COVER SHEET

1	1	5	-	P	R	E	W	A	R

S.E.C. Registration Number

ATLAS CONSOLIDATED MINING

AND DEVELOPMENT CORPORATION

(Company's Full Name)

QUAD ALPHA CENTRUM, 125 PIONEER

STREET, MANDALUYONG CITY

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

Fernando A. Rimando

Contact Person

(632) 584-9788

Company Telephone Number

1	2		3	1

Month Day

Fiscal Year

1	7	-	A	

FORM TYPE

Month Day

Annual Meeting

N/A

Secondary License Type, If Applicable

last Wednesday of April

S	E	C

Dept. Requiring this Doc.

IV

Amended Articles Number/Section

Total Amount of Borrowings

21,052

Total No. of Stockholders

₱1,464.5 million

Domestic

$375 million

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, 2013**

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	**2,076,121,170** (as of December 31, 2013)

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, 2013): **PhP9,854,543,029.00**

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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”). Last year, it began delivering copper concentrate to the plant of the Philippine Associated Smelting and Refining Corporation (PASAR) in Isabel, Leyte, and to smelters in Japan by virtue of an offtake contract with Mitsui & Co. Ltd.

While a substantial portion of CCC’s copper production in 2013 were covered by offtake contracts entered into with MRI on account of MRI’s ability to provide the most favorable terms and facilities, CCC is not dependent upon a single counterparty.

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 ore transport t 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.

Competition in the mining industry is not similar to that in the consumer goods industry where competitive advantage can be established through pricing strategies or product presentation. The factors that determine the cost composition of mining operations are largely influenced by macroeconomic conditions that affect mining companies across the board. Moreover, given that the characteristics of the product from mineral processing are determined by nature, the extent to which mining companies can vary the quality of their products is limited. As such, direct competition among domestic enterprises that are engaged in the extraction, processing, and sale of mineral products is not generally prevailing.

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

CCC employs the use of price risk management instruments such as put options to ensure that certain volumes of its production of copper concentrate are sold at prices that are adequate to cover operational cash costs and debt servicing for a defined period. The price risk management policy that is being implemented is based on a strategy that allows CCC to guarantee a floor price for its products without prejudicing its ability to take advantage of an upsurge in prices

The Audit and Risk Management Committee of the Board of Directors of Atlas (the "ARMC") has a clear mandate to (i) examine and evaluate the extent of Atlas's exposure to existing operational, financial, strategic, and compliance risks to determine the plans and policies that must be established to eliminate or mitigate the effects of realized risks; and (iii) direct the formulation and implementation of systems and programs for the effective identification, analysis, monitoring, reporting, and management of all types of risk to which Atlas and its subsidiaries are exposed. The ARMC convenes every month for the purpose of, among others, receiving reports from the Enterprise Risk Management Committee that is composed of members of senior management regarding the execution of risk management policies and programs.

CCC's principal risk exposures pertain to volatility of commodity prices and to uncertainties in the local regulatory environment. .

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

Atlas and CCC has 4,671 employees, of whom 19 are senior executive officers, 751 are junior/mid-level managers, and 3,901 are rank and file. Around 2,746 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 2014.

There has not been any labor dispute in the last three years that was not resolved through mediation and conciliation proceedings before the Department of Labor and Employment.

CCC maintains compliance with the applicable environmental laws, regulations, and orders. This year, the company was able to procure the certificate of approval for the Toledo Mine Site Final Mine Rehabilitation and Decommissioning Plan (FMRDP), and a discharge permit covering the water relief project for the Biga Tailings Storage Facility. As part of its continuing mine rehabilitation program, it also reforested approximately fifty-four (110) hectares of mine-affected and barren waste dump lands within the Biga-Lusong area by planting 150,898 seedlings of various tree species. Moreover, a total of 158,723 seedlings of various tree species were produced for the National Greening Program intended for donation to the host and neighbouring communities, government schools, local government units and non-government organizations. As a result the company was awarded 1st Runner Up for the Metallic Mining Category of the Best Mining Forest Competition during the 2013 Annual PMSEA Convention. For the implementation and maintenance of its Environmental Protection and Enhancement Program (EPEP), CCC incurred costs totaling PhP304,032,928.00 and PhP168,996,040.00 in 2013 an 2012, respectively.

In 2013, Atlas and its subsidiaries spent PhP25,305,008.00, representing 0.18% of consolidated gross revenues, for exploration activities. In 2012, exploration costs amounted to PhP8,931,162.00 or 0.06% of gross revenues.

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).

A. LAND (Real Estate)

Atlas has a total landholding of 3,479.0433 hectares in Toledo City. Of this, 563.8738 hectares are registered in the name of Atlas, while the remaining 2,927.1695 hectares are covered by lease agreements with several individuals and corporate landowners.

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

1. Atlas-owned parcels of land

		No. of Lots	Area (Has.)
1.1	Titled Lands	17	98.0485
1.2	Lands with Tax Declarations	67	465.8253
	Total	**84**	**563.8738**

2. Atlas-managed parcels of land

		No. of Lots	Area (Has.)
2.1	Titled Lands	4	11.3273
2.2	Lands with Tax Declarations	292	2,915.8422
	Total	**296**	**2,927.1695**
	Grand Total	**380**	**3,491.0433**

B. MINERAL PROPERTIES

Atlas is the owner of several mineral properties registered in its name. It also operates several mining claims by virtue of Operating Agreements it signed with the claimowners. These mineral properties are now covered by existing Mineral Production Sharing Agreements (MPSA); Exploration Permit Application (EPA) and Applications for Mineral Production Sharing Agreement (APSA).

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

A. 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 mining operations are ongoing
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 where open mining

							operations are ongoing.
3. MPSA-307-2009-VII	Toledo City, Cebu and City of Naga, Cebu	none	1,274.1270	0	1,274.1270	December 23, 2009	Exploration activities in the area covered by this MPSA are in progress
Sub-total =			**1,939.5263**	**216.9041**	**2,156.4304**		

ii) PENDING MPSA APPLICATIONS

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

iii) EXPLORATION PERMIT APPLICATION

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

B. AGUSAN DEL SUR/SURIGAO DEL SUR

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

C. PALAWAN

i) APPROVED MPSA

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

ii) MPSA APPLICATION

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

iii) EXPLORATION PERMIT APPLICATION

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

						Office	
4. EPA-IVB-061	Palawan	none	810.0000	-	810.0000	Application documents are still under evaluation by the MGB Regional Office	None. For exploration upon approval of EPA
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**

Presented below are the Group's principal mining properties, mills and other materially important properties as at December 31, 2012:

Properties	Location	Developments	Nature of Interest
Parent Company Mining properties:			
Lutopan Mine (includes Lutopan Open Pit and Lutopan Underground Mine-Second Lift)	Toledo City, Cebu	Active mining operation at the Lutopan Open Pit is ongoing.	Mining claims are partly owned by Atlas and partly owned by several claimowners under operating agreement with Atlas, which property is presently operated by CCC, by virtue of operating agreement between Atlas and CCC dated May 5, 2006. The area is now covered by MPSA-264-2008-VII approved by the government on July 9, 2008.
Greater Biga Mine	Toledo City, Cebu	Suspended operations on March 1, 1992	Mining claims are partly owned by Atlas and partly owned by several claimowners under operating agreement with Atlas, which property is presently operated by CCC, by virtue of operating agreement between Atlas and CCC dated May 5, 2006. All these mining claims have been applied with MPSA designated as APSA-000044VII that had been endorsed by MGB Regional Office VII, Cebu to the MGB Central Office Q.C. on January 11, 2008 for final evaluation prior to approval by the DENR Secretary.
Carmen Mine (includes Carmen Pit and Carmen Underground First Lift Project)	Toledo City, Cebu	Carmen Pit is presently in active open pit mining operations	Mining claims are partly owned by Atlas and partly owned by several claimowners under operating agreement with Atlas, which property is presently operated by CCC, by virtue of operating agreement between Atlas and CCC

Properties	Location	Developments	Nature of Interest
			dated May 5, 2006. The area is now covered by MPSA-210-2005-VII (Production) approved by the government on April 28, 2005
Copper Concentrator:			
Carmen Concentrator with a milling capacity of 44,000 metric tons of ore/day	Toledo City, Cebu	Presently in operations and undergoing expansion of its facilities to raise its capacity to 60,000 MTPD	Owned by CCC
Subsidiary:			
Palawan Nickel Project	Quezon, Aborlan and Puerto Princesa City, Palawan	Commercial mining activities are ongoing.	Atlas has acquired or is acquiring all mining rights with MPSA and EPA. TMC and IVK are earning an interest in BMC. Reference is made to item 6.

C. RENTALS

As of December 31, Atlas and its subsidiaries incurred the following rental expenses (in '000):

	2013	**2012**	**2011**
Land	115,288	5,624	6,721
Equipment (Mobilisation/Demobilisation)	378	8,737	400
Equipment (Hauling and Loading)	**-**	201,356	207,972
Others	103,012	17,045	3,313
Total	**218,678**	**232,762**	**218,406**

D. PROJECTED ACQUISITIONS

During the year, Atlas, thru its subsidiary CCC, has acquired 11.2722 hectares of contiguous parcels of land located in Barangay Sigpit, Toledo City, Cebu out of the 131.26 hectares projected for acquisition in 2013. The remaining area of 119.9878 hectares of land is projected to be acquired during the next twelve (12) months.

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 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. . The demand letter was to serve as a Formal Notice of Warrant of Distraint and/or Levy and Garnishment ("WDL") with Notices of Tax Lien on all the properties of Atlas in the event of non-payment.

Hence, on 17 August 2010, Atlas instituted the Petition for Review (the "Petition") 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.

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

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

On 24 April 2013, the stockholders of Atlas convened for their annual general meeting for the year 2013.

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 2012
2. Minutes of the Annual General Stockholders' Meeting held on 22 August 2012
3. Acts and resolutions of the Board of Directors and Management during the period between 22 August 2012 and ending 24 April 2013

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 *(in PhP per share)*:

Period	2014		2013		2012	
	High	Low	High	Low	High	Low
First Quarter	16.82	13.68	23.35	18.70	19.82	16.84
Second Quarter	-	-	22.55	13.40	19.66	17.14
Third Quarter	-	-	15.58	11.70	18.04	16.80
Fourth Quarter	-	-	14.98	11.48	19.50	17.02

The closing price of Atlas shares of stock on 2 April 2014 as quoted by the PSE is PhP14.00 per share.

(2) Holders

As of 31 March 2014, (i) there were a total of 21,024 individuals/entities holding Atlas shares of stock, and (ii) 7.03% of the total issued and outstanding Atlas shares of stock were held by foreigners.

The Top 20 stockholders of Atlas as of 31 March 2014 were:

No.	Name	No. of Shares	%
1	PCD Nominee Corporation	1,410,331,738	67.93%
2	Alakor Corporation	295,850,686	14.25%
3	Anglo Philippine Holdings Corporation	171,450,500	8.26%
4	PCD Nominee Corporation (Non-Filipino)	120,974,991	5.83%
5	National Book Store Inc.	9,203,407	0.44%

6	SM Investments Corporation	9,190,000	0.44%
7	The Bank of Nova Scotia	4,425,254	0.21%
8	Bank of Nova Scotia	2,950,169	0.14%
9	Tytana Corporation	2,562,439	0.12%
10	Merrill Lynch, Pierce Fenner & Smith Safekeeping	2,138,244	0.10%
11	Globalfund Holdings, Inc.	1,787,000	0.09%
12	Metropolitan Bank And Trust Company	1,701,281	0.08%
13	Mitsubishi Metal Corporation	1,680,000	0.08%
14	National Financial Services, Inc.	1,474,233	0.07%
15	Lucio W. Yan &/Or Clara Yan	1,100,000	0.05%
16	Eric U. Lim	1,088,000	0.05%
17	Edwin U. Lim	1,088,000	0.05%
18	Toledo City Government	1,000,000	0.05%
19	Asian Oceanic Holdings Phils., Inc.	972,501	0.05%
20	Donald R. Osborn as trustee w/w/o Andres Soriano	945,677	0.05%
	Total	**2,041,914,120**	**98.35%**
	Total Issued and Outstanding Shares	**2,076,121,170**	

(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 three (3) fiscal years:

Purchaser	Number of Shares Purchased	Date/s of Issuance of Shares	Consideration/Price per share	Basis of Exemption under the Securities Regulation Code
2013				
Optionees under the Comprehensive Stock Option Plan	1,754,190	Various dates	Cash/PhP10.00	Exempted from registration by the SEC
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

Purchaser	Number of Shares Purchased	Date/s of Issuance of Shares	Consideration/Price per share	Basis of Exemption under the Securities Regulation Code
				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
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 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)

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

(1) As of December 31, 2013

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

	2013	**2012** *(Audited and Restated)*	**2011** *(Audited and Restated)*
Retained Earnings	19,842,996	18,447,515	2,439,066

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 payable aggregating to PhP519 million was paid on 19 April 2013 to stockholders of record as of 22 March 2013.

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

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 (*'000)*:

	2013	**2012** *(Audited and Restated)*	**2011** *(Audited and Restated)*
Consolidated Comprehensive Income	1,908,816	3,383,140	15,048,891

The decline in the consolidated comprehensive income in 2013 was driven mainly by lower copper prices and foreign currency translation losses. This is despite higher production volume and decrease in cash costs during the year. The appreciation of the US dollar against the Philippine Peso resulted in the recognition of a net unrealized foreign exchange loss of PhP1.02 billion.

Although copper prices were also lower, higher levels of production and lower operating cash costs were achieved in 2012.

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 minority equity interest in CCC.

As disclosed in 5 February 2014, the initial commissioning of CCC's expansion project yielded positive copper recovery and grind size accuracy. The project will increase milling capacity by 50% to 60,000 tonnes per day. This will strengthen the Group's operating and financial performance in the coming years.

The discussion on the causes of material changes in the 2013 financial position and results of operations is contained in Annex A. This annex contains horizontal and vertical analyses of balance sheet and income statement accounts.

Performance Indicators

The following table shows the key performance indicators of Atlas and its majority-owned significant subsidiary for 2013, 2012 and 2011:

Consolidated

Particulars	**12/31/2013**	**12/31/2012** (Audited and Restated)	**12/31/2011** (Audited and Restated)
Current ratio	0.77:1	2.03:1	0.29:1
Debt to equity	0.73:1	0.63:1	0.74:1
Return on equity	5.34%	10.70%	104%
Return on assets	3.15%	6.16%	60%
Net profit margin	13.25%	21.14%	290%

Carmen Copper Corporation

Particulars	**12/31/2013**	**12/31/2012** (Audited and Restated)	**12/31/2011** (Audited and Restated)
Current ratio	0.71:1	1.83:1	0.44:1
Debt to equity	1.83:1	1.69:1	1.27:1
Return on equity	23%	35.5%	37%
Return on assets	8.4%	14.2%	14%
Net profit margin	19.1%	23.1%	21%

- 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 attributable equity holders of parent company for the period by the total capital equity attributable equity holders of parent company.
- Return on assets is computed by dividing net income by average total assets.
- Net profit margin is derived by dividing net income attributable equity holders of parent company by net revenues.

Liquidity and Capital Resources

Below is a summary of the consolidated cash flow of the Atlas Group *(in PhP millions):*

• Net cash flow from operating activities	-	PhP	4,754
• Net cash flows used in investing activities	-	PhP	(7,648)
• Net cash flows from financing activities	-	PhP	2,976
• Net increase in cash and cash equivalents	-	PhP	212

Increase in cash from operating activities was a result of collection of receivables, and restrained costs and expenses.

Net cash used in investing activities was a result of the increased acquisition of property, plant and equipment.

Net cash from financing activities arose from availment of additional loans for working capital requirements and the issuance of Atlas shares of stock to qualified availees under CSOP.

Net increase in cash and cash equivalents was predominantly due to collection of receivables, restrained costs and expenses and availment of loans.

2013 Material Events

In 2013 CCC aggressively pursued the expansion of its copper ore processing plant and the development of the by-products of copper beneficiation. The expanded plant is expected to increase the current throughput by 50%.

On 8 March 2013, the Board of Directors of Atlas approved the declaration and payment of cash dividends in the amount of PhP0.25 per share. The dividends were paid to qualified stockholders on 19 April 2013.

As at 31 December 2013, (i) there was no known trend or contingent event that may have a material effect on the liquidity of Atlas or Carmen Copper, or on the marketability of Carmen Copper's products, (ii) there were no material off-balance sheet transactions, arrangements, or obligations involving Carmen Copper, and (iii) there were no material firm commitments for new capital expenditures.

(2) As of December 31, 2012

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

	2012	**2011**	**2010** *(Audited and Restated)*
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 *('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 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.

The discussion on the causes of material changes in the financial position and results of operations is contained in Annex B. The annex contains horizontal and vertical analyses of balance sheet and income statement accounts.

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** *(Audited and Restated)*
Current ratio	2.03:1	0.29:1	0.82:1
Debt to equity	0.63:1	0.86:1	0.64:1
Return on equity	9%	58%	(26%)
Return on assets	18%	106%	(75%)
Net profit margin	21%	289%	(0%)

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%	31%	12%
Return on assets	17%	14%	4%
Net profit margin	25%	22%	8%

- 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 *(in PhP millions):*

- 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.

2012 Material Events

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

(3) As of December 31, 2011

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

	2011	**2010**	**2009**
Retained Earnings /(Capital Deficiency)	2,431,361	(12,584,614)	(12,596,363)

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

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

	2011	**2010**	**2009**
Consolidated Net Income/(Loss)	15,159,379	(847,171)	(2,772,790)

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

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

The discussion on the causes of material changes in the financial position and results of operations is contained in Annex C. The annex contains horizontal and vertical analyses of balance sheet and income statement accounts.

Performance Indicators

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

Consolidated

Particulars	**Interim – 3/30/2012**	**12/31/2011**	12/31/2010 (Audited and Restated)
Current ratio	1.04:1	0.29:1	0.82:1
Debt to equity	1.02:1	0.86:1	0.64:1
Return on equity	1.10%	58%	26%
Return on assets	0.55%	106%	75%
Net profit margin	9%	289%	-

Carmen Copper Corporation

Particulars	**Interim – 3/30/2012**	**12/31/2011**	12/31/2010
Current ratio	2.06:1	0.44:1	0.65:1
Debt to equity	2.17:1	1.27:1	1.93:1
Return on equity	4%	31%	12%
Return on assets	1%	14%	4%
Net profit margin	11%	22%	8%

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

Return on assets is computed by dividing net income by total assets. Net profit margin is derived by dividing net income by net revenues.

2011 Material Events

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

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

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.

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

Liquidity and Capital Resources

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

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

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

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

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

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

ITEM 7. FINANCIAL STATEMENTS

The 2013 audited financial statements of the Company are incorporated herein by reference.

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 2013 and 2012 (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		2013		2012
Audit	PhP	3,500,000	PhP	3,474,409
Interim Review		879,499		800,000
Performance of agreed-upon procedures		350,638		110,000
Services related to the bond issue of CCC		-		14,500,000
Tax Compliance Review		-		396,000
TOTAL	**PhP**	**4,730,137**	**PhP**	**19,280,409**

- *Other Fees*

Except as described above, SGV and Co. did not perform any other service for the benefit of the Atlas Group in 2013 and 2012.

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

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
Leila P. Cabañes	-	Treasurer
Fernando A. Rimando	-	Vice-President/Chief Financial Officer
Rene G. De Ocampo	-	Vice-President – Human Resources
Carmen-Rose A. Basallo-Estampador	-	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	70	(a)
Vice-Chairman of the Board of Directors	Frederic C. DyBuncio	Filipino	54	(b)
Director/Executive Vice-President	Martin C. Buckingham	British	62	(c)
Director/Executive Vice-President	Adrian Paulino S. Ramos	Filipino	35	(d)
Director	Isidro A. Consunji	Filipino	65	(e)
Director	Gerard Anton S. Ramos	Filipino	39	(f)
Director	Jose T. Sio	Filipino	74	(g)
Independent Director	Fulgencio S. Factoran Jr.	Filipino	70	(h)
Independent Director	Richard J. Gordon	Filipino	68	(i)
Independent Director	Alfredo R. Rosal, Jr.	Filipino	66	(j)
Independent Director	Laurito E. Serrano	Filipino	53	(k)
Corporate Secretary	Roderico V. Puno	Filipino	50	
Treasurer	Leila Marie P. Cabanes	Filipino	35	
Vice-President/ Chief Financial Officer	Fernando A. Rimando	Filipino	47	
Vice-President-Human Resources	Rene G. De Ocampo	Filipino	50	
Compliance Officer/Assistant Corporate Secretary/Assistant Vice-President – Legal Affairs and Corporate Governance	Carmen-Rose A. Basallo-Estampador	Filipino	36	

(a) - Elected as Chairman of the Board of Directors and President on 24 April 2013; nominee of Alakor Corporation ("Alakor")
(b) - Elected as Director on 24 April 2013; nominee of SM Investments Corporation ("SMIC")
(c) - Elected as Director and Executive Vice-President on 24 April 2013; nominee of Alakor
(d) - Elected as Director and Vice-President on 24 April 2013; nominee of Alakor
(e) - Elected as Director on 24 April 2013; nominee of SMIC
(f) - Elected as Director on 24 April 2013; nominee of Alakor
(g) - Elected as Director on 24 April 2013; nominee of SMIC
(h) - Elected as Independent Director on 24 April 2013; nominee of Alakor and SMIC
(i) - Elected as Independent Director on 24 April 2013; nominee of Alakor
(j) - Elected as Independent Director on 24 April 2013; nominee of Alakor
(k) - Elected as Independent Director on 24 April 2013; 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; President, Chief Executive Officer, and Director of APC Group, Inc. and Belle Corporation; Chairman and Executive Officer of Philippine Geothermal Production Company; and a director of Carmen Copper Corporation, Indophil Resources NL, Pacific Online Systems, and Sinophil Corporation Prior to holding these posts, he was a career banker who spent over 20 years with JPMorgan Chase and its predecessor institutions. During his stint in the banking industry, he was assigned to various managerial/executive positions where he gained substantial professional experience in the areas of credit, relationship management and origination, investment banking, capital markets, and general management.
- ❖ He obtained his undergraduate degree in Business Management from the Ateneo de Manila University, and his master's degree in Business Administration from the Asian Institute of Management.

MARTIN C. BUCKINGHAM

- Director 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
- Executive 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):
  - o Vice-President of Carmen Copper Corporation and Alakor Corporation
  - o Director of Carmen Copper Corporation, Berong Nickel Corporation, Anglo Philippine Holdings Corporation, The Philodrill Corporation, United Paragon Mining Corporation, and Zenith Holdings Corporation
- ❖ He obtained his undergraduate degree in Business Management (Cum Laude) from the Ateneo de Manila University, and his master's degree in Business Administration (With Distinction) from Northwestern University's Kellogg School of Management.

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. 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 Atlas.

RICHARD J. GORDON

- Independent Director of Atlas since 5 April 2011

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

ALFREDO R. ROSAL JR.

- Independent Director 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 Atlas.

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:
    - Recognized by the Chambers Global and International Financial Law Review as one of the leading Philippine Lawyers in Business Law

LEILA P. CABANES

- Treasurer of the Company since 24 April 2013

- Ms. Cabanes has more than a decade of experience in the local banking industry where she specialized in trust banking and fund management.
- She obtained her undergraduate degree in Applied Economics and her master's degree in Business Administration from the De La Salle University.

FERNANDO A. RIMANDO

- Chief Financial Officer of Atlas since 12 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 Atlas since 15 September 2006
- Compliance Officer of Atlas since 9 November 2011
- Assistant Vice-President (AVP) of Atlas (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 Atlas, 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 Adrian Paulino S. Ramos -- Executive Vice-President Fernando A. Rimando -- Vice-President/ Chief Financial Officer Rene G. De Ocampo -- Vice-President-Human Resources	2011	10,193,722	-0-	850,102
	2012	24,229,812	-0-	2,019,151
	2013	24,397,812	-0-	5,955,808
All other officers as a group	2011	696,000	-0-	58,000
	2012	12,420,000	-0-	1,035,00
	2013	15,801,950	-0-	3,411,332

For 2014, the estimated aggregate cash compensation to be paid (i) to the four most highly compensated officers amounts to PhP31,302,474.00, and (ii) to all officers as a group amounts to PhP19,738,038.00.

Compensation of Directors

In 2011, Atlas 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:

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

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)

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

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 three (3) most highly compensated officers of Atlas and to all other directors and officers of Atlas collectively:

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

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

	2013	2012
Number of shares	1,754,190	2,215,788
Total subscription price	PhP17,541,900.00	PhP22,157,880

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 - Not related to the Company except as stockholder	Record and beneficial owner	Filipino	602,135,791	29.03%
Common	ALAKOR CORPORATION Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City - Not related to the Company except as stockholder	Record and beneficial owner	Filipino	453,963,461	21.87%
Common	ANGLO PHILIPPINE HOLDINGS CORPORATION Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City - Not related to the Company except as stockholder	Record and beneficial owner	Filipino	171,450,500	8.26%
Common	BDO Unibank, Inc. BDO Corporate Center, 7899 Makati Avenue, Makati City	Record and beneficial owner	Filipino	121,386,419	5.85%

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	453,963,461	Filipino	22.35	Record and Beneficial Owner
Common	Frederic C. DyBuncio	1,001	Filipino	0.0000	Beneficial Owner
Common	Martin C. Buckingham	22,053,301	British	1.1933	Beneficial Owner
Common	Isidro A. Consunji	95,991,305	Filipino	4.6275	Beneficial Owner
Common	Adrian Paulino S. Ramos	5,833,010	Filipino	0.2864	Beneficial Owner
Common	Gerard Anton S. Ramos	7,800,000	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	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	50,000	Filipino	0.0024	Record and Beneficial Owner
Common	Leila Marie P. Cabanes	0	Filipino	0.0000	N/A
	All Directors and Officers as a Group	585,805,081		28.2163	

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

As disclosed in Note 23 of the notes to the Company's Audited Consolidated Financial Statements (ACFS) for the year ended 31 December 2013 (please see the attached copy of the 2013 ACFS):

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and their key management personnel, directors, or its stockholders.

In the normal course of business, transactions with related parties consist mainly of payments made by the parent company for various expenses and noninterest-bearing, short-term cash advances for working capital requirements. Intercompany transactions are eliminated in the consolidated financial statements.

		2013		
Subsidiaries	**Amount/ Volume**	**Outstanding Balance**	**Terms**	**Conditions**
Receivables:				
CCC	**3,209**	**23,137**	On demand; noninterest- bearing	Unsecured, no impairment, no guarantee
AEI	**-**	**101,916**	On demand; noninterest- bearing	Unsecured, no impairment, no guarantee

AI	**123**	**31,459**	On demand; noninterest- bearing	Unsecured, no impairment, no guarantee
BNC	**6,546**	**108,969**	On demand; noninterest- bearing	Unsecured, no impairment, no guarantee
UNC	**-**	**597**	On demand; noninterest- bearing	Unsecured, no impairment, no guarantee
URHI	**-**	**1,224**	On demand; noninterest- bearing	Unsecured, no impairment, no guarantee
NRHI	**-**	**3,006**	On demand; noninterest- bearing	Unsecured, no impairment, no guarantee
Payables:				
AHI	**-**	**2,598**	On demand; noninterest- bearing	Unsecured, no guarantee

2012

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

The consolidated statements of financial position include the following amounts resulting from the various transactions with related parties as at December 31, are as follows:

	2013			
	Amount / Volume	Outstanding Balance	Terms	Conditions
Affiliates Receivables (see Note 5)				
Alakor	**–**	**27,722**	On demand; noninterest-bearing	Unsecured, no impairment, no guarantee
TMC	**1,668**	**3,818**	On demand; noninterest-bearing	Unsecured, no impairment, no guarantee
	1,668	**31,540**		
Payables				
TMC	**112,677**	**434,015**	On demand; noninterest-bearing	Unsecured, no guarantee
Interest payable				
Alakor	**–**	**21,986**	On demand; noninterest-bearing	Unsecured, no guarantee

	2012			
	Amount / Volume	Outstanding Balance	Terms	Conditions
Affiliates Receivables (see Note 5)				
Alakor	–	28,464	On demand; noninterest-bearing	Unsecured, no impairment, no guarantee
TMC	2,150	2,150	On demand; noninterest-bearing	Unsecured, no impairment, no guarantee
	2,150	30,614		
Payables				
TMC	–	321,338	On demand; noninterest-bearing	Unsecured, no guarantee
Interest payable				
Alakor	–	21,986	On demand; noninterest-bearing	Unsecured, no guarantee

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.

In November 2008, the parent company contributed PhP22,068 for the payment of the purchase price of certain parcels of land that were conveyed by the SSS to Alakor. As the parent company was unable to participate in the transaction covering the conveyance of the properties, the amount contributed was treated as advances to Alakor which shall be repaid under terms to be subsequently determined and subject to the provisions of existing loan agreements executed by the parent company.

In December 2010, the parent company issued a promissory note to Philodrill Corporation for the principal amount of USD1,670 (the “Philodrill Note”). The loan shall accrue interest from January 22, 2010 at the rate of 10% per annum. The parent company incurred interest expense amounting to nil and PhP3,102 in 2013 and 2012, respectively. In June 2012, the parent company discharged fully the loan obligation under the Philodrill Note amounting to PhP73,213.

In 2012, CCC settled in tranches its payable to the parent company amounting to PhP860,954. 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. 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.

