges	**817,072,078**	703,161,741
	13,524,279,962	11,520,801,533
COSTS AND EXPENSES		
Mining and milling costs (Note 16)	**8,170,093,083**	7,433,820,090
General and administrative expenses (Note 17)	**1,013,495,282**	895,954,290
Mine products taxes and royalties (Note 16)	**271,574,691**	473,997,697
	9,455,163,056	8,803,772,077
OTHER INCOME (CHARGES)		
Foreign exchange gain - net (Note 21)	**385,973,358**	17,696,560
Interest income (Note 4)	**212,854,367**	2,295,842
Finance charges (Note 12)	**(924,902,340)**	(514,758,185)
Realized gain (loss) on derivatives (Note 6)	**(437,608,486)**	428,206,916
Unrealized loss on derivatives (Note 6)	**(7,589,596)**	(208,420,940)
Others - net (Note 12)	**53,036,579**	19,867,161
	(718,236,118)	(255,112,646)
INCOME BEFORE INCOME TAX	**3,350,880,788**	2,461,916,810
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 15)		
Current	**369,624**	617,554
Deferred	**30,176,017**	(80,073,626)
	30,545,641	(79,456,072)
NET INCOME	**3,320,335,147**	2,541,372,882
OTHER COMPREHENSIVE INCOME	–	–
TOTAL COMPREHENSIVE INCOME	**₱3,320,335,147**	₱2,541,372,882

See accompanying Notes to Financial Statements.

CARMEN COPPER CORPORATION

STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Capital Stock (Note 14)	Additional Paid-in Capital (Note 14)	Retained Earnings (Deficit)	Total
Balances at January 1, 2011	₱1,909,820,561	₱4,707,508,969	(₱958,997,530)	₱5,658,332,000
Equity restructuring (Note 14)	–	(958,997,530)	958,997,530	–
Net income/total comprehensive income for the year	–	–	2,541,372,882	2,541,372,882
Balances at December 31, 2011	1,909,820,561	3,748,511,439	2,541,372,882	8,199,704,882
Net income/total comprehensive income for the year	–	–	3,320,335,147	3,320,335,147
Dividends declared at ₱0.53 per share (Note 14)	–	–	(1,000,000,000)	(1,000,000,000)
Balances at December 31, 2012	₱1,909,820,561	₱3,748,511,439	₱4,861,708,029	₱10,520,040,029

See accompanying Notes to Financial Statements.

CARMEN COPPER CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱3,350,880,788**	₱2,461,916,810
Adjustments for:		
Depreciation, depletion and amortization (Notes 9, 16 and 17)	**1,702,358,883**	989,128,786
Finance charges (Note 12)	**924,902,340**	514,758,185
Net realized loss (gain) on derivatives (Note 6)	**437,608,486**	(428,206,916)
Retirement benefits costs (Note 20)	**60,440,400**	18,313,300
Provision for asset write-downs and possible losses on input VAT (Notes 9 and 10)	**20,552,491**	163,043,931
Net unrealized loss on derivatives (Note 6)	**7,589,596**	208,420,940
Net foreign exchange loss (gain) - net	**(385,973,358)**	20,752,883
Interest income (Note 4)	**(212,854,367)**	(2,295,842)
Operating income before working capital changes	**5,905,505,259**	3,945,832,077
Decrease (increase) in:		
Receivables	**(925,934,562)**	(228,892,583)
Inventories	**108,993,619**	(385,380,612)
Other current assets	**(656,942,082)**	(234,670,276)
Short-term investments	**–**	7,730,110
Increase in accounts payable and accrued liabilities	**158,633,742**	523,360,388
Net cash generated from operations	**4,590,255,976**	3,627,979,104
Interest received	**53,981,277**	2,295,842
Interest paid	**(654,331,522)**	(523,514,038)
Income taxes paid	**(629,452)**	(679,693)
Benefits paid (Note 20)	**(3,363,200)**	(1,649,900)
Net cash flows from operating activities	**3,985,913,079**	3,104,431,315
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property, plant and equipment (Note 9)	**(5,849,526,658)**	(3,551,588,721)
Decrease (increase) in other noncurrent assets	**(190,698,785)**	57,171,084
Net cash flows used in investing activities	**(6,040,225,443)**	(3,494,417,637)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt and other interest-bearing liabilities (Note 12)	**13,951,366,746**	473,280,602
Payments of long-term debt and other interest-bearing liabilities (Note 12)	**(6,546,067,744)**	(1,093,117,448)
Short-term placements (Note 12)	**(4,277,084,066)**	–
Decrease in interest-free payables to related parties (Notes 11 and 19)	**(860,953,119)**	(332,759,548)
Net cash flows from (used in) financing activities	**2,267,261,817**	(952,596,394)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(148,072,327)**	25,020,337
NET INCREASE (DECREASE) IN CASH	**64,877,126**	(1,317,562,379)
CASH AT BEGINNING OF PERIOD	**249,396,128**	1,566,958,507
CASH AT END OF PERIOD (Note 4)	**₱314,273,254**	₱249,396,128

See accompanying Notes to Financial Statements.

CARMEN COPPER CORPORATION
NOTES TO FINANCIAL STATEMENTS

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

Carmen Copper Corporation (hereafter referred to as "the Company") is a stock corporation organized under the laws of the Philippines on September 16, 2004, primarily for the exploration, development and production of copper/gold in concentrate. The principal office of the Company is at Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City. The minesite is located in Lutopan, Toledo, Cebu.

In 2006, the Company entered into an Operating Agreement with Atlas Consolidated Mining and Development Corporation (ACMDC) for the conveyance to the Company of rights over the Toledo minesite, certain fixed assets and surface rights for a royalty fee mutually agreed by the parties. The agreement may be terminated by the Company upon 30 days prior written notice.

On May 5, 2006, ACMDC entered into an Operating Agreement with the Company respecting the terms of the assignment by ACMDC to the Company of operating rights over the Toledo mining complex, and the right to acquire certain fixed assets. The agreement may be terminated by ACMDC upon 30 days prior written notice. In February 2012, the BOD approved the waiver of its entitlement to receive from the Company, pursuant to the Operating Agreement, royalties due from operations in 2012.

In July 2011, the Company became a wholly owned subsidiary of ACMDC, when ACMDC purchased the combined 45.54% equity interest of CASOP Atlas Corporation and CASOP Atlas B.V. (collectively, CASOP) in the Company (see Note 14). Previously, in 2010 and 2009, ACMDC owned 54.46% and 64.94%, respectively, of the outstanding capital stock of the Company. ACMDC is listed with the Philippine Stock Exchange and is a holding company for various mining companies in the Philippines.

The Company is registered with the Board of Investments (BOI) on a non-pioneer status as a new producer of copper concentrate. The Company is entitled to avail of the income tax holiday (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 with the Company's use of the indigenous materials criterion. In 2012, the ITH Period was extended further to October 31, 2013 based on the Company's eligibility under the net foreign exchange earnings criterion pursuant to Art. 39 (a) (1) (ii) of EO 226, subject to the condition that the Company shall implement programs in line with its Corporate Social Responsibilities (CSR). The amount spent for CSR-based programs amounted to ₱69.4 million in 2012.

On March 8, 2013, the Board of Directors (BOD) approved and authorized the release of the financial statements of the Company as of and for the years ended December 31, 2012 and 2011.

2. Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis except for derivative financial instruments and put option contracts, which have been measured at fair value. The financial statements are presented in Philippine Peso (Peso), which is the Company's functional currency. All amounts are rounded off to the nearest Peso, except when otherwise indicated.

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended PFRS and improvements to PFRS effective as of January 1, 2012.

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

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* (Amendment)
  The amendments require additional disclosures about financial assets that have been transferred but not derecognized to enhance the understanding of the relationship between those assets that have not been derecognized and their associated liabilities. In addition, the amendments require disclosures about continuing involvement in derecognized assets to enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets* (Amendment)
  This amendment to PAS 12 clarifies the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of investment property measured using the fair value model in PAS 40, Investment Property, will be recovered through sale and, accordingly, requires that any related deferred tax should be measured on a 'sale' basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time ('use' basis), rather than through sale. Furthermore, the amendment introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model in PAS 16, Property, Plant and Equipment, always be measured on a sale basis of the asset. The amendments are effective for periods beginning on or after January 1, 2012.

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

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

  a. The gross amounts of those recognized financial assets and recognized financial liabilities;
  b. The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c. The net amounts presented in the statement of financial position;
  d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e. The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The amendments to PFRS 7 are to be retrospectively applied and are effective for annual periods beginning on or after January 1, 2013. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaces the portion of PAS 27. This addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The standard becomes effective for annual periods beginning on or after January 1, 2013.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The standard becomes effective for annual periods beginning on or after January 1, 2013. The adoption of PFRS 12 will affect disclosures only and have no impact on the Company's financial position or performance.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13. The standard becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (OCI)* (Amendments)
  The amendments to PAS 1 change the grouping of items presented in OCI. Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendment becomes effective for annual periods beginning on or after July 1, 2012. The amendments will be applied retrospectively and will result to the modification of the presentation of items of OCI. The amendments affect presentation only and have no impact on the Company's financial position or performance.

- PAS 19, *Employee Benefits* (Revised)
  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments become effective for annual periods beginning on or after January 1, 2013. Once effective, the Company has to apply the amendments retroactively to the earliest period presented.

  The Company reviewed its existing employee benefits and determined that the amended standard has significant impact on its accounting for retirement benefits. The Company obtained the services of an external actuary to compute the impact to the financial statements upon adoption of the standard. The effects are detailed below:

	As at 31 December 2012	As at 1 January 2012
Increase (decrease) in:		
Statement of financial position		
Retirement benefit liability	**132,175,700**	54,297,000
Deferred tax asset	**39,652,710**	16,289,100
Other comprehensive income	**(82,276,496)**	(67,953,800)
Retained earnings	**(121,929,206)**	(84,242,900)

	2012
Statement of comprehensive income	
Net benefit cost	**(4,397,796)**
Income tax expense	**1,319,339**
Profit for the year	**3,078,457**

- PAS 27, *Separate Financial Statements* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 10 and PFRS 12, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 11 and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal costs ("stripping costs") that are incurred in surface mining activity during the production phase of the mine ("production stripping costs"). If the benefit from the stripping activity will be realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity should recognize these costs as a non-current asset, only if certain criteria are met ("stripping activity asset"). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The Company expects that this interpretation will not have any impact on its financial position or performance. The adoption will not have any significant impact on the financial statements since the Company's accounting policy on it stripping cost is aligned with this standard. This interpretation becomes effective for annual periods beginning on or after January 1, 2013.

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities* (Amendments)
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The amendments affect presentation only and have no impact on the Company's financial position or performance.

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI.

The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. PFRS 9 is effective for annual periods beginning on or after January 1, 2015. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Annual Improvements to PFRSs (2009-2011 cycle)

- The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

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

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

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

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

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

Cash
Cash includes cash on hand and in banks.

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

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

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

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

The Company has no AFS financial assets and HTM investments as of December 31, 2012 and 2011.

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

"Day 1" Difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company 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 Company determines the appropriate method of recognizing the amount of "Day 1" difference.

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 statement of financial position. Changes in the fair value of such assets are accounted for in profit or loss.

The Company's financial assets and liabilities at FVPL consist of derivative assets, derivative liabilities and put option contracts as of December 31, 2012 and 2011.

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 Company provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets. As of December 31, 2012 and 2011, the Company's loans and receivables consist of "Cash", "Short-term investments" and "Receivables".

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

The Company's financial liabilities at FVPL pertain to the derivative liabilities in the statements of financial position in 2012 and 2011.

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

As of December 31, 2012 and 2011, other financial liabilities consist of "Accounts payable and accrued liabilities", "Payable to related parties" and "Long-term debt and other interest-bearing liabilities".

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

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

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

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company 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.

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

- the rights to receive cash flows from the asset have expired;
- the Company 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 Company 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 Company 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 Company'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 Company could be required to repay.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company recognized bifurcated derivative assets and liabilities arising from the provisionally-priced commodity sales contracts and copper sales transactions, and prepayment option on long term debt as of December 31, 2012 and 2011.

Convertible Long-term Debt

Convertible long-term debt denominated in the functional currency of the Company is regarded as compound instrument, 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 Company is included in statement of changes of equity.

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

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

Borrowing Costs

Borrowing costs are interest and other costs that the Company 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 to be 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 Company 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, fuels 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 the reporting date. Cost is determined using the following methods:

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

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

Related Parties
Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by or under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

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

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

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

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

When assets are sold or retired, the cost and related accumulated depletion and depreciation are removed from the accounts and any resulting gain or loss is recognized in the profit or loss.

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

Machinery and equipment	3 - 10 years
Buildings and improvements	5 - 25 years
Roadways and bridges	5 - 40 years

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

The estimated recoverable mine reserves, useful lives, and depreciation and depletion methods are reviewed periodically to ensure that the estimated recoverable reserves, periods and methods of depreciation and depletion are consistent with the expected pattern of economic benefits from the items of property, plant and equipment. Property, plant and equipment also include the estimated costs of rehabilitating the mine site, for which the Company 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 Company actually incurs these costs in the future.

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

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

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

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

Construction in Progress
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 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 and if the benefit from the stripping activity will be realized in the current period. When the benefit is the improved access to ore, the Company shall recognize these costs as deferred stripping costs. The deferred stripping cost 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 or revalued amount less depreciation or amortization and less impairment losses.

Impairment of Nonfinancial Assets

Inventories

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

Property, Plant and Equipment

Property, plant and equipment, 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 cash-generating unit (CGU) is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's CGU's fair value less cost to sell and value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a large CGU. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value in use is the present value, using a pre-tax discount rate, of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Impairment losses are recognized in the statement of comprehensive income.

Other Nonfinancial Assets

The Company 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 Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease other nonfinancial assets.

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

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

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

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

Operating Leases
Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b). Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in the Company's profit or loss on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized.

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

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

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

become probable that sufficient future taxable profits will allow the deferred tax assets to be recovered.

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

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

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 other comprehensive income or directly in equity.

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

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

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

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

Retained earnings may be 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 the appropriation is no longer needed, it is reversed.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company 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 Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal in all of its revenue arrangements.

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

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

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

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

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

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

Provision for Mine Rehabilitation and Decommissioning
The Comapny 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 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 provision for mine rehabilitation and decommissioning, 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 financial reporting period and the cost is charged to the 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 provision for mine rehabilitation and decommissioning, which would affect future financial results.

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

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

value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Contingencies
Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the 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 financial statements.

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

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to make judgments, estimates and 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 estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

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

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

Determination of Functional Currency. The Company has determined its functional currency to be the Philippine Peso. It is the currency that mainly influences the labor and other cost of providing the goods, and the currency that most faithfully represent the economic effect of the underlying transactions, events and conditions.

Bill and Hold Sales. The Company recognized sale on deliveries classified as bill and hold when there is transfer of risk and reward from the Company 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 2012 amounted to ₱696.8 million. There were no bill and hold sales in 2011.

Classification of Financial Instruments. The Company exercises judgment in classifying financial instruments in accordance with PAS 39. The Company 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 Company's statement of financial position.

Financial assets are classified into the following categories:
- Financial assets at FVPL
- Loans and receivables

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

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

Production Start Date. The Company 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 Company considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase. Some of the criteria include, but are not limited to the following:

- the level of capital expenditure compared to construction cost estimates;
- completion of a reasonable period of testing of the mine plant and equipment;
- ability to produce metal in saleable form; and
- ability to sustain ongoing production of metal.

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

Units-of-production Depreciation/Depletion. Estimated recoverable reserves are used in determining the depreciation/depletion of mine specific assets. This results in a depreciation/ depletion charge proportional to the depletion of the anticipated remaining mine life. Each item's life, which is assessed annually, has regard to both physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. The calculations require the use of estimates of future capital expenditure. The Company uses the tonnes of ore produced as the basis for depletion/depreciation. Any change in estimates is accounted for prospectively. Average depletion rate used in 2012 and 2011 are 3.36% and 2.91%, respectively.

Estimates and Assumptions

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

Estimating Fair Value of Financial Assets and Financial Liabilities. PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of accounting judgment and estimates. While significant components of fair value measurement are determined

using verifiable objective evidence (e.g., foreign exchange rates, interest rates, and volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and financial liabilities would directly affect net income. Fair values of financial assets and financial liabilities amounted to ₱6,520.2 million and ₱17,283.6 million, respectively, as of December 31, 2012 and ₱1,999.0 million and ₱8,993.0 million, respectively, as of December 31, 2011 (see Note 22).

Estimating Allowance for Impairment Losses of Loans and Receivables. The Company assesses on a regular basis if there is objective evidence of impairment of loans and receivables. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The determination of impairment requires the Company 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 Company considers factors such as the Company'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 Company uses specific impairment on its loans and receivables. The Company did not assess its loans and receivables for collective impairment due to few counterparties which can be specifically identified. The amount of loss is recognized in the profit or loss with a corresponding reduction in the carrying value of the loans and receivables through an allowance account. These reserves are re-evaluated and adjusted as additional information becomes available.

The Company did not recognize provision for impairment loss on loans and receivables in 2012 and 2011. The carrying value of loans and receivables amounted to ₱6,520.2 million and ₱1,300.1 million as of December 31, 2012 and 2011, respectively.

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. The Company concurrently uses the prices as agreed with MRI Trading AG (MRI) and Philippine Associated Smelting and Refining Corporation (PASAR) 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 of December 31, 2012 and 2011, the cost of mine products inventory is lower than its NRV. No allowance for decline in value of mine products inventory was recognized as of December 31, 2012 and 2011. Mine products inventory amounted to ₱55.8 million and ₱368.2 million as of December 31, 2012 and 2011, respectively (see Note 7).

Estimating Allowance for Obsolescence of Materials and Supplies Inventory. The Company provides allowance for materials and supplies inventory 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, at lower of cost and NRV, amounted to ₱769.0 million and ₱551.2 million as of December 31, 2012 and 2011, respectively (see Note 7). No provision for inventory obsolescence was provided in 2012 and 2011.

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 Company's recorded costs and expenses and decrease noncurrent assets. There is no change in the estimated useful lives of items of property, plant and equipment in 2012 and 2011. Net book values of property, plant and equipment as of December 31, 2012 and 2011 amounted to ₱17,959.3 million and ₱13,836.3 million, respectively (see Note 9). Depreciation expense recognized in 2012 and 2011 amounted to ₱1,702.4 million and ₱989.1 million, respectively (see Notes 16 and 17).

Estimating Impairment of Property, Plant and Equipment. PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the value of property, plant and equipment, 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 Company to make estimates and assumptions that can materially affect the Company's financial statements. Future events could cause the Company to conclude that the property, plant and equipment are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial condition and results of operations. The Company recognized provision for fixed asset write-down on specific machinery and equipment amounting to ₱20.5 million and ₱93.8 million in 2012 and 2011, respectively (see Note 9).

Estimating Impairment of Other Nonfinancial Assets. The Company determines whether its nonfinancial assets are impaired at least on an annual basis. This requires an estimation of recoverable amount, which is the higher of an asset's or cash-generating unit's fair value less cost to sell and value-in-use. Estimating the value-in-use requires the Company to make an estimate of the expected future cash flows from the cash-generating unit and to choose an appropriate discount rate in order to calculate the present value of those cash flows. Estimating the fair value less cost to sell is based on the information available to reflect the amount that the Company could obtain as of the reporting date. In determining this amount, the Company considers the outcome of recent transactions for similar assets within the same industry. The Company recognized allowance for possible losses on input VAT amounting to ₱69.2 million in 2011.

Estimating Fair Values of Structured Debt Instruments and Derivatives. The fair values of structured debt instruments and derivatives that are not quoted in active markets are determined using valuation techniques such as discounted cash flow analysis and standard option pricing models. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are reviewed before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values of financial instruments (see Note 22).

Valuation of Financial Assets and Financial Liabilities. The Company carries certain financial assets and financial liabilities (i.e., derivatives and AFS financial assets) at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, quoted security prices), the amount of changes in fair value would differ if the Company utilized a different valuation methodology. Any change in fair value of these financial assets and financial liabilities would affect the statement of comprehensive income. The carrying values and corresponding fair values of financial assets and financial liabilities as well as the manner in which fair values were determined are discussed in more detail in Note 22.

Estimating Liability on Mine Rehabilitation Costs. The Company assesses its liability for mine rehabilitation cost annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates to the extent of the costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the 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, *Property, Plant and Equipment*. Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss. If the change in estimate results in an increase in the rehabilitation liability and therefore an addition to the carrying value of the asset, the entity is required to consider whether this is an indication of impairment of the asset as a whole and test for impairment in accordance with PAS 36. Also, rehabilitation obligations that arise as a result of the production phase of a mine are expensed as incurred.

Liability for mine rehabilitation recognized as of December 31, 2012 and 2011 amounted to ₱110.5 million and ₱94.8 million, respectively (see Note 13).

Measurement of Mine Products Sales. Mine products sales are provisionally priced such that these are not settled until predetermined future dates based on market prices at that time. Revenue on these sales are initially recognized based on shipment values calculated using the provisional metals prices, shipment weights and assays for metal content less smelting and related charges. The final shipment values are subsequently determined based on final weights and assays for metal content and prices during the applicable quotation period. Total mine product sales, net of smelting and related charges, amounted to ₱13,524.3 million in 2012 and ₱11,520.8 million in 2011.

Estimating Realizability of Deferred Tax Assets. The Company reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized. As of December 31, 2012 and 2011, the Company has deductible temporary differences, NOLCO and excess MCIT amounting to ₱3.0 million and ₱1,045.2 million, respectively. No deferred tax asset was recognized for NOLCO and excess MCIT as management believes that the Company will not be able to realize in the future the carryforward benefits of NOLCO and excess MCIT prior to their expiration (see Note 15). As of December 31, 2012 and 2011, deferred tax asset amounting to ₱562.5 million and ₱80.1 million was recognized as management believes that sufficient future taxable profits will be available against which benefits of deferred tax assets can be utilized (see Note 15).

Estimating Retirement Benefits Costs. The determination of the Company's obligation and cost of pension is dependent on management's selection of certain assumptions in calculating such amounts. Those assumptions are described in Note 20 and include, among others, discount rates and future salary increase rates. Actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the Company's recognized expenses and recorded obligation in such future periods. While management believes that its assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the Company's retirement benefits

liability. Retirement benefits liability amounted to ₱159.4 million and ₱102.3 million as of December 31, 2012 and 2011, respectively (see Note 20).

Estimating Mineral Reserves and Resources. Mineral reserves and resources estimates for development projects are, to a large extent, based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of costs based upon anticipated tonnage and grades of ores to be mined and processed, the configuration of the ore body, expected recovery rates from the ore, estimated operating costs, estimated climatic conditions and other factors. Proven reserves estimates are attributed to future development projects only when there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. All proven reserve estimates are subject 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.

Provisions and Contingencies. The estimate of the probable costs for the resolution of possible claims has been developed in consultation with legal counsels handling the Company's defense in these matters and is based upon an analysis of potential results (see Note 24).

4. **Cash**

	2012	2011
Cash on hand	**₱1,671,140**	₱2,503,721
Cash in bank	**312,602,114**	246,892,407
	₱314,273,254	₱249,396,128

Cash in bank accounts earn interest based on the deposit rates of each of the Company's depository bank. 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 Company and earn interest at the respective short-term investment rates.

Interest income from cash in bank amounted to ₱6.7 million and ₱2.3 million as of December 31, 2012 and 2011, respectively.

5. **Receivables**

	2012	2011
Trade (see Note 6)	**₱1,234,292,911**	₱306,626,477
Nontrade	**48,848,191**	62,601,569
Advances to officers and employees	**23,560,874**	10,938,177
Interest (see Note 12)	**158,873,090**	–
	₱1,465,575,066	₱380,166,223

Trade receivables are noninterest-bearing and are normally settled on terms ranging from 15 to 30 days. Nontrade receivables are noninterest-bearing advances made in accordance with the terms of the Company's contracts with contractors and non-related parties.

Advances to officers and employees pertain to the unliquidated advances used in the Company's operations and are collectible upon demand. Interest receivable pertains to earned interest from short-term investments (see Note 12).

6. Pricing Agreements, Hedging and Derivative Financial Instruments

Hedging Objectives

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

Pricing Agreements

MRI Trading AG (MRI) and Philippine Associated Smelting and Refining Corporation (PASAR)

In the normal course of selling its copper concentrate, the Company entered into (i) several contracts of purchase with MRI Trading AG ("MRI Contract") in 2012 and in prior years, and (ii) one contract of purchase with PASAR ("PASAR Contract") in 2012 (collectively, the "Copper Contracts"), whereby it agreed to sell a fixed volume of copper concentrate based on LME prices (as published in the Metal Bulletin) and as averaged over the quotational period (QP) as defined in the MRI Contract 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, the Company and MRI or PASAR have the option to price-fix in advance of the QP the payable copper contents of the concentrate to be delivered, subject to adjustments during the QP. If the option to price-fix prior to the QP is exercised, (i) the fixed price and the volume to which the fixed price applies will be confirmed in writing by the parties, and (ii) with respect to sales of copper concentrate to MRI, an addendum to the MRI Contract will be executed to confirm the actual volume of the copper shipped based on the fixed price.

Freestanding Derivatives

Commodity Forwards

The Company entered into freestanding commodity forward contracts that are accounted for at fair value through profit or loss. The Company does not have outstanding copper forward contracts as of December 31, 2012 and 2011.

Commodity Put Options

In 2012 and 2011, the Company purchased LME put options through Jefferies Prudential for the delivery of 33,325 tons and 41,050 tons of copper concentrates with a total premium amounting to \$6.43 million and \$10.8 million, respectively. This amount was advanced by MRI (see Note 12). As of December 31, 2011, the outstanding notional quantity of the put options is 10,800 tons with a strike price of \$8,000 per ton and maturities from February to April 2012. The positive fair value of the outstanding put options amounted to ₱243.1 million and was recognized as derivative asset as of December 31, 2011. Unrealized gain on derivatives recognized in the statement of comprehensive income amounted to ₱94.1 million in 2011. The Company has no outstanding commodity put option as of December 31, 2012.

Foreign Currency Forwards
In 2012, the Company entered into foreign currency forwards amounting to ¥780.3 million and EUR8.5 million. CCC used these foreign currency forwards to hedge its exposure to US Dollar. Realized gain on foreign currency forwards amounted to ₱20.5 million. No foreign currency forwards were outstanding as of December 31, 2012 and 2011.

The Company will continuously assess its use of freestanding derivatives as part of its financial risk management objectives and policies.

Embedded Derivatives

Provisional Pricing
Based on the Company's pricing agreements with MRI 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 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. The Company recognized an unrealized loss on the related derivative liability amounting to ₱7.6 million on its delivery to PASAR in 2012 and ₱18.9 million on its deliveries to MRI in 2011.

Prepayment Option

BDO Unibank, Inc (BDO)
In 2010, the Company bifurcated a prepayment option contained in the terms of the December 15, 2010 Omnibus Loan and Security Agreement that it executed with BDO (the "OLSA"). The prepayment option is accounted for at fair value through profit or loss and the initial prepayment option amount of ₱721.9 million is treated as an effective interest adjustment on the loan (see Note 12). As of December 31, 2011, the derivative current and noncurrent asset arising from the prepayment option amounted to ₱234.5 million and ₱221.4 million, respectively. Unrealized losses on derivatives amounting to ₱247.4 million were recognized in the statement of comprehensive income in 2011.

On March 16, 2012, the Company prepaid all outstanding amounts under OLSA loan using part of the proceeds from its issuance of fixed-rate notes representing an aggregate debt of $300 million (see note on Bonds Payable below) (see Note 12). As a result of the prepayment, the recognition of the related derivative asset and bifurcated liability was reversed. On the same date, the relevant liens on property, plant and equipment that were created to secure the Company's obligations under the OLSA was extinguished.

Bonds Payable
On March 16, 2012, the Company completed the issuance of US Dollar-denominated fixed-rate notes representing $300 million of the Company's senior unsecured debt with a tenor of five (5) years and five (5) days (the "Bonds Payable"). The Bonds Payable, which were issued at the price of 98.95% of face value, will pay interest semi-annually every 21st of March and September at the rate of 6.5% and will carry a yield to maturity of 6.75%. The Bonds Payable contains an equity clawback option that allows the Company 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 (see Note 12).

No derivative asset was recognized on the prepayment option since the probability of an equity offering by the Company is remote.

7. Inventories

	2012	2011
Mine products	**₱55,776,807**	₱368,238,033
Materials and supplies	**768,951,775**	551,189,183
	₱824,728,582	₱919,427,216

Mine products include copper concentrate containing gold and silver. Materials and supplies consist of consumable items and spare parts. Mine products and materials and supplies inventories are stated at cost, which is lower than NRV.

The cost of inventories recognized as part of mining and milling costs in the statements of comprehensive income amounted to ₱3,311.4 million and ₱2,790.9 million in 2012 and 2011, respectively (see Note 16).

8. Other Current Assets

	2012	2011
Deposits to suppliers	**₱1,111,097,468**	₱444,433,852
Prepaid fees and advances	**9,948,036**	19,669,570
	₱1,121,045,504	₱464,103,422

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

Prepaid fees and advances include prepaid insurance and business taxes.

9. **Property, Plant and Equipment**

2012

	Land	Mine Development Costs	Machinery and Equipment	Buildings and Improvements	Roadways and Bridges	Construction in Progress	Total
Cost							
January 1	**₱13,088,797**	**₱6,884,907,623**	**₱7,516,206,549**	**₱1,192,861,391**	**₱262,768,244**	**₱1,547,293,817**	**₱17,417,126,421**
Additions	**–**	**–**	**1,846,591,736**	**67,710,480**	**–**	**3,935,224,441**	**5,849,526,657**
Reclassifications	**–**	**66,960,774**	**590,277,588**	**(159,460,223)**	**9,180,826**	**(506,958,965)**	**–**
Change in estimate (see Note 13)	**–**	**10,718,345**	**–**	**–**	**–**	**–**	**10,718,345**
Retirement	**–**	**–**	**(312,702,737)**	**–**	**–**	**–**	**(312,702,737)**
Disposals	**–**	**–**	**(395,387)**	**–**	**–**	**–**	**(395,387)**
December 31	**13,088,797**	**6,962,586,742**	**9,639,977,749**	**1,101,111,648**	**271,949,070**	**4,975,559,293**	**22,964,273,299**
Accumulated Depreciation, Depletion and Asset Write-downs							
January 1	**–**	**371,853,809**	**2,689,390,375**	**417,835,470**	**101,771,094**	**–**	**3,580,850,748**
Depreciation/Depletion	**–**	**218,678,210**	**1,346,703,727**	**121,899,882**	**29,372,048**	**–**	**1,716,653,867**
Provision for asset write-downs	**–**	**–**	**20,552,491**	**–**	**–**	**–**	**20,552,491**
Retirement	**–**	**–**	**(312,702,737)**	**–**	**–**	**–**	**(312,702,737)**
Disposals	**–**	**–**	**(395,387)**	**–**	**–**	**–**	**(395,387)**
December 31	**–**	**590,532,019**	**3,743,548,469**	**539,735,352**	**131,143,142**	**–**	**5,004,958,982**
Net Book Values	**₱13,088,797**	**₱6,372,054,723**	**₱5,896,429,280**	**₱561,376,296**	**₱140,805,928**	**₱4,975,559,293**	**₱17,959,314,317**

2011

	Land	Mine Development Costs	Machinery and Equipment	Buildings and Improvements	Roadways and Bridges	Construction in Progress	Total
Cost							
January 1	₱–	₱5,357,103,518	₱6,067,290,230	₱929,454,193	₱248,946,379	₱1,251,024,306	₱13,853,818,626
Additions	13,088,797	105,842	1,289,679,938	419,281	–	2,248,294,863	3,551,588,721
Reclassifications	–	1,515,254,062	159,961,508	262,987,917	13,821,865	(1,952,025,352)	–
Change in estimate (see Note 13)	–	12,444,201	–	–	–	–	12,444,201
Disposals	–	–	(725,127)	–	–	–	(725,127)
December 31	13,088,797	6,884,907,623	7,516,206,549	1,192,861,391	262,768,244	1,547,293,817	17,417,126,421
Accumulated Depreciation, Depletion and Asset Write-downs							
January 1	–	233,115,600	1,855,481,067	290,990,427	71,230,333	–	2,450,817,427
Depreciation/Depletion	–	138,738,209	740,687,082	126,845,043	30,540,761	–	1,036,811,095
Provision for asset write-downs	–	–	93,818,377	–	–	–	93,818,377
Disposals	–	–	(596,151)	–	–	–	(596,151)
December 31	–	371,853,809	2,689,390,375	417,835,470	101,771,094	–	3,580,850,748
Net Book Values	₱13,088,797	₱6,513,053,814	₱4,826,816,174	₱775,025,921	₱160,997,150	₱1,547,293,817	₱13,836,275,673

Additions for expansion project

Additions for expansion project under “Machinery and Equipment” amounted to ₱1,006.9 million and ₱797.9 million in 2012 and 2011, respectively.