Receivable from officers and employees as at December 31, 2013 and 2012 amounting to PhP31,568 and PhP30,539, respectively, pertain to the receivable extended by the Group to its officers and employees and unliquidated advances used in the Group’s operations. These receivables from officers and employees are due and demandable.

PART IV – CORPORATE GOVERNANCE

ITEM 13. CORPORATE GOVERNANCE

The evaluation system adopted by Atlas is based primarily on the SEC’s Annual Corporate Governance Report 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

Announce Date	Template Name
31 March 2014	Annual Verification of the Mines and Geosciences Bureau
31 March 2014	Compliance Report on Corporate Governance
31 March 2014	Clarification of News Reports
20 March 2014	Information Statement
05 March 2014	Press Release
20 February 2014	Notice of Annual or Special Stockholders' Meeting
05 February 2014	Press Release
14 January 2014	List of Top 100 Stockholders
14 January 2014	Public Ownership Report
14 November 2013	Quarterly Report for period ended September 30, 2013
14 November 2013	Press Release: "Atlas Mining's 9M 2013 core income up 21% to PhP2.1B, copper subsidiary hits record production and shipment in 3Q"
17 October 2013	Public Ownership Report for quarter ended September 30, 2013
17 October 2013	Clarification of news article: "Listed mining company wins vs BIR in tax case"
10 October 2013	Top 100 Stockholders for quarter ended September 30, 2013
16 September 2013	Clarification of news article: "Atlas Eyes Production of Rhenium"
22 August 2013	Change in issued and outstanding shares due to exercise of stock subscription rights granted under existing stock option plan
15 August 2013	Press Release: "Atlas Mining core income at P1.17B as cash costs drop 18% in 1H 2013"
15 August 2013	Quarterly Report for period ended June 30, 2013
15 July 2013	Public Ownership Report for quarter ended June 30, 2013
12 July 2013	Top 100 Stockholders for quarter ended June 30, 2013
20 June 2013	Amended 2012 Annual Report
20 June 2013	Statement of Changes in Beneficial Ownership of Securities
31 May 2013	Statement of Changes in Beneficial Ownership of Securities
29 May 2013	Statement of Changes in Beneficial Ownership of Securities
27 May 2013	Change in issued and outstanding shares due to exercise of stock subscription rights granted under existing stock option plan
27 May 2013	Statement of Changes in Beneficial Ownership of Securities
16 May 2013	Quarterly Report for period ended March 31, 2013
10 May 2013	Statement of Changes in Beneficial Ownership of Securities
26 April 2013	Initial Statement of Beneficial Ownership of Securities
25 April 2013	Amended Statement of Changes in Beneficial Ownership of Securities
25 April 2013	Clarification of news article: "Atlas budgets P8B to expand Carmen operations"
24 April 2013	Results of Annual Stockholders' Meeting and Organizational Meeting of Board of Directors
24 April 2013	Press Release: "Atlas Mining net income up 139% to PhP569M in 1Q13"

Announce Date	Template Name
19 April 2013	Amendment on previous report re: change in issued and outstanding shares due to exercise of stock subscription rights granted under existing stock option plan
18 April 2013	Statement of Changes in Beneficial Ownership of Securities
18 April 2013	Statement of Changes in Beneficial Ownership of Securities
18 April 2013	Change in issued and outstanding shares due to exercise of stock subscription rights granted under existing stock option plan
17 April 2013	Amended Statement of Changes in Beneficial Ownership of Securities
17 April 2013	Change in issued and outstanding shares due to exercise of stock subscription rights granted under existing stock option plan
17 April 2013	Statement of Changes in Beneficial Ownership of Securities
16 April 2013	Public Ownership Report for quarter ended March 31, 2013
15 April 2013	2012 Annual Report
10 April 2013	Top 100 Stockholders for quarter ended March 31, 2013
02 April 2013	Statement of Changes in Beneficial Ownership of Securities
02 April 2013	Definitive Information Statement for Annual General Meeting of Stockholders on April 24, 2013 with record date of March 5, 2013
01 April 2013	Compliance Report on Corporate Governance for year 2012
27 March 2013	Certifications from Mines and Geosciences Bureau
26 March 2013	Statement of Changes in Beneficial Ownership of Securities
25 March 2013	Change in issued and outstanding shares due to exercise of stock subscription rights granted under existing stock option plan
25 March 2013	Statement of Changes in Beneficial Ownership of Securities
18 March 2013	Statement of Changes in Beneficial Ownership of Securities
18 March 2013	Statement of Changes in Beneficial Ownership of Securities
15 March 2013	Preliminary Information Statement for Annual General Meeting of Stockholders on April 24, 2013, Record Date on March 5, 2013
08 March 2013	Cash dividend declaration; Press Release: "Atlas Mining declares dividends"
06 March 2013	Statement of Changes in Beneficial Ownership of Securities
25 February 2013	Correction to previous disclosure re: Press Release entitled "Atlas Mining 2012 core income up by 53%"
25 February 2013	Press Release: "Atlas Mining 2012 core income up by 46%"
18 February 2013	Notice of Annual General Meeting of Stockholders on April 24, 2013, Record Date on March 5, 2013
14 February 2013	Statement of Changes in Beneficial Ownership of Securities
14 February 2013	Statement of Changes in Beneficial Ownership of Securities
08 February 2013	Change in issued and outstanding shares due to exercise of stock subscription rights granted under existing stock option plan
08 February 2013	Statement of Changes in Beneficial Ownership of Securities
05 February 2013	Report by Owner of More Than Five Percent
30 January 2013	Statement of Changes in Beneficial Ownership of Securities
21 January 2013	Statement of Changes in Beneficial Ownership of Securities
18 January 2013	Change in issued and outstanding shares due to exercise of stock subscription rights granted under existing stock option plan
17 January 2013	Press Release: "2012 Production and Shipment Report; Atlas copper unit sets new production and shipment records in 2012"
15 January 2013	Certifications on attendance of members of Board of Directors for year 2012 and compliance with Manual on Corporate Governance
14 January 2013	Public Ownership Report for quarter ended December 31, 2012
10 January 2013	Statement of Changes in Beneficial Ownership of Securities
09 January 2013	Top 100 Stockholders for quarter ended December 31, 2012

Announce Date	Template Name
09 January 2013	Statement of Changes in Beneficial Ownership of Securities
08 January 2013	Statement of Changes in Beneficial Ownership of Securities
08 January 2013	Change in issued and outstanding shares due to exercise of stock subscription rights granted under existing stock option plan
07 January 2013	Statement of Changes in Beneficial Ownership of Securities
02 January 2013	Statement of Changes in Beneficial Ownership of Securities

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 MANDALUYONG on 7TH OF APRIL 2014.

By:

ALFREDO C. RAMOS
Chairman of the Board and President
(Principal Executive Officer)

ADRIAN PAULINO S. RAMOS
Director/Executive Vice President
(Principal Operating Officer)

FERNANDO A. RIMANDO
Vice President- Finance/Chief Financial Officer
(Principal Financial Officer/Comptroller/
Principal Accounting Officer)

CARMEN ROSE A. BASALLO-ESTAMPADOR
Assistant Corporate Secretary/Assistant
Vice-President –Legal Affairs, Compliance
and Corporate Governance

SUBSCRIBED AND SWORN to before me this ______ day of APR 07 2014 affiants exhibiting to me their Tax Identification Numbers/Passport, as follows:

NAMES	TIN/PASSPORT
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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Series of 2014

ATTY. BENIGNO M. PUNO
NOTARY PUBLIC
PTR # ... PASIG CITY
IBP # ... PASIG CITY
RM. ... SHAW BLVD.
KAPITOLYO PASIG CITY

Notary Public

Atlas Consolidated Mining and Development Corporation **ANNEX A**

(in thousands)

2013 vs. 2012 Horizontal Analysis and Vertical Analyses of Accounts in the Statements of Financial Position

			Horizontal Analysis		Vertical Analysis		
		Audited and	**2013 vs 2012**		**2013**	2012	
	Audited	Restated	**Increase/**	**% of**	**% of**	% of	
	12/31/2013	12/31/2012	**(Decrease)**	**change**	**assets**	assets	Remarks
ASSETS							
Current Assets							
Cash and cash equivalents	**866,359**	654,788	**211,571**	**32%**	**1%**	1%	The increase is attributable to proceeds of loans availed during the year and pre-terminated placements.
Short-term investments	**2,032,276**	4,982,395	**(2,950,119)**	**-59%**	**3%**	9%	This refers to the pre-termination of CCC's investment in short-term money market placements.
Receivable - net	**1,059,598**	1,582,993	**(523,395)**	**-33%**	**2%**	3%	Decrease in the account is a consequence of collected copper concentrates deliveries, decrease in interest receivable from short-term placements, and settlement of outstanding balances from various debtors.
Derivative assets	**14,108**	-	**14,108**	**100%**	**0%**	0%	This pertains to the fair value of unexercised put options as of the reporting period.
Inventories - net	**1,653,196**	1,032,056	**621,140**	**60%**	**3%**	2%	This is attributtable to increase in procured materials and supplies and stockpiled copper concentrates awaiting delivery.
Other current assets	**613,258**	1,169,119	**(555,861)**	**-48%**	**1%**	2%	Advance payments made by the Company to its suppliers and contractors were utilized during the year due to the expansion project of CCC.
Total Current Assets	**6,238,795**	9,421,351	**(3,182,556)**	**-34%**	**10%**	16%	
Noncurrent Assets							
Goodwill	**19,026,119**	19,026,119	**-**	**0%**	**30%**	33%	This mainly pertains to recognized goodwill from provisional fair values of identifiable assets and liabilities of CCC.
Property, plant and equipment - net	**26,682,227**	18,250,821	**8,431,406**	**46%**	**42%**	31%	This is due to increased acquisition by CCC of new machineries and other movable equipment, capitalization of the cost of rehabilitation, and improvement of mine facilities.
Mining Rights	**9,145,204**	9,491,916	**(346,712)**	**-4%**	**14%**	16%	This is due to depletion charges during the year.
Deferred tax assets	**361,199**	83,635	**277,564**	**332%**	**1%**	0%	Account increased because of the net benefit effect of unrealized foreign exchange gains (losses) for the year.
Available-for-sale (AFS) financial assets	**5,599**	4,896	**703**	**14%**	**0%**	0%	This refers to the fair value adjustment for the year.
Other noncurrent assets	**2,107,383**	1,674,444	**432,939**	**26%**	**3%**	3%	The is due to input tax credits from the increase in various purchases for the continuous operations, increase in production and for the expansion project of CCC.
Total Noncurrent Assets	**57,327,731**	48,531,831	**8,795,900**	**18%**	**90%**	84%	
TOTAL ASSETS	**63,566,526**	57,953,182	**5,613,344**	**10%**	**100%**	100%	

Atlas Consolidated Mining and Development Corporation **ANNEX A**
(in thousands)

2013 vs. 2012 Horizontal Analysis and Vertical Analyses of Accounts in the Statements of Financial Position

			Horizontal Analysis		Vertical Analysis		
		Audited and	**2013 vs 2012**		**2013**	2012	
	Audited	Restated	**Increase/**	**% of**	**% of**	% of	
	12/31/2013	12/31/2012	**(Decrease)**	**change**	**assets**	assets	Remarks
LIABILITIES AND STOCKHOLDERS' EQUITY							
Current Liabilities							
Accounts payable and accrued liabilities	**3,436,432**	2,714,537	**721,895**	**27%**	**5%**	5%	This is due to additional trade credits and accruals from property and equipment acquisitions and various purchases of materials and supplies for the expansion project.
Current portion of long-term debt and other interest-bearing liabilities	**4,143,182**	1,585,243	**2,557,939**	**161%**	**7%**	3%	This refers to additional loans availed for the year, foreign exchange translation adjustment, and reclassification of the current portion of the long-term debt.
Payable to related parties	**434,015**	324,354	**109,661**	**34%**	**1%**	1%	This pertains to parent company's share in the operating expenses of BNC which was advanced by TMC.
Income tax payable	**63,200**	14,648	**48,552**	**331%**	**0%**	0%	Increase in the account pertains to the expiration of CCC's income tax holiday incentive.
Derivative liabilities	**925**	7,590	**(6,665)**	**-88%**	**0%**	0%	CCC has no outstanding provisional pricing agreements for its copper sales with MRI Trading AG as of year-end.
Total Current Liabilities	**8,077,754**	4,646,372	**3,431,382**	**74%**	**13%**	8%	
Noncurrent Liabilities							
Long-term debt and other interest-bearing liabilities – net of current portion	**15,348,650**	14,473,422	**875,228**	**6%**	**24%**	25%	This refers to the additional loans availed for the year and effect of foreign exchange translation adjustment of USD denominated loans.
Retirement benefits liability	**404,766**	311,905	**92,861**	**30%**	**1%**	1%	Change pertains to accrual of additional pension costs and actuarial adjustments during the year.
Liability for mine rehabilitation cost	**46,382**	112,749	**(66,367)**	**-59%**	**0%**	0%	The decrease pertains to change in its future rehabilitation cost projections.
Deferred tax liabilities	**2,837,229**	2,941,243	**(104,014)**	**-4%**	**4%**	5%	Same as deferred tax assets
Total Noncurrent Liabilities	**18,637,027**	17,839,319	**797,708**	**4%**	**29%**	31%	
Total Liabilities	**26,714,781**	22,485,691	**4,229,090**	**19%**	**42%**	39%	
Equity							
Capital stock	**16,608,969**	16,594,936	**14,033**	**0%**	**26%**	29%	Qualified availees of CSOP exercised their subscription rights during the year.
Additional paid in capital	**7,063**	3,554	**3,509**	**99%**	**0%**	0%	
Revaluation increment in land	**218,559**	218,559	**-**	**0%**	**0%**	0%	
Unrealized gain on AFS financial assets	**10,460**	2,160	**8,300**	**384%**	**0%**	0%	This refers to the fair value adjustment for the year and the sale of TMC shares.
Remeasurement loss on retirement plan	**(96,760)**	(101,320)	**4,560**	**-5%**	**0%**	0%	This is a result of actuarial valuation adjustments.
Retained earnings (Deficit)	**19,842,996**	18,447,515	**1,395,481**	**8%**	**31%**	32%	This represents Atlas's share in the total comprehensive income for the year.
Attributable to equity holders of the Parent Company	**36,591,287**	35,165,404	**1,425,883**	**4%**	**58%**	61%	
Non-controlling interest	**283,725**	302,087	**(18,362)**	**-6%**	**0%**	1%	This represents the share of minority holders in the total comprehensive income for the year.
	36,875,012	35,467,491	**1,407,521**	**4%**	**58%**	61%	
Less cost of 1,800,000 shares held by a subsidiary	**23,267**	-	**23,267**	**100%**	**0%**	0%	Shares held by Atlas' subsidiary
Equity	**36,851,745**	35,467,491	**1,384,254**	**4%**	**58%**	61%	
TOTAL LIABILITIES AND EQUITY	**63,566,526**	57,953,182	**5,613,344**	**10%**	**100%**	100%	

Atlas Consolidated Mining and Development Corporation **ANNEX A**

(in thousands)

2013 vs. 2012 Horizontal and Vertical Analyses of Accounts in the Statements of Comprehensive Income

			Horizontal Analysis		**Vertical Analysis**		
		Audited and	**2013 vs 2012**		**2013**	2012	
	Audited	Restated	**Increase/**	**% of**	**% of**	% of	
	12/31/2013	12/31/2012	**(Decrease)**	**Change**	**Sales**	Sales	Remarks
Revenue							
Copper	**12,431,869**	13,412,754	**(980,884.59)**	**-7%**	**92%**	93%	The drop pertains to lower shipment volume and lower copper prices.
Gold	**1,135,791**	905,560	**230,231**	**25%**	**8%**	6%	Increase pertains to higher gold content in the copper concentrate.
Silver	**1,377**	476	**901**	**0%**	**0%**	0%	Decrease pertains to lower silver content in the copper concentrate.
Magnetite	**14,913**	22,562	**(7,649)**	**0%**	**0%**	0%	
Nickel	**859,633**	1,189,716	**(330,083)**	**-28%**	**6%**	8%	Nickel sales decreased due to lower prices and lower shipment volume.
Miscellaneous	**7,166**	8,895	**(1,729)**	**0%**	**0%**	0%	This pertains to TMM's service income.
	14,450,749	15,539,963	**(1,089,214)**	**-7%**	**107%**	107%	
Less: Smelting and related charges	**947,518**	1,080,642	**(133,124)**	**-12%**	**7%**	7%	The decrease likewise pertains to lower shipment volume and copper prices.
	13,503,231	14,459,321	**(956,090)**	**-7%**	**100%**	100%	
Cost and Expenses							
Mining and milling costs	**8,011,314**	8,669,962	**(658,648)**	**-8%**	**59%**	60%	Despite higher production volume, CCC
General and administrative expenses	**1,474,387**	1,469,499	**4,888**	**0%**	**11%**	10%	managed to contain production and operating
Mine products taxes	**280,942**	307,266	**(26,324)**	**-9%**	**2%**	2%	costs during the year.
	9,766,643	10,446,727	**(680,084)**	**-7%**	**72%**	72%	
Other Charges							
Foreign exchange gains (losses) - net	**(1,021,655)**	592,966	**(1,614,621)**	**-272%**	**-8%**	4%	Foreign exchange losses were mainly due to translation and transaction adjustments of foreign currency denominated liabilities.
Finance charges	**(987,203)**	(1,216,450)	**229,247**	**-19%**	**-7%**	-8%	Decrease in the account was due to capitalized interest this year and bond-related costs incurred for the issuance of the USD300M bonds last year
Depletion of mining rights	**(346,712)**	(329,508)	**(17,204)**	**5%**	**-3%**	-2%	Higher production resulted to higher amortization charges of mining rights.
Interest income	**157,639**	213,753	**(56,114)**	**-26%**	**1%**	1%	This pertains to income earned from short-term placements during the year.
Gain on settlement of liability	**79,275**	519,548	**(440,273)**	**-85%**	**1%**	4%	This refers to the write-off of TPC liability last year.
Realized gain (loss) on derivatives - net	**(44,998)**	(437,608)	**392,610**	**-90%**	**0%**	-3%	This pertains to provisional pricing and put
Unrealized loss on derivatives	**-**	(7,590)	**7,590**	**100%**	**0%**	0%	options entered into by the Group.
Others - net	**10,765**	60,058	**(49,293)**	**-82%**	**0%**	0%	There was an accretion of interest for the derivative portion of USD140 loan in 2012.
	(2,152,889)	(604,831)	**(1,548,058)**	**256%**	**-16%**	-4%	
INCOME BEFORE INCOME TAX	**1,583,699**	3,407,763	**(1,824,064)**	**-54%**	**12%**	24%	
BENEFIT FROM (PROVISION FOR) INCOME TAX	**312,257**	30,738	**281,519**	**916%**	**2%**	0%	
NET INCOME (LOSS)	**1,895,956**	3,438,501	**(1,542,545)**	**-45%**	**14%**	24%	
OTHER COMPREHENSIVE INCOME	**12,860**	(55,361)	**68,221**	**0%**	**0%**	0%	
TOTAL COMPREHENSIVE INCOME (LOSS)	**1,908,816**	3,383,140	**(1,474,324)**	**-44%**	**14%**	23%	

Atlas Consolidated Mining and Development Corporation **ANNEX B**

(in thousands)

2012 vs. 2011 Horizontal Analysis and Vertical Analyses of Accounts in the Statements of Financial Position

			Horizontal Analysis		Vertical Analysis		
			2012 vs 2011		**2012**	2011	
	Audited 12/31/2012	Audited 12/31/2011	**Increase/ (Decrease)**	**% of change**	**% of assets**	% of assets	Remarks
ASSETS							
Current Assets							
Cash and cash equivalents	**654,788**	354,458	**300,330**	**85%**	**1%**	1%	The increase is attributable to the rise in revenues and collected receivables.
Short-term investments	**4,982,395**	864,585	**4,117,810**	**476%**	**9%**	2%	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	**1,019,762**	**181%**	**3%**	1%	Rise in the account is mainly a consequence of unpaid copper concentrates deliveries.
Derivative assets	**-**	477,573	**(477,573)**	**-100%**	**0%**	1%	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
Inventories - net	**1,032,056**	1,111,241	**(79,185)**	**-7%**	**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	**671,428**	**135%**	**2%**	1%	The increase is due to advance payments made to suppliers.
Total Current Assets	**9,421,351**	3,868,779	**5,552,572**	**144%**	**16%**	8%	
Noncurrent Assets							
Goodwill	**19,026,119**	19,026,119	**-**	**0%**	**33%**	39%	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	**4,085,982**	**29%**	**32%**	29%	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%**	**16%**	20%	The decrease was due to the amortization of minings rights.
Deferred tax assets	**43,019**	86,963	**(43,944)**	**-51%**	**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	**(31)**	**-1%**	**0%**	0%	
Derivative assets	**-**	221,395	**(221,395)**	**-100%**	**0%**	0%	Same as Derivative assets - current
Investment in an associate							
Other noncurrent assets	**1,674,444**	1,478,154	**196,290**	**13%**	**3%**	3%	The is due to input tax credits from the increase in various purchases.
Total Noncurrent Assets	**48,491,215**	44,803,821	**3,687,394**	**8%**	**84%**	92%	
TOTAL ASSETS	**57,912,566**	48,672,600	**9,239,966**	**19%**	**100%**	100%	

Atlas Consolidated Mining and Development Corporation **ANNEX B**

(in thousands)

2012 vs. 2011 Horizontal Analysis and Vertical Analyses of Accounts in the Statements of Financial Position

			Horizontal Analysis		Vertical Analysis		
			2012 vs 2011		**2012**	2011	
	Audited 12/31/2012	Audited 12/31/2011	**Increase/ (Decrease)**	**% of change**	**% of assets**	% of assets	Remarks
LIABILITIES AND STOCKHOLDERS' EQUITY							
Current Liabilities							
Loans payable	**-**	5,341,800	**(5,341,800)**	**-100%**	**0%**	11%	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	**(385,849)**	**-12%**	**5%**	6%	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%**	**3%**	9%	Apart from the reclassification of the current portion of the long-term debt and the restatement of foreign currency denominated loans, the bulk of the decrease was brought about by the prepayment by CCC of its US$140 million loan obligation to BDO Unibank, Inc. using the proceeds of the bond issue.
Payable to related parties	**324,354**	531,700	**(207,346)**	**-39%**	**1%**	1%	The decrease is due to settlement of payables.
Income tax payable	**14,648**	323	**14,325**	**4435%**	**0%**	0%	Increase in taxable income resulted to the change in payable during the year.
Derivative liabilities	**7,590**	18,929	**(11,339)**	**-60%**	**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	**(8,645,119)**	**-65%**	**8%**	27%	
Noncurrent Liabilities							
Long-term debt and other interest-bearing liabilities – net of current portion	**14,473,422**	5,856,671	**8,616,751**	**147%**	**25%**	12%	The increase is largely due to the issuance of US Dollar-denominated fixed-rate notes representing US$300 million senior unsecured debt with a tenor of five (5) years and five (5)
Retirement benefits liability	**180,515**	121,974	**58,541**	**48%**	**0%**	0%	The increment is attributed to the additional accrual of pension costs.
Liability for mine rehabilitation cost	**112,749**	96,896	**15,853**	**16%**	**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	**(105,667)**	**-3%**	**5%**	6%	Same as deferred tax assets
Total Noncurrent Liabilities	**17,707,929**	9,122,451	**8,585,478**	**94%**	**31%**	19%	
Total Liabilities	**22,354,301**	22,413,942	**(59,641)**	**0%**	**39%**	46%	
Equity							
Capital stock	**16,594,936**	17,640,530	**(1,045,594)**	**-6%**	**29%**	36%	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	**(5,812,752)**	**-100%**	**0%**	12%	The decrease represents the effect of equity restructuring exercise during the year.
Revaluation increment in land	**218,559**	218,559	**-**	**0%**	**0%**	0%	
Unrealized gain on AFS financial assets	**2,160**	1,464	**696**	**48%**	**0%**	0%	This is the fair value adjustment of AFS investments as of year end.
Retained earnings (Deficit)	**18,434,748**	2,431,361	**16,003,387**	**658%**	**32%**	5%	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	**9,145,737**	**35%**	**61%**	54%	
Non-controlling interest	**304,308**	150,438	**153,870**	**102%**	**1%**	0%	This represents the share of minority holders in the total comprehensive income for the year.
Equity	**35,558,265**	26,258,658	**9,299,607**	**35%**	**61%**	54%	
TOTAL LIABILITIES AND EQUITY	**57,912,566**	48,672,600	**9,239,966**	**19%**	**100%**	100%	

Atlas Consolidated Mining and Development Corporation **ANNEX B**
(in thousands)

2012 vs. 2011 Horizontal and Vertical Analyses of Accounts in the Statements of Comprehensive Income

			Horizontal Analysis		**Vertical Analysis**		
			2012 vs 2011		**2012**	2011	
	Audited 12/31/2012	Audited 12/31/2011	**Increase/ (Decrease)**	**% of Change**	**% of Sales**	% of Sales	Remarks
INCOME							
Revenue							
Copper	**13,412,754**	4,369,989	**9,042,765**	**207%**	**93%**	92%	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%**	**6%**	5%	
Silver	**476**	-	**476**	**0%**	**0%**	0%	
Magnetite	**22,562**	-	**22,562**	**0%**	**0%**	0%	
Nickel	**1,189,716**	589,652	**600,064**	**102%**	**8%**	12%	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%	This pertains to TMM's service income.
	15,539,963	5,200,787	**10,339,176**	**199%**	**107%**	109%	
Less: Smelting and related charges	**(1,080,642)**	(425,535)	**(655,107)**	**154%**	**-7%**	-9%	The increase was due to the improved production of both CCC and BNC
	14,459,321	4,775,252	**9,684,069**	**203%**	**100%**	100%	
Fair value gain on previously held interest	**-**	13,788,051	**(13,788,051)**	**-100%**	**0%**	289%	This pertains to the excess of fair value over the 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	**(1,247,884)**	**-100%**	**0%**	26%	This represents Atlas's share in the total comprehensive income of CCC.
Other income							
Foreign exchange gain	**1,966,512**	-	**1,966,512**	**0%**	**14%**	0%	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%**	**4%**	2%	This pertains to settlement of liabilities to TPC and TMC for the current year.
Interest Income	**213,753**	1,296	**212,457**	**16393%**	**1%**	0%	This mainly pertains to the accrual of interest on short-term money market placements.
Realized gain on derivatives	**-**	218,094	**(218,094)**	**-100%**	**0%**	5%	This pertains to provisional pricing and prepayment option entered into by the Group.
Other income - net	**60,058**	277,627	**(217,569)**	**-78%**	**0%**	6%	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	**(3,179,470)**	**-16%**	**119%**	427%	
EXPENSES							
Cost and Expenses							
Mining and milling costs	**(8,678,572)**	(3,395,225)	**(5,283,347)**	**156%**	**-60%**	-71%	The increase was due to the improved production of both CCC and BNC
General and administrative expenses	**(1,476,891)**	(929,634)	**(547,257)**	**59%**	**-10%**	-19%	
Mine products taxes	**(307,266)**	(196,421)	**(110,845)**	**56%**	**-2%**	-4%	
Other Charges							
Foreign exchange loss	**(1,373,546)**	(199,113)	**(1,174,433)**	**590%**	**-9%**	-4%	The increase was due to the fluctuation of exchange rates for each period.
Finance charges	**(1,206,221)**	(237,103)	**(969,118)**	**409%**	**-8%**	-5%	This largely pertains to interest expense from USD300M bond.
Realized loss on derivatives	**(437,608)**	-	**(437,608)**	**0%**	**-3%**	0%	This pertains to provisional pricing and prepayment option entered into by the Group.
Depletion of mining rights	**(329,508)**	(122,785)	**(206,723)**	**168%**	**-2%**	-3%	This refers to the depletion of mining rights which started in August 2011.
Unrealized loss on derivatives	**(7,590)**	(351,485)	**343,895**	**-98%**	**0%**	-7%	This pertains to provisional pricing and prepayment option entered into by the Group.
	(13,817,202)	(5,431,766)	**(8,385,436)**	**154%**	**-96%**	-114%	

Atlas Consolidated Mining and Development Corporation **ANNEX B**

(in thousands)

2012 vs. 2011 Horizontal and Vertical Analyses of Accounts in the Statements of Comprehensive Income

			Horizontal Analysis		Vertical Analysis		
			2012 vs 2011		2012	2011	
	Audited	Audited	Increase/	% of	% of	% of	
	12/31/2012	12/31/2011	(Decrease)	Change	Sales	Sales	Remarks
INCOME BEFORE INCOME TAX	**3,401,990**	14,966,896	**(11,564,906)**	**-77%**	**24%**	313%	
BENEFIT FROM (PROVISION FOR) INCOME TAX	**32,079**	106,533	**(74,454)**	**-70%**	**0%**	2%	Pertains to deferred tax liabilities on the depletion of mining rights
NET INCOME (LOSS)	**3,434,069**	15,073,429	**(11,639,360)**	**-77%**	**24%**	316%	
OTHER COMPREHENSIVE INCOME	**696**	-	**696**	**0%**	**0%**	0%	
TOTAL COMPREHENSIVE INCOME (LOSS)	**3,434,765**	15,073,429	**(11,638,664)**	**-77%**	**24%**	316%	

Atlas Consolidated Mining and Development Corporation **ANNEX C**

(in thousands)

2011 vs. 2010 Horizontal Analysis and Vertical Analyses of Accounts in the Statements of Financial Position

			Horizontal Analysis		Vertical Analysis		
			2011 vs 2010		2011	2010	
	Audited 12/31/2011	Audited 12/31/2010	Increase/ (Decrease)	% of change	% of assets	% of assets	Remarks
ASSETS							
Current Assets							
Cash and cash equivalents	**354,458**	230,963	123,495	53%	1%	5%	
Short-term investments	**864,585**	-	864,585	0%	2%	0%	Cash securities invested in short-term placements in compliance with certain requirements of the loan secured from BDO in the amounts of US$75 million and US$140 million.
Receivable - net	**563,231**	1,062,219	(498,988)	-47%	1%	22%	This is attributed to receivable of CCC from MRI, its buyer of copper concentrate.
Derivative assets	**477,573**	-	477,573	0%	1%	0%	Prepayment option embedded in BDO loan facility which is accounted for at fair value through profit or loss. Also included is the outstanding put options purchased by CCC from a grantor for the delivery of 41,050 tons of copper concentrates.
Inventories - net	**1,111,241**	105,675	1,005,566	952%	2%	2%	Stockpiled and undelivered copper concentrates to MRI and the procured materials and supplies
Other current assets	**497,691**	18,012	479,679	2663%	1%	0%	Increase is due to deposits made to various suppliers and input VAT
Total Current Assets	**3,868,779**	1,416,869	2,451,910	173%	8%	29%	
Noncurrent Assets							
Goodwill	**25,987,065**	15,011	25,972,054.00	173020%	57%	0%	Acquisition by the Company of CASOP's 45.54% interest in CCC with the early adoption of PFRS 10, 11 and 12
Property, plant and equipment - net	**14,164,839**	1,005,708	13,159,131	1308%	31%	21%	Accumulated acquired fixed and movable assets such as land, machineries and equipment and the capitalization of the cost of rehabilitation and improvements of mine facilities
Deferred tax assets	**86,963**	1,676	85,287	5089%	0%	0%	This is the temporary difference on the provision for impairment losses on input vat, trade receivables and retirement benefits liability
Available-for-sale (AFS) financial assets	**4,927**	4,927	-	0%	0%	0%	
Derivative assets	**221,395**	-	221,395	0%	0%	0%	Derivative assets are from the prepayment option feature of the US$140 million BDO loan facility secured by CCC.
Investment in an associate	**-**	2,259,620	(2,259,620)	-100%	0%	47%	Zeroed during the year as a result of the purchase agreement entered by the Parent Company with CASOP Atlas Corporation and CASOP Atlas B.V. (collectively known as CASOP) for its 45.54% percent interest in CCC
Other noncurrent assets	**1,478,154**	129,993	1,348,161	1037%	3%	3%	Mostly claims for excess input VAT in its purchases of goods and services recorded during the period
Total Noncurrent Assets	**41,943,343**	3,416,935	38,526,408	1128%	92%	71%	
TOTAL ASSETS	**45,812,122**	4,833,804	40,978,318	848%	100%	100%	

Atlas Consolidated Mining and Development Corporation **ANNEX C**
(in thousands)

2011 vs. 2010 Horizontal Analysis and Vertical Analyses of Accounts in the Statements of Financial Position

			Horizontal Analysis		Vertical Analysis		
			2011 vs 2010		2011	2010	
	Audited 12/31/2011	Audited 12/31/2010	Increase/ (Decrease)	% of change	% of assets	% of assets	Remarks
LIABILITIES AND STOCKHOLDERS' EQUITY							
Current Liabilities							
Loans payable	**5,341,800**	-	5,341,800	0%	12%	0%	Parent Company's availment of BDO Peso-denominated loan amounting to P5,341,800 in order to finance the acquisition of CCC shares owned by CASOP and to finance CCC's working capital requirements
Accounts payable and accrued liabilities	**3,100,386**	1,168,020	1,932,366	165%	7%	24%	Trade credits from various suppliers of CCC, accrued expenses, debts owed to a power supplier as well as advances from MRI and others
Current portion of long-term debt and other interest-bearing liabilities	**4,298,353**	-	4,298,353	0%	9%	0%	Portion of a loan facility agreement between CCC and BDO becoming due a year from balance sheet date
Payable to related parties	**531,700**	561,567	(29,867)	-5%	1%	12%	Advances made to the Company by TMC and the loan extended by Philodrill are the components of this account
Income tax payable	**323**	1,286	(963)	-75%	0%	0%	2% minimum corporate income tax (MCIT) for the year
Derivative liabilities	**18,929**	-	18,929	0%	0%	0%	Outstanding commodity forward on copper concentrates to be delivered subsequent to the reporting date
Total Current Liabilities	**13,291,491**	1,730,873	11,560,618	668%	29%	36%	
Noncurrent Liabilities							
Long-term debt and other interest-bearing liabilities – net of current portion	**5,856,671**	-	5,856,671	0%	13%	0%	Portion of a loan facility agreement between CCC and BDO becoming due after balance sheet date
Retirement benefits liability	**121,974**	14,569	107,405	737%	0%	0%	Accrual of pension costs of the Company, BNC and CCC
Liability for mine rehabilitation cost	**96,896**	19,129	77,767	407%	0%	0%	Cost of rehabilitating the areas affected by BNC and CCC's mining operations
Deferred tax liabilities	**100,482**	93,742	6,740	7%	0%	2%	Recognition of deferred tax liabilities on unrealized foreign exchange gain of P6,814
Total Noncurrent Liabilities	**6,176,023**	127,440	6,048,583	4746%	13%	3%	
Total Liabilities	**19,467,514**	1,858,313	17,609,201	948%	42%	38%	
Equity							
Capital stock	**17,640,530**	11,388,139	6,252,391	55%	39%	236%	Issuance of the Company's shares of stock to Abacus Securities Corporation, Alakor Corporation, Anglo Philippine Holdings, SM Investments Corporation and Zenith Holdings Corporation
Additional paid in capital	**5,816,306**	830,666	4,985,640	600%	13%	17%	Premium over the par value for the shares issued to Alakor Corporation, SM Investments Corporation and Zenith Holdings Corporation
Revaluation increment in land	**218,559**	218,559	-	0%	0%	5%	
Unrealized gain on AFS financial assets	**1,464**	1,464	-	0%	0%	0%	
Deposit for future stock subscriptions	**-**	3,028,293	(3,028,293)	-100%	0%	63%	Zeroed out as a result of the issuance of shares to Alakor, Anglo and Abacus and reclassification of deposits to liabilities
Retained earnings (Deficit)	**2,517,311**	(12,584,614)	15,101,925	-120%	5%	-260%	Net income attributable to equity holders of the Parent Company
Attributable to equity holders of the Parent Company	**26,194,170**	2,882,507	23,311,663	809%	57%	60%	
Non-controlling interest	**150,438**	92,984	57,454	62%	0%	2%	Net income attributable to non-controlling interest
Equity	**26,344,608**	2,975,491	23,369,117	785%	58%	62%	
TOTAL LIABILITIES AND EQUITY	**45,812,122**	4,833,804	40,978,318	848%	100%	100%	

ATLAS CONSOLIDATED MINING
AND DEVELOPMENT CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
SEC FORM 17-A
DECEMBER 31, 2013

CONSOLIDATED FINANCIAL STATEMENTS

SUPPLEMENTARY SCHEDULES

COVER SHEET

115 Pre-War
SEC Registration Number

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
(Company's Full Name)

Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City
(Business Address: No. Street City/Town/Province)

Fernando A. Rimando
(Contact Person)

(632) 584 - 9788
(Company Telephone Number)

12 **31**
Month *Day*
(Fiscal Year)

AACFS
(Form Type)

04 **24**
Month *Day*
(Annual Meeting)

Not Applicable
(Secondary License Type, If Applicable)

SEC
Dept. Requiring this Doc.

Not Applicable
Amended Articles Number/Section

Total Amount of Borrowings

21,052
Total No. of Stockholders

₱1,464.5 million
Domestic

$375 million
Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

ATLAS Mining

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **ATLAS CONSOLIDATED MINING & DEVELOPMENT CORPORATION** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2013 and 2012, including additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

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

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

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

Alfredo C. Ramos 3/19
Chairman of the Board and President

Adrian Paulino S. Ramos
Executive Vice-President

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

* Signed this 14th day of March 2014

SUBSCRIBED AND SWORN to before me this MAR 19 2014 day of ______ affiants exhibiting to me their Tax Identification Numbers, as follows:

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

Document no. 52
Page no. 12
Book no. 4
Series of 2014

ATTY. BENIGNO M. PUNO
NOTARY PUBLIC
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IBP ... PASIG CITY
RM. 10... BLDG. 678 SHAW BLVD.
KAPITOLYO PASIG CITY

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

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

BOA/PRC Reg. No. 0001,
December 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

We have audited the accompanying consolidated financial statements of Atlas Consolidated Mining and Development Corporation and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

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Building a better working world

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Atlas Consolidated Mining and Development Corporation and Subsidiaries as at December 31, 2013 and 2012, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Eleanore A. Layug
Partner
CPA Certificate No. 0100794
SEC Accreditation No. 1250-A (Group A),
August 9, 2012, valid until August 8, 2015
Tax Identification No. 163-069-453
BIR Accreditation No. 08-001998-97-2012,
January 11, 2012, valid until January 10, 2015
PTR No. 4225180, January 2, 2014, Makati City

March 14, 2014

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands, Except Par Value Per Share)

	December 31, 2013	December 31, 2012 (As restated, Note 2)	January 1, 2012 (As restated, Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 4)	**₱866,359**	₱654,788	₱354,458
Short-term investments (Note 17)	**2,032,276**	4,982,395	864,585
Receivables (Note 5)	**1,059,598**	1,582,993	563,231
Derivative assets (Note 6)	**14,108**	–	477,573
Inventories (Note 7)	**1,653,196**	1,032,056	1,111,241
Other current assets (Note 8)	**613,258**	1,169,119	497,691
Total Current Assets	**6,238,795**	9,421,351	3,868,779
Noncurrent Assets			
Goodwill (Notes 11 and 12)	**19,026,119**	19,026,119	19,026,119
Property, plant and equipment (Note 10):			
At cost	**26,366,669**	17,935,263	13,849,281
At revalued amount	**315,558**	315,558	315,558
Mining rights (Note 11)	**9,145,204**	9,491,916	9,821,424
Deferred tax assets (Note 25)	**361,199**	83,635	103,934
Available-for-sale (AFS) financial assets (Note 13)	**5,599**	4,896	4,927
Derivative assets (Note 6)	**–**	–	221,395
Other noncurrent assets (Note 14)	**2,107,383**	1,674,444	1,478,154
Total Noncurrent Assets	**57,327,731**	48,531,831	44,820,792
TOTAL ASSETS	**₱63,566,526**	₱57,953,182	₱48,689,571

	December 31, 2013	December 31, 2012 (As restated, Note 2)	January 1, 2012 (As restated, Note 2)
LIABILITIES AND EQUITY			
Current Liabilities			
Loans payable (Note 15)	**₱–**	₱–	₱5,341,800
Accounts payable and accrued liabilities (Note 16)	**3,436,432**	2,714,537	3,100,386
Current portion of long-term debt and other interest-bearing liabilities (Note 17)	**4,143,182**	1,585,243	4,298,353
Payable to related parties (Note 23)	**434,015**	324,354	531,700
Derivative liabilities (Note 6)	**925**	7,590	18,929
Income tax payable (Note 25)	**63,200**	14,648	323
Total Current Liabilities	**8,077,754**	4,646,372	13,291,491
Noncurrent Liabilities			
Long-term debt and other interest-bearing liabilities - net of current portion (Note 17)	**15,348,650**	14,473,422	5,856,671
Retirement benefits liability (Note 24)	**404,766**	311,905	178,094
Liability for mine rehabilitation cost (Note 18)	**46,382**	112,749	96,896
Deferred tax liabilities (Note 25)	**2,837,229**	2,941,243	3,046,910
Total Noncurrent Liabilities	**18,637,027**	17,839,319	9,178,571
Total Liabilities	**₱26,714,781**	₱22,485,691	₱22,470,062

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands, Except Per Share Amounts)

	Years Ended December 31		
	2013	2012 (As restated, Note 2)	2011 (As restated, Note 2)
REVENUE			
Copper (Note 6)	**₱12,431,869**	₱13,412,754	₱4,369,989
Gold (Note 6)	**1,135,791**	905,560	241,146
Beneficiated nickel ore and others (Note 32)	**883,089**	1,221,649	589,652
	14,450,749	15,539,963	5,200,787
Less smelting and related charges	**947,518**	1,080,642	425,535
	13,503,231	14,459,321	4,775,252
Fair Value Gain on Previously Held Interest (Note 11)	**–**	–	13,788,051
Equity in Net Earnings of an Associate (Note 11)	**–**	–	1,247,884
COSTS AND EXPENSES			
Mining and milling costs (Note 21)	**8,011,314**	8,669,962	3,391,459
General and administrative expenses (Note 22)	**1,474,387**	1,469,499	923,071
Mine products taxes (Note 21)	**280,942**	307,266	196,421
	9,766,643	10,446,727	4,510,951
OTHER INCOME (CHARGES)			
Foreign exchange gains (losses) - net	**(1,021,655)**	592,966	(199,113)
Finance charges (Note 26)	**(987,203)**	(1,216,450)	(245,142)
Depletion of mining rights (Note 11)	**(346,712)**	(329,508)	(122,785)
Interest income (Note 4)	**157,639**	213,753	1,296
Gain on settlement of liability (Note 16)	**79,275**	519,548	90,458
Realized gain (loss) on derivatives - net (Note 6)	**(44,998)**	(437,608)	218,094
Unrealized loss on derivatives (Note 6)	**–**	(7,590)	(351,485)
Others - net	**10,765**	60,058	277,627
	(2,152,889)	(604,831)	(331,050)
INCOME BEFORE INCOME TAX	**1,583,699**	3,407,763	14,969,186
BENEFIT FROM INCOME TAX (Note 25)	**(312,257)**	(30,738)	(123,504)
NET INCOME	**₱1,895,956**	₱3,438,501	₱15,092,690
Total net income attributable to:			
Equity holders of the Parent Company	**₱1,914,318**	₱3,285,261	₱15,033,645
Non-controlling interest	**(18,362)**	153,240	59,045
	₱1,895,956	₱3,438,501	₱15,092,690

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

See accompanying Notes to Consolidated Financial Statements.

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company									
	Capital Stock	Additional Paid-in Capital (APIC)	Revaluation Increment on Land	Net Unrealized Gain on AFS Financial Assets	Re-measurement Gain (Loss) on Retirement Plan (Note 2)	Retained Earnings (Deficit)	Total	Non-controlling Interest	Shares held by a Subsidiary	Total
BALANCES AT JANUARY 1, 2013, as previously reported	₱16,594,936	₱3,554	₱218,559	₱2,160	₱–	₱18,434,748	₱35,253,957	₱304,308	₱–	₱35,558,265
Effect of adoption of Revised PAS 19 (Note 12)	–	–	–	–	(101,320)	12,767	(88,553)	(2,221)	–	(90,774)
BALANCES AT JANUARY 1, 2013, as restated	16,594,936	3,554	218,559	2,160	(101,320)	18,447,515	35,165,404	302,087	–	35,467,491
Net income	–	–	–	–	–	1,914,318	1,914,318	(18,362)	–	1,895,956
Other comprehensive income	–	–	–	8,300	4,560	–	12,860	–	–	12,860
Total comprehensive income	–	–	–	8,300	4,560	1,914,318	1,927,178	(18,362)	–	1,908,816
Issuance of shares (Note 19a)	14,033	3,509	–	–	–		17,542	–	–	17,542
Dividend declaration (Note 33)	–	–	–	–	–	(518,837)	(518,837)	–	–	(518,837)
Acquisition of shares held by a subsidiary	–	–	–	–	–	–	–	–	(23,267)	(23,267)
BALANCES AT DECEMBER 31, 2013	₱16,608,969	₱7,063	₱218,559	₱10,460	(₱96,760)	₱19,842,996	₱36,591,287	₱283,725	(₱23,267)	₱36,851,745
BALANCES AT JANUARY 1, 2012, as previously reported	₱17,640,530	₱5,816,306	₱218,559	₱1,464	₱–	₱2,431,361	₱26,108,220	₱150,438	₱–	₱26,258,658
Effect of adoption of Revised PAS 19 (Note 12)	–	–	–	–	(45,263)	7,705	(37,558)	(1,591)	–	(39,149)
BALANCES AT JANUARY 1, 2012, as restated	17,640,530	5,816,306	218,559	1,464	(45,263)	2,439,066	26,070,662	148,847	–	26,219,509
Net income	–	–	–	–	–	3,285,261	3,285,261	153,240	–	3,438,501
Other comprehensive income	–	–	–	696	–	–	696	–	–	696
Total comprehensive income	–	–	–	696	–	3,285,261	3,285,957	153,240	–	3,439,197
Effect of adoption of Revised PAS 19 (Note 12)	–	–	–	–	(56,057)		(56,057)	–	–	(56,057)
Issuance of shares (Note 19)	3,099,586	2,765,256	–	–	–	–	5,864,842	–	–	5,864,842
Equity restructuring (Note 19)	(4,145,180)	(8,578,008)	–	–	–	12,723,188	–	–	–	–
BALANCES AT DECEMBER 31, 2012, as restated	₱16,594,936	₱3,554	₱218,559	₱2,160	(₱101,320)	₱18,447,515	₱35,165,404	₱302,087	₱–	₱35,467,491

	Capital Stock	Additional Paid-in Capital (APIC)	Revaluation Increment on Land	Net Unrealized Gain on AFS Financial Assets	Deposit For Future Stock Subscriptions	Re-measurement Gain (Loss) on Retirement Plan (Note 2)	Retained Earnings (Deficit)	Total	Non-controlling Interest	Total
	Attributable to Equity Holders of the Parent Company									
BALANCES AT JANUARY 1, 2011, as previously reported	₱11,388,139	₱830,666	₱218,559	₱1,464	₱3,028,293	₱–	(₱12,584,614)	₱2,882,507	₱92,984	₱2,975,491
Effect of adoption of Revised PAS 19 (Note 12)	–	–	–	–	–	920	(9,965)	(9,045)	(3,182)	(12,227)
BALANCES AT JANUARY 1, 2011, as restated	11,388,139	830,666	218,559	1,464	3,028,293	920	(12,594,579)	2,873,462	89,802	2,963,264
Net income	–	–	–	–	–	–	15,033,645	15,033,645	59,045	15,092,690
Other comprehensive income	–	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	–	15,033,645	15,033,645	59,045	15,092,690
Effect of adoption of Revised PAS 19 (Note 12)	–	–	–	–	–	(46,183)	–	(46,183)	–	(46,183)
Issuance of shares	6,252,391	4,985,640	–	–	(2,877,333)	–	–	8,360,698	–	8,360,698
Reversal of deposit for future stock subscriptions	–	–	–	–	(150,960)	–	–	(150,960)	–	(150,960)
BALANCES AT DECEMBER 31, 2011, as restated	₱17,640,530	₱5,816,306	₱218,559	₱1,464	₱–	(₱45,263)	₱2,439,066	₱26,070,662	₱148,847	₱26,219,509

See accompanying Notes to Consolidated Financial Statements.

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2013	2012 (As restated)	2011 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,583,699**	₱3,407,763	₱14,969,186
Adjustments for:			
Depreciation and depletion (Notes 10 and 11)	**1,680,221**	2,115,904	621,791
Finance charge (Notes 26 and 34)	**968,780**	1,206,221	237,103
Net realized loss (gain) on derivatives (Note 6)	**–**	430,018	(218,094)
Retirement benefits costs (Notes 24)	**105,127**	60,855	23,517
Loss on asset write-down (see Note 10)	**–**	20,552	93,818
Impairment loss on:			
Input valued-added tax (VAT) (Note 14)	**14,576**	–	69,226
Receivables (Note 5)	**9,536**	–	1,688
Unrealized loss on derivatives (Note 6)	**44,998**	7,590	351,485
Net unrealized foreign exchange loss (gain)	**1,021,655**	(592,964)	119,144
Gain on settlement of liabilities (Note 16)	**(79,275)**	(519,548)	(90,458)
Interest income (Notes 4 and 17a)	**(157,639)**	(213,753)	(1,296)
Fair value gain on previously held interest (Note 11)	**–**	–	(13,788,051)
Equity in net loss in an associate	**–**	–	(1,247,884)
Change in accounting estimate for liability on mine rehabilitation cost (Note 18)	**(71,766)**	–	(417)
Gain on sale of AFS financial assets	**(2,330)**	–	–
Operating income before working capital changes	**5,117,582**	5,922,638	1,140,758
Decrease (increase) in:			
Receivables	**523,395**	(873,919)	959,696
Other current assets	**555,861**	(777,621)	519,653
Inventories	**(621,140)**	79,185	(275,368)
Derivative asset and liability	**(14,108)**	250,021	–
Increase (decrease) in:			
Accounts payable and accrued liabilities	**721,894**	(122,976)	125,527
Derivative liabilities	**(6,665)**	–	–
Net cash generated from operations	**6,276,819**	4,477,328	2,470,266
Interest received	**181,272**	54,880	1,296
Interest paid	**(1,398,488)**	(956,075)	(124,575)
Income taxes paid	**(301,064)**	(15,319)	(4,279)
Settlements and payments of retirement benefits (Note 24)	**(4,157)**	(8,087)	(4,042)
Net cash flows from (used in) operating activities	**4,754,382**	3,552,727	2,338,666
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisitions of property, plant and equipment (Note 10)	**(10,175,522)**	(5,862,543)	(2,524,389)
Proceeds (additions) of short-term investments (Note 17)	**2,950,119**	(4,339,832)	(864,585)
Net cash outflow on step acquisition of a subsidiary (Note 2)	–	–	(14,054,342)
Proceeds of disposal of AFS financial assets	**9,926**	–	–
Increase in other noncurrent assets	**(432,939)**	(77,543)	(34,486)
Net cash flows used in investing activities	**(7,648,416)**	(10,279,918)	(17,477,802)

(Forward)

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

See accompanying Notes to Consolidated Financial Statements.

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

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

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

The parent company’s shares of stock are listed with the Philippine Stock Exchange (PSE).

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

Business Operations

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

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

Subsidiaries	Nature of Business	Percentage of Ownership 2013	2012
AEI	Incorporated in the Philippines on August 26, 2005 to engage in the business of searching, prospecting, exploring and locating of ores and mineral resources, and other exploration work.	**100.00**	100.00
AI	Incorporated in the Philippines on May 26, 2005 to provide and supply wholesale or bulk water to local water districts and other customers.	**100.00**	100.00
Amosite Holdings, Inc. (AHI)	Incorporated in the Philippines on October 17, 2006 to hold assets for investment purposes.	**100.00**	100.00
CCC (see Note 11)	Incorporated in the Philippines on September 16, 2004 primarily to engage in exploration work for the purpose of determining the existence of mineral resources, extent, quality and quantity and the feasibility of mining them for profit.	**100.00**	100.00
TMM Management, Inc. (TMMI)	Incorporated in the Philippines on September 28, 2004 to provide management, investment and technical advice to companies.	**60.00**	60.00
Ulugan Resources Holding, Inc. (URHI)	Incorporated in the Philippines on June 23, 2005 to deal in and with personal properties and securities of every kind and description of any government, municipality, political subdivision or agency, corporation, association or entity; exercising any and all interest in respect of any of such securities; and promoting, managing, and participating in and act as agent for the purchase and sale of any securities as may be allowed by law.	**70.00**	70.00
<u>Indirect subsidiaries of the Parent Company under URHI*:</u>			
Ulugan Nickel Corporation (UNC)	Incorporated in the Philippines on June 23, 2005 to explore, develop and mine the Ulugan mineral properties located in the province of Palawan.	**42.00**	42.00
Nickeline Resources Holdings, Inc. (NRHI)	Incorporated in the Philippines on August 15, 2005 to deal in and with any kind of shares and securities and to exercise all the rights, powers and privileges of ownership or interest in respect to them.	**42.00**	42.00
BNC	Incorporated in the Philippines on September 27, 2004 to explore, develop and mine the Berong Mineral Properties located in the province of Palawan.	**25.20**	25.20

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

a. *AEI*
In 2013, AEI was engaged in preparatory activities for the geotechnical survey of the Sigpit gold prospect and for the drilling at the southern extension of the Lutopan orebody. AEI incurred a net loss of ₱402 and had a cumulative capital deficiency of ₱102,507 as at December 31, 2013. AEI is considering the settlement of its outstanding debt to the parent company through a debt to equity conversion or merger.

b. *AI*
In 2013, AI continued to explore and assess the feasibility of projects involving the bulk supply of potable water from the parent company’s Malubog Dam. AI recognized a net income of ₱96 in 2013 and had a cumulative capital deficiency of ₱31,592. AI is considering the settlement of its outstanding debt to the parent company through a debt to equity conversion or merger.

c. *CCC*
On May 5, 2006, the parent company entered into an Operating Agreement with CCC (“the Operating Agreement”) respecting the terms of the assignment by the parent company to CCC of operating rights over the Toledo mining complex, and the right to acquire certain fixed assets. The agreement may be terminated by the parent company upon thirty (30) days prior written notice. In September 2013 and February 2012, the Board of Directors (BOD) approved the waiver of its entitlement to receive from CCC, pursuant to the Operating Agreement, royalties due from operations in 2013 and 2012, respectively.

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

On December 7, 2012, CCC’s BOD authorized the declaration of cash dividends out of its retained earnings to stockholders of record as at December 31, 2011 amounting to ₱1,000,000. The dividend is unpaid as at December 31, 2012.

On September 25, 2013, CCC’s BOD authorized the declaration of cash dividends out of its retained earnings to stockholders of record as at September 25, 2013 amounting to ₱1,000,000. The dividend amounting to ₱450,189 is unpaid as at December 31, 2013.

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

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

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

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

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

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

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

Basis of Preparation
The consolidated financial statements have been prepared on a historical cost basis, except for land, which is carried at revalued amounts, derivative financial instruments, put option contracts and AFS financial assets, which have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the parent company and its subsidiaries' functional and presentation currency under the Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest thousands (₱000), except when otherwise indicated.

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

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

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

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

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

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

Subsidiaries are deconsolidated from the date on which control ceases.

Subsidiaries
Subsidiaries are entities over which the parent company has control.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- PAS 19, *Employee Benefits* (Revised)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Annual Improvements to PFRSs (2009-2011 cycle)

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

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

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

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

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

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

<u>Standards and Interpretation Issued but not yet Effective</u>

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
  These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss (FVPL). This amendment is not relevant to the Group.

- Philippine Interpretation IFRIC 21, *Levies*
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that IFRIC 21 will have material financial impact in future consolidated financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

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

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

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

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

- PFRS 2, *Share-based Payment – Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This

amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment has no impact to the Group.

- PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

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

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

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

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

- PAS 24, *Related Party Disclosures – Key Management Personnel*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel

services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

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

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

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

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

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

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

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

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

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

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at FVPL. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at FVPL. For liabilities designated as at FVPL using the FVO, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

  On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

Summary of Significant Accounting Policies

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

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

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

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

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

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

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

Fair Value Measurement
The Group measures financial instruments, such as, AFS financial assets, derivative assets and liabilities, and long-term debt and other interest-bearing liabilities at fair value at each end of the reporting period. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 30.

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

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

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

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

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

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

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

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business on the end of the reporting period.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounted cash flow analysis or other valuation models.

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

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

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

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

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

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within twelve (12) months from the end of the reporting period. Otherwise, these are classified as noncurrent assets. As at December 31, 2013 and 2012, the Group's loans and receivables consist of "Cash and cash equivalents", "Short-term investments" and "Receivables".

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

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

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

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

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

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

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

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

As at December 31, 2013 and 2012, other financial liabilities consist of "Accounts payable and accrued liabilities", "Payable to related parties" and "Long-term debt and other interest-bearing liabilities".

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

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

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

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

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

In relation to receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice.

The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL. Changes in fair values are included in profit or loss. The Group recognized bifurcated derivative assets and derivative liabilities arising from the provisionally priced commodity sales contracts as at December 31, 2013 and 2012.

Convertible Loans Payable and Long-term Debt

Convertible loans payable and long-term debt denominated in the functional currency of the Group are regarded as compound instruments, consisting of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt and is recorded within borrowings. The difference between the proceeds of issue of the convertible bond and the fair value assigned to the liability component representing the embedded option to convert the liability into equity of the Group is included in the consolidated statement of changes of equity.

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

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

Borrowing Costs

Borrowing costs are interest and other costs that the Group incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Capitalization of borrowing costs commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its estimated recoverable amount, an impairment loss is recorded.

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

Inventories

Mine products inventory, which consists of copper concentrates containing copper, gold and silver, and materials and supplies are valued at the lower of cost and net realizable value (NRV).

NRV for mine products is the selling price in the ordinary course of business, less the estimated costs of completion and costs of selling the final product. In the case of materials and supplies, NRV is the value of the inventories when sold at their condition at each end of the reporting period.

Cost is determined using the following methods:

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

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

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

Other Current and Noncurrent Assets
Other current assets are composed of deposits to suppliers, advances and prepayments. Other noncurrent assets are composed of input VAT, deferred mine exploration costs, mine rehabilitation funds (MRF) and others. These are classified as current when it is probable to be realized or consumed within one (1) year from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

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

<u>Property, Plant and Equipment</u>
Items of property, plant and equipment, except portions of land, are carried at cost less accumulated depreciation and depletion and any impairment in value. Portions of land are carried at cost less any impairment in value.
The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes, and any directly attributable costs of bringing the property, plant and equipment to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been placed into operation, such as repairs and maintenance costs, are normally recognized in profit or loss in the period they are incurred.
When assets are sold or retired, the cost and related accumulated depletion and depreciation are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

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

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

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

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

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

The asset’s useful lives and methods of depreciation are reviewed and adjusted, if appropriate, at each end of the reporting period.