Additions for existing capacity

Additions for existing capacity under “Machinery and Equipment” amounted to ₱839.6 million and ₱491.8 million in 2012 and 2011, respectively.
Additions for existing capacity under “Buildings and Improvements” amounted to ₱67.7 million and ₱0.4 million in 2012 and 2011, respectively.

Mine development costs consist of the following:

2012

	Mine and Mining Properties	Development Costs	Mine Rehabilitation Costs	Total
Cost				
January 1	**₱1,196,664,467**	**₱5,629,864,046**	**₱58,379,110**	**₱6,884,907,623**
Additions	**–**	**66,960,774**	**–**	**66,960,774**
Change in estimate (see Note 13)	**–**	**–**	**10,718,345**	**10,718,345**
December 31	**1,196,664,467**	**5,696,824,820**	**69,097,455**	**6,962,586,742**
Accumulated Depletion				
January 1	**81,759,078**	**288,760,068**	**1,334,663**	**371,853,809**
Depletion	**37,391,581**	**179,372,792**	**1,913,837**	**218,678,210**
December 31	**119,150,659**	**468,132,860**	**3,248,500**	**590,532,019**
Net Book Values	**₱1,077,513,808**	**₱5,228,691,960**	**₱65,848,955**	**₱6,372,054,723**

2011

	Mine and Mining Properties	Development Costs	Mine Rehabilitation Costs	Total
Cost				
January 1	₱1,196,664,467	₱4,114,504,142	₱45,934,909	₱5,357,103,518
Additions and reclassifications	–	1,515,359,904	–	1,515,359,904
Change in estimate (see Note 13)	–	–	12,444,201	12,444,201
December 31	1,196,664,467	5,629,864,046	58,379,110	6,884,907,623
Accumulated Depletion				
January 1	48,407,492	184,708,108	–	233,115,600
Depletion	33,351,586	104,051,960	1,334,663	138,738,209
December 31	81,759,078	288,760,068	1,334,663	371,853,809
Net Book Values	₱1,114,905,389	₱5,341,103,978	₱57,044,447	₱6,513,053,814

Fully depreciated property and equipment
Fully depreciated office equipment and furniture and fixture still used by the Company amounted to ₱172.4 million and ₱6.2 million as of December 31, 2012 and 2011, respectively. These are retained in the Company's records until they are disposed. No further depreciation and amortization are charged to current operations for these items. The Company has no temporary idle property, plant and equipment as of December 31, 2012.

Borrowing costs
Borrowing costs, capitalized in "Construction in Progress", amounted to ₱17.9 million in 2012 and ₱79.1 million in 2011 at interest rates of 6.5% to 8% in 2012 and 8.0% in 2011.

Provision for asset write-downs
The provision for asset write-downs represents the net book value of heavy equipment that the Company assessed to be operationally uneconomical amounting to ₱20.6 million and ₱93.8 million in 2012 and 2011, respectively.

Property, plant and equipment pledged as collaterals
The carrying value of the property, plant and equipment pledged as collaterals for various borrowings by the Company and ACMDC (see Notes 11, 12 and 19) amounted to ₱16,882.2 million as of December 31, 2012 and ₱13,836.3 million as of December 31, 2011.

Capital Expenditure Commitments
As of December 31, 2012, the Company has capital expenditure commitments amounting to ₱1,361.4 million.

10. Other Noncurrent Assets

	2012	2011
Input VAT (net of accumulated allowance for possible losses of ₱124.9 million in 2012 and 2011)	**₱1,468,088,491**	₱1,277,196,289
Others	**8,734,084**	8,927,501
	₱1,476,822,575	₱1,286,123,790

Input VAT represents VAT imposed under Philippine tax laws upon the sale of goods and services which is passed on to the Company by its suppliers. Input VAT is stated at its estimated NRV. Input VAT, net of allowance for possible losses, amounting to ₱1,468.1 million will be claimed by the Company as tax credits. Others consist mainly of mine rehabilitation fund required under Final Mine Development Rehabilitation Plan (FMDRP) as approved by the Department of Environment and Natural Resources (DENR).

11. Accounts Payable and Accrued Liabilities

	2012	2011
Trade	**₱743,614,980**	₱841,887,954
Accrued expenses	**1,095,256,486**	607,791,622
Royalties (see Note 1)	**504,374,669**	505,225,676
Nontrade	**429,173,631**	90,181,232
Related parties (see Note 19)	**19,928,286**	880,881,404
Payable to buyers (see Note 6)	**5,131,250**	376,020,490
	₱2,797,479,302	₱3,301,988,378

Trade payables are noninterest-bearing and are normally settled on a 30 to 60-day term.

Accrued expenses consist largely of accruals for contracted services, interest, rental, power and other utilities, insurance, personnel cost amounting to ₱426.5 million, ₱228.0 million and ₱123.7 million, ₱89.3 million, ₱56.5 million, respectively, as of December 31, 2012 and ₱99.5 million, ₱19.9 million, ₱345.9 million, ₱46.5 million and ₱23.0 million, respectively as of December 31, 2011. They are normally settled within six months.

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

MRI payables pertain to the Company's US dollar denominated borrowings against the provisional shipments of copper concentrate which bear interest at a rate equivalent to one month LIBOR rate plus 3.5% per annum. Accrued interest amounted to ₱2.2 million and ₱8.0 million as of December 31, 2012 and 2011 respectively. Total outstanding borrowings from GHL and MRI, including the loan availed to finance the purchase of put options in 2011 (see Note 12) amounted to ₱5.1 million and ₱554.8 million as of December 31, 2012 and 2011, respectively.

12. Long-term Debt and Other Interest-bearing Liabilities

	2012	2011
Bonds Payable	**₱11,993,726,982**	₱–
BDO Leasing	**916,764,230**	248,951,382
FLSmidth Krebs Pacific	**35,302,803**	142,892,922
Atlas Copco Customer Finance AB	**33,725,288**	–
MBTC and ORIX	**7,935,115**	14,293,823
BDO	**–**	5,795,883,540
	12,987,454,418	6,202,021,667
Less noncurrent portion	**12,525,641,180**	2,959,071,864
	461,813,238	3,242,949,803
Other interest-bearing liabilities		
UCPB	**369,450,000**	–
Maxima	**–**	486,182,743
MRI	**–**	178,819,156
	₱831,263,238	₱3,907,951,702

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

	2012	2011
Due in:		
2012	**₱–**	₱3,907,951,702
2013	**831,263,238**	2,956,803,718
2014	**274,760,844**	2,268,146
2015 and thereafter	**12,250,880,336**	–
	₱13,356,904,418	₱6,867,023,566

Bonds Payable

On March 16, 2012, the Company completed the issuance of US Dollar-denominated fixed-rate notes representing $300 million of the Company's senior unsecured debt with a tenor of five (5) year and five (5) days (the "Bonds Payable"). The Bonds Payable, which were issued at the price of 98.95% of face value, will pay interest semi-annually every 21st of March and 21st of September at the rate of 6.5% and will carry a yield to maturity of 6.75%. The outstanding Bonds Payable, net of discount, amounted to ₱11,993.7 million as of December 31, 2012. The accrued interest payable from bonds amounted to ₱224.6 million as of December 31, 2012. The interest expense recognized from bonds amounted to ₱778.6 million in 2012.

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 the Company to redeem up to 35% of the Bonds Payable at any time prior to March 21, 2015, at a redemption price of 106.5% of the principal amount plus accrued and unpaid interest, using the net proceeds of an equity offering (see Note 6).

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

- *Incurrence of indebtedness other than permitted indebtedness* - The Company 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 the Company is not less than 2.5 to 1.0 (the "Incurrence Conditions"). FCCR is the ratio of (1) the aggregate amount of earnings before interest, taxes, depreciation, and amortization for the most recent four fiscal quarterly periods prior to the incurrence of the indebtedness (the "Four Quarter Period"), to (2) the aggregate fixed charges during the Four Quarter Period.

- *Payment of dividends* - The Company 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) the Company 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.

The Company has ascertained its compliance with the above covenants, as of December 31, 2012.

Short-term investments
A portion of the proceeds from the issuance of the Bonds Payable was put in multiple time deposit accounts which have a five-year maturity period reckoned from the date of placement and which can be terminated anytime. Such deposits were classified as Short-term investments in the statement of financial position and amounting to ₱4,740.3 million as of December 31, 2012. Interest income earned from short-term investments amounted to ₱206.1 million in 2012.

BDO Leasing & Finance, Inc. (BDO Leasing)
From August 2011 to November 2011, the Company availed of peso-denominated equipment financing facilities from BDO Leasing. The amounts due under the facilities which totalled ₱304.3 million are payable within 24 months and accrue interest at the rate of 10% per annum. In 2012, the Company availed of additional equipment financing facilities from BDO Leasing covering the total amount of ₱818.2 million (see Note 9). The outstanding amounts under the 2011 and 2012 facilities aggregated ₱917.0 million as of December 31, 2012 and ₱249.0 million as of December 31, 2012.

FLSmidth Krebs Pacific (FLS)
On March 29, 2011, the Company availed from FLS a US dollar-denominated loan facility amounting to $4.7 million that is payable within 24 months and accrues interest at the rate of 11% per annum. The loan is secured by a chattel mortgage covering the crushers and auxiliary equipment purchased from FLS using the proceeds thereof (see Note 9). As of December 31, 2012 and 2011, the outstanding portion of this loan amounted to ₱35.3 million and ₱142.9 million, respectively.

Atlas Copco Customer Finance AB
On January 20, 2012, the Company obtained a supplier credit facility from Atlas Copco Customer Finance AB for the amount of $1.6 million which was used for the purchase of certain mining equipment. The amount drawn from the facility is payable within 24 months and accrues interest at the rate of 7% per annum. As of December 31, 2012, the outstanding balance of supplier credit agreement amounted to ₱33.7 million.

Metropolitan Bank and Trust Company (MBTC) and Orix Metro Leasing and Finance Corporation (ORIX)
On various dates in 2010, the Company availed of peso-denominated loans from MBTC and ORIX that are payable within a period of 3 to 4 years. The loans are secured by chattel mortgages covering the transportation equipment purchased using its proceeds thereof (see Note 9). As of December 31, 2012 and 2011, the outstanding balance of this loan amounted to ₱7.9 million and ₱14.3 million, respectively.

Banco de Oro Unibank, Inc (BDO) US$140 million
In December 2010, the Company availed from BDO a US dollar-denominated loan amounting to $140.0 million (the "BDO Loan"). The BDO Loan (i) is payable in 27 equal monthly installments starting October 2011, (ii) accrues interest at the rate of 8% per annum, and (iii) is secured by mortgages on real properties and chattels of the Company (see Note 9), cash collaterals, pledge over ACMDC's shares of stock in the Company, and a guarantee provided by ACMDC for which the Company paid ACMDC a guarantee fee amounting to ₱12.0 million in 2010. Cash securities consist of short-term investments amounting to ₱670.5 million as of December 31, 2011. As of December 31, 2011, the carrying balance of the BDO Loan of CCC amounted to ₱5,795.9 million.

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

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

As of December 31, 2011, the Company has ascertained its compliance with the covenants pertaining to the BDO Loan based on the mechanics provided under the BDO Loan Agreement for determining the same.

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

On March 16, 2012, the Company prepaid the BDO loan using part of the proceeds from the Bonds Payable. As a result of the prepayment, the outstanding related derivative asset and bifurcated liability were reversed (see Note 6). On the same date, the relevant liens on property, plant and equipment related to the BDO Loan were extinguished (see Note 9).

United Coconut Planters Bank (UCPB)
On October 29, 2012, the Company obtained from UCPB a short-term credit facility covering the amount of $9.0 million which was used to finance working capital requirements. The amount drawn from the facility is payable within 12 months and accrues interest at the rate of 4% per annum. As of December 31, 2012, the outstanding balance of this loan amounted to ₱369.5 million.

Maxima Machineries, Inc. (Maxima)
On June 2, 2011, the Company obtained a supplier credit facility from Maxima for the amount of $13.7 million which was used for the purchase of certain mining equipment. The amount due under the credit facility was paid within 12 months from date of issue of the bill of lading covering the purchased equipment and accrued at the interest rate of 8% per annum. The loan was secured by a chattel mortgage covering the equipment purchased using the proceeds thereof (see Note 9). As of December 31, 2012 and 2011, the outstanding balance of this loan amounted to nil and ₱486.2 million, respectively.

MRI Trading AG (MRI)
On various dates in 2011, the Company availed of US dollar-denominated loans amounting to $10.8 million payable over 30 installments to correspond to the shipments to be made under the MRI Contract (see Note 6) and accruing interest at the rate equivalent to LIBOR plus 3.25% per annum. The proceeds from the loan were used to finance its purchase of put option contracts (see Note 6). The loan is secured by a grant of a second ranking encumbrance over the Company's moveable equipment (see Note 9). As of December 31, 2012 and 2011, the outstanding balance of this loan amounted to nil and ₱178.8 million, respectively.

Total interest expense arising from the financing activities amounted to ₱924.9 million and ₱514.7 million in 2012 and 2011, respectively.

13. Liability for Mine Rehabilitation Cost

	2012	2011
Balances at beginning of year	**₱94,782,472**	₱77,016,945
Add:		
Unwinding of discount	**5,012,972**	5,321,326
Adjustment due to change in discount rate (see Note 3)	**10,718,345**	12,444,201
Balances at end of year	**₱110,513,789**	₱94,782,472

The carrying values of capitalized asset retirement obligation (included as part of the "Mine development costs") amounted to ₱65.8 million and ₱57.0 million as of December 31, 2012 and 2011, respectively (see Note 9).

In 2012, the Company changed its estimated future cash flow in accordance with the terms of its Final Mine Rehabilitation and Decommissioning Plan (FMRDP) pursuant to which the Company shall make its first annual cash provision amounting to ₱19.4 million beginning 2014. Discount rates used by the Company to compute for the present value of liability for mine rehabilitation cost are 5.1% and 5.8% for 2012 and 2011, respectively.

14. Capital Stock

The Company's authorized and issued capital stock as of December 31, 2012 and 2011 are as follows:

	No. of Shares	Amount
Authorized - ₱1 par value:		
Common	2,773,050,677	₱2,773,050,677
Preferred	426,949,323	426,949,323
	3,200,000,000	₱3,200,000,000
Issued:		
Common	1,482,871,238	₱1,482,871,238
Preferred	426,949,323	426,949,323
	1,909,820,561	₱1,909,820,561

In November 2011, the BOD of the Company approved an equity restructuring to wipe out the Company's deficit as of December 31, 2010 amounting to ₱959.0 million against the additional paid-in capital (APIC) amounting to ₱4,708.0 million. This was approved by the SEC on December 28, 2011. In 2010, the Company issued shares of its capital stock with a total par value of ₱308.2 million as a result of the conversion into equity of the cash advances extended by CASOP in 2008 (the "CASOP Shares"). The issuance of the CASOP Shares at the price of ₱4.00 per share resulted in (i) an APIC amounting to ₱924.5 million, and (ii) the acquisition by CASOP of 45.54% of the outstanding capital stock of the Company. The CASOP Shares were purchased by ACMDC in July 2011 (see Note 1).

Preferential Rights of Preferred Shareholders
In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of preferred shares shall be entitled to receive out of the total assets of the Company, before any distribution of assets is made to the other holders of shares, distributions in the amount of the issue value per outstanding share, plus declared and unpaid dividends until the date of distribution.

As of December 31, 2012 and 2011, all preferred shares were held by ACMDC.

Dividend Declaration
On December 7, 2012, the BOD authorized the declaration of cash dividends out of the Company's retained earnings to stockholders of record as of December 31, 2011 amounting to ₱1,000,000,000. The dividend is unpaid as of December 31, 2012.

15. Income Taxes

Current provision for income tax represents MCIT in 2012 and 2011.

The Company's net deferred tax asset as of December 31, 2012 and 2011 are as follows:

	2012	2011
Deferred tax assets		
Unrealized foreign exchange loss	**₱377,185,015**	₱–
Allowance for impairment losses	**104,341,837**	61,003,415
Retirement benefit liability	**47,813,880**	19,070,211
Liability for mine rehabilitation cost	**33,154,137**	–
	562,494,869	80,073,626

	2012	2011
Deferred tax liabilities		
Unrealized foreign exchange gain	**₱512,597,260**	₱–
	512,597,260	–
	₱49,897,609	₱80,073,626

No deferred tax asset is recognized for NOLCO and excess MCIT as management believes that the Company will not be able to realize in the future the carryforward benefits of NOLCO and excess MCIT prior to their expiration. Unrecognized deferred tax asset arising from NOLCO and excess MCIT are as follows:

	2012	2011
Excess MCIT	**₱3,017,636**	₱2,690,221
Allowance for impairment losses	**–**	327,253,632
Retirement benefits liability	**–**	102,302,400
NOLCO	**–**	612,961,586
	₱3,017,636	₱1,045,207,839

As of December 31, 2012, the Company's excess MCIT that can be claimed as deduction against future taxable income and income tax payable, respectively, follow:

Year Incurred	Available Until	Excess MCIT
2012	2015	₱369,624
2011	2014	617,554
2010	2013	2,030,458
		₱3,017,636

The following are the movements in:

NOLCO:

	2012	2011
January 1	**₱612,961,586**	₱683,637,262
Application	**(18,481,200)**	(30,877,693)
Expirations	**(594,480,386)**	(39,797,983)
December 31	**₱–**	₱612,961,586

Excess MCIT:

	2012	2011
January 1	**₱2,690,221**	₱2,097,453
Additions	**369,624**	617,554
Expirations	**(42,209)**	(24,786)
December 31	**₱3,017,636**	₱2,690,221

The reconciliation of provision for (benefit from) income tax computed at the statutory income tax rates with the provision for income tax is as follows:

	2012	2011
Provision for (benefit from) income tax at statutory income tax rates	**₱1,005,264,236**	₱738,575,043
Adjustments to (reductions in) income tax resulting from:		
Income subject to ITH (see Note 1)	**(999,719,876)**	(729,311,735)
Movement of unrecognized DTA	**66,062,593**	(88,214,294)
Nondeductible expenses	**22,794,998**	183,667
Interest income already subjected to final tax	**(63,856,310)**	(688,753)
Provision for (benefit from) income tax	**₱30,545,641**	(₱79,456,072)

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

In addition to the BOI Incentives availed by the Company, the Company benefits from the automatic value added tax 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 per cent (100%) of its sales are export sales.

16. **Mining and Milling Costs and Mine Products Taxes and Royalties**

	2012	2011
Mining and milling:		
Materials and supplies	**₱3,311,358,018**	₱2,790,913,800
Power and other utilities (see Note 24)	**2,066,862,215**	1,990,055,552
Depletion and depreciation (see Note 9)	**1,547,198,799**	817,271,116
Personnel costs (see Note 18)	**514,997,785**	409,674,985
Contracted services (see Note 24)	**358,414,564**	1,065,407,098
Provision for asset write-downs (see Note 9)	**20,552,491**	93,818,377
Other costs	**350,709,211**	266,679,162
	₱8,170,093,083	₱7,433,820,090
Mine products taxes and royalties:		
Excise taxes	**₱271,574,691**	₱229,518,595
Royalties (see Note 1)	–	244,479,102
	₱271,574,691	₱473,997,697

Materials and supplies consist of consumable bearing and grinding balls, coolant and lubricants for the concentrators, concentrator supplies like floatation regent to process the extracted ores, spare parts for concentrator machineries, crushers and conveyors, supplies such as diesel and gasoline fuels used by dump tracks and drilling machineries in extracting and transporting the ores and explosives, blasting and accessories for open pit mining.

Other costs consist of freight expenses, custom duties and vehicle insurances for the mine operations.

17. General and Administrative Expenses

	2012	2011
Personnel costs (see Note 18)	**₱455,965,102**	₱325,107,762
Depletion and depreciation (see Note 9)	**155,160,084**	171,857,670
Taxes and licenses	**112,706,391**	74,341,417
Rental	**59,526,553**	43,459,076
Power and other utilities (see Note 24)	**41,006,011**	32,578,515
Insurance	**38,692,072**	33,365,871
Professional fees	**29,943,659**	38,123,052
Repairs and maintenance	**9,024,844**	5,509,735
Entertainment, amusement and representation	**5,638,339**	21,610,627
Office supplies	**4,808,692**	5,425,993
General consumption items	**1,586,311**	14,331,960
Provision for possible losses on input VAT (see Note 10)	**–**	69,225,554
Others	**99,437,224**	61,017,058
	₱1,013,495,282	₱895,954,290

Others consist significantly of community assistance, general consumption items, environmental and community development expense and training and seminars.

18. Personnel Costs

	2012	2011
Salaries and wages	**₱758,854,074**	₱590,956,414
Retirement benefits costs (see Note 20)	**60,440,400**	18,313,300
Other employee benefits	**151,668,413**	125,513,033
	₱970,962,887	₱734,782,747

19. Related Party Transactions

In addition to the Operating Agreement with ACMDC as discussed in Note 1, the Company entered into other transactions with ACMDC and other related parties, enumerated as follows:

- The Company availed of interest-free loans from ACMDC and CASOP for administrative and working capital requirements which are due and demandable from the Company. In 2011, ACMDC paid the Company's outstanding payable to CASOP amounting to ₱610.8 million when the Company became a wholly owned subsidiary of ACMDC (see Note 1). This payment by ACMDC now forms part of the Company's payable to ACMDC as of December 31, 2011. As of December 31, 2012 and 2011, the Company's payable to ACMDC amounted to ₱19.9 million and ₱880.9 million, respectively.

- In July 2011, the Company agreed to provide security for the loan obligations of ACMDC to BDO under the US$75millon ACMDC-BDO Secured Notes Facility Agreement (the "Dollar Loan") and the ₱5.3 billion ACMDC-BDO Secured Notes Facility Agreement (the "Peso Loan"). The Company (i) executed an irrevocable suretyship in favor of BDO whereby it became solidarily liable with ACMDC for the discharge of all obligations under the Dollar

Loan, and (ii) created in favor of BDO mortgage liens over its real properties and chattels to secure the performance of ACMDC's obligations under the Peso Loan (see Note 9).

Compensation of Key Management Personnel
The Company considers all senior officers as key management personnel. The compensation of key management personnel for 2012 and 2011 are as follows:

	2012	2011
Short-term benefits	**₱55,709,796**	₱22,170,090
Retirement benefits costs	**5,125,449**	4,663,758
	₱60,835,245	₱26,833,848

20. Retirement Benefits Liability

The Company has an unfunded defined benefits retirement plan covering substantially all of its employees.

The following tables summarize the components of retirement benefits costs and liability recognized in the Company's statement of comprehensive income and statements of financial position, respectively.

The details of retirement benefits costs are as follows:

	2012	2011
Current service cost	**₱46,840,500**	₱32,531,200
Interest cost on retirement obligation	**9,302,000**	6,697,100
Amortizations for:		
Actuarial gain	**4,268,800**	–
Past service cost (non-vested benefits)	**29,100**	29,100
Curtailment gain	**–**	(20,944,100)
	₱60,440,400	₱18,313,300

Curtailment gain in 2011 resulted from the reduction in the number of employees covered by the retirement plan from 3,644 employees as of December 31, 2010 to 2,868 employees as of December 31, 2011. The Company has 3,006 regular employees and 843 employees on probationary and project status as of December 31, 2012.

The details of retirement benefits liability as of December 31, 2012 and 2011 are as follows:

	2012	2011
Balances at beginning of year	**₱102,302,400**	₱85,639,000
Retirement benefits expense for the year	**60,440,400**	18,313,300
Benefits paid	**(3,363,200)**	(1,649,900)
Balances at end of year	**₱159,379,600**	₱102,302,400

Changes in the present value of the defined benefits obligation as of December 31, 2012 and 2011 were as follows:

	2012	2011
Balances at beginning of year	**₱156,599,400**	₱83,193,700
Actuarial loss	**82,176,600**	67,887,400
Current service cost	**46,840,500**	32,531,200
Interest cost on retirement obligation	**9,302,000**	6,697,100
Benefits paid	**(3,363,200)**	(1,649,900)
Effect of curtailment	**–**	(32,060,100)
Balances at end of year	**₱291,555,300**	₱156,599,400

The details of accrued retirement benefits costs as of December 31, 2012 and 2011 are as follows:

	2012	2011
Defined benefits obligation	**₱291,555,300**	₱156,599,400
Net unrecognized actuarial losses	**(132,175,700)**	(54,297,000)
	₱159,379,600	₱102,302,400

The principal assumptions used for the Company's defined benefits retirement plan as of January 1, 2012 and 2011 were as follows:

	2012	2011
Discount rate	**6.09%**	5.94%
Future salary increase	**10%**	10%
Average future working years of service	**15**	9

Amounts for the current and previous periods are as follows:

	2012	2011	2010	2009	2008
Defined benefits obligation	**₱291,555,300**	₱156,599,400	₱83,193,700	₱43,381,400	₱18,984,000
Effect of experience adjustment and changes in assumptions on benefit obligation	**82,176,600**	67,887,400	10,943,600	(808,682)	(20,460,900)

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

The Company's main financial instruments are cash, long-term debt and other interest-bearing liabilities, and derivative assets and liabilities. The main purpose of these financial instruments is to manage variability of cash flows and raise finance for the Company's capital expenditure program. The Company has various other financial assets and liabilities such as receivables and accounts payable and accrued liabilities which arise from the Company's operations.

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

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

Shown below is the effect on income before income tax should the change in copper prices occur based on the inventory (net of derivatives) of the Company:

December 31, 2012

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

December 31, 2011

Change in Copper Prices	Effect on Income Before Income Tax
Increase by 10%	(₱234,158,070)
Decrease by 10%	366,437,982

The sensitivity analyses are performed for risk management purposes and do not represent a prediction or forecasting of the Company's future income.

Foreign Currency Risk
Foreign currency risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Company has transactional currency exposures from purchases of equipment denominated in US$. Transactions with companies outside the Philippines are carried out with currencies that management believes to be stable such as the US Dollar. All of the Company's revenues are denominated in US Dollar. The Company also uses foreign currency forwards to hedge its risk exposures.

The Company 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.

As of December 31, 2012 and 2011, foreign currency-denominated assets and liabilities were as follows:

	2012		2011	
	Original Currency	**Peso Equivalent**	Original Currency	Peso Equivalent
Financial Assets				
Cash				
- USD	**2,755,863**	**₱113,128,167**	3,930,636	₱172,319,102
- JPY	**3,288,600**	**1,574,253**	–	–
Short-term investments - USD	**115,476,558**	**4,740,312,725**	15,294,675	670,518,576
Receivables - USD	**30,068,037**	**1,234,292,911**	6,994,217	306,626,477
Derivative assets - USD	–	–	15,943,628	698,968,640
		6,089,308,056		1,848,432,795

	2012		2011	
	Original Currency	**Peso Equivalent**	Original Currency	Peso Equivalent
Financial Liabilities				
Accounts payable and accrued liabilities				
- JPY	**371,509,800**	**₱177,841,741**	–	₱–
- AUD	**556,896**	**23,764,250**	184,513	8,178,251
- USD	**7,018,622**	**288,114,439**	5,266,440	230,880,711
- EUR	**250**	**13,633**	–	–
Long-term debt and other interest-bearing liabilities				
- USD	**302,855,178**	**12,432,205,073**	$142,881,973	6,263,945,701
Derivative liabilities - USD	**184,887**	**7,589,596**	431,772	18,928,870
		12,929,528,732		6,521,933,533
Net Exposure		**(₱6,840,220,676)**		(₱4,673,500,738)

The exchange rates as of December 31, 2012 and 2011 were:

	2012	2011
Peso to US Dollar	**₱41.05**	₱43.84
Peso to Japanese Yen	**0.48**	0.56
Peso to Australian Dollar	**42.67**	44.32
Peso to EURO	**54.53**	56.84

The tables below demonstrate the sensitivity to a reasonable change in the US Dollar exchange rate, with all other variables held constant, of the Company's income (loss) before income tax (due to the changes in the fair value of the foreign currency-denominated assets and liabilities). This analysis covers only translational risk, and based on the negative net exposure reflected in the foreign exchange risk gap, any devaluation in the Peso and/or strengthening of the US Dollar will result in a drop in net income.

December 31, 2012

Change in Peso-Foreign Exchange rate	Effect on Income Before Income Tax
Increase by 4.75%	(₱324,931,311)
Decrease by 4.99%	341,594,455

December 31, 2011

Change in Peso-Foreign Exchange rate	Effect on Income Before Income Tax
Increase by 2.60%	(₱188,709,680)
Decrease by 6.50%	290,634,044

The sensitivity analyses are performed for risk management purposes and do not represent a prediction or forecasting of the Company's future income.

There is no other impact on the Company's equity other than those affecting profit or loss. The sensitivity analysis pertains to the foreign exchange translational risk only and does not fully show the transactional and economic impact of the foreign exchange risk. As of December 31, the percentage (%) of foreign currency debt over foreign currency revenue are at 96% in 2012 and 54% in 2011. From an economic view, this means that if the Peso appreciates (depreciates), the overall income decreases (increases).

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 Company's mix of fixed and floating interest rate debt is 100:0 and 92:8 in 2012 and 2011, respectively. The Company monitors its exposure to fluctuations in interest rates by measuring the impact of interest rate movements on the Company's net worth. This is done by modeling the impact of various changes in interest rates to the Company's net interest positions.

Given the repricing position of the assets and liabilities of the Company, if interest rates move up by 10 basis points, the Company would expect annualized net interest income to decrease by ₱54.5 million and if interest rates move down by 10 bps, it will increase by ₱55.8 million in 2011.