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

A portion of land is carried at revalued amount as determined by independent appraisers less impairment in value. The net appraisal increment resulting from the revaluation of land was credited to the "Revaluation increment on land" account shown under the equity section of the

consolidated statement of financial position. Any appraisal decrease is first offset against revaluation increment on earlier revaluation. The revaluation increment pertaining to disposed land is transferred to the "Retained earnings" account.

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

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

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

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

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

<u>Deferred Mine Exploration Costs</u>
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.

<u>Mining Rights</u>
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.

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

Property, Plant and Equipment and Mining Rights
Property, plant and equipment and mining rights, except land, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or CGUs is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset’s CGU’s fair value less cost to sell and

value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a large CGU. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value-in-use is the present value, using a pre-tax discount rate, of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Impairment losses are recognized in the consolidated statement of comprehensive income.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Retained Earnings

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

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

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

OCI

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

Revenue Recognition

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

Copper, Gold and Silver Concentrate Sales

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

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

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

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

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

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

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

Business Segment
For management purposes, the Group is organized into two (2) major operating segments (mining and non-mining businesses) according to the nature of products and the services provided with each segment representing a strategic business unit that offers different products and serves different markets. The entities are the basis upon which the Group reports its primary segment information. Financial information on business segments is presented in Note 27.

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

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

Provisions
General
Provisions, if any, are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by

discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

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

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

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

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

<u>Employee Benefits</u>
The net defined retirement benefits liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined retirement benefits liability or asset
- Remeasurements of net defined retirement benefits liability or asset

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined retirement benefits liability, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

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

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

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

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

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

Determination of Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the parent company has been determined to be the Philippine peso. Each entity in the Group determined its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. The Philippine peso is the currency of the primary economic environment in which the Group operates. It is the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions of the Group.

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

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

Bill and Hold Sales
The Group recognized sale on deliveries classified as bill and hold when there is transfer of risk and reward from the Group to the buyer due to the following:

- it is probable that delivery will be made;
- the item is on hand, identified and ready for delivery to the buyer at the time the sale is recognized;
- the buyer specifically acknowledges the deferred delivery instructions; and
- the usual payment terms apply.

Bill and hold sales in 2013 and 2012 amounted to ₱439,576 and ₱696,813, respectively.

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

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

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

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

- Financial liabilities at FVPL
- Other financial liabilities

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

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

a. the ownership of the asset does not transfer at the end of the lease term;

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

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

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

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

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

Units-of-production Depreciation/Depletion
Estimated recoverable reserves are used in determining the depreciation/depletion of mine specific assets. This results in a depreciation/depletion charge proportional to the depletion of the anticipated remaining mine life. Each item's life, which is assessed annually, has regard to both physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. The calculations require the use of estimates of future capital expenditure. The Group uses the tonnes of ore produced as the basis for depletion or depreciation. Any change in estimates is accounted for prospectively. Average depletion rate used by CCC in 2013, 2012 and 2011 are 3.65%, 3.36% and 2.91%, respectively. Average depletion rate used by BNC in 2013, 2012 and 2011 are 5.54%, 6.32% and 3.40%, respectively.

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

Estimating Fair Value of Financial Assets and Financial Liabilities
PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of accounting judgment and estimates. While significant components of fair value measurement are determined using verifiable objective evidence (e.g., foreign exchange rates,

interest rates and volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and financial liabilities would directly affect net income (see Note 30).

Estimating Allowance for Impairment Losses of Loans and Receivables
The Group assesses on a regular basis if there is objective evidence of impairment of loans and receivables. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. The determination of impairment requires the Group to estimate the future cash flows based on certain assumptions, as well as to use judgment in selecting an appropriate rate in discounting. In addition, the Group considers factors such as the Group's length of relationship with the customers and the customers' current credit status to determine the amount of allowance that will be recorded in the receivables account. The Group uses specific impairment on its loans and receivables. The amount of loss is recognized in profit or loss with a corresponding reduction in the carrying value of the loans and receivables through an allowance account. These reserves are re-evaluated and adjusted as additional information becomes available.

Allowance for impairment losses on receivables amounted to ₱29,099 and ₱39,871 as at December 31, 2013 and 2012, respectively. Receivables, net of allowance for impairment losses, amounted to ₱1,059,958 and ₱1,582,993 as at December 31, 2013 and 2012, respectively (see Note 5).

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

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

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

Inventories at lower of cost and NRV, amounted to ₱1,653,196 and ₱1,032,056 as at December 31, 2013 and 2012, respectively (see Note 7).

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

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

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

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

Management performed its initial annual impairment test as at December 31, 2013 and 2012. The recoverable amount of the CGU has been determined based on a value calculation using cash flow projections from financial budgets approved by management covering the mine life of the CGU.

The calculation of value-in-use is most sensitive to the discount rate, projected capital expenditures, projected commodity prices and production output. Based on the management's assessment, no impairment loss on goodwill needs to be recognized as at December 31, 2013 and 2012.

Estimating Useful Lives of Property, Plant and Equipment Except Land
The useful lives of property, plant and equipment are estimated based on the period over which these assets are expected to be used. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operation could be materially affected by changes in these estimates brought

about by changes in factors mentioned. Any reduction in the estimated useful lives of property, plant and equipment would increase the Group's recorded costs and expenses and decrease noncurrent assets. There is no change in the estimated useful lives of items of property, plant and equipment in 2013 and 2012. The net book values of property, plant and equipment amounted to ₱26,366,669 and ₱17,935,263 as at December 31, 2013 and 2012, respectively (see Note 10).

Determining Appraised Value of Land
The appraised value of land is based on a valuation by an independent appraiser firm, which management believes holds a recognized and relevant professional qualification and has recent experience in the location and category of the land being valued. The appraiser firm used the market data approach in determining the appraised value of land. As at December 31, 2013, the fair value of the land amounted to ₱315,558 based on the latest valuation obtained in 2011 by the parent company. The resulting increase in the valuation of land amounting to ₱218,559 is presented as "Revaluation increment on land", net of related deferred tax liability and cost amounting to ₱3,661 (see Note 10).

Estimating Impairment of Property, Plant and Equipment and Mining Rights
PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the value of property, plant and equipment and mining rights, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, further requires the Group to make estimates and assumptions that can materially affect the Group's consolidated financial statements. Future events could cause the Group to conclude that the property, plant and equipment and mining rights are impaired. Any resulting impairment loss could have a material adverse impact on the Group's financial condition and results of operations. The Group recognized provision for fixed asset write-down on specific machinery and equipment amounting to nil, ₱20,552 and ₱93,818 in 2013, 2012 and 2011, respectively (see Notes 10 and 21).

Estimating Recoverability of Mine Development Costs
Mineral property acquisition costs are capitalized until the viability of the mineral interest is determined. Exploration, evaluation and pre-feasibility costs are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case, subsequent exploration costs and the costs incurred to develop a property are capitalized. The Group reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. Mine development costs amounted to ₱5,834,050 and ₱5,997,431 as at December 31, 2013 and 2012 (see Note 10).

Mine development costs include "Mine and mining properties", "Development costs" and "Mine rehabilitation costs" in the property, plant and equipment account in the consolidated statement of financial position. An impairment loss is recognized when the carrying value of those assets is not recoverable and exceeds its fair value.

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

The Group reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. An impairment loss is recognized when the carrying values of these assets are not recoverable and exceeds their fair value. In 2013 and 2012, there was no impairment loss on the Group's deferred mine exploration costs (see Note 14).

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

Impairment of AFS Financial Assets
The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as twenty percent (20%) or more and "prolonged" as greater than twelve (12) months for quoted equity securities. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted securities. AFS financial assets amounted to ₱5,599 and ₱4,896 as at December 31, 2013 and 2012, respectively (see Note 13).

Estimating Impairment of Other Nonfinancial Assets
The Group determines whether its nonfinancial assets are impaired at least on an annual basis. This requires an estimation of recoverable amount, which is the higher of an asset's or CGU's fair value less cost to sell and value-in-use. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and to choose an appropriate discount rate in order to calculate the present value of those cash flows. Estimating the fair value less cost to sell is based on the information available to reflect the amount that the Group could obtain as at the end of the reporting period. In determining this amount, the Group considers the outcome of recent transactions for similar assets within the same industry. The Group recognized allowance for possible losses on input VAT amounting to ₱139,432 and ₱124,856 in 2013 and 2012, respectively (see Note 14).

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

Estimating Retirement Benefits Costs
The cost of defined retirement benefits as well as the present value of the retirement benefits liability are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future retirement increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit retirement liability are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period. Retirement benefits liability amounted to ₱404,766 and ₱311,905 as at December 31, 2013 and 2012, respectively. Retirement benefits cost amounted to ₱105,127, ₱60,855 and ₱23,517 in 2013, 2012 and 2011, respectively.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined retirement benefits liability.

Further details about the assumptions used are provided in Note 24.

Estimating Liability on Mine Rehabilitation Cost
The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the liability for mine rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the consolidated statement of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognised as part of an asset measured in accordance with PAS 16. Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss. If the change in estimate results in an increase in the rehabilitation liability and therefore an addition to the carrying value of the asset, the entity is required to consider whether this is an indication of impairment of the asset as a whole and test for impairment in accordance with PAS 36.

Also, rehabilitation obligations that arose as a result of the production phase of a mine should be expensed as incurred. Liability for mine rehabilitation cost recognized as at December 31, 2013 and 2012 amounted to ₱46,382 and ₱112,749, respectively (see Note 18).

Provisions and Contingencies
The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Group's management and legal counsel believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements. Accordingly, no provision for probable losses arising from contingencies were recognized by the Group in 2013, 2012 and 2011.

Measurement of Mine Products Sales
Mine products sales are provisionally priced such that these are not settled until predetermined future dates based on market prices at that time. Revenue on these sales are initially recognized based on shipment values calculated using the provisional metals prices, shipment weights and assays for metal content less deduction for insurance and smelting charges as marketing. The final shipment values are subsequently determined based on final weights and assays for metal content and prices during the applicable quotation period. Total mine product sales, net of smelting and related charges, amounted to ₱13,503,231, ₱14,459,321 and ₱4,775,252 in 2013, 2012 and 2011, respectively (see Note 6).

4. Cash and Cash Equivalents

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

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

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

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

5. Receivables

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

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

Nontrade and other receivables comprise mainly of receivables from contractors and suppliers, while receivables from officers and employees pertain to cash advances made by employees for the operations of the Group.

Trade, nontrade and other receivables are noninterest-bearing and are generally collectible on demand. Receivables from officers and employees are noninterest-bearing and are subject to liquidation. Unliquidated receivables from officers and employees are collectible on demand.

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

Most of the receivables of the Group consist of individually significant accounts and were therefore subject to the specific impairment approach. The Group recognized allowance for impairment losses amounting to ₱9,536, nil and ₱1,688 in 2013, 2012 and 2011, respectively, covering those receivables specifically identified as impaired. Receivables which were not individually significant and individually significant loans for which no specific impairment were assessed were subjected to collective assessment. Based on the assessment done, the Group has not recognized any provision for receivables which were assessed collectively.

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

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

The Group has US$ receivables amounting to US$21,448 and US$30,068 as at December 31, 2013 and 2012, respectively (see Note 29).

6. Pricing Agreements, Hedging and Derivative Financial Instruments

Hedging Objectives

The Group applies a mix of pricing agreements, natural hedges, and both freestanding and embedded derivatives in managing risks such as commodity price, foreign exchange and interest rate risks. As at December 31, 2013, the Group has freestanding commodity option agreements, while embedded derivatives include provisional pricing in shipment contracts. The Group has not designated any of these derivatives as accounting hedges. The Group has accounted its derivatives at fair value and any changes in the fair value is recorded in the statement of comprehensive income.

Pricing Agreements

MRI, PASAR and Mitsui

In the normal course of selling its copper concentrate, the Group entered into (i) several contracts of purchase with MRI ("MRI Contract") and PASAR ("PASAR Contract") in 2013 and in prior years, and (ii) one (1) contract of purchase with Mitsui ("Mitsui Contract") in 2013 (collectively, the "Copper Contracts"), whereby it agreed to sell a fixed volume of copper concentrate based on LME prices (as published in the Metal Bulletin) and as averaged over the quotational period (QP) as defined in the MRI Contract, PASAR Contract and Mitsui Contract.

The quality and quantity of the copper concentrate sold is determined through a sampling weight and assay analysis by an appointed independent surveyor. Under the Copper Contracts, the Group and MRI and PASAR have the option to price-fix in advance of the QP the payable copper contents of the concentrate to be delivered, subject to adjustments during the QP. If the option to price-fix prior to the QP is exercised, (i) the fixed price and the volume to which the fixed price applies will be confirmed in writing by the parties, and (ii) with respect to sales of copper concentrate to MRI, an addendum to the MRI Contract will be executed to confirm the actual volume of the copper shipped based on the fixed price.

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

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

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

<u>Embedded Derivatives</u>

Provisional Pricing
Based on the Group's pricing agreements with MRI, PASAR and Mitsui, the copper sales will be provisionally priced at shipment subject to price and quantity adjustment after the QP. Under the Copper Contracts, the Group with the consent of MRI and PASAR, can price fix the copper shipments before the QP. Copper sales that were not subject to price fixing are assessed as having embedded derivatives that are not clearly and closely related, and once the commodities have been delivered, it must be bifurcated on the delivery date or once the shipment is considered sold (in case of bill and hold sales). The Group recognized an unrealized loss and gain on the related derivative liability and asset amounting to ₱0.9 million and ₱11.1 million, respectively, on its deliveries in 2013, and unrealized loss on derivative liability amounting to ₱7.6 million on its deliveries in 2012.

Prepayment Option

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

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

Bonds Payable
On March 16, 2012, the Group completed the issuance of US$-denominated fixed-rate notes representing US$300 million of the Group's senior unsecured debt with a tenor of five (5) years and five (5) days (the "Bonds Payable"). The Bonds Payable, which were issued at the price of 98.95% of face value, will pay interest semi-annually every 21st of March and September at the rate of 6.5% and will carry a yield to maturity of 6.75%. The Bonds Payable contains an equity clawback option that allows the Group to redeem up to 35% of the Bonds Payable at any time prior to March 21, 2015, at a redemption price of 106.5% of the principal amount plus accrued and unpaid interest with the net proceeds of an equity offering. The Bonds Payable also have an identified call option as they may be redeemed fully prior to maturity at a redemption price equal to 100% of the principal amount plus applicable premium and accrued and unpaid interest.

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

7. Inventories

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

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

Materials and Supplies
Cost of materials and supplies from the parent company carried at NRV amounting to ₱332,678 and ₱324,024 as at December 31, 2013 and 2012, respectively, are fully provided with allowance for impairment losses. Mine products and materials and supplies inventories are stated at lower of cost and NRV.

The cost of inventories recognized as part of mining and milling costs in the consolidated statements of comprehensive income amounted to ₱3,380,482, ₱3,314,158 and ₱1,294,094 in 2013, 2012 and 2011, respectively (see Note 21).

8. Other Current Assets

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

Deposits to Suppliers
Deposits to suppliers are non-financial assets arising from advanced payments made by the Company to its suppliers and contractors before goods or services have been received or rendered. These are classified as current since these are expected to be offset against future short-term billings and are recognized in the books at amounts initially paid.

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

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

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

9. Advances for Acquisition of EPA

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

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

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

10. **Property, Plant and Equipment**

December 31, 2013:

	At Cost									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	₱6,327,788	₱7,482,793	₱182,903	₱108,408	₱43,749	₱993,689	₱5,020,199	₱20,242,316	₱315,888
Additions	20,939	239	254,754	–	68,528	3,408	95	9,827,559	10,175,522	–
Change in estimate in liability for mine rehabilitation cost (see Note 18)	–	(69,097)	–	–	–	–	–	–	(69,097)	–
Reclassifications	–	141,314	672,338	12,555	–	–	40,507	(866,714)	–	–
Retirement	–	–	(2,175)	–	–	–	–	–	(2,175)	–
Disposals	–	–	(2,151)	–	–	–	–	–	(2,151)	–
Balances at end of year	103,726	6,400,244	8,405,559	195,458	176,936	47,157	1,034,291	13,981,044	30,344,415	315,888
Accumulated depreciation, depletion and amortization:										
Balances at beginning of year	–	330,357	1,429,789	42,097	56,053	33,541	300,846	–	2,192,683	–
Depreciation, depletion and amortization (see Notes 21 and 22)	–	241,295	1,281,611	31,382	26,819	3,067	96,047	–	1,680,221	–
Change in estimate in liability for mine rehabilitation cost (see Note 18)	–	(5,458)	–	–	–	–	–	–	(5,458)	–
Retirement	–	–	(2,175)	–	–	–	–	–	(2,175)	–
Disposals	–	–	(1,895)	–	–	–	–	–	(1,895)	–
Balances at end of year	–	566,194	2,707,330	73,479	82,872	36,608	396,893	–	3,863,376	–
Allowance for asset write-downs:										
Balances at beginning and end of year	–	–	114,370	–	–	–	–	–	114,370	330
Net book values	₱103,726	₱5,834,050	₱5,583,859	₱121,979	₱94,064	₱10,549	₱637,398	₱13,981,044	₱26,366,669	₱315,558

December 31, 2012:

	At Cost									
	Land	Mine Development Costs	Machinery and Equipment	Roadways and Bridges	Transportation Equipment	Furniture and Fixtures	Buildings and Improvements	Construction In-progress	Total	At Revalued Amount Land
Revalued amount/cost:										
Balances at beginning of year	₱82,787	₱6,295,553	₱5,365,261	₱173,722	₱79,893	₱37,215	₱1,081,814	₱1,500,820	₱14,617,065	₱315,888
Additions	–	252	1,834,953	–	33,915	6,534	71,335	3,980,642	5,927,631	–
Change in estimate in liability for mine rehabilitation cost (see Note 18)	–	10,718	–	–	–	–	–	–	10,718	–
Reclassifications	–	21,265	595,677	9,181	(5,400)	–	(159,460)	(461,263)	–	–
Retirement	–	–	(312,703)	–	–	–	–	–	(312,703)	–
Disposals	–	–	(395)	–	–	–	–	–	(395)	–
Balances at end of year	82,787	6,327,788	7,482,793	182,903	108,408	43,749	993,689	5,020,199	20,242,316	315,888
Accumulated depreciation, depletion and amortization:										
Balances at beginning of year	–	92,901	398,925	12,725	31,708	29,018	154,200	–	719,477	–
Depreciation, depletion and amortization (see Notes 21 and 22)	–	237,456	1,343,962	29,372	24,345	4,523	146,646	–	1,786,304	–
Retirement	–	–	(312,703)	–	–	–	–	–	(312,703)	–
Disposals	–	–	(395)	–	–	–	–	–	(395)	–
Balances at end of year	–	330,357	1,429,789	42,097	56,053	33,541	300,846	–	2,192,683	–
Allowance for asset write-downs:										
Balances at beginning of year	–	–	93,818	–	–	–	–	–	93,818	330
Provision for asset write-downs (see Note 21)	–	–	20,552	–	–	–	–	–	20,552	–
Balances at end of year	–	–	114,370	–	–	–	–	–	114,370	330
Net book values	₱82,787	₱5,997,431	₱5,938,634	₱140,806	₱52,355	₱10,208	₱692,843	₱5,020,199	₱17,935,263	₱315,558

Construction in-progress consists mainly of expenditures for the expansion projects of CCC and existing capacity. The expansion projects are intended to increase the milling capacity of the plant which is expected to be completed in March 2014. The estimated percentage of completion of this project is 97% and 30% as at December 31, 2013 and 2012, respectively. Construction in-progress to improve existing capacity includes cost of various projects at different percentages of completion as at December 31, 2013 and December 31, 2012, respectively.

Additions for expansion project

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

Additions for existing capacity

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

Mine development costs consist of the following:

December 31, 2013:

	Mine and Mining Properties	Development Costs	Mine Rehabilitation Costs (see Note 18)	Total
Cost:				
Balances at beginning of year	**₱1,464,563**	**₱4,794,128**	**₱69,097**	**₱6,327,788**
Additions and reclassifications	**239**	**141,314**	**–**	**141,553**
Change in accounting estimate (see Note 18)	**–**	**–**	**(69,097)**	**(69,097)**
Balances at end of year	**1,464,802**	**4,935,442**	**–**	**6,400,244**
Accumulated depletion:				
Balances at beginning of year	**104,659**	**222,450**	**3,248**	**330,357**
Depletion	**54,737**	**184,348**	**2,210**	**241,295**
Change in accounting estimate (see Note 18)	**–**	**–**	**(5,458)**	**(5,458)**
Balances at end of year	**159,396**	**406,798**	**–**	**566,194**
Net book values	**₱1,305,406**	**₱4,528,644**	**₱–**	**₱5,834,050**

December 31, 2012:

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

Revaluation Increment on Land
The fair value of the land amounted to ₱315,888 as at December 31, 2013 and 2012 based on the latest valuation obtained in 2011 by the Group. The resulting increase in the valuation of land amounting to ₱218,559 is presented as "Revaluation increment on land", net of related deferred tax liability and cost. The carrying amount of the land had it been carried using the cost model amounts to ₱3,661 in 2013 and 2012.

Fully Depreciated Property, Plant and Equipment
Fully depreciated property, plant and equipment still used by the Group amounted to ₱584,716 and ₱239,714 as at December 31, 2013 and 2012, respectively. These are retained in the Group's records until they are disposed. No further depreciation and amortization are charged to current operations for these items.

Borrowing Costs
Borrowing costs capitalized in "Construction in-progress" amounted to ₱452,700 and ₱13,390 in 2013 and 2012, respectively, at an interest of 6.5% to 8.0% for both 2013 and 2012, respectively.

Provision for Asset Write-downs
The provision for asset write-downs represents the net book value of heavy equipment that the Group assessed to be operationally uneconomical amounting to nil, ₱20,552 and ₱93,818 in 2013, 2012 and 2011, respectively (see Note 21).

Collaterals
The carrying value of the property, plant and equipment mortgaged as collaterals for various borrowings of the Group amounted to ₱2,368,500 and ₱16,882,200 as at December 31, 2013 and 2012, respectively (see Notes 15 and 17).

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

11. Business Combination

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

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

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

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

	Fair value recognized on acquisition date, as previously reported	Effect of finalization of purchase price allocation	Fair value recognized on acquisition date, as restated
ASSETS			
Current Assets			
Cash and cash equivalents	₱1,953,658	₱–	₱1,953,658
Receivables	454,505	–	454,505
Derivatives assets	733,157	–	733,157
Inventories	730,197	–	730,197
Other current assets	1,004,795	–	1,004,795
Total Current Assets	₱4,876,312	₱–	₱4,876,312
Noncurrent Assets			
Property, plant and equipment	₱11,779,531	₱–	₱11,779,531
Mining rights	–	9,944,209	9,944,209
Other noncurrent assets	1,372,390	–	1,372,390
Total Noncurrent Assets	13,151,921	9,944,209	23,096,130
TOTAL ASSETS	18,028,233	9,944,209	27,972,442
LIABILITIES			
Current liabilities			
Accounts payable and other liabilities	2,859,976	–	2,859,976
Derivative liabilities	4,623	–	4,623
Total Current Liabilities	2,864,599	–	2,864,599
Noncurrent liabilities			
Long-term debt and other interest-bearing liabilities	7,055,020	–	7,055,020
Liability for mine rehabilitation cost	80,121	–	80,121
Retirement benefits liability	78,783	–	78,783
Deferred tax liabilities	–	2,983,263	2,983,263
Total Noncurrent Liabilities	7,213,924	2,983,263	10,197,187
TOTAL LIABILITIES	10,078,523	2,983,263	13,061,786
TOTAL IDENTIFIABLE NET ASSETS	₱7,949,710	₱6,960,946	₱14,910,656
Total identifiable net assets of CCC	₱7,949,710	₱6,960,946	₱14,910,656
Goodwill arising from the acquisition	25,972,054	(6,960,946)	19,011,108
Fair value of previously held interest (see Note 11a)	(17,913,764)	–	(17,913,764)
Acquisition cost	₱16,008,000	₱–	₱16,008,000

Cash flows on acquisition:

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

d. The adjustments to the provisional amounts resulted into the recognition of mining rights and related deferred tax liability. As a result of the recognition of mining rights and the related deferred tax liability, the Group restated its 2011 consolidated statements of financial position and consolidated statements of comprehensive income to reflect the depletion expense on the mining rights and the related reversal of the deferred tax liability amounting to ₱122,785 and ₱36,835, respectively. The restatement resulted to the recognition of “Mining rights” and “Deferred tax liability” amounting to ₱9,821,424 and ₱2,946,427, respectively, and a decrease in “Retained earnings” amounting to ₱85,950 in the consolidated statements of financial position as at December 31, 2011. The Group recognized depletion of mining rights amounting to ₱346,712 and ₱329,508 in 2013 and 2012, respectively. The Group recognized the related deferred tax liability amounting to ₱104,014 and ₱98,852 in 2013 and 2012, respectively.

e. Revenue, net of smelting and related charges, and net income of CCC from the Acquisition Date to December 31, 2011 that is included in the consolidated statements of comprehensive income, amounted to ₱4,262,587 and ₱249,995, respectively. The equity in net earnings in CCC from January 1, 2011 up to the Acquisition Date amounted to ₱1,247,884 (see Note 19).

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

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

g. *Goodwill - CCC*

As at December 31, 2011, the Group recognized provisional fair values of identifiable assets and liabilities, including a goodwill amounting to ₱25,972,054. In July 2012, the Group finalized the fair values and recognized goodwill amounting to ₱19,011,108 (see Notes 11c and 12). No impairment loss on goodwill was recognized in 2013, 2012 and 2011.

12. Goodwill

	2013	2012
CCC (see Note 11g)	**₱19,011,108**	₱19,011,108
AHI	**15,011**	15,011
	₱19,026,119	₱19,026,119

On May 11, 2007, the parent company's BOD approved the execution and implementation of the Deed of Sale of the Shares of Stock entered into between the parent company and APHI on the sale to the parent company of APHI's 75,005 common shares in AHI or equivalent to 99.99% of AHI's total issued and outstanding shares for ₱77,510. AHI is the holder of rights to certain properties which will be needed in the operations of the Toledo Copper Mines. The execution of the purchase of shares of stock of AHI was undertaken pursuant to the Memorandum of Agreement entered into by the parent company with APHI on May 4, 2006 embodying the mechanics for the parent company's acquisition of rights over the AHI properties. At the time of the acquisition, the estimated fair value of the net identifiable assets of AHI, consisting substantially of parcels of land, amounted to ₱62,500, resulted in the recognition of a goodwill of ₱15,011 in the consolidated statement of financial position. No impairment loss on goodwill was recognized in 2013, 2012 and 2011.

13. AFS Financial Assets

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

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

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

Movements in fair market value of quoted equity instruments follow:

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

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

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

In November 27, 2013, the Group sold all its AFS financial assets pertaining to investments in TMC amounted to ₱9,926 on which the Group recognized a gain amounted to ₱2,230 in the consolidated statements of comprehensive income.

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

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

14. Other Noncurrent Assets

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

Input VAT

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

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

MRF
MRF pertain to rehabilitation trust funds that the Group is required by regulations to establish and maintain through cash deposits to cover their rehabilitation liability upon the closure of the mine and to ensure payment of compensable damages that may be caused by mine waste. The rehabilitation trust funds are held in government depository banks.

15. **Loans Payable**

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

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

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

Covenants
Pursuant to the agreement covering the 2011 BDO Loan (the "2011 BDO Agreement"), BDO had an option to convert all or a portion of all amounts outstanding thereunder prior to maturity (the "Conversion Option"). The full exercise of the Conversion Option would result in the issuance to BDO or its assignee of 273,098,160 common shares stock of the parent company (the "Conversion Shares"). The Conversion Option is treated as an equity instrument with zero value on initial recognition. On July 6, 2012, SEC approved the exercise of the Conversion Option.

On January 24, 2012, the term of the 2011 BDO Loan was extended to move the maturity date to the end of its third 90-day period. The interest expense recognized on the 2011 BDO Loan amounted to nil, ₱36,575 and ₱92,591 in 2013, 2012 and 2011, respectively. The accrued interest payable amounted to ₱24,056 and ₱24,152 as at December 31, 2013 and 2012, respectively.

BDO ₱129 million Loan Payable
On January 24, 2012, the parent company availed another loan facility from BDO for the amount of ₱129,000 (the "2012 BDO Loan") which accrues interest at the rate of 4% per annum. On the same date, the parent company, using the proceeds of the 2012 BDO Loan, paid BDO the interest that had accrued on the 2011 BDO Loan in 2011 and as at that date amounting to ₱106,836 and other charges amounting to ₱22,164.

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

On May 18, 2012, the parent company and SMIC executed an addendum to the 2011 BDO Agreement to include in the Conversion Option the 2012 BDO Loan and the interest accruing thereon without increasing the number of the Conversion Shares.