The Group has no outstanding floating interest rate debt as of December 31, 2012.

Credit and Counterparty Risk
Credit risk is the risk that the Company will incur a loss if its customers and counterparties fail to discharge their contractual obligations. The Company manages and controls credit risk by doing business only with recognized, creditworthy third parties. Receivable balances are monitored in an ongoing basis resulting to an insignificant exposure to bad debts.

With respect to credit risk arising from the other financial assets of the Company (e.g. investments and derivatives), the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. In 2011 and prior years, the Company's counter party for the delivery of copper shipments is MRI. In 2012, the Company entered a contract with PASAR to deliver copper ore. The Company targets other counterparty customer for the delivery of its copper shipments in order to spread counter party risk.

The table below summarizes the gross maximum credit risk exposure for the components of the Company's statements of financial position as of December 31:

	2012	2011
Loans and receivables:		
Cash*	**₱312,602,114**	₱246,952,407
Short-term investments	**4,740,312,725**	670,518,576
Trade receivables	**1,234,292,911**	306,626,477
Nontrade receivables	**48,848,191**	61,805,259
Advances to officers and employees	**23,560,874**	10,938,177
Interest receivable	**158,873,090**	–
Financial asset at FVPL:		
Derivative assets	**–**	698,968,640
	₱6,518,489,905	₱1,995,809,536

**Excluding cash on hand*

No financial assets were subject to collateral arrangements as of December 31, 2012 and 2011.

The Company ensures that sales of services are made to customers with appropriate credit history and has an internal mechanism to monitor the granting of credit and managements of credit exposures.

The aging analysis of loans and receivables and credit quality of the Company's financial assets based on their historical experience with the corresponding third parties as of:

December 31, 2012

	Neither Past Due nor Impaired	Past Due			Total
		Less than 30 Days	30 to 60 Days	More than 60 Days	
Loans and Receivables					
Cash*	**₱312,602,114**	**₱–**	**₱–**	**₱–**	**₱312,602,114**
Short-term investments	**4,740,312,725**	–	–	–	**4,740,312,725**
Trade receivables	**1,234,292,911**	–	–	–	**1,234,292,911**
Nontrade receivables	–	**12,124,117**	**2,649,634**	**34,074,440**	**48,848,191**
Advances to officers and employees	–	**9,695,346**	**3,864,360**	**10,001,168**	**23,560,874**
Interest receivable	**158,873,090**	–	–	–	**158,873,090**
Financial Asset at FVPL					
Derivative assets	–	–	–	–	–
	₱6,446,080,840	**₱21,819,463**	**₱6,513,994**	**₱44,075,608**	**₱6,518,489,905**

**Excluding cash on hand*

	Neither Past Due nor Impaired			Past Due	Total
	High Grade	Standard Grade	Substandard Grade		
Loans and Receivables					
Cash*	**₱312,602,114**	**₱–**	**₱–**	**₱–**	**₱312,602,114**
Short-term investments	**4,740,312,725**	–	–	–	**4,740,312,725**
Trade receivables	**1,234,292,911**	–	–	–	**1,234,292,911**
Nontrade receivables	–	–	–	**48,848,191**	**48,848,191**
Advances to officers and employees		–	–	**23,560,874**	**23,560,874**
Interest receivable	**158,873,090**	–	–	–	**158,873,090**
Financial Asset at FVPL					
Derivative assets	–	–	–	–	–
	₱6,446,080,840	**₱–**	**₱–**	**₱72,409,065**	**₱6,518,489,905**

**Excluding cash on hand*

December 31, 2011

	Neither Past Due nor Impaired	Past Due			Total
		Less than 30 Days	30 to 60 Days	More than 60 Days	
Loans and Receivables					
Cash*	₱246,952,407	₱–	₱–	₱–	₱246,952,407
Short-term investments	670,518,576	–	–	–	670,518,576
Trade receivables	306,626,477	–	–	–	306,626,477
Nontrade receivables	–	30,232,797	2,364,398	29,208,065	61,805,260
Advances to officers and employees	10,938,177	–	–	–	10,938,177
Financial Asset at FVPL					
Derivative assets	698,968,640	–	–	–	698,968,640
	₱1,934,004,277	₱30,232,797	₱2,364,398	₱29,208,065	₱1,995,809,537

**Excluding cash on hand*

	Neither Past Due nor Impaired			Past Due	Total
	High Grade	Standard Grade	Substandard Grade		
Loans and Receivables					
Cash*	₱246,952,407	₱–	₱–	₱–	₱246,952,407
Short-term investments	670,518,576	–	–	–	670,518,576
Trade receivables	306,626,477	–	–	–	306,626,477
Nontrade receivables	–	–	–	61,805,260	61,805,260
Advances to officers and employees	10,938,177	–	–	–	10,938,177
Financial Asset at FVPL					
Derivative assets	698,968,640	–	–	–	698,968,640
	₱1,934,004,277	₱–	₱–	₱61,805,260	₱1,995,809,537

**Excluding cash on hand*

As of December 31, 2012 and 2011, the Company has no impaired financial assets. Cash in banks are classified as high grade since these are deposited in reputable banks and can be withdrawn anytime. Advances to officers and employees are classified as high grade since these can be collected upon demand as these officers and employees are still employed by the Company.

High grade receivables pertain to those receivables from clients or customers that consistently pay before the maturity date. Standard grade receivables include those that are collected on their due dates even without any collection effort from the Company while receivables which are collected on their due dates after persistent reminders are included under substandard grade receivables. Past due receivables refer to those that are past due but still collectible and are not considered impaired.

Concentration Risk

In 2012, majority of the Company's copper production were sold to MRI. However, it has no significant concentration of credit risk since it can sell its copper concentrate to other third party customers. The Company continuously monitors its receivables from MRI to assess its credit risk exposure.

Impairment assessment

The main consideration for the loan impairment assessment include whether any payments of principal or interest are overdue by more than one year or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Company determines the allowance appropriate for each individually significant receivable on an individual basis. Items considered when determining allowance amounts include the availability of other financial support and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention. Impaired financial assets as of December 31, 2012 and 2011 relate to overdue accounts.

Liquidity Risk

Liquidity risk is defined as the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price. Management is responsible for liquidity, funding as well as settlement management and in ensuring a balance between liquidity and solvency management.

The Company manages its liquidity risk primarily through the use of cash flows from operations including advances against shipment and refinancing through the availment of loan and/or stockholder's investment.

The following tables show the maturity profiles of the Company's financial liabilities as well as the undiscounted cash flows from financial assets used for liquidity purposes as of:

December 31, 2012

	On Demand	Less than 1 Year	1 Year to < 3 Years	3 Years to < 5 Years	Total
Loans and Receivables					
Cash	**₱314,273,254**	**₱–**	**₱–**	**₱–**	**₱314,273,254**
Short-term investments	**4,740,312,725**	–	–	–	**4,740,312,725**
Receivables:					
Trade	–	**1,234,292,911**	–	–	**1,234,292,911**
Nontrade	**48,848,191**	–	–	–	**48,848,191**
Advances to officers and employees	**23,560,874**	–	–	–	**23,560,874**
Interest receivable	–	**158,873,090**	–	–	**158,873,090**
	₱5,126,995,044	**₱1,393,166,001**	**₱–**	**₱–**	**₱6,520,161,045**

	On Demand	Less than 1 Year	1 Year to < 3 Years	3 Years to < 5 Years	Total
Other Financial Liabilities					
Accounts payable and accrued liabilities:					
Trade	**₱–**	**₱743,614,980**	**₱–**	**₱–**	**₱743,614,980**
Related parties	**–**	**19,928,286**	**–**	**–**	**19,928,286**
Accrued expenses	**–**	**1,095,256,486**	**–**	**–**	**1,095,256,486**
Royalties payable	**–**	**504,374,669**	**–**	**–**	**504,374,669**
MRI	**–**	**5,131,250**	**–**	**–**	**5,131,250**
Nontrade	**–**	**1,310,345,350**	**–**	**–**	**1,310,345,350**
Long-term debt and other interest-bearing liabilities		**831,263,238**	**531,914,198**	**11,993,726,982**	**13,356,904,418**
Financial Liabilities at FVPL					
Derivative liabilities	**–**	**7,589,596**	**–**	**–**	**7,589,596**
	–	**4,517,503,855**	**531,914,198**	**11,993,726,982**	**17,043,145,035**
	₱5,126,995,044	**(₱3,124,337,854)**	**(₱531,914,198)**	**(₱11,993,726,982)**	**(₱10,522,983,990)**

December 31, 2011

	On Demand	Less than 1 Year	1 Year to < 3 Years	3 Years to < 5 Years	Total
Loans and Receivables					
Cash	₱249,396,128	₱–	₱–	₱–	₱249,396,128
Short-term investments	670,518,576	–	–	–	670,518,576
Receivables:					
Trade	–	306,626,477	–	–	306,626,477
Nontrade	62,601,569	–	–	–	62,601,569
Advances to officers and employees	10,938,177	–	–	–	10,938,177
Financial Asset at FVPL					
Derivative assets	–	477,573,387	221,395,253	–	698,968,640
	₱993,454,450	₱784,199,864	₱221,395,253	₱–	₱1,999,049,567
Other Financial Liabilities					
Accounts payable and accrued liabilities:					
Trade	₱–	₱841,887,956	₱–	₱–	₱841,887,956
Related parties	–	880,881,404	–	–	880,881,404
Accrued expenses	–	607,791,622	–	–	607,791,622
Royalties payable	–	505,225,676	–	–	505,225,676
MRI	–	376,020,490	–	–	376,020,490
Nontrade	–	22,584,089	–	–	22,584,089
Long-term debt and other interest-bearing liabilities	–	3,907,951,702	2,959,071,863	–	6,867,023,565
Financial Liabilities at FVPL					
Derivative liabilities	–	18,928,870	–	–	18,928,870
	₱–	₱7,161,271,809	₱2,959,071,863	₱–	₱10,120,343,672

22. Financial Instruments

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

Fair Values of Financial Instruments

The following table shows the carrying values and fair values of the Company's financial assets and liabilities as of December 31 of each year:

	Carrying Values		Fair Values	
	2012	2011	**2012**	2011
Loans and Receivables				
Cash	**₱314,273,254**	₱249,396,128	**₱314,273,254**	₱249,396,128
Short-term investments	**4,740,312,725**	670,518,576	**4,740,312,725**	670,518,576
Receivables	**1,465,575,066**	380,166,223	**1,465,575,066**	380,166,223
Financial Asset at FVPL				
Derivative assets	**–**	698,968,640	**–**	698,968,640
	₱6,520,161,045	₱1,999,049,567	**₱6,520,161,045**	₱1,999,049,567
Other Financial Liabilities				
Accounts payable and accrued liabilities	**₱3,678,651,021**	₱3,301,979,056	**₱3,678,651,021**	₱3,301,979,056
Long-term debt and other interest-bearing liabilities	**13,356,904,418**	6,867,023,565	**13,597,378,721**	5,672,073,899
Financial Liability at FVPL				
Derivative liabilities	**7,589,596**	18,928,870	**7,589,596**	18,928,870
	₱17,043,145,035	₱10,187,931,491	**₱17,283,619,338**	₱8,992,981,825

Cash, Short-term Investments, Receivables and Accounts Payable and Accrued Liabilities. The carrying amounts of cash, short-term investments, receivables, and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these financial instruments accounts.

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.

Derivative Instruments. Fair values of commodity forwards and embedded derivatives are obtained using the "forward versus forward" approach using copper forward prices and discounted at the appropriate LIBOR.

The Company uses the following hierarchy for determining and disclosing the fair value by valuation technique:

- Quoted prices in active markets for identical liability (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those inputs for the liability that are not based on observable market data (unobservable inputs) (Level 3).

The fair value hierarchy of the financial assets and liabilities as of December 31of each year is presented as follows:

2012

	Level 1	Level 2	Level 3	Total
Derivative assets	**₱–**	**₱–**	**₱–**	**₱–**
Derivative liabilities	**–**	**7,589,596**	**–**	**7,589,596**
Total	**₱–**	**(₱7,589,596)**	**₱–**	**(₱7,589,596)**

2011

	Level 1	Level 2	Level 3	Total
Derivative assets	₱–	₱698,968,640	₱–	₱698,968,640
Derivative liabilities	–	(18,928,870)	–	(18,928,870)
Total	₱–	₱680,039,770	₱–	₱680,039,770

There were no transfers between levels of fair value measurement as of December 31, 2012 and 2011.

23. Capital Management

The Company maintains a capital base to cover risks inherent in the business. The primary objective of the Company's capital management is to decrease its deficit to a low level and eliminate it in full in the long run.

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

	2012	2011
Capital stock	**₱1,909,820,561**	₱1,909,820,561
Additional paid-in capital	**3,748,511,439**	3,748,511,439
Interest-free payables to ACMDC	**19,928,286**	880,881,404
Retained earnings	**4,861,708,029**	2,541,372,882
	₱10,539,968,315	₱9,080,586,286

No changes were made in the objectives, policies and processes from the previous years.

Currently, the Company manages its capital structure and makes adjustments to it in the light of changes in the economic conditions in order to meet its capital management objective.

24. Commitments and Contingencies

Power Agreements

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

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

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

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

Total utilities expenses related to the above power agreements amounted ₱2,012.6 million in 2012. Related accrued expenses amounted to ₱89.3 million as of December 31, 2012.

Waste Mining Service Agreement
In May 2012, the Company entered into a waste mining service agreement, as amended, with Galeo Equipment and Mining Company, Inc. ("Galeo") for waste works at the Company's Carmen and Lutopan Open Pit Mines at specified pricing formulas. The agreement has a term of years reckoned from the earlier of June 1, 2012 or the date when Galeo commences the performance of waste stripping services. Total expenses related to waste mining service agreement amounted to ₱1,610.0 million in 2012. Related accrued expenses amounted to ₱351.1 million as of December 31, 2012.

Fuel Supply Agreement
In August 2011, the Company entered into a fuel supply agreement, as amended, with Pilipinas Shell Petroleum Corporation for the purchase of petroleum products, lubricants and greases at established pricing formulas. The agreement will expire in October 2015. Total expenses related to the fuel supply agreement amounted to ₱1,908.9 million in 2012. Accrued expenses amounted to ₱26.1 million as of December 31, 2012.

Legal Contingencies
The Company is a party to labor cases arising from its operations. The Company's management and legal counsel believe that the eventual resolution of these cases will not have a material effect on the Company's financial statements. Accordingly, no provision for probable losses were recognized in 2012 and 2011.

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

Consignment Agreement
In 2012, the Company entered into a consignment agreement with Synchrotek Corporation for the supply of filters and lubricants and with Morse Hydraulics for the supply of hydraulic hoses and fittings at established price list valid for one year beginning July 1, 2012 to June 30, 2012

Agreement for the sale of iron ore concentrate
On March 16, 2012, the Company entered into an agreement with MAC Stone Limited for the sale of 10,000 WMT (+/- 10% in quantity) of iron ore concentrate at FOB basis. The price was fixed at US$26 per WMT. On December 6, 2012, the Company entered into a similar agreement with Goldwin Holdings Limited covering the sale of 18,000 WMT (+/- 10% in quantity) of iron ore concentrate at FOB basis. The price was fixed at US$25 per WMT.

25. Other Matters

Executive Order (EO) 79
On July 12, 2012, Executive Order (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 opertations since the Company's current mining activities are covered by valid and existing Mineral Production and Sharing Agreements (MPSA). Pursuant to Section 1 of EO 79, a mining contract, such as an MPSA, that was approved before the effectivity of the EO shall continue to be valid, binding and enforceable so long as the contractor thereunder strictly complies with existing laws, rules and regulations and the terms and conditions under the mining contract.

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

26. Supplementary Information Required under Revenue Regulations (RR) 19-2011

On December 9, 2011, the BIR issued RR No. 19-2011 prescribing the new income tax forms to be used effective calendar year 2011. As a result, corporations using BIR Form 1702 are, now required to include as part of the notes to their audited financial statements, to be attached to the income tax return, schedules and information on taxable income and deductions made.

The schedules of and information on taxable income and deductions for 2012 are as follows:

Sales/Receipts/Fees

	Exempt Sales	Zero-rated Sales	Regular Sales	Total
Net Sales	₱13,524,279,962	₱–	₱–	₱13,524,279,962

Cost of Sales

	Exempt Sales	Zero-rated Sales	Regular Sales	Total
Merchandise/finished goods inventory, beginning	₱919,427,216	₱–	₱–	₱919,427,216
Add: Purchases of merchandise/cost of goods manufactured	8,692,422,403	–	–	8,692,422,403
Total goods available for sale	9,611,849,619	–	–	9,611,849,619
Less: Merchandise/finished goods inventory, end	824,728,582	–	–	824,728,582
	₱8,787,121,037	₱–	₱–	₱8,787,121,037

Non-operating and Taxable Other Income Not Subjected to Final Tax

	Exempt Sales	Zero-rated Sales	Regular Sales	Total
Other Income	₱–	₱–	₱18,481,200	₱18,481,200

Itemized Deductions

	Exempt Sales	Zero-rated Sales	Regular Sales	Total
Personnel cost	₱420,679,847	₱–	₱–	₱420,679,847
Rental	59,526,553	–	–	59,526,553
Professional fees	29,943,659	–	–	29,943,659
Repairs and maintenance	9,024,844	–	–	9,024,844
Office supplies	4,808,692	–	–	4,808,692
Interest	843,908,881	–	–	843,908,881
SSS, GSIS, Philhealth, HDMF and other contributions	13,787,162	–	–	13,787,162
Insurance	38,692,073	–	–	38,692,073
Entertainment, amusement and representation	5,638,339	–	–	5,638,339
General consumption items	1,586,312	–	–	1,586,312
Bank charges	24,752,832	–	–	24,752,832
Power and other utilities	41,006,011	–	–	41,006,011
Taxes and licenses	91,076,133	–	–	91,076,133
Depreciation	110,475,757	–	–	110,475,757
Depletion	42,770,489	–	–	42,770,489
Others	340,774,233	–	–	340,774,233
	₱2,078,451,817	₱–	₱–	₱2,078,451,817

Taxes and Licenses

	Exempt Sales	Zero-rated Sales	Regular Sales	Total
Real property taxes	₱13,065,833	₱–	₱–	₱13,065,833
Local taxes	65,769,130	–	–	65,769,130
Documentary stamp taxes	670,060	–	–	670,060
Others	11,571,110	–	–	11,571,110
	₱91,076,133	₱–	₱–	₱91,076,133

27. Supplementary Information Required Under RR 15-2010

In compliance with the requirements set forth by RR No. 15-2010, the management provides below information on taxes, duties and license fees paid or accrued by the Company during the year ended December 31, 2012:

Output VAT

The Company's export and foreign currency denominated sales of copper concentrate are subject to VAT at the rate of zero percent (0%) pursuant to RR No. 16-2005 or the consolidated VAT Regulations.

	Net Sales/Receipts	Output VAT
Zero-rated sales	₱13,524,279,962	₱–
Vatable sales – Scrap materials	18,479,670	2,217,560
Exempt sales - Others	1,530	–
	₱13,542,761,162	₱2,217,560

Input VAT Credits

Balances at beginning of year	₱1,401,792,941
Current year's domestic purchases/payments for:	
Goods other than for resale or manufacture	146,269,807
Capital goods subject to amortization	42,448,623
Services lodged under other accounts	2,433,253
Balances at end of year	1,592,944,624
Less claims for tax credit/refund and applications	1,217,200,875
	₱375,743,749

Information on the Company's Importations in 2012

Dutiable value	₱1,469,986,413
Custom duties	19,247,087
Total landed cost of imports	₱1,489,233,500

Other Taxes/License and Permit Fees

Included in mine products taxes and royalties:	
Excise taxes	₱271,574,691
	271,574,691
Included in general and administrative expenses:	
Real property taxes	13,065,833
Local taxes	65,769,130
Documentary stamp taxes	670,060
Others	33,201,368
	112,706,391
	₱384,281,082

Withholding Taxes

Expanded withholding taxes	₱158,200,263
Final withholding taxes	85,380,926
Withholding taxes on compensation and benefits	66,981,658
	₱310,562,847

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Carmen Copper Corporation
Quad Alpha Centrum
125 Pioneer St., Mandaluyong City

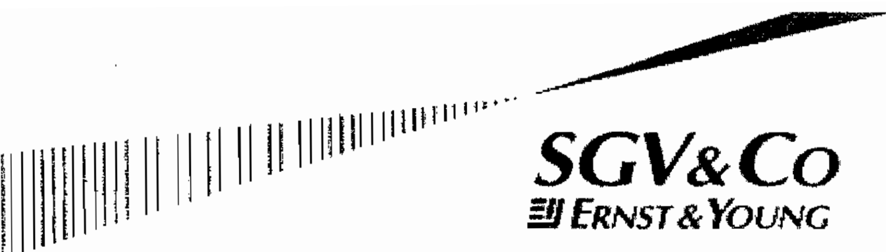
We have audited the financial statements of Carmen Copper Corporation. (a wholly owned subsidiary of Atlas Consolidated Mining and Development Corporation) as at and for the year ended December 31, 2012, on which we have rendered the attached report dated March 8, 2013.

In compliance with Securities Regulation Code Rule 68, As Amended (2011), we are stating that the above Company has one (1) stockholder owning more than one hundred (100) shares.

SYCIP GORRES VELAYO & CO.

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



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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors
Carmen Copper Corporation
Quad Alpha Centrum
125 Pioneer St., Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Carmen Copper Corporation (a wholly owned subsidiary of Atlas Consolidated Mining and Development Corporation) as at and for the years ended December 31, 2012 and 2011 and have issued our report thereon dated March 8, 2013. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of All Effective Standards and Interpretations (Part 1, 4J) is the responsibility of the Company's management. This schedule is presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011), and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

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),
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April 11, 2012, valid until April 10, 2015
PTR No. 3670008, January 2, 2013, Makati City

March 8, 2013

CARMEN COPPER CORPORATION
SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS
DECEMBER 31, 2012

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] and Philippine Interpretations Committee (PIC) Q&As effective as of December 31, 2012:

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 Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	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			✓
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 10	Consolidated Financial Statements			✓
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
PFRS 13	Fair Value Measurement			✓
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			✓
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	✓		
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	✓		
	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 (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	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	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			✓

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	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			✓
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	✓		
	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			✓

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	✓		
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-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
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			✓

NICKELINE RESOURCES HOLDINGS, INC.

7th Floor, Quad Alpha Centrum, 125 Pioneer St. Mandaluyong City

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong City, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Nickeline Resources Holdings, Inc.** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2012 and 2011, 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 or members.

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 or members, has expressed its opinion on the fairness of presentation upon completion of such examination.

Alfredo C. Ramos
Chairman

Atty. Roberto O. Parel - Director
On Behalf of Victor Kolesnikov – VP / COO

Marissa S. Nicdao
OIC - Finance

Signed this ___day of April 2013

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

Phone: (632) 891 0307
Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Nickeline Resources Holdings, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Nickeline Resources Holdings, Inc., which comprise the statements of financial position as at December 31, 2012 and 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

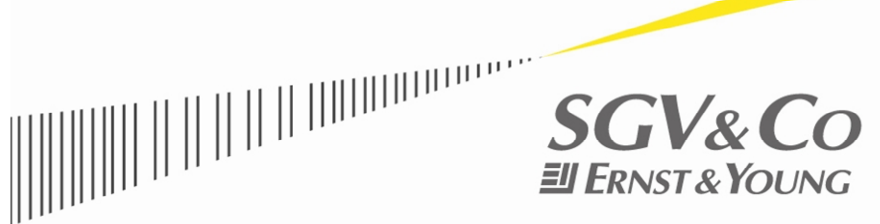
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of Nickeline Resources Holdings, Inc. as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 19-2011 and 15-2010 in Notes 11 and 12 to the financial statements, respectively, is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Nickeline Resources Holdings, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Alicia O. Lu
Partner
CPA Certificate No. 0062493
SEC Accreditation No. 0661-AR-1 (Group A),
March 3, 2011, valid until March 2, 2014
Tax Identification No. 102-090-613
BIR Accreditation No. 08-001998-66-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3669693, January 2, 2013, Makati City

March 22, 2013

NICKELINE RESOURCES HOLDINGS, INC.

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2012	2011
ASSETS		
Current Asset		
Cash with bank	**₱2,550,556**	₱2,551,506
Noncurrent Asset		
Investment in subsidiary - at cost (Note 4)	**110,575,332**	110,575,332
TOTAL ASSETS	**₱113,125,888**	₱113,126,838
LIABILITIES AND EQUITY		
Current Liabilities		
Accrued expenses and other payables (Note 5)	**₱16,409,377**	₱16,412,777
Amounts owed to related parties (Note 6)	**94,619,364**	94,527,404
Total Current Liabilities	**111,028,741**	110,940,181
Equity		
Capital stock - ₱1 par value		
Authorized - 10,000,000 shares		
Issued - 2,500,000 shares	**2,500,000**	2,500,000
Deficit	**(402,853)**	(313,343)
Total Equity	**2,097,147**	2,186,657
TOTAL LIABILITIES AND EQUITY	**₱113,125,888**	₱113,126,838

See accompanying Notes to Financial Statements.

NICKELINE RESOURCES HOLDINGS, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2012	2011
EXPENSES		
Professional fees	**₱83,520**	₱83,853
Taxes and licenses	**5,040**	3,967
Others	**950**	454
NET LOSS	**89,510**	88,274
OTHER COMPREHENSIVE INCOME	**–**	–
TOTAL COMPREHENSIVE LOSS	**₱89,510**	₱88,274

See accompanying Notes to Financial Statements.

NICKELINE RESOURCES HOLDINGS, INC.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

	Capital Stock	Deposits for Future Stock Subscription	Deficit	Total
Balances at December 31, 2010	**₱2,500,000**	**₱1,341,269**	**(₱225,069)**	**₱3,616,200**
Reclassification from equity to current liabilities	–	(1,341,269)	–	(1,341,269)
Net loss for the year	–	–	(88,274)	(88,274)
Other comprehensive income	–	–	–	–
Total comprehensive loss	–	–	(88,274)	(88,274)
Balances at December 31, 2011	**2,500,000**	**–**	**(313,343)**	**2,186,657**
Net loss for the year	–	–	(89,510)	(89,510)
Other comprehensive income	–	–	–	–
Total comprehensive loss	–	–	(89,510)	(89,510)
Balances at December 31, 2012	**₱2,500,000**	**₱–**	**(₱402,853)**	**₱2,097,147**

See accompanying Notes to Financial Statements.

NICKELINE RESOURCES HOLDINGS, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	**(₱89,510)**	(₱88,274)
Increase (decrease) in accrued expenses	**(16,322,543)**	22,400
Net cash flows used in operating activities	**(16,412,053)**	(65,874)
CASH FLOW FROM A FINANCING ACTIVITY		
Additional amounts owed to related parties	**16,411,103**	65,574
NET DECREASE IN CASH	**(950)**	(300)
CASH AT BEGINNING OF YEAR	**2,551,506**	2,551,806
CASH AT END OF YEAR	**₱2,550,556**	₱2,551,506

See accompanying Notes to Financial Statements.

NICKELINE RESOURCES HOLDINGS, INC.
NOTES TO FINANCIAL STATEMENTS

1. **Corporate Information and Status of Operations**

Nickeline Resources Holdings, Inc. (the Company), was registered with the Philippine Securities and Exchange Commission (SEC) on August 15, 2005 primarily to subscribe for, receive, purchase or otherwise acquire, obtain an interest in, own, hold, pledge, hypothecate, mortgage, assign, deposit, create trusts with respect to, deal in, exchange, sell and otherwise dispose of, alone or insyndicates or otherwise in conjunction with others, and generally deal in and with any kind of shares and securities and to exercise all the rights, powers and privileges of ownership or interest in respect to them.

On December 31, 2012, Toledo Mining Corporation (TMC) sold thirty one percent (31%) shareholding in the Company to DMCI Mining Corporation (DMC), a subsidiary of DMCI Holdings. As a result, the Company is now sixty percent (60%) owned by Ulugan Resources Holdings, Inc. (URHI), 31% owned by DMC and nine percent (9%) owned by TMC. The Company's ultimate parent is Atlas Consolidated Mining and Development Corporation (ACMDC).

The registered office address of the Company is 7th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City.

The financial statements of the Company as at and for the years ended December 31, 2012 and 2011 were authorized for issuance by the Company's Board of Directors (BOD) on March 22, 2013.

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

Basis of Preparation
The Company's financial statements have been prepared on a historical cost basis and are presented in Philippine peso, which is the Company's functional and presentation currency. All values are rounded to the nearest peso.

Statement of Compliance
The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). The Company has availed the exemption provided by the SEC for the mandatory adoption of the PFRS for Small and Medium-sized Entities since its ultimate parent, ACMDC is reporting under full PFRS.

The Company, a 60%-owned subsidiary of URHI (see Note 1), elected not to prepare consolidated financial statements under the exemptions provided under Philippine Accounting Standards (PAS) 27, *Consolidated and Separate Financial Statements*. ACMDC, a company organized in the Philippines, prepares the group's consolidated financial statements which are in accordance with PFRS and may be obtained at 7th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to previously issued PAS and PFRS which became effective on January 1, 2012:

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets (Amendments)*, effective for annual periods beginning on or after January 1, 2012, with earlier application permitted; and

- PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets (Amendments)*, effective for annual periods beginning on or after January 1, 2012, with earlier application permitted.

The adoption of the new and amended standards and interpretations above do not have an impact on the accounting policies, financial position or performance of the Company.

Future Changes in Accounting Policies
The Company did not early adopt the following standards and Philippine Interpretations that will become effective subsequent to December 31, 2012:

Effective in 2013:

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

  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The amendments are to be retrospectively applied and are effective for annual periods beginning on or after January 1, 2013. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaces the portion of PAS 27, *Separate and Consolidated Financial Statements*, which addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The standard becomes effective for annual periods beginning on or after January 1, 2013. The adoption of PFRS 10 has no impact on the Company's financial position or performance as the Company does not present consolidated financial statements.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The standard becomes effective for annual periods beginning on or after January 1, 2013. The adoption of PFRS 11 has no impact on the Company's financial position or performance since it has no joint arrangements.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The standard becomes effective for annual periods beginning on or after January 1, 2013. The revised and additional disclosures provided by the amendments will be included in the financial statements when these are adopted in the future, if applicable.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13.

  The standard becomes effective for annual periods beginning on or after January 1, 2013. The Company does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (Amendments)*
  The amendments to PAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Company's financial position or performance. The amendments become effective for annual periods beginning on or after July 1, 2012.

- PAS 19, *Employee Benefits (Revised)*
  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments become effective for annual periods beginning on or after January 1, 2013. Since the Company has not yet started commercial operations as at December 31, 2012, the Company does not have a retirement plan covering its employees. Thus, the amendments to PAS 19 have no impact on the Company's financial position and performance.

- PAS 27, *Separate Financial Statements (as revised in 2011)*
  As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The adoption of the amended PAS 27 will not have a significant impact on the Company's financial postion and performance since the Company does not present separate financial statements.

- PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*
  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The Company has no investments in associates and joint ventures and therefore, does not expect these amendments to have an impact on its financial performance or position.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after January 1, 2013. This new interpretation is not applicable to the Company as it is not engaged in mining operations.

Effective in 2014:

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Company's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective in 2015:

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have no impact on the Company's classification and measurement of financial assets and liabilities.

  PFRS 9 is effective for annual periods beginning on or after January 1, 2015.

To Be Determined:

- Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the Company's financial position or performance as the Company is not engaged in construction of real estate.

Annual Improvements to PFRSs (2009-2011 cycle)
The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

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

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

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

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

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

Summary of Significant Accounting Policies

Presentation of Financial Statements
The Company has elected to present all items of recognized income and expenses in one single statement of comprehensive income.

Financial Instruments - Initial Recognition and Subsequent Measurement
Date of Recognition
The Company recognizes a financial instrument in the statement of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting.

Initial Recognition and Measurement of Financial Instruments
The Company determines the classification of financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at every end of the financial reporting period.

Financial instruments are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss (FVPL).

Financial Assets
Financial assets within the scope of PAS 39 are classified as at FVPL, loans and receivables, available-for-sale (AFS) investments, held-to-maturity (HTM) investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market.

The Company's financial assets are in the nature of loans and receivables. The Company has no financial assets classified as at FVPL, AFS investments, HTM investments and derivatives designated as hedging instruments in an effective hedge as at December 31, 2012 and 2011.

Financial Liabilities
Financial liabilities within the scope of PAS 39 are classified as at FVPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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.

The Company's financial liabilities are in the nature of loans and borrowings. The Company has no financial liabilities classified as at FVPL or as derivatives designated as hedging instruments in an effective hedge as at December 31, 2012 and 2011.

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

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 are not entered into with the intention of immediate or short-term resale and are not classified as "financial assets held for trading", designated as "AFS investments" or "financial assets designated at FVPL". After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less any allowance for impairment, in the statement of financial position. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in the statement of comprehensive income when the loans 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 financial reporting period or within the Company's operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

As at December 31, 2012 and 2011, the Company's loans and receivables pertain only to cash with bank, which is classified under current asset.

Loans and Borrowings
This category pertains to financial liabilities that are not held for trading, not derivatives, or not designated as at FVPL upon the inception of the liability. These financial liabilities are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization or accretion for any related premium, discount and any directly attributable transaction cost. Gains and losses are recognized in the statement of comprehensive income when the loans are derecognized or impaired as well as through the amortization process.

Loans and borrowings are included under current liabilities if it will be settled within 12 months after the end of the financial reporting period or within the Company's operating cycle, whichever is longer. Otherwise, these are classified as noncurrent liabilities.

As at December 31, 2012 and 2011, the Company's loans and borrowings pertain to accrued expenses and other payables and amounts owed to related parties, which are classified under current liabilities.

Determination of Fair Values of Financial Instruments
The fair value of financial instruments that are traded in active markets at each end of the financial reporting period is determined by reference to quoted market prices or dealer price quotations, bid price for long positions and ask price for short positions, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

The Company uses hierarchy below in determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 - Quoted prices in active markets for identical asset or liability;

- Level 2 - Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

- Level 3 - Those with inputs for asset or liability that are not based on observable market data (unobservable inputs).

When fair values of listed equity and debt securities as well as publicly traded derivatives at the end of the financial reporting period are based on quoted market prices or binding dealer price quotations without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy.

For all other financial instruments, fair value is determined using valuation technique. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models and other relevant valuation model.

For these financial instruments, inputs into models are market observable and are therefore included within Level 2.

Instruments included in Level 3 include those for which there is currently no active market.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 10.

Offsetting of Financial Instruments

Financial assets and liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and the liability simultaneously.

Impairment of Financial Asset

The Company assesses at each end of the financial reporting period whether there is objective evidence that a specific financial asset or group of financial assets may be impaired.

The Company first assesses whether objective evidence of impairment, such as aging analysis and status of counterparty, exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. The factors in determining whether objective evidence of impairment exist include, but are not limited to, the length of the Company's relationship with debtors, their payment behavior and known market factors. Evidence of impairment may also include indications that the borrower is experiencing significant difficulty, default and delinquency in 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.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

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

- the rights to receive cash flows from the asset have expired;

- the Company 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 Company 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 Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement 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 Company'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 Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including cash settled option or similar provision) on an asset measured at fair value, the extent of the Company'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 or cancelled or has expired. Where 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 amounts is recognized in the statement of comprehensive income.

Investment in a Subsidiary
Investment in a subsidiary is accounted for at cost, in accordance with PAS 27, *Consolidated and Separate Financial Statements*. Cost is determined as the fair value of consideration that the Company has paid for its interest in the subsidiary. A subsidiary is an entity that is controlled by the Company. The Company has an investment in shares of stock of Berong Nickel Corporation (BNC), a company incorporated under the laws of the Republic of the Philippines which represents sixty percent (60%) interest in BNC.

Impairment of Investment in Subsidiary
The Company determines at each end of the financial reporting period whether there is any objective evidence that the investment in subsidiary is impaired. If this is the case, the Company calculates the amount of impairment being the difference between the fair value of the investment and the acquisition cost and recognize the amount in the Company's statement of comprehensive income.

Capital Stock
Common shares are classified as equity.

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from proceeds. The excess of proceeds from issuance of shares over the par value of shares are credited to additional paid-in capital.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When retained earnings account has a debit balance, it is called "Deficit". A deficit is not an asset but deduction from equity.

Expenses
Expenses are decreases in economic benefits during the year in the form of outflows or decrease of assets or incurrence of liabilities that result in increase in deficit. Expenses are recognized in the statement of comprehensive income in the period these are incurred.

Income Taxes

Current Income Tax

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

Deferred Income Tax

Deferred income tax is provided using the liability method on temporary differences at the end of each financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused 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 of unused tax credits and unused NOLCO can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and sufficient future taxable profits will be available against which the temporary differences can be utilized.

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

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

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and 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.

Contingencies
Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Events after the End of the Financial Reporting Period
Post year-end events that provide additional information about the Company's position at the end of the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in compliance with PFRS requires the Company to make judgments, estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. The estimates and assumptions used in the financial statements are based upon management evaluation of relevant facts and circumstances as at the date of the Company's financial statements. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments, estimates and assumptions 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 estimates.

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

Determining Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the expenses of the Company.

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

Estimating Impairment of Investment in Subsidiary
PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the fair value of investment in a subsidiary, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such asset, requires the Company to make estimates and assumptions that can materially affect its financial statements. Future events could cause the Company to conclude that the investment is impaired. Any resulting impairment loss could have a material adverse impact on the statement of financial position and statement of comprehensive income. No impairment loss has been recognized on investment in a subsidiary in 2012 and 2011 since the recoverable amount of investment is higher than its cost (see Note 4).

Assessing Realizability of Deferred Income Tax Assets
The Company reviews the carrying amounts of deferred income tax assets at each end of the financial reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Company has NOLCO amounting to ₱242,370 and ₱218,273 as at December 31, 2012 and 2011, respectively, for which no deferred income tax asset has been recognized because management believes that the carryforward benefit would not be realized in the future prior to its expiration (see Note 7).

Estimating Fair Values of Financial Instruments
Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Any change in the fair value of these financial instruments would directly affect the statement of income and statement of changes in equity.

Fair values of financial assets as at December 31, 2012 and 2011 amounted to ₱2,550,556 and ₱2,551,506, respectively, while the fair values of financial liabilities as at December 31, 2012 and 2011 amounted to ₱111,028,741 and ₱110,940,181, respectively (see Note 10).

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4. **Investment in a Subsidiary** - at cost

The Company has an investment in shares of stock of BNC, a company incorporated under the laws of the Republic of the Philippines, amounting to ₱110,575,332 as at December 31, 2012 and 2011. This represents sixty percent (60%) interest in BNC as at December 31, 2012 and 2011.

The summarized financial information of BNC follows:

	2012	2011
Total assets	**₱1,193,805,255**	₱1,137,573,470
Total liabilities	**644,500,626**	784,949,362
Revenue	**1,189,715,630**	577,589,307
Total comprehensive income	**196,680,521**	77,829,623

5. Accrued Expenses and Other Payables

	2012	2011
Accrued expenses	₱90,234	₱93,634
Others	16,319,143	16,319,143
	₱16,409,377	₱16,412,777

The following are the terms and conditions of the above liabilities:

- Accrued expenses pertain to professional fee payable and are noninterest-bearing and normally settled on a 30 days' term.
- Other payables pertain to advances from European Nickel (ENK) representing noninterest bearing cash advances to be used for the conduct of the Company's business, which have no fixed repayment date and settlement occurs in cash.

6. Related Party Transactions

Parties are considered to be related if one party has the ability to directly or indirectly, control or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant stakeholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Company where those parties are individuals or any entities that is a related party of the Company.

Below is the summary of transactions with related parties as at December 31, 2012 and 2011:

		2012			
Related Parties	**Relationship**	**Amount**	**Outstanding Balance**	**Terms**	**Conditions**
Amounts owed to:					
TMC	Shareholder	₱–	₱92,984,970	Payable on demand, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
ACMDC	Shareholder	–	1,223,603	Payable on demand, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
BNC	Subsidiary	86,121	387,271	Payable on demand, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
Ulugan Nickel Corporation (UNC)	Under common control of a shareholder	5,839	23,520	Payable on demand, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
		₱91,960	₱94,619,364		

		2011			
Related Parties	Relationship	Amount	Outstanding Balance	Terms	Conditions
Amounts owed to:					
TMC	Shareholder	₱–	₱92,984,970	Payable on demand, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
ACMDC	Shareholder	–	1,223,603	Payable on demand, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
BNC	Subsidiary	61,403	301,150	Payable on demand, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
UNC	Under common control of a shareholder	4,171	17,681	Payable on demand, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
		₱65,574	₱94,527,404		

As at December 31, 2012 and 2011, amounts owed to related parties represent cash advances to be used for the conduct of the Company's business operations. It also pertains to various expenses paid by TMC, ACMDC, BNC and UNC on behalf of the Company. The fees charged by related parties are made at normal market prices.

The Company has no key management personnel. The Company's financial and administrative functions are being handled by the employees of TMM Management, Inc. (TMI), a company under common control of a stockholder, and BNC.

7. Income Taxes

The Company has no provision for current income tax in 2012 and 2011 due to its gross and net taxable loss position.

The reconciliation between the tax loss computed at statutory income tax rate and the provision for income tax as shown in the statements of comprehensive income follows:

	2012	2011
Tax loss at statutory rate	**(₱26,853)**	(₱26,482)
Add (deduct) tax effects of:		
Expired NOLCO	**19,624**	22,789
Change in unrecognized deferred income tax asset	**7,229**	3,693
	₱–	₱–

The Company did not recognize deferred income tax asset on temporary difference pertaining to NOLCO amounting to ₱242,370 and ₱218,273 as at December 31, 2012 and 2011, respectively, because management believes that sufficient future taxable income will not be available to allow all or part of the deferred income tax asset to be utilized.

Movement in NOLCO follows:

	2012	2011
Balances at beginning of year	**₱218,273**	₱205,964
Additions	**89,510**	88,274
Expirations	**(65,413)**	(75,965)
Balances at end of year	**₱242,370**	₱218,273

As at December 31, 2012, the Company's NOLCO that can be claimed against regular corporate income tax follows:

Year Incurred	Expiry Date	Amount
2010	2013	₱64,586
2011	2014	88,274
2012	2015	89,510
		₱242,370

The Company did not avail of the Optional Standard Deduction in 2012 and 2011.

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

The Company's principal financial instruments comprise amounts owed to related parties. The main purpose of these financial instruments is to raise funds for the Company's operations. The Company has other financial instruments such as cash with bank and accrued expenses and other payables which arise directly from its operations.

The main risks arising from the use of financial instruments are liquidity risk and credit risk. The Company's BOD reviews and approves the policies for managing each of these risk and they are summarized below:

Liquidity Risk
Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments. The Company's BOD reviews and adopts policies for managing this risk. The Company's objective is to maintain a continuity of funding and flexibility until the Company commences operation. The policy is to first exhaust lines available with related parties before credit lines with banks are availed of.

As at December 31, 2012 and 2011, the Company's accrued expenses and other payables and amounts owed to related parties are payable on demand.

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 that potential losses may arise due to the failure of its counterparties to fulfill their obligations on maturity dates or due to adverse market conditions.

Credit risk on cash with bank arises from default of the counterparty, with a maximum exposure equal to the carrying amount of the instrument. The Company's gross maximum exposure to credit risk is equivalent to its carrying value since there are no collateral agreements for this financial asset.

Cash with bank is assessed as high grade since it is deposited in a reputable bank duly approved by the BOD.

9. Capital Management Objectives and Policies

The primary objective of the Company's capital management is to ensure that the Company has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. The Company considers equity as capital which amounted to ₱2,097,147 and ₱2,186,657 as at December 31, 2012 and 2011, respectively.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may obtain additional advances from stockholders, return capital to shareholders or issue new shares. The Company is not subject to externally imposed capital restrictions. No changes were made in the objectives, policies or processes in 2012 and 2011.

10. Financial Instruments

Fair Value Information and Categories of Financial Instruments
The following table presents a comparison by category and class of carrying amounts and fair values of the Company's financial asset and liabilities as at December 31, 2012 and 2011:

	Carrying Amounts		**Fair Values**	
	2012	2011	**2012**	2011
Financial Asset				
Loans and receivables:				
Cash with bank	**₱2,550,556**	₱2,551,506	**₱2,550,556**	₱2,551,506
Financial Liabilities				
Loans and borrowings:				
Accrued expenses and other payables	**₱90,234**	₱16,412,777	**₱90,234**	₱16,412,777
Amounts owed to related parties	**110,938,507**	94,527,404	**110,938,507**	94,527,404
	₱111,028,741	₱110,940,181	**₱111,028,741**	₱110,940,181

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash
The carrying amount of cash approximates its fair value due to the short-term nature of this financial instrument.

Accrued Expenses and Other Payables, Amounts Owed to Related Parties
The carrying amounts of accrued expenses and other payables and amounts owed to related parties approximate their fair values due to the short-term nature of these financial instruments.

11. Supplementary Information Required Under Revenue Regulations (RR) No. 19-2011

On December 9, 2011, the Bureau of Internal Revenue (BIR) issued RR No. 19-2011 prescribing the new income tax forms to be used effective calendar year 2011. In the case of corporations using BIR Form 1702, the taxpayer is now required to include as part of its notes to the audited financial statements, which will be attached to the income tax return, schedules and information on taxable income and deductions taken.

The Company filed and claimed the following expenses as allowable itemized deductions in their annual income tax return for the year.

Professional fees	₱83,520
Taxes and licenses	5,040
Others	950
	₱89,510

12. Supplementary Information Required Under RR No. 15-2010

On November 25, 2010, the BIR has issued RR No. 15-2010 prescribing the manner of compliance in connection with the preparation and submission of financial statements accompanying the tax returns. It includes provisions for additional disclosure requirements in the notes to the financial statements, particularly on taxes, duties and license fees paid or accrued during the year.

In 2012, the components of "Taxes and licenses" recognized in the statement of comprehensive income follows:

Business permit	₱3,994
Community tax certificate fee	500
Barangay clearance	265
Fire safety inspection fee	281
	₱5,040

Accrued withholding taxes on compensation amounted to nil as at December 31, 2012.

There were no output taxes declared nor input taxes claimed during the year ended December 31, 2012. The Company has no locally produced or imported excisable item, landed cost of imports, custom duties and tariff fees paid or accrued as at December 31, 2012. There has been no payment of any documentary stamp tax on loan instruments, shares of stock and other transactions subject thereto during the year ended December 31, 2012. There were no deficiency tax assessments, tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR.

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Legaspi Village, 1229, Makati City, Metro Manila, Philippines
Telephones: (02) 817-2058 or (02) 817-7104
Facsimile: (02) 817-2357

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong City, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **TMM Management Inc.** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2012 and 2011, 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 or members.

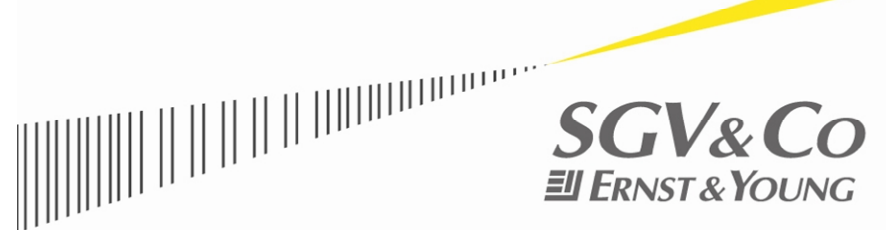
SyCip, Gorres, Velayo & Co., the independent auditors, appointed by the stockholders has examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon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

Atty. Roberto O. Parel
Chairman

Alfredo C. Ramos
President

Marissa S. Nicdao
OIC - Finance

Signed this ___day of April 2013



SyCip Gorres Velayo & Co.
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Philippines

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
TMM Management Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of TMM Management Inc., which comprise the statements of financial position as at December 31, 2012 and 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

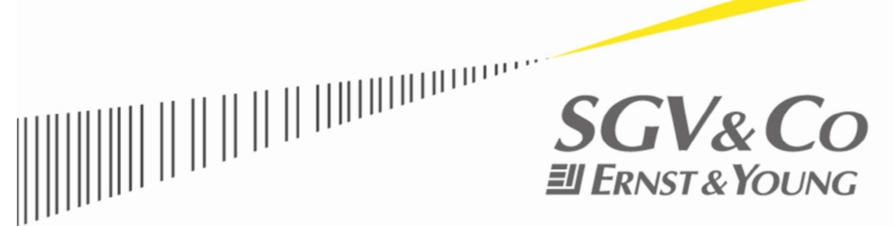
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of TMM Management Inc. as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 19-2011 and 15-2010 in Notes 17 and 18 to the financial statements, respectively, is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of TMM Management Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Alicia O. Lu
Partner
CPA Certificate No. 0062493
SEC Accreditation No. 0661-AR-1 (Group A),
March 3, 2011, valid until March 2, 2014
Tax Identification No. 102-090-613
BIR Accreditation No. 08-001998-66-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3669693, January 2, 2013, Makati City

March 22, 2013

TMM MANAGEMENT INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2012	2011
ASSETS		
Current Assets		
Cash (Note 4)	**₱1,191,728**	₱825,285
Trade and other receivables (Note 5)	**6,550,259**	6,777,511
Amounts owed by related parties (Note 9)	**3,140,595**	3,355,820
Prepayments and other current assets (Note 6)	**6,175,000**	6,006,801
Total Current Assets	**17,057,582**	16,965,417
Noncurrent Assets		
Property and equipment (Note 7)	**1,307,116**	780,203
Deferred income tax asset (Note 11)	**–**	1,654
Total Noncurrent Assets	**1,307,116**	781,857
TOTAL ASSETS	**₱18,364,698**	₱17,747,274
LIABILITIES AND EQUITY		
Current Liabilities		
Accrued expenses and other payables (Note 8)	**₱2,809,706**	₱3,090,102
Amounts owed to related parties (Note 9)	**7,096,424**	7,339,949
Total Current Liabilities	**9,906,130**	10,430,051
Noncurrent Liability		
Deferred income tax liability (Note 11)	**56,735**	–
Total Liabilities	**9,962,865**	10,430,051
Equity		
Capital stock - ₱1 par value per share		
Authorized - 2,000,000 shares	**500,000**	500,000
Issued - 500,000 shares		
Retained earnings (Note 16)	**7,901,833**	6,817,223
Total Equity	**8,401,833**	7,317,223
TOTAL LIABILITIES AND EQUITY	**₱18,364,698**	₱17,747,274

See accompanying Notes to Financial Statements.

TMM MANAGEMENT INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2012	2011
SERVICE INCOME (Notes 9 and 15)	**₱28,534,194**	₱30,009,548
EXPENSES		
Salaries and wages	**14,963,737**	15,127,580
Rentals (Note 10)	**3,356,337**	3,190,263
Employee benefits	**3,225,102**	2,840,948
Travel and transportation	**1,896,404**	2,260,823
Light, power and water	**803,912**	775,921
Communications	**636,588**	747,433
Dues and subscriptions	**513,041**	549,803
Office supplies	**341,918**	297,889
Taxes and license fees	**314,962**	173,780
Depreciation (Note 7)	**313,327**	210,355
Professional and legal fees	**247,102**	522,500
Insurance	**193,286**	172,078
Others	**326,453**	634,186
	27,132,169	27,503,559
OTHER INCOME (CHARGES)		
Foreign exchange gain (loss) - net	**188,828**	(44,751)
Bank charges	**(14,130)**	(16,681)
Interest income (Note 4)	**84**	379
	174,782	(61,053)
INCOME BEFORE INCOME TAX	**1,576,807**	2,444,936
PROVISION FOR INCOME TAX (Note 11)		
Current	**433,808**	730,877
Deferred	**58,389**	2,490
	492,197	733,367
NET INCOME	**1,084,610**	1,711,569
OTHER COMPREHENSIVE INCOME	**–**	–
TOTAL COMPREHENSIVE INCOME	**₱1,084,610**	₱1,711,569

See accompanying Notes to Financial Statements.

TMM MANAGEMENT INC.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Capital Stock	Deposits for Future Stock Subscription	Retained Earnings	Total
Balances at December 31, 2010	**₱500,000**	**₱3,139,505**	**₱5,105,654**	**₱8,745,159**
Reclassification from equity to current liabilities	–	(3,139,505)	–	(3,139,505)
Net income for the year	–	–	1,711,569	1,711,569
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	1,711,569	1,711,569
Balances at December 31, 2011	**500,000**	**–**	**6,817,223**	**7,317,223**
Net income for the year	–	–	1,084,610	1,084,610
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	1,084,610	1,084,610
Balances at December 31, 2012	**₱500,000**	**₱–**	**₱7,901,833**	**₱8,401,833**

See accompanying Notes to Financial Statements.

TMM MANAGEMENT INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱1,576,807**	₱2,444,936
Adjustments for:		
Depreciation (Note 7)	**313,327**	210,355
Unrealized foreign exchange (gain) loss - net	**(188,828)**	2,317
Interest income (Note 4)	**(84)**	(379)
Operating income before working capital changes	**1,701,222**	2,657,229
Decrease (increase) in:		
Trade and other receivables	**227,252**	(2,301,045)
Amounts owed by related parties	**215,225**	(3,350,994)
Prepayments and other current assets	**(168,199)**	(86,407)
Increase (decrease) in accrued expenses and other payables	**(280,396)**	1,770,540
Net cash generated from (used in) operations	**1,695,104**	(1,310,677)
Interest received	**84**	379
Income taxes paid	**(433,808)**	(730,877)
Net cash flows from (used in) operating activities	**1,261,380**	(2,041,175)
CASH FLOW FROM AN INVESTING ACTIVITY		
Acquisitions of property and equipment (Note 7)	**(840,240)**	(513,381)
CASH FLOW FROM A FINANCING ACTIVITY		
Additional amounts owed to related parties	**27,681**	1,540,704
NET INCREASE (DECREASE) IN CASH	**448,821**	(1,013,852)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(82,378)**	9,143
CASH AT BEGINNING OF YEAR	**825,285**	1,829,994
CASH AT END OF YEAR (Note 4)	**₱1,191,728**	₱825,285

See accompanying Notes to Financial Statements.

TMM MANAGEMENT INC.
NOTES TO FINANCIAL STATEMENTS

1. **Corporate Information**

   TMM Management Inc. (the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on September 28, 2004, primarily to act as managers or managing agents of persons, firms, associations, corporations, partnership and other entities, to provide management, investment and technical advice for commercial, industrial, manufacturing and other kinds of enterprises, and to undertake, carry on or participate in the promotion, organization, management, liquidation or reorganization of operations, partnerships and other entities, except the management of funds, securities, portfolios and other similar assets of the managed entity.

   The Company is sixty percent (60%) owned by Atlas Consolidated Mining and Development Corporation (ACMDC), the ultimate parent company, and forty percent (40%) owned by Toledo Mining Corporation (TMC).

   The registered office address of the Company is 3rd Floor, Philam Building, 100 C. Palanca cor. Dela Rosa Streets, Legaspi Village, Makati City.

   The financial statements of the Company as at and for the years ended December 31, 2012 and 2011 were authorized for issuance by the Board of Directors (BOD) on March 22, 2013.

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

   Basis of Preparation
   The Company's financial statements have been prepared on a historical cost basis and are presented in Philippine peso, which is the Company's functional and presentation currency. All values are rounded to the nearest peso.

   Statement of Compliance
   The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). The Company has availed the exemption provided by the SEC for the mandatory adoption of the PFRS for Small and Medium-sized Entities since its ultimate parent, ACMDC, prepares and issues consolidated financial statements in compliance with PFRS and may be obtained at 7th Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City.

   Changes in Accounting Policies and Disclosures
   The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to previously issued PAS and PFRS which became effective on January 1, 2012:

   - PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets (Amendments)*, effective for annual periods beginning on or after January 1, 2012, with earlier application permitted; and

   - PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets (Amendments)*, effective for annual periods beginning on or after January 1, 2012, with earlier application permitted.

The adoption of the new and amended standards and interpretations above do not have an impact on the accounting policies, financial position or performance of the Company.

Future Changes in Accounting Policies
The Company did not early adopt the following standards and Philippine Interpretations that will become effective subsequent to December 31, 2012:

Effective in 2013:

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

  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The amendments are to be retrospectively applied and are effective for annual periods beginning on or after January 1, 2013. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaces the portion of PAS 27, *Separate and Consolidated Financial Statements*, which addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The standard becomes effective for annual periods beginning on or after January 1, 2013. The adoption of PFRS 10 has no impact on the Company's financial position or performance as the Company does not present consolidated financial statements.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The standard becomes effective for annual periods beginning on or after January 1, 2013. The adoption of PFRS 11 has no impact on the Company's financial position or performance since it has no joint arrangements.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The standard becomes effective for annual periods beginning on or after January 1, 2013. The adoption of PFRS 12 will affect disclosures only and have no impact on the Company's financial position or performance as the Company has no interests in subsidiaries, joint arrangements, associates and structured entities.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13.

  The standard becomes effective for annual periods beginning on or after January 1, 2013. The Company does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (Amendments)*
  The amendments to PAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Company's financial position or performance. The amendments become effective for annual periods beginning on or after July 1, 2012.

- PAS 19, *Employee Benefits (Revised)*
  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments become effective for annual periods beginning on or after January 1, 2013. The Company does not have a retirement plan covering its employees. Thus, the amendments to PAS 19 have no impact on the Company's financial position and performance.

- PAS 27, *Separate Financial Statements (as revised in 2011)*
  As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The adoption of the amended PAS 27 will not have a significant impact on the Company's financial postion and performance since the Company does not present separate financial statements.

- PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*
  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The Company has no investments in associates and joint ventures and therefore, does not expect these amendments to have an impact on its financial performance or position.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after January 1, 2013. This new interpretation is not applicable to the Company as it is not engaged in mining operations.

Effective in 2014:

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Company's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective in 2015:

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or

loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have no impact on the Company's classification and measurement of financial assets and liabilities.

PFRS 9 is effective for annual periods beginning on or after January 1, 2015.

To Be Determined:

- Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the Company's financial position or performance as the Company is not engaged in construction of real estate.

Annual Improvements to PFRSs (2009-2011 cycle)
The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

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

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

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

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

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

Summary of Significant Accounting Policies

Presentation of Financial Statements
The Company has elected to present all items of recognized income and expenses in one single statement of comprehensive income.

Financial Instruments
Date of Recognition
Financial instruments are recognized in the Company's statement of financial position when it becomes a party to the contractual provisions of the instruments.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date (i.e., the date that the Company commits to purchase or sell the asset).

Initial Recognition and Measurement of Financial Instruments
The Company determines the classification of financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at every end of the reporting period.

Financial instruments are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of all financial instruments, except for financial instruments measured at fair value through profit or loss (FVPL).

Financial Assets
Financial assets within the scope of PAS 39 are classified as at FVPL, loans and receivables, available-for-sale (AFS) investments, held-to-maturity (HTM) investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market.

The Company's financial assets are in the nature of loans and receivables. The Company has no financial assets classified as at FVPL, AFS investments, HTM investments and derivatives designated as hedging instruments in an effective hedge as at December 31, 2012 and 2011.

Financial Liabilities
Financial liabilities within the scope of PAS 39 are classified as at FVPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. 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.

The Company's financial liabilities are in the nature of loans and borrowings. The Company has no financial liabilities classified as at FVPL and derivatives designated as hedging instrument in an effective hedge as at December 31, 2012 and 2011.

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

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 are not entered into with the intention of immediate or short-term resale and are not classified as "financial assets held for trading", designated as "AFS investments" or 'financial asset designated at FVPL". After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment, in the statement of financial position. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. Gains and losses are recognized in the statement of comprehensive income when the loans 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 financial reporting period or within the Company's operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

As at December 31, 2012 and 2011, the Company's loans and receivables pertain to cash, trade and other receivables and amounts owed by related parties, which are classified under current assets.

Loans and Borrowings
This category pertains to financial liabilities that are not held for trading, not derivatives, or not designated as at FVPL upon the inception of the liability. These financial liabilities are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization or accretion for any related premium, discount and any directly attributable transaction cost. Gains and losses are recognized in the statement of comprehensive income when the loans are derecognized or impaired as well as through the amortization process.

Loans and borrowings are included under current liabilities if it will be settled within twelve (12) months after the end of the reporting period or within the Company's operating cycle, whichever is longer. Otherwise, these are classified as noncurrent liabilities.

As at December 31, 2012 and 2011, the Company's loans and borrowings pertain to accrued expenses and other payables and amounts owed to related parties, which are classified under current liabilities.

Determination of Fair Values of Financial Instruments
The fair value of financial instruments that are traded in active markets at each end of the reporting period is determined by reference to quoted market prices or dealer price quotations, bid price for long positions and ask price short positions, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

The Company uses hierarchy below in determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 - Quoted prices in active markets for identical asset or liability;
Level 2 - Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
Level 3 - Those with inputs for asset or liability that are not based on observable market data (unobservable inputs).

When fair values of listed equity and debt securities as well as publicly traded derivatives at the end of the reporting period are based on quoted market prices or binding dealer price quotations without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy.

For all other financial instruments, fair value is determined using valuation technique. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models and other relevant valuation model. For these financial instruments, inputs into models are market observable and are therefore included within Level 2.

Instruments included in Level 3 include those for which there is currently no active market.

Analysis of the fair values of financial instruments and further details as to how they are measured are provided in Note 14.

Offsetting of Financial Instruments
Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and the liability simultaneously.

Impairment of Financial Assets Carried at Amortized Cost
The Company assesses at each end of the reporting period whether there is objective evidence that a specific financial asset or group of financial assets may be impaired.

The Company 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. The factors in determining whether objective evidence of impairment exist include, but are not limited to, the length of the Company's relationship with debtors, their payment behavior and known market factors. Evidence of impairment may also include indications that the borrower is experiencing significant difficulty, default and delinquency in 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. 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 asset 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 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 the statement of comprehensive income.

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 the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Impairment losses are estimated by taking into consideration the following information: current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Management is responsible for deciding the length of this period which can extend for as long as one year.

<u>Derecognition of Financial Instruments</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 Company 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 Company 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.

When the Company 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 Company'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 Company could be required to repay.

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 amounts is recognized in the statement of comprehensive income.