On May 21, 2012, SMIC formally notified the parent company of its intention to fully exercise the Conversion Option with respect to the 2011 BDO Loan and the 2012 BDO Loan, together with their accrued interest from January 24, 2012 to February 29, 2012 amounting to ₱21,367 and ₱517, respectively.

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

16. Accounts Payable and Accrued Liabilities

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

Trade
Trade payables include import and local purchases of equipment, inventories and various parts and supplies used in the operations of the Group. These are noninterest-bearing payables to various suppliers and are normally settled on terms ranging from 30 to 60 days.

Nontrade

Payable to Toledo Power Corporation (TPC) and Toledo Holdings Corporation (THC)
In February 2002, TPC and its wholly owned subsidiary, THC executed in favor of the parent company a Deed of Release and Quitclaim (the "Settlement Agreement") which was intended to effectuate the full settlement of certain loan obligations of the parent company to TPC in consideration of the conveyance by the parent company to THC of (i) a portion of an area covered by two (2) foreshore leases, (ii) three (3) deep wells, and (iii) portions of particular cadastral lots located in Toledo City, Cebu (the "Settlement Properties"). The BOD, however, deferred ratification of the Settlement Agreement to enable negotiation of the exclusion from the Settlement Properties of a portion of the assigned foreshore area that is critical to the parent company's mining operations (the "Foreshore Portion").

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

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

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

Following such notice, the parent company reclassified as deposit for future stock subscription (the "Deposit on Subscription") the Peso equivalent of the portion of the TMC Loan subject of the exercise of the Conversion Option that amounts to ₱150,960.

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

Accrued Expenses - Others

The accrued expenses - others consist largely of accruals for the insurance of vehicles and shipments and accruals for purchased materials and supplies for which invoices have yet to be issued by suppliers as at December 31, 2013 and 2012. These are normally settled within six (6) months.

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

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

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

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

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

The Group's long-term debt and other interest-bearing liabilities outstanding balances as at December 31 follow:

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

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

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

a. Bonds Payable

On March 16, 2012, CCC completed the issuance of US$-denominated fixed-rate notes representing $300 million of CCC's senior unsecured debt with a tenor of five (5) years and five (5) days (the "Bonds Payable"). The Bonds Payable, which were issued at the price of 98.95% of face value, will pay interest semi-annually every 21st of March and 21st of September at the rate of 6.5% and will carry a yield to maturity of 6.75%. The accrued interest payable from bonds amounted to ₱238,068 and ₱224,578 as at December 31, 2013 and 2012, respectively (see Note 16). The interest expense recognized from bonds amounted to ₱1,076,777, ₱778,126 and nil in 2013, 2012 and 2011, respectively. CCC capitalized interest expense in relation to the Bonds Payable under "Construction in-progress", amounting to₱452,700 and ₱13,390 in 2013 and 2012, respectively, at interest rates of 6.5% to 8% in 2013 and 2012 (see Note 10).

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

Covenants

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

- *Incurrence of indebtedness other than permitted indebtedness* - CCC may incur indebtedness other than those permitted under Clause 4.6(b) of the Indenture if at the time of incurrence and the receipt and application of the proceeds therefrom, (i) no default, as such is defined in the Indenture ("Default"), has occurred or is continuing, and (ii) the Fixed Charge Coverage Ratio ("FCCR") of CCC is not less than 2.5 to 1.0 (the "Incurrence Conditions"). FCCR is the ratio of (1) the aggregate amount of earnings before interest, taxes, depreciation and amortization for the most recent four (4) fiscal quarterly periods prior to the incurrence of the indebtedness (the "Four Quarter Period"); (2) the aggregate fixed charges during the Four Quarter Period.

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

  CCC has ascertained its compliance with the above covenants as at December 31, 2013 and 2012.

Short-term Investments
A portion of the proceeds from the issuance of the Bonds Payable was put in multiple time deposit accounts that have a five-year maturity period reckoned from the date of placement and can be terminated anytime. Such deposits are classified as short-term investments in the consolidated statements of financial position amounting to ₱1,775,800 and ₱4,740,313 as at December 31, 2013 and 2012, respectively. Interest income earned from short-term investments amounted to ₱156,099 and ₱206,132 in 2013 and 2012, respectively. Interest receivable amounted to ₱135,240 and ₱158,873 as at December 31, 2013 and 2012, respectively (see Note 5).

b. <u>US$75 million BDO Loan</u>
On July 25, 2011, the parent company availed from BDO a US$-denominated loan facility debt covering the amount of US$75 million ("the BDO Facility"). The proceeds from the BDO Facility were used to finance (i) the parent company's acquisition of the entire equity interest of CASOP in CCC, and (ii) CCC's working capital requirements.

The BDO Facility (i) has a term of five (5) years, (ii) is payable in 49 equal monthly installments starting July 2012, (iii) accrues interest at the rate of 7% per annum, and (iv) is primarily secured by an irrevocable suretyship executed by CCC in favor of BDO.

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

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

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

- Maintenance of a debt service coverage during the term of the BDO Facility (debt service coverage ratio must not be less than 1.5:1);

- Declaration and payment of dividends or any distribution to shareholders; change in ownership and voting control structure; selling, leasing, transferring, or otherwise disposing of all or substantially all of its properties and assets; or any significant portion thereof other than in the ordinary course of business; consolidation or merger with any corporation; and investment in the shares of stock of any corporation other than its affiliates.
- Cash securities (which are classified as short-term investments).

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

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

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

c. <u>BDO Leasing</u>
From August 2011 to December 2013, CCC availed of peso-denominated equipment financing facilities from BDO Leasing. The amounts due under such facilities which totalled ₱2,042,500 are payable within 24 months and accrue interest at the rate of 4.75% to 10% per annum. In 2013 and 2012, CCC availed of additional equipment financing facilities from BDO Leasing covering the total amount of ₱848,700 and ₱889,500, respectively (see Note 10). The related interest expense recognized amounted to ₱82,362, ₱120,801 and nil in 2013, 2012 and 2011, respectively. The accrued interest payable amounted to ₱1,959 and nil as at December 31, 2013 and 2012, respectively.

d. <u>UCPB</u>
On October 29, 2012, CCC obtained from UCPB a short-term credit facility covering the amount of US$9.0 million that was used to finance working capital requirements. During 2013, the Company obtained from UCPB various short-term credit facility covering the amount of US$17.8 million which was used to finance working capital requirements. The amount drawn from the facility is payable within 12 months and accrues interest at the rate of 3.5% to 4% per annum. The related interest expense recognized amounted to ₱22,683, ₱2,809 and nil in 2013, 2012 and 2011, respectively. The accrued interest payable amounted to ₱849 and ₱1,219 as at December 31, 2013 and 2012, respectively.

e. <u>Land Bank</u>
On April 23, 2013, CCC obtained a short-term loan with a dollar to peso convertibility clause from Land Bank with a maturity date on October 18, 2013 in the amount of US$12.0 million which was used to finance working capital requirements. On October 18, 2013, CCC paid a total of US$0.5 million of the outstanding amount of the loan and extending the maturity from October 18, 2013 to April 16, 2014. The related interest expense recognized amounted to ₱10,820 in 2013and nil for both 2012 and 2011. The accrued interest payable amounted to ₱498 and nil as at December 31, 2013 and 2012, respectively.

f. SCB
On November 8, 2013, CCC obtained from SCB a short-term credit facility covering the amount of US$10.0 million which was used to finance working capital requirements. The amount drawn from the facility is payable within 180 days from the date of the loan and accrues interest at the rate of 2.7% per annum. The related interest expense recognized amounted to ₱699 in 2013and nil for both 2012 and 2011. The accrued interest payable amounted to ₱699 and nil as at December 31, 2013 and 2012, respectively.

g. LBP Leasing
From July to September 2013, CCC obtained from LBP Leasing a short-term credit facility which can be converted to finance lease in the amount of ₱156.4 million. In December 2013, CCC obtained an additional short-term loan in the amount ₱300 million which will mature on December 18, 2016 and accrues at the rate of 6.5% per annum.. Part of the proceeds obtained from the loan was used to pay the outstanding amount of ₱156.4 million which matured on December 26, 2013. The related interest expense recognized amounted to ₱3,330 in 2013and nil for both 2012 and 2011. The accrued interest payable amounted to nil as at December 31, 2013 and 2012.

h. MayBank
From September to October 2013, CCC obtained from MayBank a short-term credit facility covering the amount of US$6.7 million which was used to finance working capital requirements. The amount drawn from the facility is payable within 180 days from the date of the loan and accrues interest at the rate of 2.64% to 2.65% per annum. The related interest expense recognized amounted to ₱2,261 in 2013and nil for both 2012 and 2011. The accrued interest payable amounted to ₱419 and nil as at December 31, 2013 and 2012, respectively.

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

j. Bank of China
On November 8, 2013, CCC obtained from Bank of China a short-term credit facility covering the amount of US$6.0 million which was used to finance working capital requirements. The amount drawn from the facility is payable within 120 days and accrues interest at the rate of 2.3789% per annum. The related interest expense recognized amounted to ₱1,068 in 2013and nil for both 2012 and 2011. The accrued interest payable amounted to ₱401 and nil as at December 31, 2013 and 2012, respectively.

k. SBM Leasing
From March to December 2013, CCC availed of peso-denominated equipment financing facilities from SBM Leasing. The amounts due under the facilities which amounted to ₱269.4 million are payable within 36 months and accrue interest at the rate of 6.5% to 7% per annum. The related interest expense recognized amounted to ₱13,086 in 2013and nil for both 2012 and 2011. The accrued interest payable amounted to nil as at December 31, 2013 and 2012.

l. Atlas Copco
On January 20, 2012, CCC obtained a supplier credit facility from Atlas Copco for the amount of US$1.6 million which was used for the purchase of certain mining equipment. The amount drawn from the facility is payable within 24 months and accrues interest at the rate of 7% per annum. The related interest expense recognized amounted to ₱1,425 and ₱3,466 and nil in 2013, 2012 and 2011, respectively. The accrued interest payable amounted to nil as at December 31, 2013 and 2012.

m. MBTC and ORIX
On various dates in 2010, CCC availed of peso-denominated loans from MBTC and ORIX that are payable within a period of 3 to 4 years. The loans are secured by chattel mortgages covering the transportation equipment purchased using the proceeds thereof. The related interest expense recognized amounted to ₱513 and ₱1,311 and ₱1,395 in 2013, 2012 and 2011, respectively. The accrued interest payable amounted to nil as at December 31, 2013 and 2012.

n. FLS
On March 29, 2011, CCC availed from FLS a US$-denominated loan facility for the amount of US$4.7 million that is payable within 24 months and accrues interest at the rate of 11% per annum. The loan is secured by a chattel mortgage covering the crushers and auxiliary equipment purchased from FLS using the proceeds thereof. The related interest expense recognized amounted to ₱805 and ₱10,194 and nil in 2013, 2012 and 2011, respectively. The accrued interest payable amounted to nil as at December 31, 2013 and 2012.

BDO US$140 million
In December 2010, CCC availed from BDO a US$-denominated loan amounting to US$140,000 (the "BDO Loan"). The BDO Loan (i) is payable in 27 equal monthly installments starting October 2011, (ii) accrues interest at the rate of 8% per annum, and (iii) is secured by mortgages on real properties and chattels of CCC, cash collaterals, pledge over parent company's shares of stock in CCC, and a guarantee provided by the parent company for which CCC paid the parent company a guarantee fee amounting to ₱11,850 in 2010.

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

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

The maturity profile of the long-term debt and other interest-bearing liabilities is presented in Note 29.

18. **Liability for Mine Rehabilitation Cost**

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

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

The Group makes a full provision for the future cost of rehabilitation of the plant and other future costs on a discounted basis. Liability for mine rehabilitation cost represents the present value of future rehabilitation and other related costs. These provisions have been created based on the Group's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual costs will ultimately depend upon future market prices for the necessary works required which will reflect market conditions at the relevant time. Furthermore, the timing of the rehabilitation and expenditure of other costs is likely to depend on when the mine ceases to produce at economically viable rates, and the timing that the event for which the other provisions provided for will occur.

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

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

<u>BNC</u>
Discount rate used by BNC is 5.77 % for both 2013 and 2012.

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

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

19. Capital Stock and Deposits for Future Stock Subscriptions

a. Capital Stock

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

	December 31, 2013		December 31, 2012	
	No. of Shares	**Amount**	No. of Shares	Amount
Authorized - ₱8 par value	**3,000,000,000**	**₱24,000,000**	3,000,000,000	₱24,000,000
Issued and outstanding	**2,076,121,170**	**16,608,969**	2,074,366,980	16,594,936

Increase in Authorized Capital Stock

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

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

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

Issuance of Shares

Issuances of shares in 2013 and 2012 are as follows:

2013

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

2012

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

SMIC

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

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

b. APIC and Retained Earnings

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

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

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

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

20. Comprehensive Stock Option Plan

On July 18, 2007, the parent company’s stockholders and BOD approved and ratified the stock option plan for the parent company’s “qualified employees” as defined thereunder. The salient terms and features of the stock option plan, among others, are as follows:

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

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

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

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

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

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

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

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

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

21. Mining and Milling Costs and Mine Products Taxes

<u>Mining and milling costs consists of:</u>

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

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

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

Mine Products Taxes

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

22. General and Administrative Expenses

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

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

Personnel costs recognized in mining and milling costs and general and administrative expenses consisted of the following:

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

23. **Related Party Disclosures**

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and their key management personnel, directors, or its stockholders.

In the normal course of business, transactions with related parties consist mainly of payments made by the parent company for various expenses and noninterest-bearing, short-term cash advances for working capital requirements. Intercompany transactions are eliminated in the consolidated financial statements.

The Group's related party transactions, which are under terms that are no less favorable than those arranged with third parties as at December 31, are as follows:

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

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

a. The consolidated statements of financial position include the following amounts resulting from the various transactions with related parties as at December 31, are as follows:

	2013			
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Affiliates				
Receivables (see Note 5)				
Alakor	**₱–**	**₱27,722**	On demand; noninterest-bearing	Unsecured, no impairment, no guarantee
TMC	**1,668**	**3,818**	On demand; noninterest-bearing	Unsecured, no impairment, no guarantee
	₱1,668	**31,540**		
Payables				
TMC	**₱112,677**	**₱434,015**	On demand; noninterest-bearing	Unsecured, no guarantee
Interest payable				
Alakor	**₱–**	**₱21,986**	On demand; noninterest-bearing	Unsecured, no guarantee

	2012			
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Affiliates				
Receivables (see Note 5)				
Alakor	₱–	₱28,464	On demand; noninterest-bearing	Unsecured, no impairment, no guarantee
TMC	2,150	2,150	On demand; noninterest-bearing	Unsecured, no impairment, no guarantee
	₱2,150	₱30,614		
Payables				
TMC	₱–	₱321,338	On demand; noninterest-bearing	Unsecured, no guarantee
Interest payable				
Alakor	–	₱21,986	On demand; noninterest-bearing	Unsecured, no guarantee

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

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

d. In December 2010, the parent company issued a promissory note to Philodrill Corporation for the principal amount of US$1,670 (the "Philodrill Note"). The loan shall accrue interest from January 22, 2010 at the rate of 10% per annum. The parent company incurred interest expense amounting to nil and ₱3,102 in 2013 and 2012, respectively. In June 2012, the parent company discharged fully the loan obligation under the Philodrill Note amounting to ₱73,213.

e. In 2012, CCC settled in tranches its payable to the parent company amounting to ₱860,954. In July 2011, CCC agreed to provide security for the loan obligations of the parent company to BDO under the BDO Facility and the 2011 BDO Loan (see Note 17). CCC (i) executed an irrevocable suretyship in favor of BDO whereby it became solidarily liable with the parent company for the discharge of all obligations under the BDO Facility, and (ii) created in favor of BDO mortgage liens over its real properties and chattels to secure the performance of the parent company's obligations under the 2011 BDO Loan.

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

g. *Compensation of Key Management Personnel*

The Group considers all senior officers as key management personnel.

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

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

24. Retirement Benefits Liability

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

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the components of the net retirement benefits cost recognized in the consolidated statements of comprehensive income and the amounts recognized in the consolidated statements of financial position.

The details of net retirement benefits cost follows:

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

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

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

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

The Group does not have any plan assets.

The cost of defined retirement benefits plan, as well as the present value of the retirement benefits liability are determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining retirement benefits cost and retirement benefits liability for the Group's defined retirement benefits plan are shown below:

	2013	December 31, 2012 (As restated)	January 1, 2012 (As restated)
Discount rate	**6.06%**	5.91%	5.74%
Expected rate of salary increase	**10.00%**	10.0%	10.0%
Turnover rate	**10% at age 20 decreasing to 0% at age 55**	10% at age 20 decreasing to 0% at age 55	10% at age 20 decreasing to 0% at age 55

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined retirement benefits liability as at the end of the reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	2013
Discount rates	+1%	(45,224)
	-1%	99,921

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

The Group does not expect to contribute to the defined benefit pension plan in 2014. The Group does not have a Trustee Bank, and does not currently employ any asset-liability matching.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2013:

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

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

25. **Income Taxes**

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

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

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

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

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

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

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

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

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

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

f. As at December 31, 2013, the Group's NOLCO and MCIT that can be claimed as deduction against future taxable income are as follows:

Year Incurred	Available Until	NOLCO	MCIT
2013	2016	₱256,672	₱7,115
2012	2015	12,065	10,997
2011	2014	124,110	8,118
		₱392,847	₱26,230

Movements in NOLCO and MCIT are as follows:

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

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

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

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

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

BOI Incentives availed by CCC
CCC is registered with the Board of Investments (BOI) as a non-pioneer enterprise and as a new producer of copper concentrate. It is entitled to avail of the ITH incentive, among other incentives, for an initial period of four years from November 2007 to November 2011. The ITH incentive (“ITH Period”) was extended to October 31, 2012 by the BOI in June 2011 upon CCC’s use of the indigenous materials criterion. In 2012, the ITH Period was extended further to October 31, 2013 based on CCC’s eligibility under the net foreign exchange earnings criterion pursuant to Art. 39 (a) (1) (ii) of Executive Order (EO) 226, subject to the condition that CCC shall implement programs in line with its Corporate Social Responsibilities (CSR). The amount spent for CSR-based programs amounted to ₱40.9 million and ₱69.4 million in 2013 and 2012, respectively. In addition, CCC benefits from the automatic VAT zero-rating of its purchase of goods and services from domestic suppliers pursuant to Revenue Memorandum Order No. 9-2000 on account of the certification by the BOI that one hundred percent (100%) of its sales are export sales.

BOI Incentives availed by BNC
On November 5, 2010, the BOI approved the extension of the period of availment by BNC of the ITH incentive enjoyed by BOI-registered enterprises. Such extension allows BNC to claim ITH until May 27, 2012. In addition, BNC benefits from the automatic VAT zero-rating of its purchase of goods and services from domestic suppliers pursuant to Revenue Memorandum Order No. 9-2000 on account of the certification by the BOI that one hundred percent (100%) of its sales are export sales.

26. Finance Charges

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

27. Segment Information

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

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

2013

	Mining	**Non-Mining**	**Total**	**Eliminations**	**Consolidated**
Segment revenue					
From external customers	**₱13,496,065**	**₱–**	**₱13,496,065**	**₱–**	**₱13,496,065**
From intersegment sales/services	**–**	**26,985**	**26,985**	**(19,819)**	**7,166**
	13,496,065	**26,985**	**13,523,050**	**(19,819)**	**13,503,231**
Segment results					
Income (loss) before income tax	**2,932,189**	**(1,294)**	**2,930,895**	**(1,347,196)**	**1,583,699**
Benefit from income tax	**(208,148)**	**(95)**	**(208,243)**	**(104,014)**	**(312,257)**
Net income (loss)	**3,140,337**	**(1,199)**	**3,139,138**	**(1,243,182)**	**1,895,956**
Assets					
Segment assets	**55,578,686**	**199,888**	**55,778,574**	**7,787,952**	**63,566,526**
Investments	**18,382,461**	**113,575**	**18,496,036**	**(18,496,036)**	**–**
Goodwill	**–**	**–**	**–**	**19,026,119**	**19,026,119**
Mining rights	**–**	**–**	**–**	**9,145,204**	**9,145,204**
Liabilities					
Segment liabilities	**25,084,548**	**159,436**	**25,243,984**	**1,470,796**	**26,714,780**
Other segment information					
Depreciation, depletion and amortization	**1,670,733**	**464**	**1,671,196**	**–**	**1,671,197**
Finance charges	**968,780**	**–**	**–**	**–**	**968,780**

2012

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

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

28. Basic/Diluted Earnings Per Share

Basic earnings per share is computed as follows:

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

Diluted earnings per share is computed as follows:

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

Refer to succeeding table for the computation of diluted weighted average number of common shares outstanding

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

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

29. Financial Risk Management Objectives and Policies

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

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

<u>Market Risk</u>
Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchange rates, interest rates, equity prices and other market changes.

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

As at December 31, 2013 and 2012, foreign currency-denominated assets and liabilities follow:

	2013		2012	
	Original Currency	**Peso Equivalent**	Original Currency	Peso Equivalent
Assets				
Cash and cash equivalents*	**US$4,173**	**₱182,725**	US$2,756	₱113,128
	GB£139	**10,101**	GB£–	–
	JP¥2,082	**888**	JP¥3,289	1,574
Short-term investments	**US$45,777**	**2,032,276**	US$115,477	4,740,313
Receivables	**US$21,448**	**952,182**	US$30,068	1,234,293
Derivative assets	**US$318**	**14,108**	US$–	–
	US$71,716	**₱3,181,291**	US$148,301	₱6,087,734
	GB£139	**₱10,101**	GB£–	₱–
	JP¥2,082	**₱888**	JP¥3,289	₱1,574

	2013		2012	
	Original Currency	**Peso Equivalent**	Original Currency	Peso Equivalent
Liabilities				
Trade payables and accrued expenses	**US$19,185**	**₱851,719**	US$7,019	₱288,144
	AU$50	**1,956**	AU$557	23,764
	EU€167	**10,144**	EU€–	–
	CD$273	**11,390**	CD$–	–
	JP¥–	**–**	JP¥371,510	177,842
Long-term debt	**US$358,617**	**15,921,818**	US$302,855	12,432,205
Derivative liabilities	**US$21**	**921**	US$185	7,590
	US$377,823	**₱16,774,458**	US$310,059	₱12,727,939
	AU$50	**₱1,956**	AU$557	₱23,764
	CD$273	**₱11,390**	CD$–	₱–
	JP¥–	**₱–**	JP¥371,510	₱177,842
Net Liabilities in US$	**US$306,107**	**₱13,593167**	US$161,758	₱6,640,202
Net Assets (Liabilities) in JP¥	**JP¥2,595**	**₱1,105**	(JP¥363,661)	(₱173,952)
Net Liabilities in CD$	**CD$273**	**₱11,390**	CD$–	₱–
Net Liabilities in GB£	**GB£139**	**₱10,101**	GB£–	₱–

**Excluding cash on hand*

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

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

Based on the historical movement of the US$, JP¥, Canadian dollar (CD$), Great Britain pound (GB£) and the Philippine peso, the management believes that the estimated reasonably possible change in the next 12 months would be a strengthening of ₱0.55and a weakening of ₱0.66 against the US$, a strengthening of ₱0.93 and weakening of ₱0.87 against AU$, a strengthening of ₱0.01 and weakening of ₱0.01 against JP¥, a strengthening of ₱0.62 and weakening of ₱0.43 against CD$ and a strengthening of ₱1.62 and weakening of ₱1.01 against GB£ for 2013, while strengthening of ₱0.75 and a weakening of ₱0.72 against the US$, a strengthening of ₱1.01 and weakening of ₱0.85 against AU$, a strengthening of ₱0.02 and weakening of ₱0.01 against JP¥, for 2012. Sensitivity of the Group's pre-tax income to foreign currency risks are as follows:

<u>Year ended December 31, 2013:</u>

- An increase of ₱187,741 in the pre-tax income if peso strengthens by ₱0.545 against the US$. A decrease of ₱228,217 in the pre-tax income if peso weakens by ₱0.662 against the US$.
- An increase of ₱1,138 in the pre-tax income if peso weakens by ₱0.873 against the AU$. A decrease of ₱1,211 in the pre-tax income if the value of peso strengthens by ₱ 0.9284 against the AU$.
- An increase of ₱29 in the pre-tax income if peso weakens by ₱0.01 against the JP¥. A decrease of ₱29 in the pre-tax income if the value of peso strengthens by ₱0.01 against the JP¥.
- An increase of ₱170 in the pre-tax income if peso strengthens by ₱0.62 against the CD$. A decrease of ₱117 in the pre-tax income if the value of peso weakens by ₱0.43 against the CD$.
  - An increase of ₱141 in the pre-tax income if peso weakens by ₱1.01 against the GB£. A decrease of ₱225 in the pre-tax income if the value of peso strengthens by ₱1.62 against the GB£.

<u>Year ended December 31, 2012:</u>

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

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

Commodity Price Risk

The Group's copper concentrate revenues are based on international commodity quotations (i.e., primarily on the LME) over which the Group has no significant influence or control. This exposes the Group's results of operations to commodity price volatilities that may significantly impact its cash inflows. The Group enters into derivative transactions as a means to mitigate the risk of fluctuations in the market prices of its mine products. An analysis is made based on the assumption that the gold and copper prices move using the implied volatility based on one year historical LME copper prices with all other variables held constant.

Shown below is the Group's sensitivity to changes in the copper prices arising from its copper derivatives as at December 31, 2013 and 2012:

December 31, 2013:

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

December 31, 2012:

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

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

Credit Risk
Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its customers and counterparties to fulfill their obligations on maturity dates or due to adverse market conditions.

The Group's financial assets which are exposed to credit risk include its cash and cash equivalents, trade receivables, interest receivables, AFS financial assets and MRF under "Other noncurrent assets" with a maximum exposure equal to the carrying amount of these assets.

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

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

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

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

**Excluding cash on hand*

Credit Quality Per Class of Financial Assets

The credit quality by class of asset for the Group’s financial assets as at December 31, 2013 and 2012 based on credit rating system follows:

December 31, 2013:

	Neither past due nor impaired			**Past Due But Not Impaired**	**Total**
	High Grade	**Standard Grade**	**Substandard Grade**		
Loans and receivables:					
Cash and cash equivalents *	**₱862,273**	**₱–**	**₱–**	**₱–**	**₱862,273**
Short-term investments	**2,032,276**	**–**	**–**	**–**	**2,032,276**
Trade receivables	**824,180**	**–**	**–**	**–**	**824,180**
Interest receivables	**135,240**	**–**	**–**	**–**	**135,240**
MRF under “Other noncurrent assets”	**15,128**	**–**	**–**	**–**	**15,128**
Derivative assets	**14,108**	**–**	**–**	**–**	**14,108**
AFS financial assets	**–**	**–**	**5,599**	**–**	**5,599**
	₱3,883,205	**₱–**	**₱5,599**	**₱–**	**₱3,888,804**

**Excluding cash on hand*

December 31, 2012:

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

**Excluding cash on hand*

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

- Cash and cash equivalents, short-term investments and related interest receivables and MRF are assessed as high-grade since these are deposited in reputable banks, which have a low probability of insolvency.
- Trade receivables, which pertain mainly to receivables from sale of copper and other precious metals, are assessed as high-grade. These are assessed based on past collection experience of full settlement within two (2) months after invoice date with no history of default.
- Quoted equity instruments are assessed as substandard grade since PLDT has its business plan to address its recovery issues.

The above high grade credit quality financial assets pertain to financial assets with insignificant risk of default based on historical experience. Substandard grade credit quality financial assets pertain to financial assets with more than insignificant risk of default based on historical experience and/or counterparty credit standing.

The aging analyses of the Group's loans and receivables, derivative instruments and AFS financial assets are as follow:

December 31, 2013:

	Neither past due nor Impaired	**Past due but not impaired**			**Total**
		Less than 30 days	**30 - 60 Days**	**More than 60 Days**	
Loans and receivables:					
Cash and cash equivalents *	**₱862,273**	**₱–**	**₱–**	**₱–**	**₱862,273**
Short-term investments	**2,032,276**	**–**	**–**	**–**	**2,032,276**
Trade receivables	**–**	**–**	**824,180**	**–**	**824,180**
Interest receivables	**135,240**	**–**	**–**	**–**	**135,240**
MRF under "Other noncurrent assets"	**15,128**	**–**	**–**	**–**	**15,128**
Derivative assets	**14,108**	**–**	**–**	**–**	**14,108**
AFS financial asset	**5,599**	**–**	**–**	**–**	**5,599**
	₱3,064,624	**₱–**	**₱824,180**	**₱–**	**₱3,888,804**

**Excluding cash on hand*

December 31, 2012:

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

**Excluding cash on hand*

Concentration Risk

In 2013 and 2012, majority of the CCC's copper production were sold to MRI. However, it has no significant concentration of credit risk since it can sell its copper concentrate to other third party customers. The Company continuously monitors its receivables from MRI to assess its credit risk exposure.