Prepayments and Other Current Assets
Creditable Withholding Taxes (CWTs)
CWTs are amounts withheld from income subject to expanded withholding taxes (EWT). CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation. CWTs, which are expected to be utilized as payment for income taxes within twelve (12) months, are classified as current asset.

Input Value-added Tax (VAT)
Input VAT represents VAT imposed on the Company by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is stated at its estimated net realizable value (NRV).

Output VAT represents indirect taxes passed on the Company's customer resulting from sale of services and other income, as applicable, and as required by the Philippine taxation laws and regulations.

Input VAT is presented net of output VAT and the resulting asset or liability is included as part of prepayments and other current assets or accrued expenses and other payables, respectively, in the statement of financial position.

Property and Equipment
Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and amortization and any accumulated impairment loss.

The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Such cost includes the cost of replacing parts of such property and equipment when that cost is incurred if the recognition criteria are met. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to expense in the period the

costs are incurred. In situations, where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of an item shall be depreciated separately.
Depreciation are calculated on a straight-line basis over the estimated useful life of the assets or lease term, whichever is shorter, as follows:

Category	Number of Years
Furniture and fixtures	5
Office equipment	5
Computer equipment	5
Communication equipment	5

Depreciation of property 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.

The depreciation method and estimated useful lives are reviewed periodically to ensure that the method and periods of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment. When assets are retired or otherwise disposed of, their cost, accumulated depreciation and amortization and any allowance for impairment loss are eliminated from the accounts and any gain or loss resulting from their disposal is included in the statement of comprehensive income.

An item of property 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 is included in the statement of comprehensive income in the year the asset is derecognized.

Impairment of Nonfinancial Assets
Prepayments and Other Current Assets
The Company provides allowance for impairment losses on non-financial prepayments and other current assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease prepayments and other current assets.

Recovery of impairment losses recognized in prior years 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 statement of comprehensive income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined had there been no impairment loss recognized for that asset in prior years.

Property and Equipment
The Company assesses at each financial reporting date whether there is an indication that an asset may be impaired. If any such indication exists and where the carrying amounts exceed the estimated recoverable amounts, the assets or CGU are written down to their estimated recoverable amounts. The estimated recoverable amount of an asset is the greater of the net selling price and value in use. 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 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the estimated recoverable amount is determined for the CGU to which the asset belongs. Impairment losses of continuing operations are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each financial reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed by a credit to current operations (unless the asset is carried at a revalued amount in which case the reversal of the impairment loss is credited to the revaluation increment of the same asset) to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of any accumulated depreciation) had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such reversal, the amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on systematic basis over its remaining useful life.

Foreign Currency Denominated Transactions
Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are restated using the closing rate of exchange ruling at the end of the financial reporting period. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are restated using exchange rates at the date when the fair value was determined. All differences are taken to the statement of comprehensive income.

Capital Stock
Common shares are classified as equity.

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from proceeds. The excess of proceeds from issuance of shares over the par value of the shares are credited to additional paid-in capital.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When retained earnings account has a debit balance, it is called "Deficit". A deficit is not an asset but deduction from equity.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when payments are being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The following specific recognition criteria must also be met before revenue is recognized.

Service Income
Service income is recognized when the related services have been performed.

Interest Income
Income is recognized as interest accrues using the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Expenses
Expenses are decreases in economic benefits during the year in the form of outflows or decrease of assets or incurrence of liabilities that result in increase in deficit. Expenses are recognized in the statement of comprehensive income in the period these are incurred.

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

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

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

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

Company as a Lessee
Operating leases represent those leases under which substantially all risks and rewards of ownership of the leased assets remains with the lessors. Noncancellable operating lease payments are recognized as expense in the statement of comprehensive income on a straight-line basis over the lease term.

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

Deferred Income Tax
Deferred income tax is provided using the liability method on temporary differences at the end of each financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused 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 of unused tax credits and unused NOLCO can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and sufficient future taxable profits will be available against which the temporary differences can be utilized.

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

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

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and 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. Provisions are reviewed at each end of the reporting period and adjusted to reflect the

current and best estimate. When the Company expects some or all of the provisions to be reimbursed, the reimbursement is recognized as a separate asset but only when reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement

Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Events after the End of the Financial Reporting Period

Post year-end events that provide additional information about the Company's position at the end of the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires the Company to make judgments, estimates and 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 estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments, estimates and assumptions 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 Company's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements:

Determining the Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the Company's revenue, costs and expenses.

Operating Lease Commitments - Company as a Lessee

The Company has entered into commercial property lease on its office premises and other property. The Company has determined that it does not retain all the significant risks and rewards of ownership of this property which is leased on operating leases.

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are discussed below:

Estimating Allowance for Impairment Losses on Trade and Other Receivables and Amounts Owed by Related Parties

The Company evaluates specific accounts where the Company has information that certain customers or related parties are unable to meet their financial obligations. Factors such as the Company's length of relationship with the customers and the customers' current credit status are considered to ascertain the amount of allowances that will be recorded in the trade and other receivables account. In addition to specific allowances against individually significant accounts, the Company also makes a collective impairment allowance against exposures which, although not requiring a specific allowance, have a greater risk of default than when originally granted. These allowances are re-evaluated and adjusted as additional information becomes available. The Company has determined that trade and other receivables and amounts owed by related parties are collectible at the end of the reporting period and has not provided any allowance as at December 31, 2012 and 2011. Trade and other receivables amounted to ₱6,550,259 and ₱6,777,511 as at December 31, 2012 and 2011, respectively. As at December 31, 2012 and 2011, amounts owed by related parties amounted to ₱3,140,595 and ₱3,355,820, respectively (see Notes 5 and 9).

Estimating Allowance for Impairment Losses on Nonfinancial Prepayments and Other Current Assets

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

There is no allowance for impairment losses on the Company's nonfinancial prepayments and other current assets as at December 31, 2012 and 2011 since management noted no indicators of impairment. As at December 31, 2012 and 2011, the carrying value of nonfinancial prepayments and other current assets amounted to ₱6,175,000 and ₱6,006,801, respectively (see Note 6).

Estimating Useful Lives of Property and Equipment

The Company estimates the useful lives of property and equipment, except land, based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. There were no changes in the estimated useful lives of the property and equipment during the year.

The aggregate net book values of property and equipment amounted to ₱1,307,116 and ₱780,203 as at December 31, 2012 and 2011, respectively. Depreciation in 2012 and 2011 amounted to ₱313,327 and ₱210,355, respectively (see Note 7).

Estimating Allowance for Impairment on Property and Equipment
The Company assesses impairment on property and equipment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that can materially affect the financial statements.

These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. As at December 31, 2012 and 2011, the Company has not recognized impairment losses on its property and equipment. The carrying values of property and equipment amounted to ₱1,307,116 and ₱780,203 as at December 31, 2012 and 2011, respectively (see Note 7).

Assessing Realizability of Deferred Income Tax Assets
The Company reviews the carrying amounts of the deferred income tax assets at each end of the reporting period and reduces deferred income tax assets to the extent that it is probable that sufficient future taxable profits will be available against which these can be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. As at December 31, 2012 and 2011, the Company recognized deferred income tax asset on unrealized foreign exchange losses amounting to ₱11,643 and ₱1,654, respectively (see Note 11).

Estimating Fair Values of Financial Instruments
Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Any change in the fair value of these financial instruments would directly affect the statement of income and statement of changes in equity.

Fair values of financial assets as at December 31, 2012 and 2011 amounted to ₱10,882,582 and ₱10,958,616, respectively, while the fair values of the financial liabilities as at December 31, 2012 and 2011 amounted to ₱8,508,930 and ₱8,510,047, respectively (see Note 14).

4. Cash

	2012	2011
Cash with banks	**₱1,171,728**	₱805,285
Cash on hand	**20,000**	20,000
	₱1,191,728	₱825,285

Cash with banks earn interest at the respective bank deposit rates. In 2012 and 2011, the Company earned interest from its cash with banks amounting to ₱84 and ₱379, respectively.

5. Trade and Other Receivables

	2012	2011
Trade receivables:		
Related parties (see Note 9)	**₱4,911,479**	₱5,150,325
Others	**1,541,444**	1,541,444
Advances to officers and employees	**30,716**	19,122
Others	**66,620**	66,620
	₱6,550,259	₱6,777,511

The following are the terms and conditions of the above financial assets:

- Trade receivables are noninterest-bearing and are normally settled on 30 days' term. This account represents the Company's service income from Berong Nickel Corporation (BNC), Ipilan Nickel Corporation (INC), Carmen Copper Corporation (CCC) and other companies, plus additional fee for other special services outside the scope of the agreement at a rate agreed upon by both parties (see Note 15).
- Advances to officers and employees are noninterest-bearing and are deductible against the officers' and employees' salary.
- Other receivables are noninterest-bearing and have an average term of 30 to 60 days.

As at December 31, 2012 and 2011, no allowance for impairment losses was recognized. The Company assessed these receivables as collectible and in good standing.

6. Prepayments and Other Current Assets

	2012	2011
Creditable withholding taxes	**₱4,554,542**	₱4,508,272
Prepaid rent	**824,916**	824,916
Rental deposits (see Note 10)	**486,777**	486,777
Input VAT	**159,624**	–
Prepaid insurance	**76,703**	65,527
Prepaid dues and subscriptions	**72,438**	121,309
	₱6,175,000	₱6,006,801

- Creditable withholding tax pertains to taxes withheld by the customers or payees from the Company in relation to management fees charged by the latter.

- Prepaid rent pertains to advance rentals paid by the Company for its administrative office and parking space at third floor of Corinthian Plaza Condominium.
- Rental deposits pertain to the deposits made to the lessors to be applied as payments for the last months of the lease contract.
- Input VAT pertains to taxes earned from transactions with VAT registered vendors during the year.
- Prepaid insurance pertains to insurance paid to Malayan Insurance Company for the health and group personal accident insurance of the Company's managerial employees. This also pertains to the Public Liability Policy paid to UCPB General Insurance Company.
- Prepaid dues and subscriptions pertain to advance payment of monthly condominium dues and newspaper subscriptions to Tuscan Realty and Palisades Condominium.

7. Property and Equipment

	2012				
	Furniture and Fixtures	**Office Equipment**	**Computer Equipment**	**Communication Equipment**	**Total**
Cost					
Balances at beginning of year	**₱821,504**	**₱966,090**	**₱2,027,169**	**₱328,976**	**₱4,143,739**
Additions	**82,678**	**31,607**	**723,278**	**2,677**	**840,240**
Balances at end of year	**904,182**	**997,697**	**2,750,447**	**331,653**	**4,983,979**
Accumulated depreciation					
Balances at beginning of year	**807,845**	**629,847**	**1,677,198**	**248,646**	**3,363,536**
Depreciation	**12,858**	**83,453**	**194,238**	**22,778**	**313,327**
Balances at end of year	**820,703**	**713,300**	**1,871,436**	**271,424**	**3,676,863**
Net book values	**₱83,479**	**₱284,397**	**₱879,011**	**₱60,229**	**₱1,307,116**

	2011				
	Furniture and Fixtures	Office Equipment	Computer Equipment	Communication Equipment	Total
Cost					
Balances at beginning of year	₱821,504	₱560,297	₱1,943,867	₱304,690	₱3,630,358
Additions	–	405,793	83,302	24,286	513,381
Balances at end of year	821,504	966,090	2,027,169	328,976	4,143,739
Accumulated depreciation					
Balances at beginning of year	799,897	554,144	1,571,166	227,974	3,153,181
Depreciation	7,948	75,703	106,032	20,672	210,355
Balances at end of year	807,845	629,847	1,677,198	248,646	3,363,536
Net book values	₱13,659	₱336,243	₱349,971	₱80,330	₱780,203

Fully depreciated property and equipment as at December 31, 2012 and 2011 amounting to ₱3,083,931 are retained in the Company's records until they are disposed. No further depreciation and amortization are charged to current operations for these items.

8. Accrued Expenses and Other Payables

	2012	2011
Accrued expenses	**₱1,412,506**	₱1,170,098
Withholding tax on compensation and benefits	**988,170**	823,127
Deferred output VAT	**363,314**	–
EWTs	**39,011**	121,293
Output VAT	–	965,646
Others	**6,705**	9,938
	₱2,809,706	₱3,090,102

The following are the terms and conditions of the above liabilities:

- Accrued expenses include rent, professional fee and retention fee payable and are noninterest-bearing and are normally settled on 30 days' term.
- Deferred output VAT pertains to the output VAT on management fees that is deferred until payment has been collected by the Company.
- Withholding tax on compensation and benefits and EWT are noninterest-bearing and normally settled on 10 to 15 days' term.
- Other payables represent payables to Social Security System, Home Development Mutual Fund and Philippine Health Insurance Corporation which are noninterest-bearing and have an average term of 15 to 30 days' term.

9. Related Party Transactions

Related party relationship exists 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 relationship also exists between and/or among entities, which are under common control with the reporting enterprises and its key management personnel, directors, or its shareholders. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

In the normal course of business, outstanding trade receivables and amounts owed by/to related parties are as follows:

		2012			
Related Parties	**Relationship**	**Amount**	**Outstanding Balance**	**Terms**	**Conditions**
***Trade receivables** (Note 5):*					
INC	**With common shareholder**	**₱9,961,998**	**₱3,433,077**	**Collectible on demand, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
BNC	**With common shareholder**	**19,639,553**	**1,285,056**	**Collectible on demand, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
CCC	**Under common control of a shareholder**	**–**	**193,346**	**Collectible on demand, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
		₱29,601,551	**₱4,911,479**		

Related Parties	Relationship	Amount	Outstanding Balance	Terms	Conditions
2012					
Amounts owed by:					
BNC	**With common shareholder**	**₱2,346,249**	**₱1,660,791**	**Collectible on demand, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
INC	**With common shareholder**	**15,935**	**1,459,804**	**Collectible on demand, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
Ulugan Nickel Corporation (UNC)	**With common shareholder**	**20,000**	**20,000**	**Collectible on demand, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
		₱2,382,184	**₱3,140,595**		
Amounts owed to:					
TMC	**Shareholder**	**₱–**	**₱7,059,780**	**Payable on demand, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
ACMDC	**Parent**	**–**	**36,644**	**Payable on demand, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
		₱–	**₱7,096,424**		
***Service income** (Note 15):*					
BNC	**With common shareholder**	**₱19,639,553**	**₱–**	**Collectible on demand, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
INC	**With common shareholder**	**8,963,752**	**–**	**Collectible on demand, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
		₱28,603,305	**₱–**		

Related Parties	Relationship	Amount	Outstanding Balance	Terms	Conditions
2011					
Trade receivables (Note 5):					
BNC	With common shareholder	₱20,641,559	₱3,031,026	Collectible on demand, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
INC	With common shareholder	9,367,989	1,925,953	Collectible on demand, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
CCC	Under common control of a shareholder	–	193,346	Collectible on demand, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
		₱30,009,548	₱5,150,325		

2011					
Related Parties	Relationship	Amount	Outstanding Balance	Terms	Conditions
Amounts owed by:					
BNC	With common shareholder	₱2,895,610	₱1,893,398	Collectible on demand, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
INC	With common shareholder	1,545,137	1,462,422	Collectible on demand, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
		₱3,438,535	₱3,355,820		
Amounts owed to:					
TMC	Shareholder	₱16,310,430	₱7,303,305	Payable on demand, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
ACMDC	Parent	–	36,644	Payable on demand, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
		₱16,310,430	₱7,339,949		
Service income (Note 15):					
BNC	With common shareholder	₱20,641,559	₱–	Collectible on demand, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
INC	With common shareholder	9,367,989	–	Collectible on demand, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
		₱30,009,548	₱–		

The Company entered into a management agreement with BNC and INC, wherein the Company will manage their operations. In consideration for such services, the Company will receive service income. Trade receivables pertain to the unpaid service income charged to BNC and INC.

As at December 31, 2012 and 2011, amounts owed by related parties pertain to various expenses paid by the Company in behalf of BNC and INC.

Amounts owed to related parties represent cash advances to be used for the conduct of the Company's business operations. It also pertains to various expenses paid by TMC, ACMDC and BNC on behalf of the Company. The fees charged by related parties are made at normal market prices.

The Company considers as key management personnel all employees holding managerial positions up to the chief operations officer. The compensation of key management personnel of the Company amounted to ₱13,458,780 and ₱11,080,670 in 2012 and 2011, respectively.

10. **Lease Commitment**

The Company has entered into property leases, including its office premises, under operating lease. The leases have a term of one (1) year and renewable subject to the mutual consent of the lessors and the Company.

Rent expense in 2012 and 2011 amounted to ₱3,356,337 and ₱3,190,263, respectively. Rental deposits as at December 31, 2012 and 2011 amounted to ₱486,777 (see Note 6).

11. **Income Taxes**

The provision for income tax in 2012 and 2011 represents regular corporate income tax. The reconciliation of pretax income computed at the statutory tax rate to provision for income tax follows:

	2012	2011
Tax at statutory rate:	**₱473,042**	₱733,481
Deduct income tax effects of:		
Nondeductible expenses	**19,180**	–
Interest income subjected to final tax	**(25)**	(114)
	₱492,197	₱733,367

The Company has recognized net deferred tax liability and net deferred income tax asset as at December 31, 2012 and 2011 as follows:

	2012	2011
Deferred income tax asset		
Unrealized foreign exchange loss	**₱11,643**	₱1,654
Deferred income tax liability		
Unrealized foreign exchange gain	**(68,378)**	–
	(₱56,735)	₱1,654

The Company did not avail of the Optional Standard Deduction in 2012 and 2011.

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

The Company’s principal financial instruments consist of cash and amounts owed to related parties. The main purpose of these financial instruments is to provide financing for the Company’s operations. The Company has other financial instruments such as trade and other receivables, amounts owed by related parties and accrued expenses and other payables, which arise directly from its operations.

The main risks arising from the use of financial instruments are liquidity risk, credit risk and market risk. The Company's BOD reviews and approves the policies for managing each of these risks and they are summarized below:

Liquidity Risk
Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments. The Company's objective is to maintain a balance between continuity of funding and flexibility. The policy is to first exhaust lines available with related parties before credit lines with banks are availed of. The Company ensures that it has sufficient current assets to settle its current liabilities.

The tables below summarize the maturity profile of the Company's financial liabilities as at December 31, 2012 and 2011 based on contractual undiscounted payments:

	2012		
	On Demand	**3 to 12 Months**	**Total**
Accrued expenses and other payables	**₱–**	**₱1,412,506**	**₱1,412,506**
Amounts owed to related parties	**7,096,424**	**–**	**7,096,424**
	₱7,096,424	**₱1,412,506**	**₱8,508,930**

	2011		
	On Demand	3 to 12 Months	Total
Accrued expenses and other payables	₱–	₱1,170,098	₱1,170,098
Amounts owed to related parties	7,339,949	–	7,339,949
	₱7,339,949	₱1,170,098	₱8,510,047

Credit Risk
Credit risk refers to the potential loss arising from any failure of related parties and customers 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 related parties and customers to fulfill their obligations on maturity dates or due to adverse market conditions.

The Company trades only with recognized and creditworthy related parties and customers. It is the Company's policy that all customers aside from their related parties who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that Company's exposure to bad debts is not significant.

The Company does not require collateral as it usually trades only with recognized related parties and customers. With respect to credit risk arising from cash with banks, trade and other receivables and amounts owed by related parties, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The aging analysis and credit quality of the Company's financial assets as at December 31, 2012 and 2011 follows:

	2012					
	Neither Past Due nor Impaired	Past Due but Not Impaired				
		< 30 Days	30 to 60 Days	> 60 Days	Impaired	Total
Cash with banks	**₱1,171,728**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,171,728**
Trade and other receivables:						
Trade	**2,371,118**	**1,387,758**	**444,675**	**2,249,372**	**–**	**6,452,923**
Advances to officers and employees	**11,594**	**–**	**–**	**19,122**	**–**	**30,716**
Others	**–**	**–**	**–**	**66,620**	**–**	**66,620**
Amounts owed by related parties	**–**	**–**	**–**	**3,140,595**	**–**	**3,140,595**
	₱3,554,440	**₱1,387,758**	**₱444,675**	**₱5,475,709**	**₱–**	**₱10,862,582**

	2011					
	Neither Past Due nor Impaired	Past Due but Not Impaired				
		< 30 Days	30 to 60 Days	> 60 Days	Impaired	Total
Cash with banks	₱805,285	₱–	₱–	₱–	₱–	₱805,285
Trade and other receivables:						
Trade	4,760,808	–	196,171	1,734,790	–	6,691,769
Advances to officers and employees	–	–	8,147	10,975	–	19,122
Others	–	–	–	66,620	–	66,620
Amounts owed by related parties	–	–	–	3,355,820	–	3,355,820
	₱5,566,093	₱–	₱204,318	₱5,168,205	₱–	₱10,938,616

The credit quality of financial assets is managed by the Company using internal credit ratings as follows:

- High grade cash with banks pertain to cash deposited in top banks with good reputation in the Philippines;
- High grade receivables have history of no default; standard grade receivables pertain to accounts with history of one or two defaults; and substandard grade receivables are those accounts with history of at least three payment defaults.

Accordingly, the Company has assessed the credit quality of the following financial assets that are neither past due nor impaired:

- Cash with banks was assessed as high grade since these are deposited in reputable banks duly approved by BOD, and which have a low probability of insolvency.
- Trade and other receivables were assessed as high grade due to high probability of collection based on historical experience.
- Amounts owed by related parties were assessed as standard grade because amounts are settled several days after the incurrence of the liability.

The Company has no significant concentration of credit risk with any single counterparty or group or counterparties having similar characteristics.

Market Risk

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

Foreign Currency Risk
The Company has transactional foreign currency exposures. Such exposure arises from billings of service income in United States (US) dollar. The Company did not seek to hedge the exposure on the change in foreign exchange rates between the US$ and the Philippine peso. The Company does not generally believe that active currency hedging would provide long-term benefits to the Company.

The Company's foreign currency-denominated financial instruments (translated in Philippine peso) as at December 31, 2012 and 2011 follows:

	2012		2011	
	US Dollar Amount	**Peso Equivalent**	US Dollar Amount	Peso Equivalent
Financial Assets				
Cash	**$11,891**	**₱488,126**	$14,044	₱615,689
Trade and other receivables	**48,415**	**1,987,436**	33,675	1,476,312
	60,306	**2,475,562**	47,719	2,092,001
Financial Liabilities				
Amounts owed to related parties	**95,500**	**3,920,275**	95,500	4,186,720
Net financial asset (liability)	**($35,194)**	**(₱1,444,713)**	($47,781)	(₱2,094,719)

The exchange rates used per US$1.00 to peso equivalent were ₱41.05 and ₱43.84 as at December 31, 2012 and 2011, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Company's income before income tax (due to changes in fair value of monetary assets) as at December 31, 2012 and 2011:

	Peso Strengthens (Weakens)	**Sensitivity to Pre-Tax Income**
December 31, 2012	**₱0.75**	**₱26,396**
	(0.72)	**(25,340)**
December 31, 2011	₱0.68	₱32,491
	(0.76)	(36,313)

There is no other impact on the Company's equity other than those already affecting the statement of comprehensive income.

13. Capital Management Objectives and Policies

The primary objective of the Company's capital management is to ensure that the Company has sufficient funds in order to support their business, pay existing obligations and maximize shareholder value. The Company considers total equity as capital which amounted to ₱8,401,833 and ₱7,317,223 as at December 31, 2012 and 2011, respectively.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may obtain additional advances from stockholders or related parties return capital to shareholders or issue new shares. The Company is not subject to externally imposed capital restrictions. No changes were made in the objectives, policies or processes in 2012 and 2011.

14. Financial Instruments

Fair Value Information and Categories of Financial Instruments

The table below presents a comparison by category and class of carrying values and fair values of the Company's financial assets and liabilities as at December 31, 2012 and 2011:

	Carrying Values		Fair Values	
	2012	2011	**2012**	2011
Financial Assets				
Loans and receivables:				
Cash	**₱1,191,728**	₱825,285	**₱1,191,728**	₱825,285
Trade and other receivables				
Trade	**6,452,923**	6,691,769	**6,452,923**	6,691,769
Advances to officers and employees	**30,716**	19,122	**30,716**	19,122
Others	**66,620**	66,620	**66,620**	66,620
Amounts owed by related parties	**3,140,595**	3,355,820	**3,140,595**	3,355,820
	₱10,882,582	₱10,958,616	**₱10,882,582**	₱10,958,616
Financial Liabilities				
Loans and borrowings:				
Accrued expenses and other payables	**₱1,412,506**	₱1,170,098	**₱1,412,506**	₱1,170,098
Amounts owed to related parties	**7,096,424**	7,339,949	**7,096,424**	7,339,949
	₱8,508,930	₱8,510,047	**₱8,508,930**	₱8,510,047

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash

The carrying amounts of cash approximate its fair value due to its short-term nature.

Trade and Other Receivables, Amounts Owed by Related Parties, Accrued Expenses and Other Payables and Amounts Owed to Related Parties

The carrying amounts of trade and other receivables, amounts owed by/to related parties and accrued expenses and other payable approximate their fair values due to the short-term nature of these financial instruments.

15. Significant Agreements

a. On January 19, 2005, ACMDC, Minoro Mining and Exploration Corporation (MMEC), Natasa Mining Limited (formerly known as Investika) and TMC entered into a venture agreement (Agreement) covering all mining tenements or applications for mining tenements, Mineral Production Sharing Agreements (MPSA) and Exploration Permits covering the areas known as the Berong Mineral Properties and the Ulugan Mineral Properties (Mineral Properties) and held by ACMDC and/or MMEC and/or Anscor Property Holdings, Inc. and/or Multicrest Mining Corporation. The Agreement provides that ACMDC and/or MMEC grant to Investika and/or TMC the right to earn a percentage equity in BNC upon fulfillment of certain conditions, including the granting of advances to BNC to be disbursed by the Company.

   Also, on January 19, 2005, the Company entered into a management agreement with BNC and UNC, wherein the Company will manage the operations of BNC with respect to the Mineral Properties and to any and all of the MPSA which shall be executed by BNC and the Government of the Republic of the Philippines. In consideration for such services, the Company will receive a monthly management fee of ₱200,000.

   On July 1, 2008, the agreement with BNC was amended with an additional fee equivalent to up to five percent (5%) of the operating costs and expenses at the end of each calendar month, over and above its fixed monthly fee of ₱200,000.

   For the years ended December 31, 2012 and 2011, management fee income charged to BNC amounted to ₱19,639,553 and ₱20,641,559, respectively.

b. On August 14, 2007, the Company entered into a management agreement with INC, wherein the Company will manage the operations of the latter with respect to the Mineral Properties and to any and all of the MPSA which shall be executed by INC and the Government of the Republic of the Philippines. In consideration for such services, the Company will receive a monthly management fee of ₱50,000.

   On February 4, 2009, the agreement was amended with an additional fee equivalent to up to five percent (5%) of the operating costs and expenses at the end of each calendar month, over and above its fixed monthly fee of ₱50,000.

   For the years ended December 31, 2012 and 2011, management fee income charged to INC amounted to ₱8,963,752 and ₱9,367,989, respectively.

16. Retained Earnings

The Company's retained earnings exceeded its paid-up capital as at December 31, 2012 and 2011. Management believes that the build-up of retained earnings is necessary for the Company's planned expansion of its operations. The management will continue to monitor its retained earnings and accordingly declare cash dividends and/or stock dividends to address the balance of retained earnings as at December 31, 2012.

On March 4, 2013, the BOD authorized the declaration of stock dividend to all shareholders of record as of January 31, 2013 amounting to ₱1,500,000 in accordance with the shareholding percentages of all the shareholders entitled to receive. Also, the BOD approved the resolution to increase the authorized capital stock by ₱8,000,000 from ₱2,000,000 to ₱10,000,000 authorized capital stock.

17. Supplementary Information Required Under Revenue Regulations (RR) No. 19-2011

On December 9, 2012, the Bureau of Internal Revenue (BIR) has issued RR No. 19-2011 prescribing the new income tax forms to be used effective calendar year 2011. In the case of corporations using BIR Form 1702, the taxpayer is now required to include as part of its notes to the audited financial statements, which will be attached to the income tax return, schedules and information on taxable income and deductions taken.

The schedule and information of taxable income and deductions taken are as follows:

Service income	₱28,534,194
Less: Cost of services	
Salaries and wages	14,963,737
Employee benefits	3,225,102
Domestic travel and transportation	1,896,404
Medical expenses	17,363
Total cost of services	20,102,606
Gross profit	8,431,588
Less: Allowable itemized deductions	
Rentals	3,356,337
Light, power and water	803,912
Communications	636,588
Dues and subscriptions	513,041
Office supplies	341,918
Taxes and license fees	314,962
Depreciation	313,327
Professional and legal fees	247,102
Insurance	193,286
Staff amenities	127,377
Others	137,712
Total itemized deductions	6,985,562
Net taxable income	₱1,446,026

18. Supplementary Information Required Under RR No. 15-2010

On November 25, 2010, the BIR has issued RR No. 15-2010 prescribing the manner of compliance in connection with the preparation and submission of financial statements accompanying the tax returns. It includes provisions for additional disclosure requirements in the notes to financial statements, particularly on taxes, duties and licenses paid or accrued during the year.

The Company reported and/or paid the following types of taxes in 2012.

a. VAT
The Company's service income is subject to output VAT while its purchases from other VAT-registered entities are subject to input VAT. The VAT rate is 12%.

i. *Output VAT*
Net receipts and output VAT declared in the Company's VAT returns for 2012 follows:

	Net Receipts	Output VAT
Taxable sale of services	₱9,033,525	₱1,084,023
Zero-rated sale of services	15,598,469	–
	₱24,631,994	₱1,084,023

The Company has VAT exempt sales in 2012. Zero-rated sales represent collection of service income from BNC, a related party, which is a VAT zero-rated entity pursuant to the latter's registration with the Board of Investment in 2010. In 2012, BNC has renewed its VAT zero-rated status.

ii. *Input VAT*
Input VAT claimed by the Company for 2012 follows:

Balance at beginning of the year	₱133,755
Current year's domestic payments for:	
Services received	633,499
Goods purchased	334,477
Claims for tax credit and other adjustments	141,916
	₱1,243,647

b. Taxes and License Fees
In 2012, the components of "Taxes and license fees" recognized in the statement of comprehensive income follows:

License and permit fees	₱205,687
Value-added tax deficit - 2008	39,521
Documentary stamp tax deficit - 2008	33,634
Expanded withholding tax deficit - 2008	27,010
Community tax certificate	8,500
BIR annual registration fee	500
Fire safety inspection fee	110
	₱314,962

c. Withholding Taxes
Withholding taxes paid by the Company follows:

Withholding taxes on compensation and benefits	₱4,586,275
EWT	324,518
	₱4,910,793

As at December 31, 2012, expanded withholding taxes payable and withholding taxes on compensation and benefits amounted to ₱39,011 and ₱988,170, respectively.

d. Others

The Company has no locally produced or imported excisable item, landed cost of imports, custom duties and tariff fees paid or accrued as at December 31, 2012. There has been no payment of any documentary stamp tax on loan instruments, shares of stock and other transactions subject thereto during the year ended December 31, 2012. There were no deficiency tax assessments, tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR.

ULUGAN NICKEL CORPORATION
7th Floor, Quad Alpha Centrum, 125 Pioneer St. Mandaluyong City

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong City, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Ulugan Nickel Corporation** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2012 and 2011, 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 or members.

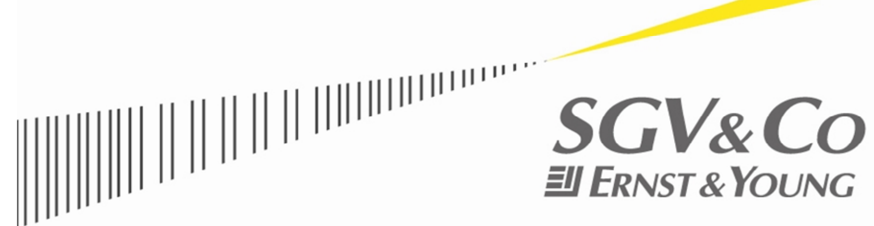
SyCip, Gorres, Velayo & Co., the independent auditors, appointed by the stockholders has examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon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

Alfredo C. Ramos
Chairman

Atty. Roberto O. Parel - Director
On Behalf of Victor Kolesnikov – VP / COO

Marissa S. Nicdao
OIC - Finance

Signed this ___day of April 2013



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Philippines

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www.sgv.com.ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Ulugan Nickel Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Ulugan Nickel Corporation, which comprise the statements of financial position as at December 31, 2012 and 2011, and the statements of comprehensive income, statements of changes in capital deficiency and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, 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.

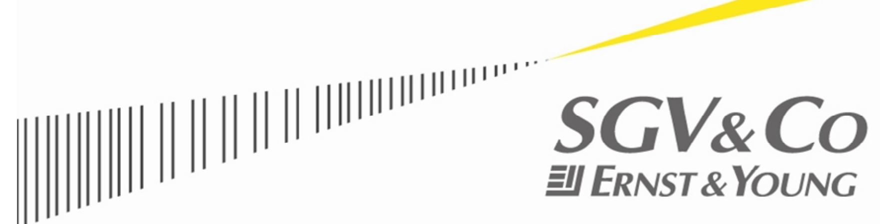
Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

A member firm of Ernst & Young Global Limited



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ulugan Nickel Corporation as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 19-2011 and 15-2010 in Notes 11 and 12 to the financial statements, respectively, is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Ulugan Nickel Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Alicia O. Lu
Partner
CPA Certificate No. 0062493
SEC Accreditation No. 0661-AR-1 (Group A),
March 3, 2011, valid until March 2, 2014
Tax Identification No. 102-090-613
BIR Accreditation No. 08-001998-66-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3669693, January 2, 2013, Makati City

March 22, 2013

ULUGAN NICKEL CORPORATION
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2012	2011
ASSETS		
Current Assets		
Cash (Note 4)	**₱1,961,901**	₱2,173,570
Amounts owed by related parties (Note 5)	**47,616**	35,362
Advances to Multicrest Mining and Development Corporation (Multicrest) (Note 10)	**28,472,500**	10,000,000
TOTAL ASSETS	**₱30,482,017**	₱12,208,932
LIABILITIES AND CAPITAL DEFICIENCY		
Current Liabilities		
Accrued expenses and other payables	**₱183,335**	₱199,135
Amounts owed to related parties (Note 5)	**33,503,015**	15,010,515
Total Current Liabilities	**33,686,350**	15,209,650
Capital Deficiency (Note 1)		
Capital stock - ₱1 par value		
Authorized - 10,000,000 shares		
Issued - 2,500,000 shares	**2,500,000**	2,500,000
Deficit	**(5,704,333)**	(5,500,718)
Total Capital Deficiency	**(3,204,333)**	(3,000,718)
TOTAL LIABILITIES AND CAPITAL DEFICIENCY	**₱30,482,017**	₱12,208,932

See accompanying Notes to Financial Statements.

ULUGAN NICKEL CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2012	2011
INTEREST INCOME (Note 4)	**₱113**	₱116
EXPENSES		
Professional fees	**95,324**	109,370
Foreign exchange losses	**79,714**	–
Transportation and travel	**16,790**	7,319
Taxes and licenses	**8,264**	35,455
Others	**3,636**	10,315
	203,728	162,459
NET LOSS	**203,615**	162,343
OTHER COMPREHENSIVE INCOME	**–**	–
TOTAL COMPREHENSIVE LOSS	**₱203,615**	₱162,343

See accompanying Notes to Financial Statements.

ULUGAN NICKEL CORPORATION

STATEMENTS OF CHANGES IN CAPITAL DEFICIENCY

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Capital Stock	Deposits for Future Stock Subscription	Deficit	Total
Balances at December 31, 2010	**₱2,500,000**	**₱15,010,515**	**(₱5,338,375)**	**₱12,172,140**
Reclassification from equity to current liabilities	–	(15,010,515)	–	(15,010,515)
Net loss for the year	–	–	(162,343)	(162,343)
Other comprehensive income	–	–	–	–
Total comprehensive loss	–	–	(162,343)	(162,343)
Balances at December 31, 2011	**2,500,000**	**–**	**(5,500,718)**	**(3,000,718)**
Net loss for the year	–	–	(203,615)	(203,615)
Other comprehensive income	–	–	–	–
Total comprehensive loss	–	–	(203,615)	(203,615)
Balances at December 31, 2012	**₱2,500,000**	**₱–**	**(₱5,704,333)**	**(₱3,204,333)**

See accompanying Notes to Financial Statements.

ULUGAN NICKEL CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(₱203,615)**	(₱162,343)
Adjustments for:		
Unrealized foreign exchange loss (gain)	**79,714**	(207,332)
Interest income	**(113)**	(116)
Operating loss before working capital changes	**(124,014)**	(369,791)
Increase in advances to Multicrest (Note 10)	**(18,472,500)**	–
Increase in amounts owed by related parties	**(12,254)**	(8,342)
Increase (decrease) in accrued expenses and other payables	**(15,800)**	16,800
Net cash used in operations	**(18,624,568)**	(361,333)
Interest received	**113**	116
Net cash flows used in operating activities	**(18,624,455)**	(361,217)
CASH FLOWS FROM A FINANCING ACTIVITY		
Additional amounts owed to related parties (Note 5)	**18,492,500**	–
NET DECREASE IN CASH	**(131,955)**	(361,217)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(79,714)**	207,332
CASH AT BEGINNING OF YEAR	**2,173,570**	2,327,455
CASH AT END OF YEAR	**₱1,961,901**	₱2,173,570

See accompanying Notes to Financial Statements.

ULUGAN NICKEL CORPORATION
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information and Status of Operations

a. Corporate Information

Ulugan Nickel Corporation (the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on June 23, 2005 for the purpose of exploring, developing and mining Atlas Consolidated Mining and Development Corporation (ACMDC)'s Ulugan Mineral Properties and the exclusive privilege and right to explore, develop, mine, operate, produce, utilize, process and dispose of all the minerals and the products or by-products that may be produced, extracted, gathered, recovered, unearthed, or found within the mineral properties, inclusive of direct shipping project, under a Mineral Production Sharing Agreement (MPSA) with the Government of the Philippines or under any appropriate rights granted by law or the Government of the Philippines.

The Company is sixty percent (60%) owned by Ulugan Resources Holdings, Inc. (URHI) and forty percent (40%) owned by Toledo Mining Corporation, Plc (TMC). The Company's ultimate parent is ACMDC, which prepares and issues consolidated financial statements covering the same period with the Company in compliance with the Philippine Financial Reporting Standards (PFRS). The consolidated financial statements may be obtained at 7th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City.

The registered office address of the Company is 7th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City.

b. Status of Operation

As at December 31, 2012 and 2011, the Company has suffered cumulative losses of ₱5,704,333 and ₱5,500,718, respectively, resulting to a capital deficiency of ₱3,204,333 and ₱3,000,718 as at December 31, 2012 and 2011, respectively. The Company has not yet commenced operations. The Company is in the process of obtaining an exploration permit as discussed in Note 10. The Company's projection indicates that it will generate net income once it starts commercial operation.

On July 12, 2012, Executive Order (EO) 79 was released to lay out the framework for the implementation of mining reforms in the Philippines. The policy highlights several issues that includes area of coverage of mining, small-scale mining, creation of a council, transparency and accountability and reconciling the roles of the national government and local government units. Management assessed that EO 79 has no major impact to its current operations.

The financial statements of the Company as at and for the years ended December 31, 2012 and 2011 were authorized for issuance by the Company's Board of Directors (BOD) on March 22, 2013.

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

Basis of Preparation
The Company's financial statements have been prepared on a historical cost basis and are presented in Philippine peso, which is the Company's functional and presentation currency. All values are rounded to the nearest peso.

Statement of Compliance
The financial statements have been prepared in compliance with PFRS. The Company has availed the exemption provided by the SEC for the mandatory adoption of the PFRS for Small and Medium-sized Entities since its ultimate parent, ACMDC, prepares and issues consolidated financial statements in compliance with full PFRS.

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to previously issued Philippine Accounting Standards (PAS) and PFRS which became effective on January 1, 2012:

- Amendment to PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets*
- Amendment to PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets*

The adoption of the new and amended standards and interpretations above do not have an impact on the accounting policies, financial position or performance of the Company.

Future Changes in Accounting Policies
The Company did not early adopt the following standards and Philippine Interpretations that will become effective subsequent to December 31, 2012:

Effective in 2013:

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

  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;

d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
   i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
   ii. Amounts related to financial collateral (including cash collateral); and
e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments are to be retrospectively applied and are effective for annual periods beginning on or after January 1, 2013. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaces the portion of PAS 27, *Separate and Consolidated Financial Statements*, which addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The standard becomes effective for annual periods beginning on or after January 1, 2013. The adoption of PFRS 10 has no impact on the Company's financial position or performance as the Company does not present consolidated financial statements.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The standard becomes effective for annual periods beginning on or after January 1, 2013. The adoption of PFRS 11 has no impact on the Company's financial position or performance since it has no joint arrangements.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The standard becomes effective for annual periods beginning on or after January 1, 2013. The revised and additional disclosures provided by the amendments will be included in the financial statements when these are adopted in the future, if applicable.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13.

The standard becomes effective for annual periods beginning on or after January 1, 2013. The Company does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (Amendments)*
  The amendments to PAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Company's financial position or performance. The amendments become effective for annual periods beginning on or after July 1, 2012.

- PAS 19, *Employee Benefits (Revised)*
  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments become effective for annual periods beginning on or after January 1, 2013. Since the Company has not yet started commercial operations as at December 31, 2012, the Company does not have a retirement plan covering its employees. Thus, the amendments to PAS 19 have no impact on the Company's financial position and performance.

- PAS 27, *Separate Financial Statements (as revised in 2011)*
  As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The adoption of the amended PAS 27 will not have a significant impact on the Company's financial postion and performance since the Company does not present separate financial statements.

- PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*
  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The Company has no investments in associates and joint ventures and therefore, does not expect these amendments to have an impact on its financial performance or position.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after January 1, 2013.

Effective in 2014:

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Company's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective in 2015:

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have no impact on the Company's classification and measurement of financial assets and liabilities.

  PFRS 9 is effective for annual periods beginning on or after January 1, 2015.

To Be Determined:

- Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the Company's financial position or performance as the Company is not engaged in construction of real estate.

Annual Improvements to PFRSs (2009-2011 cycle)
The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

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

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

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

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

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

Summary of Significant Accounting Policies

Presentation of Financial Statements
The Company has elected to present all items of recognized income and expenses in one single statement of comprehensive income.

Financial Instruments
Date of Recognition
Financial instruments are recognized in the Company's statement of financial position when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date (i.e., the date that the Company commits to purchase or sell the asset).

Initial Recognition and Measurement of Financial Instruments
The Company determines the classification of financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at every end of the reporting period.

Financial instruments are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss (FVPL).

Financial Assets
Financial assets within the scope of PAS 39 are classified as at FVPL, loans and receivables, available-for-sale (AFS) investments, held-to-maturity (HTM) investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market.

The Company's financial assets are in the nature of loans and receivables. The Company has no financial assets classified as at FVPL, AFS investments, HTM investments and derivatives designated as hedging instruments in an effective hedge as at December 31, 2012 and 2011.

Financial Liabilities
Financial liabilities within the scope of PAS 39 are classified as at FVPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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.

The Company's financial liabilities are in the nature of loans and borrowings. The Company has no financial liabilities classified as at FVPL or as derivatives designated as hedging instruments in an effective hedge as at December 31, 2012 and 2011.

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

Loans and Receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as “financial assets held for trading”, designated as “AFS investments” or “financial assets designated at FVPL”. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment, in the statement of financial position. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. Gains and losses are recognized in the statement of comprehensive income when the loans are derecognized or impaired, as well 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, 2012 and 2011, the Company’s loans and receivables include cash, amounts owed by related parties and advances to Multicrest.

Loans and Borrowings
This category pertains to financial liabilities that are not held for trading, not derivatives, or not designated as at FVPL upon the inception of the liability. These financial liabilities are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization or accretion for any related premium, discount and any directly attributable transaction cost.

Loans and borrowings are included under current liabilities if it will be settled within 12 months after the end of the reporting period or within the Company’s operating cycle, whichever is longer. Otherwise, these are classified as noncurrent liabilities.

As at December 31, 2012 and 2011, the Company’s loans and borrowings pertains to accrued expenses and other payables and amounts owed to related parties, which are classified under current liabilities.

Determination of Fair Values of Financial Instruments
The fair value of financial instruments that are traded in active markets at each end of the reporting period is determined by reference to quoted market prices or dealer price quotations, bid price for long positions and ask price short positions, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm’s length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

The Company uses hierarchy below in determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 - Quoted prices in active markets for identical asset or liability;

- Level 2 - Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

- Level 3 - Those with inputs for asset or liability that are not based on observable market data (unobservable inputs).

When fair values of listed equity and debt securities as well as publicly traded derivatives at the end of the reporting period are based on quoted market prices or binding dealer price quotations without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy.

For all other financial instruments, fair value is determined using valuation technique. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models and other relevant valuation model. For these financial instruments, inputs into models are market observable and are therefore included within Level 2.

Instruments included in Level 3 include those for which there is currently no active market. An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 9.

Offsetting of Financial Instruments
Financial assets and liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and the liability simultaneously.

Impairment of Financial Assets Carried at Amortized Cost
The Company assesses at each end of the reporting period whether there is objective evidence that a specific financial asset or group of financial assets may be impaired.

The Company first assesses whether objective evidence of impairment, such as aging analysis and status of counterparty, exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. The factors in determining whether objective evidence of impairment exist include, but are not limited to, the length of the Company's relationship with debtors, their payment behavior and known market factors. Evidence of impairment may also include indications that the borrowers is experiencing significant difficulty, default and delinquency in 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. 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 asset 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 there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the statement of comprehensive income.

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 the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Impairment losses are estimated by taking into consideration the following information: current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Management is responsible for deciding the length of this period which can extend for as long as one year.

Derecognition of Financial Instruments

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 Company 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 Company 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.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through agreement 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 Company'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 Company could be required to repay.

Financial Liability

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 amounts is recognized in the statement of comprehensive income.

Foreign Currency Transactions

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are restated using the closing rate of exchange ruling at the end of the reporting period.

Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are restated using exchange rates at the date when the fair value was determined. All differences are taken to the statement of comprehensive income.

Capital Stock
Common shares are classified as equity.

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from proceeds. The excess of proceeds from issuance of shares over the par value of the shares are credited to share premium.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When retained earnings account has a debit balance, it is called “Deficit”. A deficit is not an asset but deduction from equity.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when payments are being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. Interest income is recognized as the interest accrues using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Expenses
Expenses are decreases in economic benefits during the year in the form of outflows or decrease of assets or incurrence of liabilities that result in increase in deficit. Expenses are recognized in the statement of comprehensive income in the period these are incurred.

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

Deferred Income Tax
Deferred income tax is provided using the liability method on temporary differences at the end of each financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused 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 of unused tax credits and unused NOLCO can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and sufficient future taxable profits will be available against which the temporary differences can be utilized.

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

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

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Provisions

Provisions are recognized when the Company 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. Provisions are reviewed at each end of the reporting period and adjusted to reflect the current and best estimate. When the Company expects some or all of the provisions to be reimbursed, the reimbursement is recognized as a separate asset but only when reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement.

Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Events after the End of the Financial Reporting Period

Post year-end events that provide additional information about the Company's position at the end of the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in compliance with PFRS requires the Company to make judgments, estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. The estimates and assumptions used in the financial statements are based upon management evaluation of relevant facts and circumstances as at the date of the Company's financial statements. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.
Judgments, estimates and assumptions 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 the estimates.

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

Determining Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the income and expenses of the Company.

Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty 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 financial year is discussed below.

Estimating Allowance for Impairment Losses on Advances to Multicrest
The Company will provide allowance for impairment losses on advances to Multicrest when management assessed that the said advances can no longer be realized. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease the advances to Multicrest. There is no allowance for impairment losses provided as at December 31, 2012 and 2011 since management has noted no indicators of impairment. As at December 31, 2012 and 2011, the carrying value of advances to Multicrest amounted to ₱28,472,500 and ₱10,000,000, respectively (see Note 10).

Assessing Realizability of Deferred Income Tax Assets
The Company reviews the carrying amounts of deferred income tax assets at each end of the reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Company has NOLCO amounting to ₱1,649,457 and ₱1,897,560 as at December 31, 2012 and 2011, respectively, for which no deferred income tax asset have been recognized because management believes that the carryforward benefit would not be realized in the future prior to its expiration since the Company has not yet started commercial operations (see Note 6).

Estimating Fair Values of Financial Instruments
Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Any change in the fair value of these financial instruments would directly affect the statement of income and statement of changes in equity.

Fair values of financial assets as at December 31, 2012 and 2011 amounted to ₱30,482,017 and ₱12,208,932, respectively, while the fair values of the financial liabilities as at December 31, 2012 and 2011 amounted to ₱33,686,350 and ₱15,209,650, respectively (see Note 9).

4. Cash

	2012	2011
Cash with bank	**₱1,935,120**	₱2,155,644
Cash on hand	**26,781**	17,926
	₱1,961,901	₱2,173,570

Interest earned in cash with bank amounted to ₱113 and ₱116 as at December 31, 2012 and 2011, respectively.

5. Related Party Transactions

Parties are considered to be related if one party has the ability to directly or indirectly, control or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant stakeholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Company where those parties are individuals or any entities that is a related party of the Company.

Below is the summary of transactions with related parties as at December 31, 2012 and 2011:

			2012		
Related Parties	**Relationship**	**Amount**	**Outstanding Balance**	**Terms**	**Conditions**
Amounts owed by:					
Nickeline Resources Holdings, Inc. (NRHI)	**Under common control of a shareholder**	**₱5,839**	**₱23,520**	**Collectible on demand, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
URHI	**Under common control of a shareholder**	**6,415**	**24,096**	**Collectible on demand, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
		₱12,254	**₱47,616**		

			2012		
Related Parties	**Relationship**	**Amount**	**Outstanding Balance**	**Terms**	**Conditions**
Amounts owed to:					
Berong Nickel, Corporation (BNC)	**Under common control of a shareholder**	**₱18,472,500**	**₱18,472,500**	**Payable on demand, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
TMC	**Shareholder**	**–**	**14,413,265**	**Payable on demand, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
ACMDC	**Indirect shareholder**	**–**	**597,250**	**Payable on demand, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
TMM Management, Inc. (TMI)	**Under common control of a shareholder**	**20,000**	**20,000**	**Payable on demand, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
		₱18,492,500	**₱33,503,015**		

			2011		
Related parties	Relationship	Amount	Outstanding Balance	Terms	Conditions
Amounts owed by:					
NRHI	Under common control of a shareholder	₱4,171	₱17,681	Collectible on demand, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
URHI	Under common control of a shareholder	4,170	17,681	Collectible on demand, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
		₱8,341	₱35,362		
Amounts owed to:					
TMC	Shareholder	₱14,413,265	₱14,413,265	Payable on demand, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
ACMDC	Indirect shareholder	597,250	597,250	Payable on demand, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
		₱15,010,515	₱15,010,515		

Amounts owed by related parties pertain to various expenses paid by the Company in behalf of NRHI and URHI, companies under the common control of a stockholder.

In 2012, the Company borrowed from BNC cash amounting ₱18,472,500 to be used as payment to Multicrest for the assignment, transfer and conveyance of all rights, interests, obligation and responsibilities under EPA-IVB-011 to the Company, subject to certain terms and conditions (see Note 10).

Amounts owed to TMI amounted to ₱20,000 pertains to various travel and accommodation expenses incurred by TMI on behalf of the Company.

Amounts owed to TMC and ACMDC pertain to cash advances to be used for the Company's business operation. It also pertains to various expenses paid by TMC and ACMDC on behalf of the Company.

The Company has no key management personnel. The Company's financial and administrative functions are being handled by employees of TMI and BNC.

6. Income Taxes

The Company has no provision for current income tax in 2012 and 2011 due to its gross and net taxable loss position.

The reconciliation between the tax loss computed at the statutory income tax rate and the provision for (benefit from) income tax as shown in the statement of comprehensive income follows:

	2012	2011
Tax loss at statutory rate	**(₱61,085)**	(₱48,703)
Add (deduct) tax effects of:		
Expired NOLCO	**111,636**	901,866
Change in unrecognized deferred income tax asset	**(50,517)**	(854,408)
Interest income subjected to final tax	**(34)**	(35)
Nondeductible expenses	**–**	1,280
	₱–	₱–

As at December 31, 2012 and 2011, the Company recognized net deferred income tax liability as follows:

	2012	2011
Deferred tax asset:		
NOLCO	**₱–**	(₱62,200)
Deferred tax liability:		
Unrealized foreign exchange gain	**–**	62,200
	₱–	₱–

As at December 31, 2012 and 2011, the Company did not recognize deferred income tax asset on the following:

	2012	2011
NOLCO	**₱1,649,457**	₱1,897,560
Unrealized foreign exchange loss	**79,714**	–
	₱1,729,171	₱1,897,560

Movements in NOLCO follows:

	2012	2011
Balances at beginning of year	**₱2,104,892**	₱4,942,634
Expiration	**(372,117)**	(3,006,222)
Application of NOLCO	**(83,318)**	–
Additions	–	168,480
Balances at end of year	**₱1,649,457**	₱2,104,892

As at December 31, 2012, the Company’s NOLCO that can be claimed against RCIT follows:

Year Incurred	Expiry Date	Amount
2008	2013	₱551,958
2009	2014	597,592
2010	2015	331,427
2011	2016	168,480
2012	2017	–
		₱1,649,457

The Company did not avail of the Optional Standard Deduction in 2012 and 2011.

7. Financial Risk Management Objectives and Policies

The Company’s principal financial instruments are cash and. The Company has other financial instruments such as amounts owed by/to related parties, advances to Multicrest and accrued expenses and other payables, which arise directly from its operations.

The main risks arising from the use of financial instruments are liquidity risk, credit risk and foreign currency risk. The Company’s BOD reviews and approves the policies for managing each of these risks and they are summarized below.

Liquidity Risk
Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments.

Liquidity risk is the main financial risk affecting the Company considering that it is not yet in operation. The Company’s BOD reviews and agrees policies for managing this risk. The Company’s objective is to maintain a continuity of funding until the Company commences commercial operations. The policy is to first exhaust lines available with related parties before credit lines with banks are availed of.

As at December 31, 2012 and 2011, the Company’s accrued expenses and other payables are expected to be settled within three (3) months while amounts owed to related parties have no fixed repayment date.

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 counterparties to fulfill their obligations on maturity dates or due to adverse market conditions.

Credit risk on cash with bank, advances to Multicrest and amounts owed by related parties arises from default of the counterparties, with a maximum exposure equal to the carrying amount of these instruments. The Company's gross maximum exposure to credit risk is equivalent to their carrying values since there are no collateral agreements for this financial asset.

The Company has no significant concentration of credit risk in relation to its financial assets.

The credit quality and aging analysis of the Company's financial assets as at December 31, 2012 and 2011 follows:

	Neither past due nor	**Past due but not impaired**		
2012	**impaired**	**<30 days**	**30-60 days**	**Total**
Cash with bank	**₱1,935,120**	**₱–**	**₱–**	**₱1,935,120**
Amounts owed by related parties	**–**	**47,616**	**–**	**47,616**
Advances to Multicrest	**28,472,500**	**–**	**–**	**28,472,500**
	₱30,407,620	**₱47,616**	**₱–**	**₱30,455,236**

	Neither past due nor	Past due but not impaired		
2011	Impaired	<30 days	30-60 days	Total
Cash with bank	₱2,155,644	₱–	₱–	₱2,155,644
Amounts owed by related parties	–	35,362	–	35,362
Advances to Multicrest	10,000,000	–	–	10,000,000
	₱12,155,644	₱35,362	₱–	₱12,191,006

The credit quality of financial asset is managed by the Company using internal credit ratings as follows:

- High grade cash with bank are those which are deposited in top banks in the Philippines;
- High grade receivables has history of no default; standard grade receivables, which pertains to accounts with history of one or two defaults; and Substandard grade receivables, which pertains to accounts with history of at least three (3) payment defaults.

Accordingly, the Company has assessed the credit quality of the following financial assets which are neither past due nor impaired:

- Cash with bank is assessed as high grade since it is deposited in a reputable bank duly approved by the BOD.
- Advances to Multicrest are assessed as high grade since these will be returned based on the clauses of the agreement.
- Amounts owed by related parties were assessed as standard grade because amounts are settled several days after the incurrence of the liability.

Foreign Currency Risk
Foreign currency risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Company has transactional foreign currency exposures. Such exposure arises from billings of service income in United States (US) dollar. The Company did not seek to hedge the exposure on the change in foreign exchange rates between the US$ and the Philippine peso. The Company does not generally believe that active currency hedging would provide long-term benefits to the Company.

The Company's foreign currency-denominated financial instrument (translated in Philippine peso) as at December 31, 2012 and 2011 follows:

	2012		2011	
	US Dollar Amount	**Peso Equivalent**	US Dollar Amount	Peso Equivalent
Financial Asset				
Cash	**$28,573**	**₱1,172,922**	$28,570	₱1,252,509

The exchange rates used per US$1.00 to peso equivalent were ₱41.05 and ₱43.84 as at December 31, 2012 and 2011, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Company's income before income tax (due to changes in fair value of monetary assets) as at December 31, 2012 and 2011:

	Peso Strengthens (Weakens)	**Sensitivity to Pre-Tax Income**
December 31, 2012	**₱0.75**	**₱21,430**
	(0.72)	**(20,573)**
December 31, 2011	₱0.68	₱19,428
	(0.76)	(21,713)

There is no other impact on the Company's equity other than those already affecting the statement of comprehensive income.

8. **Capital Management Objectives and Policies**

The primary objective of the Company's capital management is to ensure that the Company has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. The Company considers capital stock as capital which amounted to ₱2,500,000 as at December 31, 2012 and 2011.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may obtain additional advances from stockholders, return capital to shareholders or issue new shares. The Company is not subject to externally imposed capital restrictions. No changes were made in the objectives, policies or processes in 2012 and 2011.

9. Financial Instruments

Fair Value Information and Categories of Financial Instruments
The following table presents a comparison by category and class of carrying amounts and fair values of the Company's financial assets and liabilities as at December 31, 2012 and 2011:

	Carrying Amounts		Fair Values	
	2012	2011	**2012**	2011
Financial Assets				
Loans and receivables:				
Cash	**₱1,961,901**	₱2,173,570	**₱1,961,901**	₱2,173,570
Amounts owed by related parties	**47,616**	35,362	**47,616**	35,362
Advances to Multicrest	**28,472,500**	10,000,000	**28,472,500**	10,000,000
	₱30,482,017	₱12,208,932	**₱30,482,017**	₱12,208,932
Financial Liabilities				
Loans and borrowings:				
Accrued expenses and other payables	**₱183,335**	₱199,135	**₱183,335**	₱199,135
Amounts owed to related parties	**33,503,015**	15,010,515	**33,503,015**	15,010,515
	₱33,686,350	₱15,209,650	**₱33,686,350**	₱15,209,650

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash
Cash include cash on hand and cash with bank. Cash with bank earns interest at floating rates based on daily bank deposit rates. The carrying amount of cash approximates its fair value due to the short-term nature of this financial instrument.

Advances to Multicrest
Advances to Multicrest approximate its fair value since there was an agreement that the whole amount will be repaid on demand in case there is a failure on the part of Multicrest to meet the conditions agreed upon.

Amounts Owed by/to Related Parties and Accrued Expenses and Other Payables
The carrying amount of amounts owed by/to related parties and accrued expenses and other payables, which are subject to normal credit terms, approximate their fair values due to the short-term nature of these financial instruments.

10. Significant Agreements

On November 3, 2004, ACMDC entered into a Heads of Agreement (the Agreement) with Multicrest to acquire 100% interest in the rights and interests attached to the Exploration Permit Application (EPA) that Multicrest has lodged with the Mines and Geosciences Bureau of Region IV. The EPA covers an area situated in the City of Puerto Princesa in the province of Palawan. The EPA, denominated as EPA IVB-011, is known as the Tagkawayan Project (the Project), with an approximate area of 16,130.4 hectares. Under the Agreement, ACMDC would pay ₱500,000

for the right to exercise the option to acquire 100% interest in the Project. As a consideration, ACMDC would be granted the exclusive right to explore or work in the Project for two (2) years from the issuance of the Exploration Permit (EP) and its renewal, subject to extension. If by November 13, 2006, the second anniversary of the Effective Date, ACMDC has not exercised the option to purchase, ACMDC may continue to maintain its rights and interests in the Project and work for another two (2) years by payment to Multicrest the sum of ₱1,400,000 and ₱550,000 on every anniversary of the Effective Date until the start of Commercial Production under an MPSA or Financial or Technical Assistance Agreement that may be granted.

On July 13, 2007, ACMDC signed a valid Deed of Assignment to assign all its rights, interests and titles under the Agreement in favor of the Company and the latter agreed to assume all the obligations and responsibilities arising from the Agreement.

On July 19, 2007, the Company advanced the amount of ₱10,000,000 to Multicrest which was chargeable against the amount due under the Agreement and subject to the condition that the latter would assist the Company to secure all required endorsements and clearances for the approval of EP. In the event that no EP was issued or the option is not exercised, then Multicrest would repay the whole amount upon demand of the Company.

On November 29, 2012, the Company signed a "Memorandum of Understanding" (MOU) with Multicrest which supersede the Agreement entered into by ACMDC and Multicrest in 2004. The MOU states that Multicrest assigns/transfers to the Company all its rights, interest, obligations and responsibilities to the Project under EPA-IVB-011. The MOU also constitutes that the Company will:

a. pay US$450,000 payable upon signing of the Deed of Assignment;

b. pay additional US$300,000 within twelve (12) months after the signing thereafter;

c. pay US$750,000 payable as follows:

- US$500,000 upon official receipt of the approval of the EPA IVB-011. The US$250,000 shall be paid in cash and the Company shall offset the ten (10) million pesos advances paid on July 19, 2007 to the US$250,000 remaining balance. Both parties agreed that the exchange rate shall be fixed at ₱40 per US dollar.

- US$250,000 within twelve (12) months thereafter.

As at December 31, 2012, the Company has not yet obtained the EP.