Liquidity Risk

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

The tables below summarizes the maturity profile of the financial liabilities of the Group, as well as financial assets considered by management as part of its liquidity risk management based on remaining undiscounted contractual obligations as at December 31, 2013 and 2012 follow:

December 31, 2013:

	On demand	Within 1 year	1 to <3 years	> 3 years	Total
Loans and receivables:					
Cash and cash equivalents	**₱866,359**	**₱–**	**₱–**	**₱–**	**₱866,359**
Short-term investments	**2,032,276**	**–**	**–**	**–**	**2,032,276**
Trade receivables	**–**	**824,180**	**–**	**–**	**824,180**
Interest receivables	**135,240**	**–**	**–**	**–**	**135,240**
MRF under "Other noncurrent assets"	**15,128**	**–**	**–**	**–**	**15,128**
Derivative assets	**14,108**	**–**	**–**	**–**	**14,108**
AFS financial asset	**5,599**	**–**	**–**	**–**	**5,599**
	₱3,068,710	**₱824,180**	**₱–**	**₱–**	**₱3,892,890**
	On demand	**Within 1 year**	**1 to <3 years**	**> 3 years**	**Total**
Financial liabilities:					
Accounts payable and accrued liabilities**	**₱–**	**₱3,294,836**	**₱–**	**₱–**	**3,294,836**
Payable to related parties	**434,015**	**–**	**–**	**–**	**434,015**
Long-term debt and other interest-bearing liabilities	**–**	**4,143,182**	**15,348,650**	**–**	**19,491,832**
Derivative liabilities	**–**	**925**	**–**	**–**	**925**
	434,015	**7,438,943**	**15,348,650**	**–**	**23,221,608**
	₱2,634,695	**(₱6,614,763)**	**(₱15,348,650)**	**₱–**	**(₱19,328,718)**

***Excluding government payables*

December 31, 2012:

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

***Excluding government payables*

Interest Rate Risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's mix of fixed and floating interest rate debt is 100:0 in 2013 and 2012, respectively. The Group monitors its exposure to fluctuations in interest rates by measuring the impact of interest rate movements on the Group's net worth. This is done by modeling the impact of various changes in interest rates to the Group's net interest positions.

The Group has no outstanding floating interest rate debt as at December 31, 2013 and 2012.

30. Financial Instruments

PFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

Fair Values of Financial Instruments
The following table shows the carrying values and fair values of the Company's financial instruments, whose carrying values does not approximate its fair values as at December 31 of each year:

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

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

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

AFS Financial Assets
The fair value of quoted equity instrument is determined by reference to market bid quotes at the end of the reporting period. AFS financial assets are carried at fair value.

Accounts Payable and Accrued Liabilities and Payable to Related Parties
The carrying amounts of accounts payable and accrued liabilities and payable to related parties approximate their fair values due to the relatively short-term maturities of these financial instruments.

Long-term Debt and Other Interest-bearing Liabilities
Fair value of long-term debt and other interest-bearing liabilities is estimated using the discounted cash flow methodology using the benchmark risk free rates for similar types of long-term debt and other interest-bearing liabilities, except for the Bonds Payable whose fair value is determined by reference to market prices at the end of the period.

Derivative Instruments
Fair values of commodity forwards and embedded derivatives are obtained using the "forward versus forward" approach using copper forward prices and discounted at the appropriate London Interbank Offered Rate. Fair value of put option is derived from the Black-Scholes option pricing formula. The Group uses historical volatility for the computation of the value of put options which is computed as the standard deviation of the lognormal returns on commodity price over a fixed number of days. Historical volatility typically does not represent current market participants' expectations about future volatility, even if it is the only information available to price an option.

Shown below is the impact of a one (1) percent upward or downward change in volatility to the Company's net income:

	Change in volatility	Impact on net income
2013	**+1%**	**₱681**
	-1%	**(619)**

Fair value of embedded provisional pricing derivatives on copper sales contracts is computed as the difference between the provisional price set by the Group and the average of the quoted LME futures prices applicable to the quotational period specified for each sales contract discounted with the risk free rate of return. Derivative assets and liabilities are carried at fair value.

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

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

December 31, 2013

	Level 1	Level 2	Level 3	Total
Asset measured at fair value:				
AFS financial assets	**₱5,599**	**₱–**	**₱–**	**₱5,599**
Derivative assets	**–**	**11,151**	**2,957**	**14,108**
	5,599	**11,151**	**2,957**	**19,707**
Liability measured at fair value:				
Derivative liabilities	**–**	**(925)**	**–**	**(925)**
Liability for which fair values are disclosed:				
Long-term debt and other interest-bearing liabilities	**(12,918,340)**	**–**	**(4,164,350)**	**(17,082,690)**
Total	**(₱12,918,340)**	**(₱925)**	**(₱4,164,350)**	**(₱17,083,615)**

December 31, 2012

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

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

31. Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during 2013 and 2012.

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

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

32. Commitments and Contingencies

Parent Company

Contingencies

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

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

On July 13, 2010, the Commissioner of Internal Revenue issued a memorandum order on the revocation of the Ruling. Following such revocation, the BIR issued on August 19, 2010 a Warrant of Distraint or Levy (the WDL) to enforce collection of the Masbate Taxes amounting to ₱197,595. To enjoin the action to collect, the parent company filed with the Court of Tax Appeals (CTA) a Petition for Review (the Petition) with an Application for Temporary Restraining Order and/or Writ of Preliminary Injunction and a Motion for the Suspension of Collection of Tax.

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

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

Management and its legal counsel determined that the probability of an unfavorable outcome cannot be assessed at this stage of the proceedings, notwithstanding sufficient legal bases for the parent company's position. Management determined that there was no basis to provide for any contingent liability pertaining to the payment of the Masbate Excise Tax as at December 31, 2013.

CCC

Power Agreements

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

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

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

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

Total utilities expenses related to the above power agreements amounted ₱1,801,605 and ₱2,107,868 in 2013 and 2012, respectively.

Waste Mining Service Agreement

In May 2012, CCC entered into a waste mining service agreement, as amended, with Galeo Equipment and Mining Company, Inc. ("Galeo") for waste works at CCC's Carmen and Lutopan Open Pit Mines at specified pricing formulas. The agreement has a term of four (4) years reckoned from the earlier of June 1, 2012 or the date when Galeo commences the performance of waste stripping services.

Total expenses related to waste mining service agreement amounted to ₱1,810,914 and ₱1,609,086 in 2013 and 2012, respectively.

Fuel Supply Agreement
In August 2011, CCC entered into a fuel supply agreement, as amended, with Pilipinas Shell Petroleum Corporation for the purchase of petroleum products, lubricants and greases at established pricing formulas. The agreement will expire in October 2015. Total expenses related to the fuel supply agreement amounted to ₱894,789 and ₱1,908,927 in 2013 and 2012, respectively.

Legal Contingencies
The Group is a party to minor labor cases arising from its operations. The Group's management and legal counsel believe that the eventual resolution of these cases will not have a material effect on the Group's financial statements. Accordingly, no provision for probable losses was recognized by the Group in 2013, 2012 and 2011.

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

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

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

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

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

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

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

BNC, in compliance with the terms of the ECC, has set up an Environmental Trust Fund (ETF) on April 27, 2007, in the amount of ₱200 at the Land Bank Makati Branch. The ETF is a readily replenishable fund for compensation or indemnification of damages to life and property that may be caused by the project. The fund is included under “Other noncurrent assets” account in the consolidated statements of financial position. As at December 31, 2013 and 2012, BNC has ETF amounting to ₱207 and ₱206, respectively.

MRF
Pursuant to Section 181 of the Implementing Rules and Regulations of the Republic Act No. 7492, better known as the “Philippine Mining Act of 1995”, BNC has opened a Rehabilitation Cash Fund (RCF) on November 22, 2007, amounting to ₱5,000 at the Land Bank Makati Branch. Such trust fund is set to ensure compliance with the approved rehabilitation activities and schedules of the project. In addition to RCF, BNC has also set up a Monitoring Trust Fund (MTF) amounting to ₱100,000 at the Land Bank Makati Branch on April 27, 2007. Such fund shall be used to cover the maintenance and other operating budget of the MTF Committee and is subject to periodic replenishments. The fund is included under “Other noncurrent assets” account in the consolidated statements of financial position. As at December 31, 2013 and 2012, BNC has RCF amounting to ₱5,159 and ₱5,147, respectively and MTF amounting to ₱150.

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

Total royalty payments to BATA for the years ended December 31, 2013, 2012 and 2011 amounted to ₱4.9 million, ₱8.6 million and ₱1.1 million, respectively. In 2013, 2012 and 2011, BNC has recognized royalty expense amounting to ₱8,571, ₱11,897 and ₱5,776, respectively.

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

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

33. Other Matters

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

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

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

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

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

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

In September 2013 and February 2012, the BOD of the parent company approved the waiver of its entitlement to receive from the CCC, pursuant to the Operating Agreement, royalties due from operations in 2013 and 2012, respectively.

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

34. Supplemental Disclosure to Consolidated Statements of Cash Flows

The noncash activities of the Group pertain to the borrowing cost capitalized as part of property, plant and equipment amounting to ₱452,687 and ₱17,929 in 2013 and 2012, respectively.

SGV
Building a better working world

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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 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, 2013 and 2012, and 2011 and for each of the three years in the period ended December 31, 2013, included in this form 17-A, and have issued our report thereon dated March 14, 2014. 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 purposes 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.

Eleanore A. Layug
Partner
CPA Certificate No. 0100794
SEC Accreditation No. 1250-A (Group A),
August 9, 2012, valid until August 8, 2015
Tax Identification No. 163-069-453
BIR Accreditation No. 08-001998-97-2012,
January 11, 2012, valid until January 10, 2015
PTR No. 4225180, January 2, 2014, Makati City

March 14, 2014

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

DECEMBER 31, 2013

SCHEDULE I
ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
FINANCIAL RATIOS PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

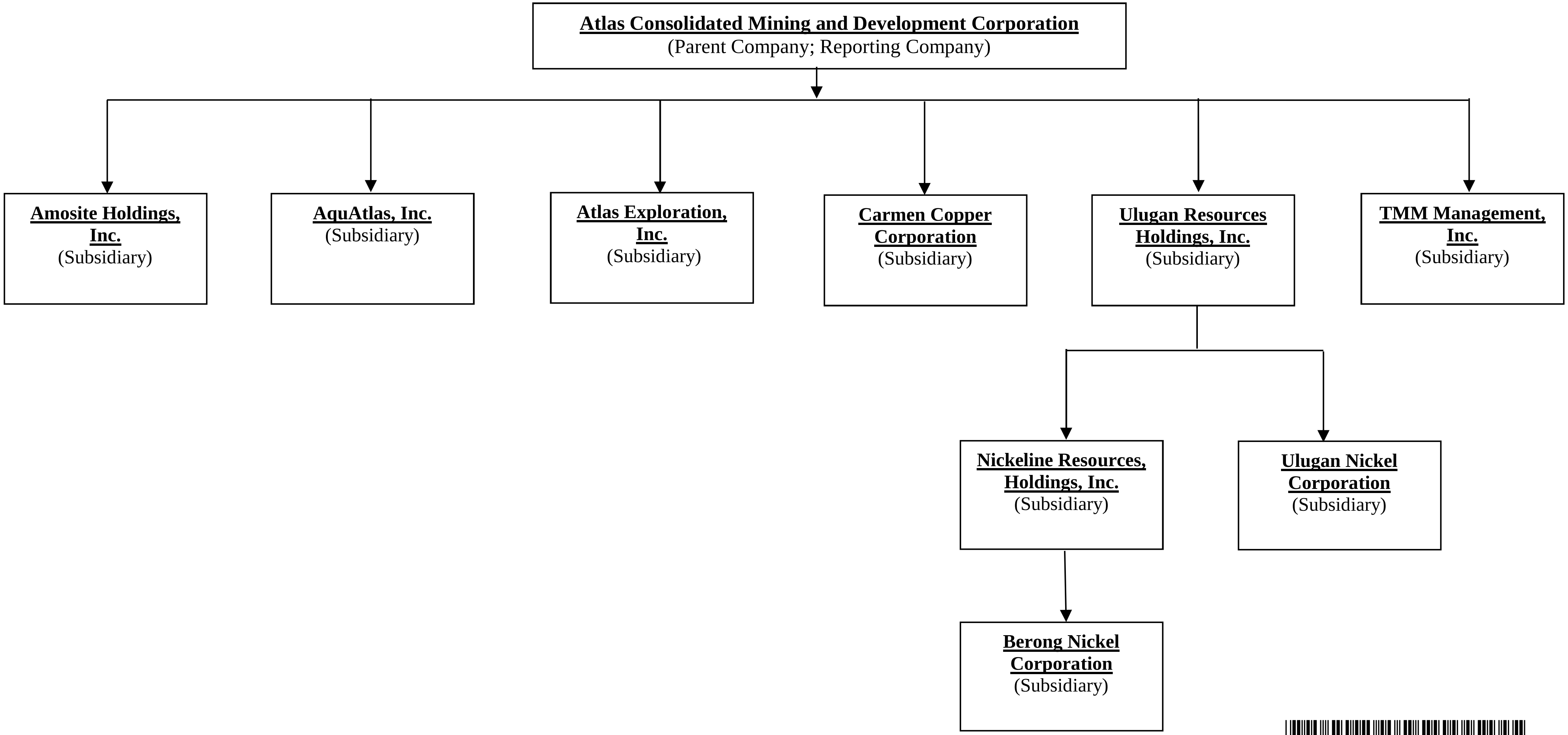
	2013	2012
Profitability Ratios:		
Return on assets	**3.15%**	6.16%
Return on equity	**5.34%**	10.70%
Gross profit margin	**55.14%**	54.24%
Net profit margin	**13.25%**	21.14%
Liquidity and Solvency Ratios:		
Current ratio	**0.77:1**	2.03:1
Quick ratio	**0.57:1**	1.81:1
Solvency ratio	**0.16:1**	0.24:1
Financial Leverage Ratios:		
Asset to equity ratio	**1.74:1**	1.63:1
Debt ratio	**0.42:1**	0.39:1
Debt to equity ratio	**0.73:1**	0.63:1
Interest coverage ratio	**3.68:1**	3.80:1

SCHEDULE II

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP PURSUANT TO SRC RULE 68, AS AMENDED

DECEMBER 31, 2013



SCHEDULE III
ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
TABULAR SCHEDULE OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER THE PFRS PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

I. 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 at December 31, 2013:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2013		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics				
PFRSs Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2013		Adopted	Not Adopted	Not Applicable
PFRS 5	Noncurrent Assets Held for Sale and Discontinued Operations	✓		✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	Not early adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2013		Adopted	Not Adopted	Not Applicable
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	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2013		Adopted	Not Adopted	Not Applicable
	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 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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2013		Adopted	Not Adopted	Not Applicable
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	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2013		Adopted	Not Adopted	Not Applicable
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

<u>SCHEDULE IV</u>
ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2013

Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, beginning* (In thousands)			₱859,605*
Add: Net income actually earned/realized during the period			
Net income during the period closed to Retained Earnings		578,213	
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)	8,210	
	Unrealized actuarial gain	–	
	Fair value adjustment (mark-to-market gains)	–	
	Fair value adjustment of investment property resulting to gain	–	
	Adjustment due to deviation from PFRS/GAAP – gain	–	
	Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Subtotal		8,210	
Add:	Non-actual losses		
	Depreciation on revaluation increment (after tax)	–	
	Adjustment due to deviation from PFRS/GAAP – loss	–	
	Loss on fair value adjustment of investment property (after tax)	–	
Subtotal		–	
Net income actually incurred during the period		586,423	
Add (Less):			
	Dividend declarations during the period	(518,837)	
	Appropriations of retained earnings	–	
	Reversals of appropriations	–	
	Effects of prior period adjustments	(1,320)	
	Treasury shares	(23,267)	
Subtotal		(543,424)	42,999
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND			**₱902,604**

*Computed as follows:

Retained earnings as of December 31, 2012, as reflected in audited financial statements	₱1,152,286
Unrealized foreign exchange	(185,307)
Recognized deferred income tax assets that increased 2012 net income	(107,374)
Total	₱859,605

SCHEDULE A

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
FINANCIAL ASSETS
DECEMBER 31, 2013

Name of issuing entity and association of each issue	Number of shares or principal amounts of bonds and notes	Amount shown in the balances sheet (figures in thousands)	Income received and accrued
AFS Financial Asset:			
PLDT	2,100	₱5,599	₱–

SCHEDULE B

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2013

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected / Settlements	Amounts Written-off	Current	Not Current	Balance at end period

NOT APPLICABLE

SCHEDULE C

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2013

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected /Settlements	Amounts Written-off	Current	Not Current	Balance at end period
CCC	₱19,928,286	₱3,546,372	₱338,080	₱–	₱23,136,578	₱–	₱23,136,578
AEI	102,244,157	–	328,618	–	101,915,539	–	101,915,539
AI	31,336,389	122,551	–	–	31,458,940	–	31,458,940
AHI	(2,725,191)	127,641	–	–	(2,597,550)	–	(2,597,550)
BNC	102,423,040	6,546,028	–	–	108,969,068	–	108,969,068
UNC	597,251	10	–	–	597,261	–	597,261
NRHI	1,223,603	–	–	–	1,223,603	–	1,223,603
URHI	3,006,106	–	–	–	3,006,106	–	3,006,106

SCHEDULE D

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

INTANGIBLE ASSETS - OTHER ASSETS

DECEMBER 31, 2013

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Goodwill	₱19,026,118,601	₱–	₱–	₱–	₱–	₱19,026,118,601
Mining Rights	9,491,916,191	–	346,712,434	–	–	9,145,203,757

SCHEDULE E

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
LONG-TERM DEBT
DECEMBER 31, 2013

Title of Issue and type of obligation	Amount authorized by: Indenture	Amount shown under the caption "Current Portion of long-term borrowings" in related balance sheet	Amount shown under the caption "Long-term borrowings- net of current portion" in related balance sheet
Bonds payable	₱–	₱–	₱13,059,825
US$75 million BDO loan	–	815,418	1,291,079
BDO Leasing	–	541,659	668,963
UCPB	–	790,231	–
Land Bank of the Philippines	–	510,543	–
Standard Chartered Bank	–	443,950	–
LBP Leasing Corp	–	93,592	206,408
MayBank	–	297,447	–
Security Bank	–	288,568	–
Bank of China	–	266,370	–
SBM Leasing, Inc.	–	87,926	122,375
Atlas Copco Customer Finance AB	–	5,210	–
MBTC and ORIX	–	2,268	–

SCHEDULE F

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2013

Name of Related Party	Balance at beginning of period	Balance at end of period
	NOT APPLICABLE	

SCHEDULE G

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2013

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owed by person for which statement is filed	Nature of guarantee

NOT APPLICABLE

SCHEDULE H

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES
CAPITAL STOCK
DECEMBER 31, 2013

The parent company's authorized share capital is ₱24.0 billion divided into 3.0 billion shares at ₱8 par value. As at December 31, 2013, total shares issued and outstanding is 2,076,121,170 held by 21,052 shareholders.

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition caption	Number of shares reserved for option, warrants, conversions and other rights	No of shares held by		
				Affiliates	Directors and Officers	Others
Common Stock	3,000,000,000	2,076,121,170	–	1,256,525,459	141,841,720	677,753,991

COVER SHEET

1 1 5 PRE-WAR	SEC Registration Number

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION

(Company's Full Name)

Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City

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

Fernando A. Rimando
(Contact Person)

(632) 584-9788
(Company Telephone Number)

12 *Month* **31** *Day*
(Fiscal Year)

AAPFS
(Form Type)

04 *Month* **24** *Day*
(Annual Meeting)

Not applicable
(Secondary License Type, If Applicable)

SEC
Dept. Requiring this Doc.

Not applicable
Amended Articles Number/Section

Total Amount of Borrowings

21,052
Total No. of Stockholders

₱–
Domestic

$75 million
Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

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BOA/PRC Reg. No. 0001,
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November 15, 2012, valid until November 16, 2015

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, 2013 and 2012, and the parent company 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 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, 2013 and 2012, 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.

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    January 11, 2012, valid until January 10, 2015
PTR No. 4225180, January 2, 2014, Makati City

March 14, 2014

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands, Except Par Value per Share)

	December 31, 2013	December 31, 2012 (As restated, Note 2)	January 1, 2012 (As restated, Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 4)	**₱22,924**	₱122,436	₱12,123
Short-term investments (Note 11a)	**256,476**	242,082	194,067
Receivables (Note 5)	**1,268,727**	1,806,504	1,674,389
Other current assets	**–**	–	5,256
Total Current Assets	**1,548,127**	2,171,022	1,885,835
Noncurrent Assets			
Investments in shares of stock (Note 6)	**18,382,461**	18,382,461	18,382,461
Available-for-sale (AFS) financial assets (Note 8)	**5,599**	4,896	4,927
Property and equipment (Note 7)			
At revalued amount	**315,558**	315,558	315,558
At cost	**20,591**	9,491	2,018
Other noncurrent assets (Note 9)	**53,471**	32,889	29,584
Total Noncurrent Assets	**18,777,680**	18,745,295	18,734,548
TOTAL ASSETS	**₱20,325,807**	₱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)	**43,815**	127,710	851,162
Current portion of long-term debt (Note 11)	**815,418**	753,980	402,612
Payable to related parties (Note 14)	**2,598**	2,725	76,031
Income tax payable (Note 17)	**1,671**	4,518	–
Total Current Liabilities	**863,502**	888,933	6,671,605
Noncurrent Liabilities			
Long-term debt - net of current portion (Note 11)	**1,291,079**	1,947,781	2,885,388
Retirement benefits liability (Note 16)	**18,489**	10,482	14,734
Deferred tax liabilities (Note 17)	**93,668**	93,668	93,668
Total Noncurrent Liabilities	**1,403,236**	2,051,931	2,993,790
Total Liabilities	**₱2,266,738**	₱2,940,864	₱9,665,395

(Forward)

	December 31, 2013	December 31, 2012 (As restated, Note 2)	January 1, 2012 (As restated, Note 2)
Equity			
Capital stock - ₱8 par value in 2012 and ₱10 par value in 2011 (Note 12) Authorized - 3.0 billion shares Issued and outstanding - 2.1 billion shares	**₱16,608,969**	₱16,594,936	₱17,640,530
Additional paid-in capital (Note 12)	**7,063**	3,554	5,816,306
Revaluation increment on land (Note 7)	**218,559**	218,559	218,559
Remeasurement gain on retirement plan (Note 2)	**1,036**	2,638	389
Unrealized gain on AFS financial assets (Note 8)	**10,460**	2,160	1,464
Retained earnings (deficit)	**1,212,982**	1,153,606	(12,722,260)
Total Equity	**18,059,069**	17,975,453	10,954,988
TOTAL LIABILITIES AND EQUITY	**₱20,325,807**	₱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	
	2013	2012 (As restated, Note 2)
INCOME		
Dividend income (Note 6)	**₱1,000,000**	₱1,000,000
Gain on settlement of liability	**79,275**	519,548
Interest income (Note 4)	**703**	808
Net foreign exchange gain	**–**	185,307
Others	**6,516**	9,730
	1,086,494	1,715,393
EXPENSES		
Finance charges (Notes 11 and 16)	**187,821**	278,599
Net foreign exchange loss	**164,869**	–
General and administrative expenses (Note 15)	**153,839**	273,489
	506,529	552,088
INCOME BEFORE INCOME TAX	**579,965**	1,163,305
PROVISION FOR CURRENT INCOME TAX (Note 17)	**1,752**	10,627
NET INCOME	**₱578,213**	₱1,152,678
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to consolidated statements of income:		
Re-measurement gain (loss) on retirement plan (Note 2)	**(1,602)**	2,249
Item that may be reclassified subsequently to consolidated statements of income:		
Unrealized loss on AFS financial asset (Note 8)	**8,300**	696
	6,698	2,945
TOTAL COMPREHENSIVE INCOME	**₱584,911**	₱1,155,623

See accompanying Notes to Parent Company Financial Statements.

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(Amounts in Thousands)

	Capital Stock (Note 12)	Additional Paid-in Capital (Note 12)	Revaluation Increment on Land (Note 7)	Net Unrealized Gain on AFS Financial Assets (Note 12)	Remeasurement loss on retirement benefits liability (Note 2)	Retained Earnings (Deficit) (Note 12)	Total
Balances at January 1, 2013, as previously reported	**₱16,594,936**	**₱3,554**	**₱218,559**	**₱2,160**	**₱–**	**₱1,152,286**	**₱17,971,495**
Effect of adoption of Revised PAS 19 (Note 2)	–	–	–	–	**2,638**	**1,320**	**3,958**
Balances at January 1, 2013, as restated	**16,594,936**	**3,554**	**218,559**	**2,160**	**2,638**	**1,153,606**	**17,975,453**
Net income for the period/total comprehensive income for the period	–	–	–	**8,300**	**(1,602)**	**578,213**	**584,911**
Issuance of Shares(Notes 11 and 12)	**14,033**	**3,509**	–	–	–	–	**17,542**
Dividends Declaration	–	–	–	–	–	**(518,837)**	**(518,837)**
Balances at December 31, 2013	**₱16,608,969**	**₱7,063**	**₱218,559**	**₱10,460**	**₱1,036**	**₱1,212,982**	**₱18,059,069**

	Capital Stock (Note 12)	Additional Paid-in Capital (Note 12)	Revaluation Increment on Land (Note 7)	Net Unrealized Gain on AFS Financial Assets (Note 12)	Remeasurement loss on retirement benefits liability (Note 2)	Retained Earnings (Deficit) (Note 12)	Total
Balances at January 1, 2012, as previously reported	₱17,640,530	₱5,816,306	₱218,559	₱1,464	–	(₱12,722,320)	₱10,954,539
Effect of adoption of Revised PAS 19 (Note 2)	–	–	–	–	389	60	449
Balance at January 1, 2012, as restated	17,640,530	5,816,306	218,559	1,464	389	(12,722,260)	10,954,988
Net income for the period	–	–	–	–	–	1,152,678	1,152,678
Other comprehensive income for the period				696			696
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	–
Effects of Revised PAS 19 (see Note 2)	–	–	–	–	2,249	–	2,249
Balances at December 31, 2012 as restated	₱16,594,936	₱3,554	₱218,559	₱2,160	₱2,638	₱1,153,606	₱ 17,975,453

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	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**₱579,965**	₱1,162,045
Adjustments for:		
Dividend income (Note 6)	**(1,000,000)**	(1,000,000)
Interest expense (Notes 11)	**187,377**	276,985
Net foreign exchange (gain) loss	**164,869**	(185,307)
Gain on settlement of payables	**(79,275)**	(519,548)
Retirement benefits costs (Note 16)	**6,405**	3,980
Other income	**(4,186)**	
Depreciation (Note 7)	**3,366**	1,381
Gain on sale of AFS	**(2,330)**	–
Interest income (Note 4)	**(703)**	(808)
Operating loss before working capital changes	**(144,512)**	(261,272)
Decrease (increase) in:		
Receivables	**(12,064)**	861,040
Short-term investments	**–**	(62,749)
Increase (decrease) in:		
Accounts payable and accrued liabilities	**(83,440)**	(74,018)
Payable to related parties	**(127)**	(73,309)
Net cash from (used in) operations	**(240,143)**	389,692
Interest received	**703**	808
Interest paid	**(187,833)**	(252,473)
Settlement and payments of retirement benefits (Note 16)	**–**	(4,724)
Income taxes paid	**(4,599)**	(853)
Net cash flows from (used in) operating activities	**(431,872)**	132,450
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 7)	**(14,466)**	(8,854)
Increase in other noncurrent assets	**(20,582)**	(3,305)
Dividends received	**1,549,811**	–
Proceeds from sale of AFS	**9,926**	–
Short term placements	**(107,463)**	–
Movement in short term investments	**(14,394)**	–
Cash flows from (used in) investing activities	**1,402,832**	(12,159)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Issuance of shares (Note 12)	**17,542**	372,158
Payments of loans payable	**(595,264)**	(381,234)
Dividends paid	**(518,837)**	
Net cash flows from (used in) financing activities	**(1,096,559)**	(9,076)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**26,087**	(902)
NET INCREASE (DECREASE) IN CASH	**(99,512)**	110,313
CASH AT BEGINNING OF YEAR	**122,436**	12,123
CASH AT END OF YEAR (Note 4)	**₱22,924**	₱122,436

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; 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 at December 31, 2013 and 2012. 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 14, 2014.

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

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 AFS financial assets, which have been measured at fair value. The parent company financial statements are presented in Philippine 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 also prepares and issues consolidated financial statements for the same period. The consolidated financial statements may be obtained at Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City.

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

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

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

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

- PFRS 7, *Financial instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (Amendments)
  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. 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 parent company statement of financial position;
c) The net amounts presented in the parent company statement of financial position;
d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
   i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
   ii. Amounts related to financial collateral (including cash collateral); and
e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

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

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

  As a result of the guidance in PFRS 13, the Company re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Company has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Company. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 22.

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

- PAS 19, *Employee Benefits* (Revised)

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

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

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

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

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

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

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

	As at 31 December 2013	As at 31 December 2012	As at 1 January 2012
Increase (decrease) in:			
Parent company statements of financial position			
Retirement benefits liability	(₱2,544)	(₱3,958)	(₱449)
Remeasurement gain (loss) on retirement plan	1,036	2,638	389
Retained earnings	1,508	1,320	60

	For the year ended December 31, 2013	For the year ended December 31, 2012	For the year ended December 31, 2011
Increase (decrease) in:			
Parent company statements of comprehensive income			
Net retirement benefits cost	(₱188)	(₱1,260)	(₱60)
Profit for the year	188	1,260	60

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

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

The adoption did not have a material effect on the statement of cash flows.

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

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

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal (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. This new interpretation is not relevant to the Company.

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

Annual Improvements to PFRSs (2009-2011 cycle)

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

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening parent company 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*
  These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the parent company financial statements. An entity must include comparative information in the related notes to the parent company 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 parent company 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 parent company 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 does 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 amendment does not have any significant impact on the Company's financial position or performance.