11. Supplementary Information Required Under Revenue Regulations (RR) No. 19-2011

On December 9, 2011, the Bureau of Internal Revenue (BIR) issued RR No. 19-2011 prescribing the new income tax forms to be used effective calendar year 2011. In the case of corporations using BIR Form 1702, the taxpayer is now required to include as part of its notes to the audited financial statements, which will be attached to the income tax return, schedules and information on taxable income and deductions taken.

The schedule and information of taxable income and deductions taken are as follows:

Other taxable income - Unrealized gain from 2011 realized in 2012	₱207,332
Allowable itemized deductions:	
Professional fees	95,324
Transportation and travel	16,790
Taxes and licenses	8,264
Others	3,636
Sub total	83,318
Less: Application of NOLCO	(83,318)
Taxable income	₱–

12. **Supplementary Information Required Under RR No. 15-2010**

On November 25, 2010, the BIR has issued RR No. 15-2010 prescribing the manner of compliance in connection with the preparation and submission of financial statements accompanying the tax returns. It includes provisions for additional disclosure requirements in the notes to the financial statements, particularly on taxes, duties and license fees paid or accrued during the year.

In 2012, the components of "Taxes and licenses" recognized in the statement of comprehensive income follows:

Business permit	₱6,402
Fire safety inspection fee	597
Community tax certificate	500
BIR annual registration fee	500
Barangay clearance	265
	₱8,264

Accrued withholding taxes on compensation amounted to nil as at December 31, 2012.

There were no output taxes declared nor input taxes claimed during the year ended December 31, 2012. The Company has no locally produced or imported excisable item, landed cost of imports, custom duties and tariff fees paid or accrued as at December 31, 2012. There has been no payment of any documentary stamp tax on loan instruments, shares of stock and other transactions subject thereto during the year ended December 31, 2012. There were no deficiency tax assessments, tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR.

ULUGAN RESOURCES HOLDINGS, INC.

7th Floor, Quad Alpha Centrum, 125 Pioneer St. Mandaluyong City

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong City, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Ulugan Resources Holdings, Inc.** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2012 and 2011, 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 or members.

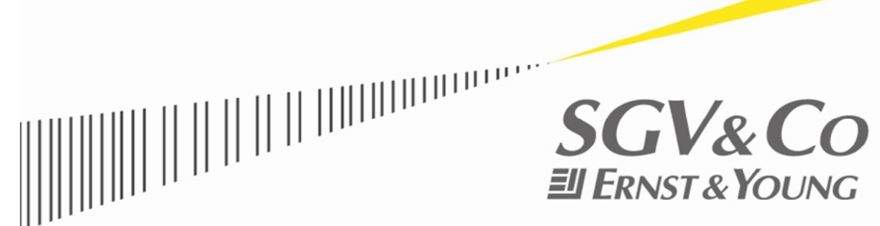
SyCip, Gorres, Velayo & Co., the independent auditors, appointed by the stockholders has examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon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

Alfredo C. Ramos
Chairman

Atty. Roberto O. Parel - Director
On Behalf of Victor Kolesnikov – VP / COO

Marissa S. Nicdao
OIC - Finance

Signed this ___day of April 2013



SyCip Gorres Velayo & Co.
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1226 Makati City
Philippines

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Fax: (632) 819 0872
www.sgv.com.ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Ulugan Resources Holdings, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Ulugan Resources Holdings, Inc., which comprise the statements of financial position as at December 31, 2012 and 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

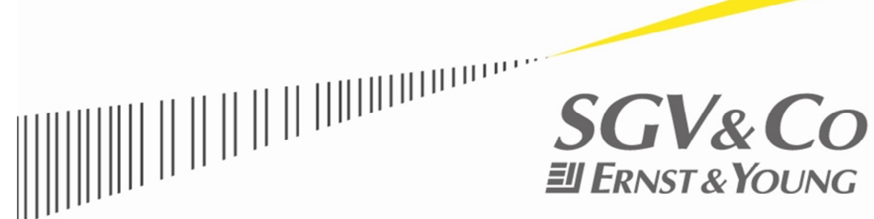
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of Ulugan Resources Holdings, Inc. as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 19-2011 and 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 19-2011 and 15-2010 in Notes 10 and 11 to the financial statements, respectively, is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Ulugan Resources Holdings, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Alicia O. Lu
Partner
CPA Certificate No. 0062493
SEC Accreditation No. 0661-AR-1 (Group A),
March 3, 2011, valid until March 2, 2014
Tax Identification No. 102-090-613
BIR Accreditation No. 08-001998-66-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 3669693, January 2, 2013, Makati City

March 22, 2013

ULUGAN RESOURCES HOLDINGS, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2012	2011
ASSETS		
Current Asset		
Cash with bank	**₱2,566,302**	₱2,566,123
Noncurrent Asset		
Investments in subsidiaries - at cost (Note 4)	**3,000,000**	3,000,000
TOTAL ASSETS	**₱5,566,302**	₱5,566,123
LIABILITIES AND EQUITY		
Current Liabilities		
Accrued expenses	**₱85,000**	₱89,600
Amounts owed to related parties (Note 5)	**4,119,457**	4,014,814
Total Current Liabilities	**4,204,457**	4,104,414
Equity		
Capital stock - ₱1 par value		
Authorized - 10,000,000 shares		
Issued - 2,500,000 shares	**2,500,000**	2,500,000
Deficit	**(1,138,155)**	(1,038,291)
Total Equity	**1,361,845**	1,461,709
TOTAL LIABILITIES AND EQUITY	**₱5,566,302**	₱5,566,123

See accompanying Notes to Financial Statements.

ULUGAN RESOURCES HOLDINGS, INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2012	2011
INTEREST INCOME	**₱1,130**	₱2,069
EXPENSES		
Professional fees	**94,828**	97,996
Taxes and licenses	**5,216**	3,967
Others	**950**	453
	100,994	102,416
NET LOSS	**99,864**	100,347
OTHER COMPREHENSIVE INCOME	**–**	–
TOTAL COMPREHENSIVE LOSS	**₱99,864**	₱100,347

See accompanying Notes to Financial Statements.

ULUGAN RESOURCES HOLDINGS, INC.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

	Capital Stock	Deposits for Future Stock Subscription	Deficit	Total
Balances at December 31, 2010	**₱2,500,000**	**₱3,121,863**	**(₱937,944)**	**₱4,683,919**
Reclassification from equity to current liabilities	–	(3,121,863)	–	(3,121,863)
Net loss for the year	–	–	(100,347)	(100,347)
Other comprehensive income	–	–	–	–
Total comprehensive loss	–	–	(100,347)	(100,347)
Balances at December 31, 2011	**2,500,000**	**–**	**(1,038,291)**	**1,461,709**
Net loss for the year	–	–	(99,864)	(99,864)
Other comprehensive income	–	–	–	–
Total comprehensive loss	–	–	(99,864)	(99,864)
Balances at December 31, 2012	**₱2,500,000**	**₱–**	**(₱1,138,155)**	**₱1,361,845**

See accompanying Notes to Financial Statements.

ULUGAN RESOURCES HOLDINGS, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	**(₱99,864)**	(₱100,347)
Adjustment for interest income	**(1,130)**	(2,069)
Operating loss before working capital changes	**(100,994)**	(102,416)
Increase (decrease) in accrued expenses	**(4,600)**	5,600
Net cash used in operations	**(105,594)**	(96,816)
Interest received	**1,130**	2,069
Net cash flows used in operating activities	**(104,464)**	(94,747)
CASH FLOW FROM FINANCING ACTIVITY		
Additional amounts owed to related parties	**104,643**	96,516
NET INCREASE IN CASH	**179**	1,769
CASH AT BEGINNING OF YEAR	**2,566,123**	2,564,354
CASH AT END OF YEAR	**₱2,566,302**	₱2,566,123

See accompanying Notes to Financial Statements.

ULUGAN RESOURCES HOLDINGS, INC.
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information and Status of Operations

Ulugan Resources Holdings, Inc. (the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on June 23, 2005 for the purpose of generally dealing in and with personal properties and securities of every kind and description of any government, municipality, political subdivision or agency, corporation, association or entity; exercising any and all interest in respect of any of such securities; and promoting, managing, and participating in and act as agent for the purchase and sale of any securities as may be allowed by law.

The Company is seventy percent (70%) owned by Atlas Consolidated Mining and Development Corporation (ACMDC) and thirty percent (30%) owned by Toledo Mining Corporation (TMC). The Company's ultimate parent is ACMDC.

The registered office address of the Company is 7th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City.

As at December 31, 2012, the Company has not yet started commercial operation.

The financial statements of the Company as at and for the years ended December 31, 2012 and 2011 were authorized for issuance by the Company's Board of Directors (BOD) on March 22, 2013.

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

Basis of Preparation
The Company's financial statements have been prepared on a historical cost basis and are presented in Philippine peso, which is the Company's functional and presentation currency. All values are rounded to the nearest peso.

Statement of Compliance
The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). The Company has availed the exemption provided by the SEC for the mandatory adoption of the PFRS for Small and Medium-sized Entities since its ultimate parent, ACMDC is reporting under full PFRS.

The Company elected not to prepare consolidated financial statements under the exemptions provided under Philippine Accounting Standards (PAS) 27, *Consolidated and Separate Financial Statements*. ACMDC, a company organized in the Philippines, prepares the group's consolidated financial statements which are in accordance with PFRS and may be obtained at 7th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to previously issued PAS and PFRS which became effective on January 1, 2012:

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets (Amendments)*, effective for annual periods beginning on or after January 1, 2012, with earlier application permitted; and

- PAS 12, *Income Taxes - Deferred Tax: Recovery of Underlying Assets (Amendments)*, effective for annual periods beginning on or after January 1, 2012, with earlier application permitted.

The adoption of the new and amended standards and interpretations above do not have an impact on the accounting policies, financial position or performance of the Company.

Future Changes in Accounting Policies
The Company did not early adopt the following standards and Philippine Interpretations that will become effective subsequent to December 31, 2012:

Effective in 2013:

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

  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

  The amendments are to be retrospectively applied and are effective for annual periods beginning on or after January 1, 2013. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaces the portion of PAS 27, *Separate and Consolidated Financial Statements*, which addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The standard becomes effective for annual periods beginning on or after January 1, 2013. The adoption of PFRS 10 has no impact on the Company's financial position or performance as the Company does not present consolidated financial statements.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaces PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The standard becomes effective for annual periods beginning on or after January 1, 2013. The adoption of PFRS 11 has no impact on the Company's financial position or performance since it has no joint arrangements.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 includes all of the disclosures related to consolidated financial statements that were previously in PAS 27, as well as all the disclosures that were previously included in PAS 31 and PAS 28, *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The standard becomes effective for annual periods beginning on or after January 1, 2013. The revised and additional disclosures provided by the amendments will be included in the financial statements when these are adopted in the future, if applicable.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. This standard should be applied prospectively as of the beginning of the annual period in which it is initially applied. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13.

  The standard becomes effective for annual periods beginning on or after January 1, 2013. The Company does not anticipate that the adoption of this standard will have a significant impact on its financial position and performance.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (Amendments)*
  The amendments to PAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that can be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Company's financial position or performance. The amendments become effective for annual periods beginning on or after July 1, 2012.

- PAS 19, *Employee Benefits (Revised)*
  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk. The amendments become effective for annual periods beginning on or after January 1, 2013. Since the Company has not yet started commercial operations as at December 31, 2012, the Company does not have a retirement plan covering its employees. Thus, the amendments to PAS 19 have no impact on the Company's financial position and performance.

- PAS 27, *Separate Financial Statements (as revised in 2011)*
  As a consequence of the issuance of the new PFRS 10, *Consolidated Financial Statements*, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The adoption of the amended PAS 27 will not have a significant impact on the Company's financial postion and performance since the Company does not present separate financial statements.

- PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*
  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after January 1, 2013. The Company has no investments in associates and joint ventures and therefore, does not expect these amendments to have an impact on its financial performance or position.

- Philippine Interpretation IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. The interpretation is effective for annual periods beginning on or after January 1, 2013. This new interpretation is not applicable to the Company as it is not engaged in mining operations.

Effective in 2014:

- PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*
  The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Company's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

Effective in 2015:

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39, *Financial Instruments: Recognition and Measurement*. Work on impairment of financial instruments and hedge accounting is still ongoing, with a view to replacing PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward into PFRS 9, including the embedded derivative separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have no impact on the Company's classification and measurement of financial assets and liabilities.

  PFRS 9 is effective for annual periods beginning on or after January 1, 2015.

To Be Determined:

- Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the Company's financial position or performance as the Company is not engaged in construction of real estate.

<u>Annual Improvements to PFRSs (2009-2011 cycle)</u>
The Annual Improvements to PFRSs (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively. Earlier application is permitted.

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

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

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

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

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

Summary of Significant Accounting Policies

Presentation of Financial Statements
The Company has elected to present all items of recognized income and expenses in one single statement of comprehensive income.

Financial Instruments
Date of Recognition
Financial instruments are recognized in the Company's statement of financial position when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date (i.e., the date that the Company commits to purchase or sell the asset).

Initial Recognition and Measurement of Financial Instruments
The Company determines the classification of financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at every end of the financial reporting period.

Financial instruments are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss (FVPL).

Financial Assets
Financial assets within the scope of PAS 39 are classified as at FVPL, loans and receivables, available-for-sale (AFS) investments, held-to-maturity (HTM) investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market.

The Company's financial assets are in the nature of loans and receivables. The Company has no financial assets classified as at FVPL, AFS investments, HTM investments and derivatives designated as hedging instruments in an effective hedge as at December 31, 2012 and 2011.

Financial Liabilities
Financial liabilities within the scope of PAS 39 are classified as at FVPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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.

The Company's financial liabilities are in the nature of loans and borrowings. The Company has no financial liabilities classified as at FVPL or as derivatives designated as hedging instruments in an effective hedge as at December 31, 2012 and 2011.

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

Loans and Receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as "financial assets held for trading", designated as "AFS investments" or "financial assets designated at FVPL". After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less any allowance for impairment, in the statement of financial position. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognized in the statement of comprehensive income when the loans are derecognized or impaired, as well as through amortization process.

Loans and receivables are included in current assets if maturity is within twelve (12) months from the end of the financial reporting period or within the Company's operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

As at December 31, 2012 and 2011, the Company's loans and receivables pertain only to cash with bank, which is classified under current asset.

Loans and Borrowings
This category pertains to financial liabilities that are not held for trading, not derivatives, or not designated as at FVPL upon the inception of the liability. These financial liabilities are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization or accretion for any related premium, discount and any directly attributable transaction cost. Gains and losses are recognized in the statement of comprehensive income when the loans are derecognized or impaired, as well as through amortization process.

Loans and borrowings are included under current liabilities if it will be settled within 12 months after the end of the financial reporting period or within the Company's operating cycle, whichever is longer. Otherwise, these are classified as noncurrent liabilities.

As at December 31, 2012 and 2011, the Company's loans and borrowings pertain to accrued expenses and amounts owed to related parties, which are classified under current liabilities.

Determination of Fair Values of Financial Instruments
The fair value of financial instruments that are traded in active markets at each end of the financial reporting period is determined by reference to quoted market prices or dealer price quotations, bid price for long positions and ask price for short positions, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

The Company uses hierarchy below in determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 - Quoted prices in active markets for identical asset or liability;

- Level 2 - Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

- Level 3 - Those with inputs for asset or liability that are not based on observable market data (unobservable inputs).

When fair values of listed equity and debt securities as well as publicly traded derivatives at the end of the financial reporting period are based on quoted market prices or binding dealer price quotations without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy.

For all other financial instruments, fair value is determined using valuation technique. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models and other relevant valuation model. For these financial instruments, inputs into models are market observable and are therefore included within Level 2.

Instruments included in Level 3 include those for which there is currently no active market.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 9.

Offsetting of Financial Instruments
Financial assets and liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and the liability simultaneously.

Impairment of Financial Asset
The Company assesses at each end of the financial reporting period whether there is objective evidence that a specific financial asset or group of financial assets may be impaired.

The Company first assesses whether objective evidence of impairment, such as aging analysis and status of counterparty, exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. The factors in determining whether objective evidence of impairment exist include, but are not limited to, the length of the Company's relationship with debtors, their payment behavior and known market factors. Evidence of impairment may also include indications that the borrowers is experiencing significant difficulty, default and delinquency in 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.

Derecognition of Financial Instruments
Financial Asset
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 Company 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 Company 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.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognized to the extent of the Company'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 Company could be required to repay.

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 amounts is recognized in the statement of comprehensive income.

Investments in Subsidiaries
Investments in subsidiaries are accounted for at cost, in accordance with PAS 27, *Consolidated and Separate Financial Statements*. Cost is determined as the fair value of consideration that the Company has paid for its interest in subsidiary. A subsidiary is an entity that is controlled by the Company. The investments are carried in the statement of financial position at cost less any impairment in value.

Subsidiaries	Nature of Business	Status of Operation	Place of Incorporation	Ownership 2012	Ownership 2011
Nickeline Resources Holdings, Inc. (NRHI)	Holding Company	Preoperating	Philippines	60%	60%
Ulugan Nickel Corporation (UNC)	Mining	Preoperating	Philippines	60%	60%

Impairment of Investments in Subsidiaries
The Company determines at each end of the financial reporting period whether there is any objective evidence that the investments in subsidiaries are impaired. If this is the case, the Company calculates the amount of impairment being the difference between the fair value of the investments and the acquisition cost and recognize the amount in the Company's statement of comprehensive income.

Capital Stock
Common shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds. The excess of proceeds from issuance of shares over the par value of the shares are credited to share premium.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When retained earnings account has a debit balance, it is called "Deficit". A deficit is not an asset but deduction from equity.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when payments are being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. Interest income is recognized as interest accrues using the EIR, that is, the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Expenses

Expenses are decreases in economic benefits during the year in the form of outflows or decrease of assets or incurrence of liabilities that result in increase in deficit. Expenses are recognized in the statement of comprehensive income in the period these are incurred.

Income Taxes

Current Income Tax

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

Deferred Income Tax

Deferred income tax is provided using the liability method on temporary differences at the end of each financial reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused 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 of unused tax credits and unused NOLCO can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and sufficient future taxable profits will be available against which the temporary differences can be utilized.

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

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

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statements of comprehensive income.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and 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.

Contingencies
Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Events after the End of the Financial Reporting Period
Post year-end events that provide additional information about the Company's position at the end of the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in compliance with full PFRS requires the Company to make judgments, estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. The estimates and assumptions used in the financial statements are based upon management evaluation of relevant facts and circumstances as at the date of the Company's financial statements. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments, estimates and assumptions 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 the estimates.

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

Determining Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. It is the currency of the primary economic environment in which the Company operates and the currency that mainly influences the income and expenses of the Company.

Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are discussed below.

Estimating Impairment of Investments in Subsidiaries
PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the fair value of investments in subsidiaries, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such asset, requires the Company to make estimates and assumptions that can materially affect its financial statements. Future events could cause the Company to conclude that the investment is impaired. Any resulting impairment loss could have a material adverse impact on the statement of financial position and statement of comprehensive income. There are no impairment losses recognized in 2012 and 2011 since the recoverable amount of investment is higher than its cost.

Assessing the Realizability of Deferred Income Tax Assets
The Company reviews the carrying amounts of deferred income tax assets at each end of the financial reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. The Company has NOLCO amounting to ₱299,146 and ₱325,062 as at December 31, 2012 and 2011, respectively, for which no deferred income tax asset has been recognized because management believes that the carryforward benefit would not be realized in the future prior to its expiration (see Note 6).

Estimating Fair Values of Financial Instruments
Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Any change in the fair value of these financial instruments would directly affect the statement of income and statement of changes in equity.

Fair values of financial assets as at December 31, 2012 and 2011 amounted to ₱2,566,302 and ₱2,566,123, respectively, while the fair values of the financial liabilities as at December 31, 2012 and 2011 amounted to ₱4,204,457 and ₱4,104,414, respectively (see Note 9).

4. **Investments in Subsidiaries** - at cost

NRHI	₱1,500,000
UNC	1,500,000
	₱3,000,000

The summarized financial information of the Company's subsidiaries follows:

	NRHI		UNC	
	2012	2011	**2012**	2011
Total assets	**₱113,125,888**	₱113,126,838	**₱30,482,017**	₱12,208,932
Total liabilities	**111,028,741**	110,940,181	**33,686,350**	15,209,650
Interest income	**–**	–	**113**	116
Total comprehensive loss	**89,510**	88,274	**203,615**	162,343

5. **Related Party Transactions**

Parties are considered to be related if one party has the ability to directly or indirectly, control or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant stakeholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Company where those parties are individuals or any entities that is a related party of the Company.

Below is the summary of amounts owed to related parties as at December 31, 2012 and 2011:

2012

Related Parties	**Relationship**	**Amount**	**Outstanding Balance**	**Terms**	**Conditions**
Amounts owed to:					
ACMDC	**Parent**	**₱–**	**₱3,006,106**	**Payable on demand, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
Berong Nickel Corporation (BNC)	**Under common control of a shareholder**	**98,228**	**730,763**	**Payable on demand, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
TMC	**Shareholder**	**–**	**358,492**	**Payable on demand, interest–free and settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
UNC	**Subsidiary**	**6,415**	**24,096**	**Payable on demand, interest–free settlement occurs in cash**	**Unsecured, no guaranty, no impairment**
		₱104,643	**₱4,119,457**		

2011

Related Parties	Relationship	Amount	Outstanding Balance	Terms	Conditions
Amounts owed to:					
ACMDC	Parent	₱–	₱3,006,106	Payable on demand, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
BNC	Under common control of a shareholder	92,346	632,535	Payable on demand, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment

(Forward)

2011					
Related Parties	Relationship	Amount	Outstanding Balance	Terms	Conditions
TMC	Shareholder	₱–	₱358,492	Payable on demand, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
UNC	Subsidiary	4,170	17,681	Payable on demand, interest–free and settlement occurs in cash	Unsecured, no guaranty, no impairment
		₱96,516	₱4,014,814		

As at December 31, 2012 and 2011, amounts owed to related parties represents advances received to be used for the Company's business operations. It also pertains to various expenses paid on behalf of the Company. The fees charged by related parties are made at normal market prices.

The Company has no key management personnel. The Company's financial and administrative functions are being handled by employees of TMM Management, Inc., a company under common control of a stockholder, and BNC.

6. **Income Taxes**

The Company has no provision for current income tax in 2012 and 2011 due to its gross and net taxable loss position.

The reconciliation between the tax loss computed at the statutory income tax rate and the provision for income tax as shown in the statement of comprehensive income follows:

	2012	2011
Tax loss at statutory rate	**(₱29,959)**	(₱30,104)
Add (deduct) tax effects of:		
Expired NOLCO	**38,073**	45,383
Change in unrecognized deferred income tax asset	**(7,775)**	(14,658)
Interest income subjected to final tax	**(339)**	(621)
	₱–	₱–

The Company did not recognized deferred income tax asset on temporary difference pertaining to NOLCO amounting to ₱299,146 and ₱325,062 as at December 31, 2012 and 2011 because management believes that the carry forward benefits would not be realized in the future prior to its expiration.

Movement in NOLCO follows:

	2012	2011
Balances at beginning of year	**₱325,062**	₱373,924
Additions	**100,994**	102,416
Expirations	**(126,910)**	(151,278)
Balances at end of year	**₱299,146**	₱325,062

As at December 31, 2012, the Company's NOLCO that can be claimed against regular corporate income tax follows:

Year Incurred	Expiry Date	Amount
2010	2013	₱95,736
2011	2014	102,416
2012	2015	100,994
		₱299,146

The Company did not avail of the Optional Standard Deduction in 2012 and 2011.

7. Financial Risk Management Objectives and Policies

The Company's principal financial instrument consists of amounts owed to related parties. The main purpose of this financial instrument is to fund the Company's operations. The Company's other financial instruments are cash with bank and accrued expenses which arise directly from its operations.

The main risks arising from the use of financial instruments are liquidity risk and credit risk. The Company's BOD reviews and adopts policies for managing each of these risks and they are summarized below.

Liquidity Risk
Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments. The Company's BOD reviews and agrees on policies for managing this risk. The Company's objective is to maintain a continuity of funding and flexibility. The policy is to first exhaust lines available with related parties before credit lines with banks are availed of.

The Company's financial liabilities which are payable on demand are amounts owed to related parties and accrued expenses amounting to ₱4,119,457 and ₱85,000, respectively, as at December 31, 2012, and ₱4,014,814 and ₱89,600, respectively, as at December 31, 2011.

Cash amounting to ₱2,566,302 and ₱2,566,123 as at December 31, 2012 and 2011, respectively, maybe used to meet the Company's liquidity need.

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 counterparties to fulfill their obligations on maturity dates or due to adverse market conditions.

Credit risk on cash with bank arises from default of the counterparty, with a maximum exposure equal to the carrying amount of this instrument. The Company's gross maximum exposure to credit risk is equivalent to its carrying value since there are no collateral agreements for this financial asset.

Cash with bank is assessed as high grade since it is deposited in a reputable bank duly approved by the BOD.

8. Capital Management Objectives and Policies

The primary objective of the Company's capital management is to ensure that the Company has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. The Company considers equity as capital which amounted to ₱1,361,845 and ₱1,461,709 as at December 31, 2012 and 2011, respectively

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may obtain additional advances from stockholders, return capital to shareholders or issue new shares. The Company is not subject to externally imposed capital restrictions. No changes were made in the objectives, policies or processes in 2012 and 2011.

9. Financial Instruments

Fair Value Information and Categories of Financial Instruments

The table below presents a comparison by category and class of carrying amounts and fair values of the Company's financial asset and liabilities as at December 31, 2012 and 2011:

	Carrying Amounts		**Fair Values**	
	2012	2011	**2012**	2011
Financial Asset				
Loans and receivables:				
Cash with bank	**₱2,566,302**	₱2,566,123	**₱2,566,302**	₱2,566,123
Financial Liabilities				
Loans and borrowings:				
Accrued expenses	**₱85,000**	₱89,600	**₱85,000**	₱89,600
Amounts owed to related parties	**4,119,457**	4,014,814	**4,119,457**	4,014,814
	₱4,204,457	₱4,104,414	**₱4,204,457**	₱4,104,414

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash

The carrying amount of cash approximates its fair value due to the short-term nature of this financial instrument.

Accrued Expenses and Amounts Owed to Related Parties

The carrying amounts of accrued expenses and amounts owed to related parties approximate their fair values due to the short-term nature of these financial instruments.

10. Supplementary Information Required Under Revenue Regulations (RR) No. 19-2011

On December 9, 2011, the Bureau of Internal Revenue (BIR) issued RR No. 19-2011 prescribing the new income tax forms to be used effective calendar year 2011. In the case of corporations using BIR Form 1702, the taxpayer is now required to include as part of its notes to the audited financial statements, which will be attached to the income tax return, schedules and information on taxable income and deductions taken.

The Company filed and claimed the following expenses as allowable itemized deductions in their annual income tax return for the year:

Professional fees	₱94,828
Taxes and licenses	5,216
Others	950
	₱100,994

11. Supplementary Information Required Under RR No. 15-2010

On November 25, 2010, the BIR has issued RR No. 15-2010 prescribing the manner of compliance in connection with the preparation and submission of financial statements accompanying the tax returns. It includes provisions for additional disclosure requirements in the notes to the financial statements, particularly on taxes, duties and license fees paid or accrued during the year.

In 2012, the components of "Taxes and license fees" recognized in the statement of comprehensive income follows:

Business permit	₱4,716
BIR annual registration fee	500
	₱5,216

Accrued withholding taxes on compensation amounted to nil as at December 31, 2012.

There were no output taxes declared nor input taxes claimed during the year ended December 31, 2012. The Company has no locally produced or imported excisable item, landed cost of imports, custom duties and tariff fees paid or accrued as at December 31, 2012. There has been no payment of any documentary stamp tax on loan instruments, shares of stock and other transactions subject thereto during the year ended December 31, 2012. There were no deficiency tax assessments, tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR.

SyCip Gorres Velayo & Co.
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www.sgv.com.ph

BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

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

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, 2012 and 2011 for each of the three years in the period ended December 31, 2012 included in their form 17-A and have issued our report thereon dated March 8, 2013. Our audits were made for the purpose of forming an opinion on the basic 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 Group's management. These schedules are presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic 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 financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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
Schedule of All Effective Standards and Interpretations
December 31, 2012

List of Philippine Financial Reporting Standards (PFRS), which consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) interpretations, effective as of December 31, 2012:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		**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	Not Applicable
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	Not Applicable
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	Not Applicable
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	Not Applicable
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	Not Applicable
	Amendments to PFRS 1: Government Loans	Not Applicable
PFRS 2	Share-based Payment	Adopted
	Amendments to PFRS 2: Vesting Conditions and Cancellations	Adopted
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	Not Applicable
PFRS 3 (Revised)	Business Combinations	Adopted
PFRS 4	Insurance Contracts	Not Applicable
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	Not Applicable
PFRS 6	Exploration for and Evaluation of Mineral Resources	Adopted
PFRS 7	Financial Instruments: Disclosures	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	Adopted
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	Adopted
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	Adopted
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	Adopted
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Adopted
PFRS 8	Operating Segments	Adopted

Atlas Consolidated Mining and Development Corporation
Schedule of All Effective Standards and Interpretations
December 31, 2012

List of Philippine Financial Reporting Standards (PFRS), which consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) interpretations, effective as of December 31, 2012:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		**Adopted / Not adopted / Not applicable**
PFRS 9*	Financial Instruments	Not Applicable
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not Applicable
PFRS 10*	Consolidated Financial Statements	Adopted
PFRS 11*	Joint Arrangements	Adopted
PFRS 12*	Disclosure of Interests in Other Entities	Adopted
PFRS 13*	Fair Value Measurement	Not Applicable
Philippine Accounting Standards		
PAS 1 (Revised)	Presentation of Financial Statements	Adopted
	Amendment to PAS 1: Capital Disclosures	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Adopted
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	Adopted
PAS 2	Inventories	Adopted
PAS 7	Statement of Cash Flows	Adopted
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	Adopted
PAS 10	Events after the **Reporting Period**	Adopted
PAS 11	Construction Contracts	Not Applicable
PAS 12	Income Taxes	Adopted
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	Not Applicable
PAS 16	Property, Plant and Equipment	Adopted
PAS 17	Leases	Adopted
PAS 18	Revenue	Adopted
PAS 19	Employee Benefits	Adopted
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	Adopted
PAS 19 (Amended)*	Employee Benefits	Adopted
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Not Applicable
PAS 21	The Effects of Changes in Foreign Exchange Rates	Adopted
	Amendment: Net Investment in a Foreign Operation	Not Applicable
PAS 23 (Revised)	Borrowing Costs	Adopted
PAS 24 (Revised)	Related Party Disclosures	Adopted
PAS 26	Accounting and Reporting by Retirement Benefit Plans	Not Applicable

Atlas Consolidated Mining and Development Corporation
Schedule of All Effective Standards and Interpretations
December 31, 2012

List of Philippine Financial Reporting Standards (PFRS), which consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) interpretations, effective as of December 31, 2012:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		**Adopted / Not adopted / Not applicable**
PAS 27	**Consolidated and Separate Financial Statements**	Adopted
PAS 27 (Amended)*	Separate Financial Statements	Not Applicable
PAS 28	**Investments in Associates**	Adopted
PAS 28 (Amended)*	Investments in Associates and Joint Ventures	Not Applicable
PAS 29	Financial Reporting in Hyperinflationary Economies	Not Applicable
PAS 31	Interests in Joint Ventures	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	Adopted
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	Adopted
	Amendment to PAS 32: Classification of Rights Issues	Adopted
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	Adopted
PAS 33	Earnings per Share	Adopted
PAS 34	Interim Financial Reporting	Adopted
PAS 36	Impairment of Assets	Adopted
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	Adopted
PAS 38	Intangible Assets	Adopted
PAS 39	Financial Instruments: Recognition and Measurement	Adopted
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	Adopted
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	Adopted
	Amendments to PAS 39: The Fair Value Option	Adopted
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	Adopted
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	Adopted
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	Adopted
	Amendment to PAS 39: Eligible Hedged Items	Adopted
PAS 40	Investment Property	Not Applicable
PAS 41	Agriculture	Not Applicable
Philippine Interpretations		
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	Adopted
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments	Not Applicable
IFRIC 4	Determining Whether an Arrangement Contains a Lease	Adopted
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	Adopted
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	Not Applicable

Atlas Consolidated Mining and Development Corporation
Schedule of All Effective Standards and Interpretations
December 31, 2012

List of Philippine Financial Reporting Standards (PFRS), which consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) interpretations, effective as of December 31, 2012:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		**Adopted / Not adopted / Not applicable**
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies	Not Applicable
IFRIC 8	*Scope of PFRS 2*	Adopted
IFRIC 9	Reassessment of Embedded Derivatives	Adopted
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	Adopted
IFRIC 10	*Interim Financial Reporting and Impairment*	Adopted
IFRIC 11	PFRS 2- Group and Treasury Share Transactions	Not Applicable
IFRIC 12	Service Concession Arrangements	Not Applicable
IFRIC 13	Customer Loyalty Programmes	Not Applicable
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Not Applicable
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	Not Applicable
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	Not Applicable
IFRIC 17	Distributions of Non-cash Assets to Owners	Not Applicable
IFRIC 18	Transfers of Assets from Customers	Not Applicable
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Adopted
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Adopted
SIC-7	Introduction of the Euro	Not Applicable
SIC-10	Government Assistance - No Specific Relation to Operating Activities	Not Applicable
SIC-12	Consolidation - Special Purpose Entities	Not Applicable
	Amendment to SIC - 12: Scope of SIC 12	Not Applicable
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers	Not Applicable
SIC-15	Operating Leases - Incentives	Not Applicable
SIC-21	Income Taxes – Recovery of Revalued Non-Depreciable Assets	Not Applicable
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	Not Applicable
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	Not Applicable
SIC-29	Service Concession Arrangements: Disclosures.	Not Applicable
SIC-31	Revenue - Barter Transactions Involving Advertising Services	Not Applicable
SIC-32	Intangible Assets - Web Site Costs	Not Applicable

Atlas Consolidated Mining and Development Corporation
December 31, 2012
(Pesos in Thousands)

Schedule A. Financial Assets

Name of the issuing entity and association of each issue	Amount shown in balance sheet	Valued based on market quotation at end of reporting period
Loans and receivables:		
Cash and cash equivalents	654,788	654,788
Short-term investments	4,982,395	4,982,395
Receivables	1,582,993	1,582,993
Derivative asset at FVPL	-	-
AFS financial asset	4,896	4,896
TOTAL	**7,225,072**	**7,225,072**

Atlas Consolidated Mining and Development Corporation
December 31, 2012
(Pesos in Thousands)

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)

Name and Designation	Beginning Balance	Additions	Deductions		Current	Non-Current	Ending Balance
			Amount Collected	Amount Written-Off			
Josue P. Bordon - AVP - Admin	109	–	-	109	–	-	-
TOTAL	**109**	**–**	**-**	**109**	**–**	**-**	**-**

* See accompanying Notes to Consolidated Financial Statements

Atlas Consolidated Mining and Development Corporation
December 31, 2012
(Pesos in Thousands)

Schedule C. Amounts Receivable from related parties which are eliminated during the consolidation of financial statements

Name and designation of debtor	Balance of beginning of period	Additions	Amounts Collected	Amounts written off	Current	Not current	Balance at end of period
Atlas Exploration, Inc.	100,480,763	4,897,344			105,378,107		105,378,107
AquAtlas, Inc.	30,979,912	356,477			31,336,389		31,336,389
Carmen Copper Corporation	880,883,152		(860,953,119)		19,930,033		19,930,033
Berong Nickel Corporation	109,500,199		(7,077,159)		102,423,040		102,423,040
TMM Management, Inc.	-				-		-
Ulugan Nickel Corporation	597,251	18,492,500			19,089,751		19,089,751
Nickeline Resources Holdings, Inc.	1,542,434	91,961			1,634,395		1,634,395
Ulugan Resources Holding, Inc.	3,656,322	104,643			3,760,965		3,760,965
TOTAL	**1,127,640,033**	**23,942,925**	**(868,030,278)**	**-**	**283,552,680**	**-**	**283,552,680**

Atlas Consolidated Mining and Development Corporation
December 31, 2012
(Pesos in Thousands)

Schedule D. Intangible Assets - Other Assets

Description	Beginning Balance	Additions at cost	Charged to expenses	Charged to other accounts	Other changes additions (deductions)	Ending Balance
Goodwill	25,987,065	-	-	(6,960,946)	-	19,026,119
Mining Rights	-	9,944,209	(460,554)	-	8,261	9,491,916
Total	25,987,065	9,944,209	(460,554)	(6,960,946)	8,261	28,518,035

Atlas Consolidated Mining and Development Corporation
December 31, 2012
(Pesos in Thousands)

Schedule E. Long Term Debt

Title of Issue and type of obligation	Amount shown under long term debt in related balance sheet
Bonds Payable	11,993,727
USD75 million BDO loan	2,701,760
BDO Leasing	916,765
MBTC and ORIX	7,935
FLSmidth Krebs Pacific	35,303
Atlas Copco Customer Finance AB	33,725
Total	**15,689,215**
Current portion	(1,215,793)
Non-current portion	**14,473,422**

Atlas Consolidated Mining and Development Corporation
December 31, 2012
(Pesos in Thousands)

Schedule F. Schedule of Indebtedness to Related Parties

Name of related party	Balance of beginning of period	Balance at end of period
Toledo Mining Corporation	458,453	321,338
Alakor Corporation	-	3,016
The Philodrill Corporation**	73,247	-
TOTAL	**531,700**	**324,354**

**There were no sales and purchases to or from related parties as of December 31, 2012 and 2011.*

***A portion of the payable to Alakor amounting to PhP21,986 that was accrued in 2010 as interest payable is presented on the consolidated statements of financial position as part of Accounts payable and accrued expenses.*

Atlas Consolidated Mining and Development Corporation
December 31, 2012

Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Name of guarantee

- Not applicable -

Atlas Consolidated Mining and Development Corporation
December 31, 2012
(Pesos and Shares in Thousands)

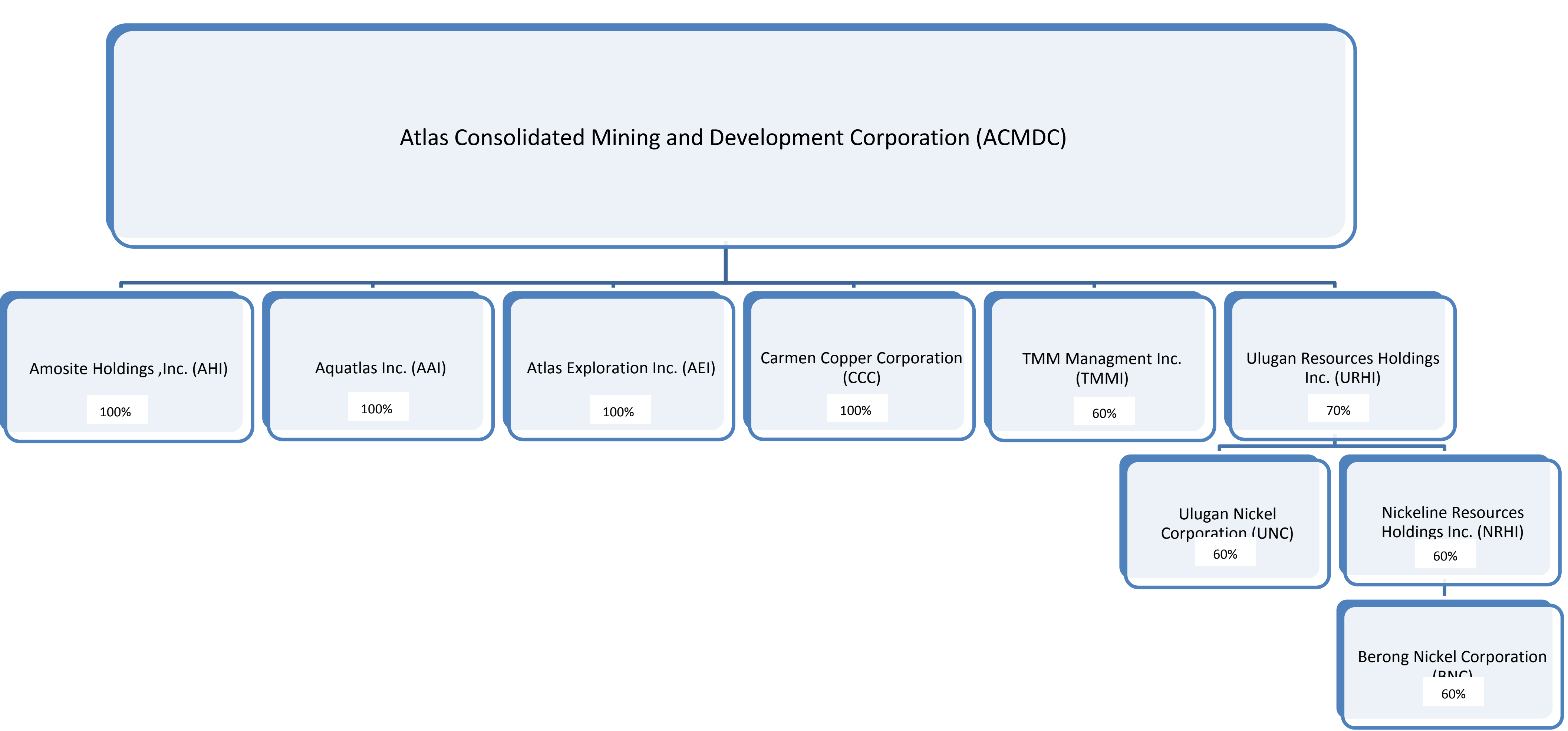
Schedule H. Capital Stock

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
Common shares	**24,000,000**	**2,074,367**	50,000	202,556	593,388	1,228,423

* See accompanying Notes to Consolidated Financial Statements

Atlas Consolidated Mining and Development Corporation
December 31, 2012

Schedule I. Conglomerate Map of the Parent Company and its Subsidiaries



Atlas Consolidated Mining and Development Corporation
December 31, 2012
(Pesos in Thousands)

Schedule J. Reconciliation of Retained Earnings Available for Dividend Declaration

Retained Earnings (Deficit), beginning	(12,722,320)
Effect of Equity Restructuring	12,723,188
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	868
Add: Net Income actually earned/realized during the period	
Net Income during the period closed to Retained Earnings	1,151,418
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 and Cash Equivalents) Unrealized actuarial gain	185,254
Fair value adjustment (M2M 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 the PFRS	-
	185,254
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP-loss	-
Loss on fair value adjustment on investment property (after tax)	-
	-
Net Income actually earned during the period	**967,032**
Add/(Less):	
Dividend declarations during the period	-
Appropriations of Retained Earnings during the period	-
Reversals of appropriations	-
Effects of prior period adjustments	-
Treasury shares	-
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND	**967,032**

Atlas Consolidated Mining and Development Corporation
(in thousands)

Schedule K. Horizontal Analysis and Vertical Analyses of Accounts in the Statements of Financial Position

				Horizontal Analysis				Vertical Analysis			
				2012 vs 2011		2011 vs 2010		**2012**	2011	2010	
	12/31/2012	12/31/2011	12/31/2010	**Increase/ (Decrease)**	**% of change**	Increase/ (Decrease)	% of change	**% of assets**	% of assets	% of assets	Remarks
ASSETS											
Current Assets											
Cash and cash equivalents	**654,788**	354,458	230,963	**300,330**	**85%**	123,495	53%	**1%**	1%	5%	The increase is attributable to the rise in revenues and collected receivables.
Short-term investments	**4,982,395**	864,585		**4,117,810**	**476%**	864,585	0%	**9%**	2%	0%	The increase pertains to CCC's investment in short-term money market placements from the proceeds of its bond issue.
Receivable - net	**1,582,993**	563,231	1,062,219	**1,019,762**	**181%**	(498,988)	-47%	**3%**	1%	22%	Rise in the account is mainly a consequence of unpaid copper concentrates deliveries.
Derivative assets	**-**	477,573		**(477,573)**	**-100%**	477,573	0%	**0%**	1%	0%	The decrease is attributable to a) the freestanding commodity put options as of December 31, 2011 which matured in 2012, and b) the reversal of the derivative asset arising from the early settlement of the US$140 million loan facility obtained by CCC from BDO Unibank, Inc.
Inventories - net	**1,032,056**	1,111,241	105,675	**(79,185)**	**-7%**	1,005,566	952%	**2%**	2%	2%	Increase in current year's number of shipments resulted to decrease in stockpiled mine products at year end.
Other current assets	**1,169,119**	497,691	18,012	**671,428**	**135%**	479,679	2663%	**2%**	1%	0%	The increase is due to advance payments made to suppliers.
Total Current Assets	**9,421,351**	3,868,779	1,416,869	**5,552,572**	**144%**	2,451,910	173%	**16%**	8%	29%	

Atlas Consolidated Mining and Development Corporation
(in thousands)

Schedule K. Horizontal Analysis and Vertical Analyses of Accounts in the Statements of Financial Position

				Horizontal Analysis				Vertical Analysis			
				2012 vs 2011		2011 vs 2010		**2012**	2011	2010	
	12/31/2012	12/31/2011	12/31/2010	**Increase/ (Decrease)**	**% of change**	Increase/ (Decrease)	% of change	**% of assets**	% of assets	% of assets	Remarks
Noncurrent Assets											
Goodwill	**19,026,119**	19,026,119	15,011	**-**	**0%**	19,011,108	126648%	**33%**	39%	0%	This is a result of the final allocation of purchase price on the basis of fair values of CCC's assets and liabilities at the acquisition date.
Property, plant and equipment - net	**18,250,821**	14,164,839	1,005,708	**4,085,982**	**29%**	13,159,131	1308%	**32%**	29%	21%	This is due to increased acquisition by CCC of new machineries and other movable equipment and the leasehold improvements undertaken by Atlas. The increase is also attributable to the capitalization of the cost of rehabilitation and improvement of mine facilities.
Mining Rights	**9,491,916**	9,821,424		**(329,508)**	**-3%**	9,821,424	0%	**16%**	20%	0%	The decrease was due to the amortization of minings rights.
Deferred tax assets	**43,019**	86,963	1,676	**(43,944)**	**-51%**	85,287	0%	**0%**	0%	0%	The decrease was due to the offsetting of deferred tax assets against deferred tax liabilities
Available-for-sale (AFS) financial assets	**4,896**	4,927	4,927	**(31)**	**-1%**	-	0%	**0%**	0%	0%	
Derivative assets	**-**	221,395		**(221,395)**	**-100%**	221,395	0%	**0%**	0%	0%	Same as Derivative assets - current
Investment in an associate			2,259,620							47%	
Other noncurrent assets	**1,674,444**	1,478,154	129,993	**196,290**	**13%**	1,348,161	1037%	**3%**	3%	3%	The is due to input tax credits from the increase in various purchases.
Total Noncurrent Assets	**48,491,215**	44,803,821	3,416,935	**3,687,394**	**8%**	41,386,886	1211%	**84%**	92%	71%	
TOTAL ASSETS	**57,912,566**	48,672,600	4,833,804	**9,239,966**	**19%**	43,838,796	907%	**100%**	100%	100%	

Atlas Consolidated Mining and Development Corporation
(in thousands)

Schedule K. Horizontal Analysis and Vertical Analyses of Accounts in the Statements of Financial Position

				Horizontal Analysis				Vertical Analysis			
				2012 vs 2011		2011 vs 2010		2012	2011	2010	
	12/31/2012	12/31/2011	12/31/2010	Increase/ (Decrease)	% of change	Increase/ (Decrease)	% of change	% of assets	% of assets	% of assets	Remarks
LIABILITIES AND STOCKHOLDERS' EQUITY											
Current Liabilities											
Loans payable	-	5,341,800	-	(5,341,800)	-100%	5,341,800	0%	0%	11%	0%	The decrease represents the effect of the conversion of the loan obligation to SM Investments Corporation into Atlas equity.
Accounts payable and accrued liabilities	2,714,537	3,100,386	1,168,020	(385,849)	-12%	1,932,366	165%	5%	6%	29%	The decrease is due to settlement of trade and non-trade payables.
Current portion of long-term debt and other interest-bearing liabilities	1,585,243	4,298,353		(2,713,110)	-63%	4,298,353	0%	3%	9%	0%	Apart from the reclassification of the current portion of the long-term debt and the restatement of foreign currency denominated loans, the bulk of the decrease was brought about by the prepayment by CCC of its US$140 million loan obligation to BDO Unibank, Inc. using the proceeds of the bond issue.
Payable to related parties	324,354	531,700	561,567	(207,346)	-39%	(29,867)	-5%	1%	1%	14%	The decrease is due to settlement of payables.
Income tax payable	14,648	323	1,286	14,325	4435%	(963)	-75%	0%	0%	0%	Increase in taxable income resulted to the change in payable during the year.
Derivative liabilities	7,590	18,929		(11,339)	-60%	18,929	0%	0%	0%	0%	CCC has no outstanding provisional pricing agreements for its copper sales with MRI Trading AG as of year-end.
Total Current Liabilities	**4,646,372**	13,291,491	1,730,873	**(8,645,119)**	**-65%**	11,560,618	668%	**8%**	27%	43%	
Noncurrent Liabilities											
Long-term debt and other interest-bearing liabilities – net of current portion	14,473,422	5,856,671		8,616,751	147%	5,856,671	0%	25%	12%	0%	Dollar-denominated fixed-rate notes representing US$300 million senior unsecured debt with a tenor of five (5) years and five (5) days.
Retirement benefits liability	180,515	121,974	14,569	58,541	48%	107,405	737%	0%	0%	0%	The increment is attributed to the additional accrual of pension costs.
Liability for mine rehabilitation cost	112,749	96,896	19,129	15,853	16%	77,767	407%	0%	0%	0%	The increase is due to the recognition of CCC's mine closure provision for the year.
Deferred tax liabilities	2,941,243	3,046,910	93,742	(105,667)	-3%	2,953,168	3150%	5%	6%	2%	Same as deferred tax assets
Total Noncurrent Liabilities	**17,707,929**	9,122,451	127,440	**8,585,478**	**94%**	8,995,011	7058%	**31%**	19%	3%	
Total Liabilities	**22,354,301**	22,413,942	1,858,313	**(59,641)**	**0%**	20,555,629	1106%	**39%**	46%	46%	

Atlas Consolidated Mining and Development Corporation
(in thousands)

Schedule K. Horizontal Analysis and Vertical Analyses of Accounts in the Statements of Financial Position

				Horizontal Analysis				Vertical Analysis			
				2012 vs 2011		2011 vs 2010		**2012**	2011	2010	
	12/31/2012	12/31/2011	12/31/2010	**Increase/ (Decrease)**	**% of change**	Increase/ (Decrease)	% of change	**% of assets**	% of assets	% of assets	Remarks
Equity											
Capital stock	**16,594,936**	17,640,530	11,388,139	**(1,045,594)**	**-6%**	6,252,391	55%	**29%**	36%	280%	This is the net effect of reduction in par value and the issuance of Atlas's shares of stock to SMIC, Spinnaker and partial exercise of subscription rights under CSOP.
Additional paid in capital	**3,554**	5,816,306	830,666	**(5,812,752)**	**-100%**	4,985,640	600%	**0%**	12%	20%	The decrease represents the effect of equity restructuring exercise during the year.
Revaluation increment in land	**218,559**	218,559	218,559	**-**	**0%**	-	0%	**0%**	0%	5%	
Unrealized gain on AFS financial assets	**2,160**	1,464	1,464	**696**	**48%**	-	0%	**0%**	0%	0%	This is the fair value adjustment of AFS investments as of year end.
Deposit for future stock subscriptions	**-**	-	3,028,293	**-**	**0%**	(3,028,293)	-100%	**0%**	0%	75%	
Retained earnings (Deficit)	**18,434,748**	2,431,361	(13,354,974)	**16,003,387**	**658%**	15,786,335	-118%	**32%**	5%	-329%	This represents Atlas's share in the total comprehensive income for the year.
Attributable to equity holders of the Parent Company	**35,253,957**	26,108,220	2,112,147	**9,145,737**	**35%**	23,996,073	1136%	**61%**	54%	52%	
Non-controlling interest	**304,308**	150,438	92,984	**153,870**	**102%**	57,454	62%	**1%**	0%	2%	This represents the share of minority holders in the total comprehensive income for the year.
Equity	**35,558,265**	26,258,658	2,205,131	**9,299,607**	**35%**	24,053,527	1091%	**61%**	54%	54%	
TOTAL LIABILITIES AND EQUITY	**57,912,566**	48,672,600	4,063,444	**9,239,966**	**19%**	44,609,156	1098%	**100%**	100%	100%	

Atlas Consolidated Mining and Development Corporation
(in thousands)

Schedule L. Horizontal and Vertical Analyses of Accounts in the Statements of Comprehensive Income

				Horizontal Analysis				Vertical Analysis			
				2012 vs 2011		2011 vs 2010		**2012**	2011	2010	
	12/31/2012	12/31/2011	12/31/2010	**Increase/ (Decrease)**	**% of Change**	Increase/ (Decrease)	% of Change	**% of Sales**	% of Sales	% of Sales	Remarks
INCOME											
Revenue											
Copper	**13,412,754**	4,369,989	-	**9,042,765**	**207%**	4,369,989	0%	**93%**	92%	0%	The increase in copper sales is attributable to higher level of production of Carmen Copper Corporation ("CCC") which offset lower copper prices.
Gold	**905,560**	241,146	-	**664,414**	**276%**	241,146	0%	**6%**	5%	0%	
Silver	**476**	-	-	**476**	**0%**	-	0%	**0%**	0%	0%	
Magnetite	**22,562**	-	-	**22,562**	**0%**	-	0%	**0%**	0%	0%	
Nickel	**1,189,716**	589,652	-	**600,064**	**102%**	589,652	0%	**8%**	12%	0%	The increase in nickel sales is attributable to the turn-around in the commercial operations of Berong Nickel Corporation ("BNC")
Miscellaneous	**8,895**	-	-	**8,895**	**0%**	-	0%	**0%**	0%	0%	This pertains to TMM's service income.
	15,539,963	5,200,787	**-**	**10,339,176**	**199%**	5,200,787	0%	**107%**	109%	0%	
Less: Smelting and related charges	**(1,080,642)**	(425,535)	(14,004)	**(655,107)**	**154%**	(411,531)	2939%	**-7%**	-9%	100%	The increase was due to the improved production of both CCC and BNC
	14,459,321	4,775,252	(14,004)	**9,684,069**	**203%**	4,789,256	-34199%	**100%**	100%	100%	
Fair value gain on previously held interest	**-**	13,788,051	-	**(13,788,051)**	**-100%**	13,788,051	0%	**0%**	289%	0%	carrying value of the investment in CCC as of July 2011. CCC's mine production activities was reflected in 2011 as part of the retroactive application of PFRS 10,11 and 12.
Equity in net earnings of an associate	**-**	1,247,884	300,812	**(1,247,884)**	**-100%**	947,072	315%	**0%**	26%	-2148%	This represents Atlas's share in the total comprehensive income of CCC.

Atlas Consolidated Mining and Development Corporation

(in thousands)

Schedule L. Horizontal and Vertical Analyses of Accounts in the Statements of Comprehensive Income

				Horizontal Analysis				Vertical Analysis			
				2012 vs 2011		2011 vs 2010		**2012**	2011	2010	
	12/31/2012	12/31/2011	12/31/2010	**Increase/ (Decrease)**	**% of Change**	Increase/ (Decrease)	% of Change	**% of Sales**	% of Sales	% of Sales	Remarks
Other income											
Foreign exchange gain	**1,966,512**		122,095	**1,966,512**	**0%**	(122,095)	-100%	**14%**	0%	-872%	The increase is attributable to the appreciation of the Peso against the US Dollar.
Gain on settlement of liability	**519,548**	90,458	-	**429,090**	**474%**	90,458	0%	**4%**	2%	0%	This pertains to settlement of liabilities to TPC and TMC for the current year.
Interest Income	**213,753**	1,296	240	**212,457**	**16393%**	1,056	440%	**1%**	0%	-2%	This mainly pertains to the accrual of interest on short-term money market placements.
Realized gain on derivatives	**-**	218,094	-	**(218,094)**	**-100%**	218,094	0%	**0%**	5%	0%	This pertains to provisional pricing and prepayment option entered into by the Group.
Other income - net	**60,058**	277,627	259,613	**(217,569)**	**-78%**	18,014	7%	**0%**	6%	-1854%	This currently pertains to CCC's income tax benefit, scrap sales and rental income. For the previous years, this was largely royalty income from CCC.
	17,219,192	20,398,662	668,756	**(3,179,470)**	**-16%**	19,729,906	2950%	**119%**	427%	-4775%	

Atlas Consolidated Mining and Development Corporation
(in thousands)

Schedule L. Horizontal and Vertical Analyses of Accounts in the Statements of Comprehensive Income

				Horizontal Analysis				Vertical Analysis			
				2012 vs 2011		2011 vs 2010		2012	2011	2010	
	12/31/2012	12/31/2011	12/31/2010	Increase/ (Decrease)	% of Change	Increase/ (Decrease)	% of Change	% of Sales	% of Sales	% of Sales	Remarks
EXPENSES											
Cost and Expenses											
Mining and milling costs	**(8,678,572)**	(3,395,225)	-	**(5,283,347)**	**156%**	(3,395,225)	0%	**-60%**	-71%	0%	The increase was due to the improved production of both CCC and BNC
General and administrative expenses	**(1,476,891)**	(929,634)	(312,517)	**(547,257)**	**59%**	(617,117)	197%	**-10%**	-19%	2232%	
Mine products taxes	**(307,266)**	(196,421)	-	**(110,845)**	**56%**	(196,421)	0%	**-2%**	-4%	0%	
Other Charges											
Foreign exchange loss	**(1,373,546)**	(199,113)	-	**(1,174,433)**	**590%**	(199,113)	0%	**-9%**	-4%	0%	The increase was due to the fluctuation of exchange rates for each period.
Finance charges	**(1,206,221)**	(237,103)	(387,750)	**(969,118)**	**409%**	150,647	-39%	**-8%**	-5%	2769%	This largely pertains to interest expense from USD300M bond.
Realized loss on derivatives	**(437,608)**	-	(789,478)	**(437,608)**	**0%**	789,478	-100%	**-3%**	0%	5638%	This pertains to provisional pricing and prepayment option entered into by the Group.
Depletion of mining rights	**(329,508)**	(122,785)	-	**(206,723)**	**168%**	(122,785)	0%	**-2%**	-3%	0%	This refers to the depletion of mining rights which started in August 2011.
Unrealized loss on derivatives	**(7,590)**	(351,485)	-	**343,895**	**-98%**	(351,485)	0%	**0%**	-7%	0%	This pertains to provisional pricing and prepayment option entered into by the Group.
Security fee	**-**	-	(32,450)	**-**	**0%**	32,450	-100%	**0%**	0%	232%	
	(13,817,202)	(5,431,766)	(1,522,195)	**(8,385,436)**	**154%**	(3,909,571)	257%	**-96%**	-114%	10870%	
INCOME BEFORE INCOME TAX	**3,401,990**	14,966,896	(853,439)	**(11,564,906)**	**-77%**	15,820,335	-1854%	**24%**	313%	6094%	
BENEFIT FROM (PROVISION FOR) INCOME TA	**32,079**	106,533	4,805	**(74,454)**	**-70%**	101,728	2117%	**0%**	2%	-34%	Pertains to deferred tax liabilities on the depletion of mining rights
NET INCOME (LOSS)	**3,434,069**	15,073,429	(848,634)	**(11,639,360)**	**-77%**	15,922,063	-1876%	**24%**	316%	6060%	
OTHER COMPREHENSIVE INCOME	**696**	-	1,463	**696**	**0%**	(1,463)	-100%	**0%**	0%	-10%	
TOTAL COMPREHENSIVE INCOME (LOSS)	**3,434,765**	15,073,429	(847,171)	**(11,638,664)**	**-77%**	15,920,600	-1879%	**24%**	316%	6049%	

Atlas Consolidated Mining and Development Corporation

Schedule M. Financial Ratios

	Ratio	Formula	2012		2011		2010	
	LIQUIDITY RATIOS							
1	Current ratio	Current Assets	9,421,351	2.03	3,868,779	0.29	1,416,869	0.82
		Current Liabilities	4,646,372		13,291,491		1,730,873	
2	Cash Ratio	Cash & Cash Equivalents	654,788	0.14	354,458	0.03	230,963	0.13
		Current Liabilities	4,646,372		13,291,491		1,730,873	
2	Acid-test ratio	Current assets - Inventory	8,389,295	1.81	2,757,538	0.21	1,311,194	0.76
		Current Liabilities	4,646,372		13,291,491		1,730,873	
	SOLVENCY RATIOS							
3	Debt-to-equity ratio	Total Liabilities	22,354,301	0.63	22,413,942	0.86	1,858,313	0.64
		Equity Attributable to Parent	35,253,957		26,108,220		2,882,507	
4	Debt-to-assets ratio	Total Liabilities	22,354,301	0.39	22,413,942	0.46	1,858,313	0.38
		Total Assets	57,912,566		48,672,600		4,833,804	
5	Asset-to-equity ratio	Total Assets	57,912,566	1.64	48,672,600	1.86	4,833,804	1.68
		Equity Attributable to Parent	35,253,957		26,108,220		2,882,507	
6	Interest rate coverage ratio	EBIT	3,687,304	3.06	2,354,639	9.93	31,422	0.08
		Interest Expense	1,206,221		237,103		387,750	
	PROFITABILITY RATIOS							
7	Return on equity %	Total Comprehensive Income Attributable to Parent	3,280,895	9%	15,015,975	58%	(757,148)	-26%
		Equity Attributable to Parent	35,253,957		26,108,220		2,882,507	
8	Return on sales %	Total Comprehensive Income Attributable to Parent	3,280,895	21%	15,015,975	289%	(757,148)	0%
		Total Revenue	15,539,963		5,200,787		-	
9	Return on assets %	Total Comprehensive Income Attributable to Parent	3,280,895	18%	15,015,975	106%	(757,148)	-75%
		Total Fixed Assets	18,250,821		14,164,839		1,005,708	
9	Net Profit Margin	Total Comprehensive Income Attributable to Parent	3,280,895	21%	15,015,975	289%	(758,611)	0%
		Total Revenue	15,539,963		5,200,787		-	