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

<u>Standards and Interpretation Issued but not yet Effective</u>

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
  These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss (FVPL). This amendment has no impact to the Company.

- Philippine Interpretation IFRIC 21, *Levies*
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Company does not expect that IFRIC 21 will have material financial impact in future parent company financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Company has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

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

- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* (Amendments)
  The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The amendment has no significant impact to the Company.

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

- PFRS 2, *Share-based Payment – Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Company as it has no share-based payments.

- PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Company shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

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

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

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

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

- PAS 24, *Related Party Disclosures – Key Management Personnel*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors.

The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

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

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

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

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

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

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

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

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

- PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment is not relevant to the Company.

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at FVPL. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at FVPL. For liabilities designated as at FVPL using the FVO, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

  On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Company will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the parent company financial statements of the Company.

Summary of Significant Accounting Policies

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

Financial Instruments
Date of Recognition
The 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 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 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 period.

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

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

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 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 (12) months from the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2013 and 2012, 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 financial assets are those which are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in the parent company statement of comprehensive income in the net unrealized gain on AFS financial assets until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss, or determined to be impaired, at which time the cumulative loss is reclassified to 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 financial assets category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the 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 assets pertain to its investments in equity shares as at December 31, 2013 and 2012.

Other Financial Liabilities
Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the 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 at December 31, 2013 and 2012, other financial liabilities consist of "Loans payable", "Accounts payable and accrued liabilities", "Payable to related parties" and "Long-term debt".

Fair Value Measurement
The Company measures financial instruments, such as, AFS financial assets and long-term debt and other interest-bearing liabilities at fair value at each end of the reporting period. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 18.

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

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

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

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

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

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

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

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business on the end of the reporting period.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounted cash flow analysis or other valuation models.

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

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

Loans and Receivables
The 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 period 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 twenty percent (20%) or more and "prolonged" as greater than twelve (12) months for quoted equity securities. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized on that investment is removed from 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.

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

- the rights to receive cash flows from the asset have expired;
- the 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. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the 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 period.

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.

Investments in 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.

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 (1) million pesos. The related input VAT is recognized over five (5) years or the useful life of the capital goods, whichever is shorter.

The input VAT is recognized as an asset and will be used to offset against the 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, except 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 equipment 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, transportation equipment and laboratory 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 period.

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.

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.

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.

Impairment of Nonfinancial Assets
The Parent Company assesses at each reporting period 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 CGU'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 period 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.

Employee Benefits

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined retirement benefits liability or asset
- Remeasurements of net defined retirement benefits liability or asset

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined retirement benefits liability, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

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

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

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

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 period. 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 at the reporting period.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.
Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in 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 period 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 or APIC
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.

Retained Earnings
The amount included in retained earnings 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 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 period are dealt with as an event after the reporting period.

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

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

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the parent company statement of changes in equity) that are not recognized in the profit or loss for the year in accordance with PFRS.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the 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.

Other Income
Revenue is recognized in the parent company statement of comprehensive income as they are earned.

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 are disclosed in the notes to parent company 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 End of the Reporting Period
Events after the reporting period that provide additional information about the Parent Company's position at the reporting period (adjusting events) are reflected in the parent company financial statements. Events after the reporting period 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. However, actual outcome can differ from these estimates.

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 statement of financial position.

Financial assets of the Parent Company are classified into the following categories:
- Loans and receivables
- AFS financial assets

Financial liabilities of the Parent Company on the other hand, are classified into the following categories:
- Other financial liabilities

The Parent Company determines the classification at initial recognition and re-evaluates this classification, where allowed and appropriate, at each reporting period (see Note 19).

Operating Lease Commitments – Parent Company as a Lessee
The Parent Company has entered into leases of office, commercial spaces and land. The Parent Company 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 Parent Company 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.

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

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

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 2013 and 2012. Receivables, net of valuation allowance, amounted to ₱1,268,727 and ₱1,806,504 as at December 31, 2013 and 2012, 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.

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 twenty percent (20%) or more and "prolonged" as greater than twelve (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 ₱5,599 and ₱4,896 as at December 31, 2013 and 2012, 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 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 2013 and 2012. The net book values of property and equipment amounted to ₱20,591 and ₱9,491 as at December 31, 2013 and 2012 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 at December 31, 2013 and 2012, the fair value of the land amounted to ₱315,558 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 2013 and 2012 (see Note 7).

Estimating Impairment of Property and Equipment.
PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the value of property 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 parent company financial statements. Future events could cause the Company to conclude that the property and equipment are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial condition and results of operations. No provision for asset impairment has been recognized in 2013 and 2012.

Estimating Recoverability of Deferred Mine Exploration Costs
The application of the Parent 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 in the parent company statement of comprehensive income in the period when the new information becomes available.

The Parent 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 2013 and 2012, there was no impairment loss on the Parent Company's deferred mine exploration costs

Estimating Impairment of Nonfinancial Assets and Investments in Shares of Stock
The Parent Company determines whether its investments 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 CGU'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 CGU and to choose an appropriate discount rate in order to calculate the present value of those cash flows. Estimating the fair value less cost to sell is based on the information available to reflect the amount that the Parent Company could obtain as at the reporting period.

In determining this amount, the Parent Company considers the outcome of recent transactions for similar assets within the same industry.

Estimating Realizability of Deferred Tax Assets
The Parent Company reviews the carrying amounts of deferred tax assets at each reporting period 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 assets to be utilized. The Parent Company has unrecognized deferred tax assets amounting to ₱246,960 and ₱149,444 as at December 31, 2013 and 2012, respectively (see Note 17).

Estimating Retirement Benefits Liability
The cost of defined retirement benefits as well as the present value of the retirement benefits liability are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future retirement increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined retirement benefits liability are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period. The Parent Company's retirement benefits costs amounted to ₱6,405 and ₱3,980 in 2013 and 2012 respectively. Retirement benefits liability amounted to ₱18,489 and ₱10,482 as at December 31, 2013 and 2012, respectively.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined retirement benefits liability.

Further details about the assumptions used are provided in Note 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 2013 and 2012 (see Note 21d).

4. **Cash and Cash Equivalents**

	2013	2012
Cash in banks	**₱22,638**	₱14,643
Cash on hand	**286**	330
Short-term investments	**–**	107,463
	₱22,924	₱122,436

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 (3) 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 ₱703 and ₱808 in 2013 and 2012, respectively.

5. Receivables

	2013	2012
Royalties receivable (see Note 6c)	**₱504,375**	₱504,375
Dividends receivable (see Note 6c)	**450,189**	1,000,000
Subscriptions receivable	**1,710**	1,710
Receivables from:		
Related parties (see Note 14)	**298,028**	287,558
Officers and employees (see Note 14a)		
Unimpaired	**8,866**	6,211
Impaired	**308**	308
Others:		
Unimpaired	**5,559**	6,650
Impaired	**28,788**	28,788
	1,297,823	1,835,600
Less allowance for impairment losses	**29,096**	29,096
	₱1,268,727	₱1,806,504

Receivables from related parties and receivables from officers and employees are noninterest-bearing and are due and demandable.

Allowance for impairment losses on receivables from officers and employees and other receivables amounted to ₱29,096 both in 2013 and 2012. There was no additional impairment on the Parent Company's receivables for the years ended December 31, 2013 and December 31, 2012.

6. Investments in Shares of Stock

The investments in shares of stock as at December 31, 2013 and 2012 consist of:

	2013	2012
CCC (see Note 6c)	**₱18,297,799**	₱18,297,799
Amosite Holdings, Inc. (AHI) (see Note 6d)	**80,012**	80,012
AEI (see Note 6a)	**2,500**	2,500
Ulugan Resources Holding, Inc. (URHI) Group (see Notes 6e and 6g)	**1,750**	1,750
TMM Management, Inc. (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:

Company	Nature of Business	Percentage of Ownership 2013	2012
AI	Incorporated in the Philippines on May 26, 2005 to provide and supply wholesale or bulk water to local water districts and other customers.	**100.00**	100.00
AHI	Incorporated in the Philippines on October 17, 2006 to hold assets for investment purposes.	**100.00**	100.00
CCC	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
TMMI	Incorporated in the Philippines on September 28, 2004 to provide management, investment and technical advice to companies.	**60.00**	60.00
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
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 2013, AEI was engaged in preparatory activities for the geotechnical survey of the Sigpit gold prospect and for the drilling at the southern extension of the Lutopan orebody. AEI incurred a net loss of ₱402 and had a capital deficiency of ₱102,507 as at December 31, 2013. AEI is considering the settlement of its outstanding debt to the Parent Company through a debt to equity conversion or merger.

b. *AquAtlas, Inc.*
In 2013, AI continued to explore and assess the feasibility of projects involving the bulk supply of potable water from the Parent Company's Malubog Dam. AI recorded a net gain of ₱96 as at December 31, 2013 and had a capital deficiency of ₱31,592. AI is considering the settlement of its outstanding debt to the Parent Company through a debt to equity conversion or merger

c. *Carmen Copper Corporation*
On May 5, 2006, the Parent Company entered into an Operating Agreement with CCC respecting the terms of the assignment by the Parent Company to CCC of operating rights over the Toledo mining complex, and the right to acquire certain fixed assets. The agreement may be terminated by the Parent Company upon thirty (30) days prior written notice. In February 2012, the BOD approved the waiver of its entitlement to receive from CCC royalties due in 2012. Royalties receivable amounted to ₱504,375 both as at December 31, 2013 and 2012 (see Note 5).

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

   On September 25, 2013, CCC's BOD authorized the declaration of cash dividends out of the Company's retained earnings to stockholders of record as at September 25, 2013 amounting to ₱1,000,000. 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 at December 31, 2011 amounting to ₱1,000,000. The dividends receivable as at December 31, 2013 and 2012 amounted to ₱450,189 and ₱1,000,000, respectively (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. 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. AHI incurred net loss amounted to ₱156 and ₱50 as at December 31, 2013 and 2012, respectively.

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

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

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

g. *Ulugan Resources Holding, Inc. /Ulugan Nickel Corporation/Nickeline Resources Holdings, Inc.*

These Companies have not started commercial operations as at December 31, 2013.

7. Property and Equipment

2013

	At Cost						
	Office Equipment, Furniture and Fixtures	**Computer Software**	**Transportation Equipment**	**Leasehold Improvements**	**Laboratory Equipment**	**Total**	**At Revalued Amount - Land**
Revalued amount/cost:							
Balances at beginning of year	**₱7,301**	**₱1,130**	**₱1,729**	**₱3,625**	**₱–**	**₱13,785**	**₱315,888**
Additions	**1044**	**71**	**12,685**	**–**	**666**	**14,466**	**–**
Balances at end of year	**8,345**	**1,201**	**14,414**	**3,625**	**666**	**28,251**	**315,888**
Accumulated depreciation:							
Balances at beginning of year	**3,459**	**383**	**29**	**423**	**–**	**4,294**	**–**
Depreciation (see Note 15)	**1,136**	**212**	**1,293**	**725**	**–**	**3,366**	**–**
Balances at end of year	**4,595**	**595**	**1,322**	**1,148**	**–**	**7,660**	**–**
Allowance for asset write-downs beginning and end of year	**–**	**–**	**–**	**–**	**–**	**–**	**330**
Net book values	**₱3,750**	**₱606**	**₱13,092**	**₱2,477**	**₱666**	**₱20,591**	**₱315,558**

2012

	At Cost						
	Office Equipment, Furniture and Fixtures	Computer Software	Transportation Equipment	Leasehold Improvements	Laboratory Equipment	Total	At Revalued Amount - Land
Revalued amount/cost:							
Balances at beginning of year	₱4,931	₱–	₱–	₱–	₱–	₱4,931	₱315,888
Additions	3,286	214	1,729	3,625	–	8,854	–
Reclassification	(916)	916	–	–	–	–	–
Balances at end of year	7,301	1,130	1,729	3,625	–	13,785	315,888
Accumulated depreciation:							
Balances at beginning of year	2,913	–	–	–	–	2,913	–
Depreciation (see Note 15)	726	203	29	423	–	1,381	–
Reclassifications	(180)	180	–	–	–	–	–
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	₱3,842	₱747	₱1,700	₱3,202	₱–	₱9,491	₱315,558

Fully Depreciated Property and Equipment
As at December 31, 2013 and 2012, the cost of fully depreciated office equipment and furniture and fixtures amounted to ₱1,716 and ₱2,560, respectively. These assets are still being used by the Parent Company.

Revaluation Increment on Land
The fair value of the land amounted to ₱315,558 as at December 31, 2013 and 2012 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 2013 and 2012.

8. AFS Financial Assets

The Parent Company's AFS financial assets consist of investments in:

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

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

Movements in fair market value of quoted equity instruments follow:

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

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

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

Gain from the sale of AFS financial assets reported under "Others" under "Income" amounted to ₱2,330 and nil in 2013 and 2012 respectively.

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

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

9. Other Noncurrent Assets

Other noncurrent assets consist of advances to Longos and Nesbitan Gold Projects amounting to ₱4,333 both as at December 31, 2013 and 2012 and input VAT amounting to ₱32,915 and ₱28,556 as at December 31, 2013 and 2012, respectively. No allowance for impairment was provided in 2013 and 2012. The Company incurred deferred mine exploration cost amounting to ₱16,223 in 2013.

10. Accounts Payable and Accrued Liabilities

	2013	2012
Interest (see Notes 11a and 11b*iv*)	**₱24,056**	₱24,512
Accrued liabilities	**10,487**	72,810
Nontrade	**9,272**	30,389
	₱43,815	₱127,711

<u>Accrued Liabilities</u>
As at December 31, 2013 and 2012, accrued liabilities consist of government payables, utilities and salaries payables.

<u>Nontrade</u>
Payable to Toledo Power Corporation (TPC) and Toledo Holdings Corporation (TCH)
In February 2002, TPC and its wholly owned subsidiary, THC executed in favor of the Parent Company a Deed of Release and Quitclaim (the "Settlement Agreement") which was intended to effectuate the full settlement of certain loan obligations of the Parent Company to TPC in consideration of the conveyance by the Parent Company to THC of (i) a portion of an area covered by two (2) foreshore leases, (ii) three (3) deep wells, and (iii) portions of particular cadastral lots located in Toledo City, Cebu (the "Settlement Properties"). The BOD, however, deferred ratification of the Settlement Agreement to enable negotiation of the exclusion from the Settlement Properties of a portion of the assigned foreshore area that is critical to the Parent Company's mining operations (the "Foreshore Portion").

In December 2012, the BOD ratified the Settlement Agreement upon confirmation by TPC of its acceptance of the exclusion of the Foreshore Portion from the Settlement Properties without prejudice to the effects of the Settlement Agreement. Accordingly, the Parent Company recognized a gain on 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 ten percent (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 deposits for future stock subscription (the “Deposit on Subscription”) the Peso equivalent of the portion of the TMC Loan subject of the exercise of the Conversion Option that amounts to ₱150,960.

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

11. **Loans Payable and Long-Term Debt**

Loans payable and long-term debt as at December 31 2013 and 2012 consist of:

	2013	2012
Long-term debt		
Banco de Oro Unibank, Inc US$75 million long-term debt (BDO) (see Note 11a)	**₱2,106,497**	₱2,701,761
Less noncurrent portion	**1,291,079**	1,947,781
Current portion	**₱815,418**	₱753,980

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

	2013	2012
Due in:		
2013	**₱–**	₱753,980
2014	**815,418**	753,980
2015 and thereafter	**1,291,079**	1,193,801
	₱2,106,497	₱2,701,761

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 ("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 (collectively, "CASOP") in CCC, and (ii) CCC's working capital requirements.

The BDO Facility (i) has a term of five (5) years, (ii) is payable in 49 equal monthly installments starting July 2012, (iii) accrues interest at the rate of 7% per annum, and (iv) is primarily secured by an irrevocable suretyship executed by CCC in favor of BDO.

Upon the occurrence of an event of default, BDO has the option to convert all amounts outstanding under the BDO Facility into equity of the Parent Company. The conversion shall be effectuated through the assignment by BDO to the Parent Company of the amount of the loan obligation as payment for BDO's subscription to the shares of stock of the Parent Company at the price of ₱19.56 per share and based on the Philippine Peso-US 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 related interest expense recognized amounted to ₱187,377 and ₱237,308 in 2013 and 2012, respectively. The accrued interest payable amounted to ₱1,616 and ₱2,073 as at December 31, 2013 and 2012, respectively.

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

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

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 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.

   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 BDO Loan amounted to ₱21,367 both for 2013 and 2012.

   ₱129 million loan payable
   On January 24, 2012, the Parent Company availed another loan facility from BDO for the amount of ₱129,000 (the "2012 BDO Loan") which accrues interest at the rate of 4% per annum. On the same date, the Parent Company, using the proceeds of the 2012 BDO Loan, paid BDO the interest that had accrued on the 2011 BDO Loan in 2011 and as at that date amounting to ₱106,836 and other charges amounting to ₱22,164.

   On February 28, 2012, BDO and SM Investments Corporation (SMIC) executed a Deed of Assignment of Notes embodying the assignment to SMIC of all of BDO's rights and interest to the 2011 BDO Loan and the 2012 BDO Loan. SMIC became bound by the terms of the 2011 BDO Loan and 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 (3) years, but such option was not exercised.

The outstanding amount of the Spinnaker Loan as at 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.

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

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.

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.

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 (2) 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 Bangko Sentral ng Pilipinas, 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 at 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 PSE 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 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 at 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 at 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 at December 31, 2013 and 2012 are as follows:

	2013	2012
BDO US$75 million long-term debt	**₱187,377**	₱237,308
BDO ₱5.3 billion loan	**–**	36,575
Philodrill Corporation (Philodrill) note (see Note 14c)	**–**	3,102
	₱187,377	₱276,985

12. Capital Stock and Deposits for Future Stock Subscriptions

a. <u>Capital Stock</u>

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

	December 31, 2013		December 31, 2012	
	No. of Shares	**Amount**	No. of Shares	Amount
Authorized - ₱8 par value in 2013 and 2012	**3,000,000,000**	**₱24,000,000**	3,000,000,000	₱24,000,000
Issued and outstanding	**2,076,121,170**	**16,608,969**	2,074,366,980	16,594,936

Increase in Authorized Capital Stock

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

On September 5, 2011, the SEC approved the increase in the Parent Company's 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 2013 and 2012 are as follows:

2013

Name of Stockholder	**No. of Shares**	**Capital Stock**	**APIC**	**Total**
Stock issuances arising from Comprehensive Stock Option Plan (CSOP)	**1,754,190**	**₱14,034**	**₱3,508**	**₱17,452**

CSOP
In 2013, qualified employees who were previously granted stock option awards exercised their subscription rights with respect to a total of 1,754,190 shares for which a total subscription price of ₱17,542 was paid.

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	35,000,000	350,000	–	350,000
Stock issuances arising from CSOP	2,215,788	18,604	3,554	22,158
	310,313,948	₱3,099,586	₱2,765,256	₱5,864,842

SMIC
On May 21, 2012, SMIC formally notified the Parent Company of its intention to fully exercise the Conversion Option with respect to the 2011 and 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).

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

b. APIC and Retained Earnings

Equity Restructuring

On July 6, 2012, the Parent Company obtained SEC approval of its application for equity restructuring through the application of its additional paid-in capital of ₱12,723,188 to wipe out its deficit as at December 31, 2011 amounting to ₱12,722,320. The approval was subject to the condition that the remaining balance of the reduction surplus of ₱868 will not be used to wipe out any future 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 at December 12, 2011, the additional paid-in capital of ₱2,761,702 resulting from SMIC's exercise of the Conversion Option under the 2011 BDO 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 (3) years from the date the stock option is awarded to the optionees;

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

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

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

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

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

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.

In the normal course of business, transactions with related parties consist mainly of payments made by the parent company for various expenses and noninterest-bearing, short-term cash advances for working capital requirements.

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

	2013			
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Subsidiaries				
Receivables				
CCC	**₱3,882**	**₱23,137**	On demand; noninterest-bearing	Unsecured, no impairment, no guarantee
BNC	–	**108,969**	On demand; noninterest-bearing	Unsecured, no impairment, no guarantee
AEI	**329**	**101,916**	On demand; noninterest-bearing	Unsecured, no impairment, no guarantee
AI	**185**	**31,459**	On demand; noninterest-bearing	Unsecured, no impairment, no guarantee
Alakor	–	**27,720**	On demand; noninterest-bearing	Unsecured, no impairment, no guarantee
URHI	–	**3,006**	On demand; noninterest-bearing	Unsecured, no impairment, no guarantee
NRHI	–	**1,224**	On demand; noninterest-bearing	Unsecured, no impairment, no guarantee
UNC	–	**597**	On demand; noninterest-bearing	Unsecured, no impairment, no guarantee
	₱5,855	**₱298,028**		
Payables				
AHI	**₱127**	**₱2,598**	On demand; noninterest-bearing	Unsecured, no impairment, no guarantee
Interest payable				
Alakor	**₱–**	**₱21,986**	On demand; noninterest-bearing	Unsecured, no impairment, no guarantee

	2012			
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Subsidiaries				
Receivables				
CCC	₱2,466	₱19,928	On demand; noninterest-bearing	Unsecured, no impairment, no guarantee
BNC	–	100,759	On demand; noninterest-bearing	Unsecured, no impairment, no guarantee
AEI	1,037	102,244	On demand; noninterest-bearing	Unsecured, no impairment, no guarantee
Alakor	1,738	28,464	On demand; noninterest-bearing	Unsecured, no impairment, no guarantee
AI	367	31,336	On demand; noninterest-bearing	Unsecured, no impairment, no guarantee
URHI	–	3,006	On demand; noninterest-bearing	Unsecured, no impairment, no guarantee
NRHI	–	1,224	On demand; noninterest-bearing	Unsecured, no impairment, no guarantee
UNC	–	597	On demand; noninterest-bearing	Unsecured, no impairment, no guarantee
	₱3,870	₱287,558		
Payables				
AHI	(₱93)	₱2,725	On demand; noninterest-bearing	Unsecured, no guarantee
Interest payable				
Alakor	₱–	₱21,986	On demand; noninterest-bearing	Unsecured, no guarantee

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 noninterest-bearing and are due and demandable to be paid when sufficient funds are available.

a. Receivable from officers and employees as at December 31, 2013 and 2012 amounting to ₱9,175 and ₱6,519, respectively, pertain to cash advances extended by the Parent Company to its officers and employees.

b. 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 ₱5,653 as at December 31, 2013.

c. 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 nil and ₱3,102 in 2013 and 2012, respectively. In June 2012, the Parent Company discharged fully the loan obligation under the Philodrill Note amounting to ₱73,213.

d. 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.

e. *Compensation of Key Management Personnel*

The Parent Company considers all seniors officers as key management personnel.

	2013	2012
Short-term benefits	**₱49,567**	₱37,475
Retirement benefits	**3,691**	2,743
	₱53,258	₱40,218

The significant increase in the short-term benefits of key management personnel in 2013 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

	2013	2012
Salaries, wages and benefits	**₱62,680**	₱44,487
Professional and consultancy fees	**22,982**	92,799
Entertainment, amusement and recreation	**21,285**	19,695
Taxes and licenses	**11,187**	47,558
Retirement benefits cost (see Note 16)	**5,961**	1,106
Rental	**4,049**	4,016
Insurance	**1,452**	–
Depreciation (see Note 7)	**3,366**	1,381
Transportation and travel	**3,026**	5,087
Communication, light and water	**2,825**	1,960
Repairs and maintenance	**1,139**	1,355
Office supplies	**793**	726
Advertising	**34**	153
Severance fee	**–**	4,568
Others	**13,060**	48,598
	₱153,839	₱273,489

Professional and consultancy fees in 2013 and 2012 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 retirement benefits plan covering substantially all of its employees. The plan provides a retirement of amount equal to 100% of final monthly basic salary for every year of service, with credit given for an incomplete year at the rate of one-twelfth of a full year's credit for each completed month.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The following tables summarize the components of net retirement benefits cost recognized in the profit and loss and the amounts recognized in the parent company statements of financial position.

The details of net retirement benefits cost follow:

	2013	December 31, 2012 (As restated)
Current service cost	**₱5,961**	₱3,306
Interest cost on defined retirement benefits liability	**444**	1,614
Curtailment gain	–	(2,200)
	₱6,405	₱2,720

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

The Company has fifty four (54) regular employees and one (1) employee on probationary status as at December 31, 2013 and thirty eight (38) regular employees and fifteen (15) employees on probationary status as at December 31, 2012.

Changes in the present value of defined retirement benefits liability as at December 31 follow:

	2013	December 31, 2012 (As restated)	January 1, 2012 (As restated)
Balances at beginning of year	**₱10,482**	₱14,734	₱12,743
Current service cost	**5,773**	3,306	1,923
Interest cost on retirement benefits liability	**632**	1,614	1,129
Curtailment gain	**–**	(2,200)	**–**
Re-measurement of actuarial gain (loss) - experience adjustments	**1,356**	(2,730)	(863)
Re-measurement of actuarial loss - financial assumptions	**246**	1067	474
Re-measurement of actuarial gain - demographic assumptions	**–**	(585)	–
Benefits paid	**–**	(4,724)	(672)
Balances at end of year	**₱18,489**	₱10,482	₱14,734

The details of accrued retirement benefits cost are as follows:

	2013	December 31, 2012 (As restated)
Defined benefits obligation	**₱18,489**	₱10,482
Fair value of plan assets	**–**	–
	₱18,489	₱10,482

The Company does not have any plan assets.

The cost of defined retirement benefits plan, as well as the present value of the retirement benefits liability is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining retirement benefits cost and retirement benefits liability for the Parent Company's defined retirement benefits plan are shown below:

	2013	December 31, 2012 (As restated)	December 31, 2011 (As restated)
Discount rate	**5.95%**	6.03%	6.85%
Future annual increase in salary	**10.00%**	10.00%	10.00%
Average expected term of obligation	**12**	12	12

The present value of the defined retirement benefits liability and experience adjustments for the current and previous periods follow:

	2013	2012	2011	2010
Present value of defined retirement benefits liability	**₱18,489**	₱10,482	₱14,735	₱12,743
Experience adjustments	**1,355**	(2,730)	(864)	1,968

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined retirement benefits liability as at the end of the reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	2013
Discount rates	+1%	₱15,819
	-1%	21,874

	Increase (decrease)	2013
Salary increase rate	+1%	₱21,621

The Company does not expect to contribute to the defined retirement benefits plan in 2014. The Company does not have a Trustee Bank, and does not currently employ any asset-liability matching.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2013:

Less than one (1) year	₱3,465,414
More than one (1) year to five (5) years	857,256
More than five (5) years to ten (10) years	21,656,437
More than ten (10) years to fifteen (15) years	26,105,799
More than fifteen (15) years to twenty (20) years	39,893,642
More than twenty (20) years	590,229,790
	₱682,208,338

The average duration of the defined retirement benefits liability as at December 31, 2013 and 2012 are 25 to 86 years and 18 to 19 years, respectively.

17. **Income Taxes**

a. The current provision for income tax in 2013 and 2012 represents MCIT. No RCIT was recognized in 2013 and 2012 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:

	2013	2012
Benefit from income tax computed at statutory income tax rates	**₱173,990**	₱348,613
Additions to (reductions in) income tax resulting from:		
Nondeductible expenses	**6,472**	8,708
Income exempt from tax	**(300,000)**	(300,000)
Movement of unrecognized deferred tax assets	**121,501**	(46,452)
Income already subjected to final tax	**(211)**	(242)
	₱1,752	₱10,627

c. As at December 31, 2013, the NOLCO and MCIT that can be claimed as deduction from future taxable income follow:

Year Incurred	Available Until	NOLCO	MCIT
2013	2016	₱255,018	₱1752
2012	2015	–	10,627
2011	2014	88,372	7,501
		₱343,390	₱19,880

Movements in NOLCO and MCIT follow:

	2013	2012
NOLCO:		
Beginning of year	**₱244,666**	₱689,163
Additions	**255,018**	(7,978)
Application	–	
Expiration	**(156,294)**	(436,519)
End of year	**₱343,390**	₱244,666

	2013	2012
MCIT:		
Beginning of year	**₱22,156**	₱13,604
Additions	**1,752**	10,627
Expirations	**(4,028)**	(2,075)
End of year	**₱19,880**	₱22,156

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.

	2013	2012
Deferred tax assets		
Carry-forward benefits of:		
NOLCO	**₱206,160**	₱58,633
MCIT	**19,880**	22,156
Allowance for impairment on:		
Inventories	**318,246**	321,793
Receivables	**29,095**	29,097
Unrealized foreign exchange losses	**274,970**	–
Revaluation increment on land	–	330
Retirement benefits liability	**18,489**	14,440
Total	**₱866,840**	₱446,449

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.

	2013	2012
Deferred tax assets		
NOLCO	**₱41,169**	₱55,810
Unrealized foreign exchange loss	–	51,564
Deferred tax liabilities		
Unrealized foreign exchange gains	**(₱41,169)**	(₱107,374)
Total	**₱–**	₱–

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

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 Company's financial instruments, whose carrying values does not approximate its fair values as at December 31 of each year:

	Carrying Values		Fair Values	
	2013	2012	**2013**	2012
Other Financial Liabilities				
Long-term debt	**₱2,106,497**	₱2,701,761	**₱2,305,142**	₱3,052,382

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 at reporting period. AFS financial assets are carried at fair value.

Long-Term Debt
The fair value of long-term debt is estimated using the discounted cash flow methodology using the benchmark risk free rates for similar types of long-term debt.

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

December 31, 2013

	Level 1	**Level 2**	**Level 3**	**Total**
Asset measured at fair value:				
AFS financial assets	**₱5,599**	**₱–**	**₱–**	**₱5,599**
Liability for which fair value is disclosed:				
Long-term debt	**–**	**–**	**(2,305,142)**	**(2,305,142)**

December 31, 2012

	Level 1	Level 2	Level 3	Total
Asset measured at fair value:				
AFS financial assets	₱4,896	₱–	₱–	₱4,896
Liability for which fair value is disclosed:				
Long-term debt	–	–	(3,052,382)	(3,052,382)

The fair value of AFS investment is classified as Level 1 as at December 31, 2013 and 2012 since it is quoted in an active market. There were no transfers between levels of fair value measurement as at December 31, 2013 and 2012. 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, np;foreign currency holdings are matched against the potential need for foreign currency in financing equity investments and new projects.

As at December 31, 2013 and 2012, foreign currency-denominated assets and liabilities are as follows:

	2013		2012	
	Foreign Currency	**Peso Equivalent**	Foreign Currency	Peso Equivalent
Assets:				
Cash and cash equivalents	**US$13**	**₱598**	US$5,909	₱242,562
	£139	**10,101**		
Receivables	**US$2,455**	**108,969**	2,455	100,759
Short-term investments	**US$5,777**	**256,476**		
	US$8,245	**₱366,043**	US$8,364	₱343,321
	GB£139	**₱10,101**		
Liabilities:				
Accounts payable and accrued liabilities	**US$222**	**₱9,834**	US$241	₱9,879
Payable to related parties			–	–
Long-term debt	**47,449**	**2,106,497**	65,816	2,701,760
	US$47,671	**₱2,116,331**	66,057	2,711,639
Net Assets (Liabilities) in US$	**(US$39,426)**	**(₱1,750,288)**	(US$57,693)	(₱2,368,318)
Net Assets (Liabilities) in GB£	**GB£139**	**₱10,101**		

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

	2013	2012
US$	**44.395**	41.05
GB£	**72.896**	66.263

Based on the historical movement of the US$,GB£ and the Philippine peso, the management believes that the estimated reasonably possible change in the next 12 months would be a strengthening of ₱0.55 and a weakening of ₱0.66 against the US$, and a strengthening of ₱1.62 and weakening of ₱1.01 against GB£ for 2013 while strengthening of ₱0.75 and a weakening of ₱0.72 against the US$ for 2012. Sensitivity of the Company's pre-tax income to foreign currency risks are as follows:

Year ended December 31, 2013:

- An increase of ₱21,487 in the pre-tax income if peso strengthens by ₱0.55 against the US$. A decrease of ₱26,120 in the pre-tax income if peso weakens by ₱0.66 against the US$.
- An increase of ₱141 in the pre-tax income if peso weakens by ₱1.01 against the GB£. A decrease of ₱225 in the pre-tax income if the value of peso strengthens by ₱1.62 against the GB£.

Year ended December 31, 2012:

- An increase of ₱43,270 in the pre-tax income if peso strengthens by ₱0.75 against the US$. A decrease of ₱41,683 in the pre-tax income if peso strengthens by ₱0.72 against the US$.

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 at December 31, 2013 and 2012. The maximum exposure is shown gross, before the effect of mitigation through use of master netting and collateral agreements.

	2013	2012
Loans and receivables:		
Cash and cash equivalents*	**₱22,638**	₱122,106
Short-term investments	**256,476**	242,082
Receivables:		
Dividends receivable	**450,189**	1,000,000
Royalties receivable	**504,375**	504,375
Receivable from related parties	**275,961**	287,558
AFS financial assets	**5,599**	4,896
	₱1,515,238	₱2,161,017

**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 at December 31, 2013 and 2012 based on credit rating system follows:

2013

	Neither Past Due nor Impaired			
	High Grade	**Standard Grade**	**Substandard Grade**	**Total**
Loans and receivables:				
Cash and cash equivalents*	**₱22,638**	**₱–**	**₱–**	**₱22,638**
Short-term investments	**256,476**	**–**	**–**	**256,476**
Receivables:				
Dividend receivable	**450,189**	**–**	**–**	**450,189**
Royalties receivable		**504,375**		**504,375**
Receivable from related parties		**275,961**		**275,961**
AFS financial assets	**5,599**			**5,599**
	₱734,902	**₱780,336**	**₱–**	**₱1,515,238**

****Excluding cash on hand***

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*

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 period, unless unforeseen circumstances require more careful attention. Impaired financial assets as at December 31, 2013 and 2012 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 at December 31, 2013 and 2012 follow:

2013

	On demand	**1 to 12 months**	**More than 12 months**	**Total**
Cash and cash equivalents	**₱22,924**	**₱–**	**₱–**	**₱22,924**
Short-term investments	**256,476**	**–**	**–**	**256,476**
Receivables:				
Dividend receivable	**–**	**450,189**	**–**	**450,189**
Receivable from related parties	**275,961**	**–**	**–**	**275,961**
Royalty receivable	**504,375**	**–**	**–**	**504,375**
AFS financial assets	**5,599**	**–**	**–**	**5,599**
	1,065,335	**450,189**	–	**1,515,524**
Accounts payable and accrued liabilities*	**–**	**2,099**	**–**	**2,099**
Payable to related parties	**2,598**	**–**	**–**	**2,598**
Loans payable and long-term debt	**–**	**815,418**	**1,291,079**	**2,106,497**
	₱2,598	**₱817,517**	**₱1,291,079**	**₱2,111,194**

Excluding government payables

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	–	32,798
Payable to related parties	2,725	–	–	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

As at December 31, 2013 and 2012, 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 2013 and 2012.

The Parent Company has no externally imposed requirements as at December 31, 2013 and 2012. The table below summarizes the total capital considered by the Parent Company:

	2013	December 31, 2012 (As restated)
Capital stock	**₱16,608,969**	₱16,594,936
Additional paid-in capital	**7,063**	3,554
Retained earnings	**1,212,982**	1,153,606
	₱17,829,014	₱17,752,096

21. Other Matters

a. <u>Deed of assignment and exchange of assets for shares of stock</u>
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. <u>BDO Loan Facility</u>
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.

c. <u>Contingencies</u>
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 at 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 at December 31, 2012.

d. 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.

e. 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 at 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 2013

a. *Non-operating and taxable other income not subjected to final tax*

Gain on settlement of liability	₱79,275
Realized foreign exchange gain	1,815
Others	6,516
	₱87,606

b. *Regular allowable itemized deductions*

Interest expense	₱187,087
Professional and consultancy fees	22,982
Taxes and licenses	11,187
Salaries, wages and benefits	62,680
Transportation and travel	3,026
Retirement benefits	–
Rental	4,049
Communication, light and water	2,825
Depreciation	3,366
Insurance	1,452
Office Supplies	793
Repairs and maintenance	1,139
Others	42,038
	₱342,624

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	₱28,556
Current year's domestic purchases/payments for:	
Goods other than for resale or manufacture	582
Capital goods subject to amortization	1,257
Capital goods not subject to amortization	113
Services lodged under other accounts	2,407
Balance at end of year	₱32,915

b. *Other Taxes and Licenses*
Other taxes and licenses, which include license and permit fees, real estate taxes and fringe benefit tax, among others, for the year ended December 31, 2013 that forms part of the general and administrative expenses are as follows:

License and permit fees	₱105
Documentary stamp taxes	129
Real estate tax	164
Fringe benefit tax	3281
Others	7
	₱3,686

c. *Withholding taxes*

Tax on compensation and benefits	₱16,671
Expanded withholding taxes	3,000
Final withholding taxes	16,134
	₱35,805

d. *Value Added Tax*

Net sales or receipts and output vat declared in the Company’s VAT returns for 2013

	Net Sales/ Receipt	Output VAT
Taxable Sales:		
Sale of goods	₱–	₱–
Sale of services	–	–
Commissions	–	–
Leasing Income	397	48
	₱397	₱48

e. *Tax assessments and Cases*

The Company received in August 2008 a Final Assessment Notice (FAN) and/or Formal Letter of Demand from the Bureau of Internal Revenue (BIR) for alleged deficiency income tax, value-added tax (VAT) and withholding tax amounting to ₱XXX. The Company filed a protest disputing the assessment on October 21, 2008. After 180 days, the protest remained undecided; thus, it was deemed denied. Accordingly, the Company filed a Petition for Review (First Appeal) with the Court of Tax Appeals (CTA) to appeal the FAN.

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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 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 parent company financial statements of Atlas Consolidated Mining and Development Corporation as at and for the years ended December 31, 2013 and 2012 and have issued our report thereon dated March 14, 2014. 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 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.

Eleanore A. Layug

Eleanore A. Layug
Partner
CPA Certificate No. 0100794
SEC Accreditation No. 1250-A (Group A),
August 9, 2012, valid until August 8, 2015
Tax Identification No. 163-069-453
BIR Accreditation No. 08-001998-97-2012,
January 11, 2012, valid until January 10, 2015
PTR No. 4225180, January _, 2014, Makati City

March 14, 2014

ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION
TABULAR SCHEDULE OF EFFECTIVE STANDARDS
AND INTERPRETATIONS UNDER THE PFRS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

I. 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 at December 31, 2013:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2013		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics				
PFRSs Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2013		Adopted	Not Adopted	Not Applicable
PFRS 5	Noncurrent Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	Not early adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2013		Adopted	Not Adopted	Not Applicable
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	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2013		Adopted	Not Adopted	Not Applicable
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 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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2013		Adopted	Not Adopted	Not Applicable
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			✓
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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at January 1, 2013		Adopted	Not Adopted	Not Applicable
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

COVER SHEET

C	S	2	0	0	4	1	4	5	0	9	

SEC Registration Number

CARMEN COPPER CORPORATION (A Wholly Owned Subsidiary of Atlas Consolidated Mining and Development Corporation)

(Company's Full Name)

9th Floor, Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City

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

Fernando A. Rimando

(Contact Person)

(632) 584 - 9788

(Company Telephone Number)

1	2		3	1

Month *Day*
(Calendar Year)

A	A	F	S	

(Form Type)

0	4		2	4

Month *Day*
(Annual Meeting)

Not Applicable

(Secondary License Type, If Applicable)

SEC

Dept. Requiring this Doc.

Not Applicable

Amended Articles Number/Section

Total Amount of Borrowings

9

Total No. of Stockholders

₱1,464.5 million	**$358.6 million**
Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

CARMEN COPPER CORPORATION
9th Floor, Quad Alpha Centrum, 125 Pioneer Street, Mandaluyong City,
Metro Manila, 1550 Philippines
Telephone No.: (632) 584-9788 Fax: (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, 2013 and 2012, including additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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	Adrian Paulino S. Ramos	Fernando A. Rimando
Chairman/President	Executive Vice-President	Vice President-Finance/Chief Financial Officer

* Signed this 7TH day of APRIL 2014

SUBSCRIBED AND SWORN to before me this APR 0 7 2014 day of ____ affiants exhibiting to me their Tax Identification Numbers, as follows:

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

Document no. 250
Page no. 49
Book no. II
Series of 2014

ATTY. BENIGNO M. PUNO
NOTARY PUBLIC
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[illegible] PASIG CITY

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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
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, 2013 and 2012, 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 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.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Carmen Copper Corporation as at December 31, 2013 and 2012, 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 28 and 29 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.

Eleanore A. Layug
Partner
CPA Certificate No. 0100794
SEC Accreditation No. 1250-A (Group A),
August 9, 2012, valid until August 8, 2015
Tax Identification No. 163-069-453
BIR Accreditation No. 08-001998-97-2012,
January 11, 2012, valid until January 10, 2015
PTR No. 4225180, January 2, 2014, Makati City

March 14, 2014

CARMEN COPPER CORPORATION
STATEMENTS OF FINANCIAL POSITION

	December 31, 2013	December 31, 2012 (As restated, Note 2)	January 1, 2012 (As restated, Note 2)
ASSETS			
Current Assets			
Cash (Note 4)	**₱626,888,270**	₱314,273,254	₱249,396,128
Short-term investments (Note 12)	**1,775,799,999**	4,740,312,725	670,518,576
Receivables (Note 5)	**1,009,078,664**	1,465,575,066	380,166,223
Inventories (Note 7)	**1,403,724,816**	824,728,582	919,427,216
Derivative assets (Note 6)	**14,107,714**	–	477,573,387
Other current assets (Note 8)	**565,988,414**	1,121,045,504	464,103,422
Total Current Assets	**5,395,587,877**	8,465,935,131	3,161,184,952
Noncurrent Assets			
Property, plant and equipment (Note 9)	**26,406,753,294**	17,959,314,317	13,836,275,673
Available-for-sale (AFS) financial asset (Note 21)	**18,902,000**	–	–
Deferred tax assets (Note 15)	**352,912,422**	89,550,319	96,362,726
Derivative assets (Note 6)	**–**	–	221,395,253
Other noncurrent assets (Note 10)	**1,896,723,522**	1,476,822,575	1,286,123,790
Total Noncurrent Assets	**28,675,291,238**	19,525,687,211	15,440,157,442
TOTAL ASSETS	**₱34,070,879,115**	₱27,991,622,342	₱18,601,342,394
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities (Note 11)	**₱3,730,309,449**	₱2,797,479,302	₱3,301,988,378
Dividends payable (Note 14)	**450,189,339**	1,000,000,000	–
Current portion of long-term debt and other interest-bearing liabilities (Note 12)	**3,327,763,270**	831,263,238	3,907,951,702
Derivative liabilities (Note 6)	**924,919**	7,589,596	18,928,870
Income tax payable	**60,488,099**	62,898	322,726
Total Current Liabilities	**7,569,675,076**	4,636,395,034	7,229,191,676
Noncurrent Liabilities			
Long-term debt and other interest-bearing liabilities - net of current portion (Note 12)	**14,057,571,409**	12,525,641,180	2,959,071,864
Liability for mine rehabilitation cost (Note 13)	**44,017,787**	110,513,789	94,782,472
Retirement benefits liability (Note 20)	**374,945,646**	291,555,300	156,599,400
Total Noncurrent Liabilities	**14,476,534,842**	12,927,710,269	3,210,453,736
Total Liabilities	**22,046,209,918**	17,564,105,303	10,439,645,412
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	1,909,820,561
Additional paid-in capital	**3,748,511,439**	3,748,511,439	3,748,511,439
Re-measurement loss on retirement plan (Note 2)	**(98,304,618)**	(103,970,230)	(45,652,180)
Unrealized loss on AFS financial asset (Note 21)	**(4,364,795)**	–	–
Retained earnings	**6,469,006,610**	4,873,155,269	2,549,017,162
Total Equity	**12,024,669,197**	10,427,517,039	8,161,696,982
TOTAL LIABILITIES AND EQUITY	**₱34,070,879,115**	₱27,991,622,342	₱18,601,342,394

See accompanying Notes to Financial Statements.

CARMEN COPPER CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2013	2012 (As restated, Note 2)
REVENUE (Note 6)		
Copper	**₱12,431,869,410**	₱13,412,754,370
Gold	**1,135,790,561**	905,559,891
Magnetite	**14,912,849**	22,561,883
Silver	**1,377,154**	475,896
	13,583,949,974	14,341,352,040
Less smelting and related charges	**754,457,817**	817,072,078
	12,829,492,157	13,524,279,962
COSTS AND EXPENSES		
Mining and milling costs (Note 16)	**7,561,203,064**	8,161,330,542
General and administrative expenses (Note 17)	**1,103,878,209**	1,008,657,923
Mine products taxes (Note 16)	**255,227,947**	271,574,691
	8,920,309,220	9,441,563,156
OTHER INCOME (CHARGES)		
Foreign exchange gain (loss) - net	**(845,912,931)**	385,973,358
Finance charges (Notes 12, 13 and 20)	**(798,155,496)**	(933,069,440)
Interest income (Notes 4 and 12)	**156,872,098**	212,854,367
Realized loss on derivatives (Note 6)	**(27,335,819)**	(437,608,486)
Unrealized loss on derivatives - net (Note 6)	**(17,662,005)**	(7,589,596)
Others - net	**14,939,333**	53,036,579
	(1,517,254,820)	(726,403,218)
INCOME BEFORE INCOME TAX	**2,391,928,117**	3,356,313,588
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 15)		
Current	**64,884,636**	369,624
Deferred	**(268,807,860)**	31,805,857
	(203,923,224)	32,175,481
NET INCOME	**2,595,851,341**	3,324,138,107
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that will not be reclassified to profit or loss in subsequent periods:		
Re-measurement gain (loss) on retirement plan (Note 2)	**5,665,612**	(58,318,050)
Item that will be reclassified to profit or loss in subsequent periods:		
Unrealized loss on AFS financial asset (Note 21)	**(4,364,795)**	–
	1,300,817	(58,318,050)
TOTAL COMPREHENSIVE INCOME	**₱2,597,152,158**	₱3,265,820,057

See accompanying Notes to Financial Statements.

CARMEN COPPER CORPORATION

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Capital Stock (Note 14)	**Additional Paid-in Capital** (Note 14)	**Re-measurement Gain (Loss) on Retirement Plan** (Note 2)	**Unrealized Loss on AFS Financial Asset**	**Retained Earnings**	**Total**
Balances at January 1, 2013, as previously reported	**₱1,909,820,561**	**₱3,748,511,439**	**₱–**	**₱–**	**₱4,861,708,029**	**₱10,520,040,029**
Effect of adoption of Revised PAS 19 (Note 2)	**–**	**–**	**(103,970,230)**	**–**	**11,447,240**	**(92,522,990)**
Balances at January 1, 2013, as restated	**1,909,820,561**	**3,748,511,439**	**(103,970,230)**	**–**	**4,873,155,269**	**10,427,517,039**
Net income for the year	**–**	**–**	**–**	**–**	**2,595,851,341**	**2,595,851,341**
Other comprehensive gain (loss)	**–**	**–**	**5,665,612**	**(4,364,795)**	**–**	**1,300,817**
Total comprehensive income for the year	**–**	**–**	**5,665,612**	**(4,364,795)**	**2,595,851,341**	**2,597,152,158**
Dividends declared at ₱0.52 per share (Note 14)	**–**	**–**	**–**	**–**	**(1,000,000,000)**	**(1,000,000,000)**
Balances at December 31, 2013	**₱1,909,820,561**	**₱3,748,511,439**	**(₱98,304,618)**	**(₱4,364,795)**	**₱6,469,006,610**	**₱12,024,669,197**
Balances at January 1, 2012, as previously reported	₱1,909,820,561	₱3,748,511,439	₱–	₱–	₱2,541,372,882	₱8,199,704,882
Effect of adoption of Revised PAS 19 (Note 2)	–	–	(45,652,180)	–	7,644,280	(38,007,900)
Balances at January 1, 2012, as restated	1,909,820,561	3,748,511,439	(45,652,180)	–	2,549,017,162	8,161,696,982
Net income for the year	–	–	–	–	3,324,138,107	3,324,138,107
Other comprehensive loss	–	–	(58,318,050)	–	–	(58,318,050)
Total comprehensive income for the year	–	–	(58,318,050)	–	3,324,138,107	3,265,820,057
Dividends declared at ₱0.52 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	(₱103,970,230)	₱–	₱4,873,155,269	₱10,427,517,039

See accompanying Notes to Financial Statements.

CARMEN COPPER CORPORATION
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2013	2012 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱2,391,928,117**	₱3,356,313,588
Adjustments for:		
Depreciation, depletion and amortization (Notes 16 and 17)	**1,605,914,964**	1,702,358,883
Net foreign exchange loss (gain) - net	**845,912,931**	(385,973,358)
Finance charges (Note 12)	**780,729,800**	924,902,340
Retirement benefits costs (Note 20)	**95,093,396**	55,007,600
Net realized loss (gain) on derivatives (Note 6)	**27,335,819**	437,608,486
Net unrealized loss on derivatives (Note 6)	**17,662,005**	7,589,596
Provision for asset write-downs, inventory obsolescence and possible losses on input value-added tax (VAT) (Notes 7, 9 and 10)	**16,928,516**	20,552,491
Other income from change in estimated liability for mine rehabilitation cost	**(8,256,124)**	–
Loss on asset disposals	**256,304**	–
Interest income (Notes 4 and 12)	**(156,872,098)**	(212,854,367)
Operating income before working capital changes	**5,616,633,630**	5,905,505,259
Decrease (increase) in:		
Receivables	**454,026,412**	(925,934,562)
Inventories	**(582,173,048)**	108,993,619
Other current assets	**565,930,417**	(656,942,082)
Increase in accounts payable and accrued liabilities	**437,418,990**	158,633,742
Net cash generated from operations	**6,491,836,401**	4,590,255,976
Interest paid	**(1,209,882,836)**	(654,331,522)
Interest received	**180,504,993**	53,981,277
Benefits paid (Note 20)	**(3,609,318)**	(3,363,200)
Income taxes paid	**(1,441,798)**	(629,452)
Net cash flows from operating activities	**5,457,407,442**	3,985,913,079
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property, plant and equipment (Note 9)	**(9,673,585,955)**	(5,849,526,658)
Proceeds from termination of short-term placements	**3,268,608,534**	–
Purchase of AFS investments	**(23,266,795)**	–
Increase in other noncurrent assets	**(424,628,565)**	(190,698,785)
Net cash flows used in investing activities	**(6,852,872,781)**	(6,040,225,443)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt and other interest-bearing liabilities (Note 12)	**4,274,436,041**	13,951,366,746
Dividends paid	**(1,549,810,661)**	–
Payments of long-term debt and other interest-bearing liabilities (Note 12)	**(1,079,335,086)**	(6,546,067,744)
Purchase of put options	**(65,770,215)**	–
Decrease (increase) in interest-free payables to related parties (Notes 11 and 19)	**3,208,292**	(860,953,119)
Short-term placements (Note 12)	–	(4,277,084,066)
Net cash flows from financing activities	**1,582,728,371**	2,267,261,817
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**125,351,984**	(148,072,327)
NET INCREASE IN CASH	**312,615,016**	64,877,126
CASH AT BEGINNING OF YEAR	**314,273,254**	249,396,128
CASH AT END OF YEAR (Note 4)	**₱626,888,270**	₱314,273,254

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 registered office address of the Company is 9th Floor, Quad Alpha Centrum, 125 Pioneer St., Mandaluyong City. The minesite is located in Lutopan, Toledo, Cebu. The Company is a wholly owned subsidiary of Atlas Consolidated Mining and Development Corporation (ACMDC; the parent company). ACMDC is listed in the Philippine Stock Exchange and is a holding company for various mining companies in the Philippines.

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 September 2013 and February 2012, the Board of Directors (BOD) of ACMDC approved the waiver of its entitlement to receive from the Company, pursuant to the Operating Agreement, royalties due from operations in 2013 and 2012, respectively.

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 (4) 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 Executive Order (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 ₱40.9 million and ₱69.4 million in 2013 and 2012, respectively.

The Company has a five-year Social Development and Management Program (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 (MGB).

The financial statements of the Company as at and for the years ended December 31, 2013 and 2012 were approved and authorized for issue by the BOD on March 14, 2014.

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

Basis of Preparation

The accompanying financial statements have been prepared using historical cost basis except for derivative financial instruments, put option contracts and AFS financial asset that have been measured at fair value. The financial statements are presented in Philippine Peso, the Company's functional currency in accordance with Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest Peso, except when otherwise indicated.

The financial statements provide comparative information in respect of the previous period. In addition, the Company presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at January 1, 2012 is presented in these financial statements due to the retrospective application of certain accounting policies (refer to notes below under PAS 19 Revised).

Statement of Compliance
The accompanying financial statements have been prepared in compliance with PFRS.

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

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

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

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

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

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

- PFRS 10, *Consolidated Financial Statements*
  The Company adopted PFRS 10 in the current year. PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in Standing Interpretations Committee (SIC) 12, *Consolidation - Special Purpose Entities.* PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 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 amendment does not have an impact on the Company since the Company has no subsidiary or associate.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed 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 amendment does not have an impact on the Company since the Company has no related joint venture arrangement.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). The Company has no subsidiary and unconsolidated 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. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

  As a result of the guidance in PFRS 13, the Company re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. The Company has assessed that the application of PFRS 13 has not materially impacted the fair value measurements of the Company. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 22.

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

- PAS 19, *Employee Benefits* (Revised)

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

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

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

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

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

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

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

	As at December 31, 2013		
	Under previous PAS 19	Increase (decrease)	As restated
Statements of financial position:			
Retirement benefits liability	₱251,193,700	₱123,751,946	₱374,945,646
Deferred tax assets	315,786,838	37,125,584	352,912,422
Re-measurement loss on retirement plan (net of deferred tax assets)	–	(98,304,618)	(98,304,618)
Retained earnings	6,457,328,354	11,678,256	6,469,006,610

	As at December 31, 2012		
	As previously reported	Increase (decrease)	As restated
Statements of financial position:			
Retirement benefits liability	₱159,379,600	₱132,175,700	₱291,555,300
Deferred tax assets	49,897,609	39,652,710	89,550,319
Re-measurement loss on retirement plan (net of deferred tax assets)	–	(103,970,230)	(103,970,230)
Retained earnings	4,861,708,029	11,447,240	4,873,155,269

	As at January 1, 2012		
	As previously reported	Increase (decrease)	As restated
Statements of financial position:			
Retirement benefits liability	₱102,302,400	₱54,297,000	₱156,599,400
Deferred tax assets	80,073,626	16,289,100	96,362,726
Re-measurement loss on retirement plan (net of deferred tax assets)	–	(45,652,180)	(45,652,180)
Retained earnings	2,541,372,882	7,644,280	2,549,017,162

Statements of comprehensive income:	For the year ended December 31, 2013	For the year ended December 31, 2012	For the year ended December 31, 2011
Increase (decrease) in:			
Net retirement benefits costs	(₱330,022)	(₱5,432,800)	(₱10,920,400)
Provision for income tax	99,006	1,629,840	3,276,120
Net income	231,016	3,802,960	7,644,280
Re-measurements of retirement benefits liability	8,093,732	(83,311,500)	(65,217,400)
Income tax effects	(2,428,120)	24,993,450	19,565,220
Other comprehensive gain (loss)	5,665,612	(58,318,050)	(45,652,180)

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

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

The adoption did not have a material effect on the statement of cash flows.

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

- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)
  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates.

  This amendment has no impact on the Company's financial position or performance as it currently has no investments in associates.

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

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

Annual Improvements to PFRSs (2009-2011 cycle)

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

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*
  The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of

financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Company as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
  These amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. As a result, the Company has not included comparative information in respect of the opening statement of financial position as at January 1, 2012. 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 does 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 amendment does not have any significant impact on the Company's financial position or performance.

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

<u>Standards and Interpretation Issued but not yet Effective</u>

- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets* (Amendments)
  These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)
  These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss (FVPL). This amendment is not relevant to the Company.

- Philippine Interpretation IFRIC 21, *Levies*
  IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Company does not expect that IFRIC 21 will have material financial impact in future financial statements.

- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting* (Amendments)
  These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Company has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

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

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

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

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not apply to the Company as it has no share-based payments.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Company shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

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

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

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

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

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the

compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Company's financial position or performance.

- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*

  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

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

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

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

Annual Improvements to PFRSs (2011-2013 cycle)

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

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of "Effective PFRSs"*

  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Company as it is not a first-time adopter of PFRS.

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*

  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1 2014 and is applied prospectively.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*

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

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

- PFRS 9, *Financial Instruments*
  PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at FVPL. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at FVPL. For liabilities designated as at FVPL using the FVO, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

  On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Company will not adopt the standard before the completion of the limited amendments and the second phase of the project.

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Securities and Exchange Commission and the Financial Reporting Standards Council have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Company.

<u>Summary of Significant Accounting Policies</u>

<u>Presentation of Financial Statements</u>
The Company has elected to present all items of recognized income and expense in one single statement of comprehensive income.

The impact of third statement of financial position is not material to other accounts in the financial statements.

<u>Cash</u>
Cash includes cash on hand and in banks which are carried at face value.

<u>Financial Instruments</u>
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 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 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 period.

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

The Company has no HTM investments as at December 31, 2013 and 2012, respectively.

Fair Value Measurement

The Company measures financial instruments, such as, AFS financial assets, derivative assets and liabilities, and long-term debt and other interest-bearing liabilities at fair value at each end of the reporting period. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 22.

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

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

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

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

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

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

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

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business on the end of the reporting period.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounted cash flow analysis or other valuation models.

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

"Day 1" Difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the 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.

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

Financial Assets and Financial Liabilities at FVPL
Financial assets and financial liabilities are classified in this category if acquired principally for the purpose of selling or repurchasing in the near term or upon initial recognition, it is designated by management as at FVPL. Financial assets and financial liabilities at FVPL are designated by management on initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis; or (ii) the assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performances are evaluated on a fair value basis in accordance with a documented risk management or investment strategy; or (iii) the financial instrument contains an embedded derivative that would need to be separately recorded. Derivatives, including separated embedded derivatives, are also categorized as held at FVPL, except those derivatives designated and considered as effective hedging instruments. Assets and liabilities classified under this category are carried at fair value in the 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 at December 31, 2013 and 2012, respectively.

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

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in the statement of comprehensive income in the "Net unrealized gain (loss) 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 OCI.

The Company evaluated its AFS financial assets whether the ability and intention to sell them in the near term is still appropriate. When the 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 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 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 EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

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 (EIR) method. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2013 and 2012, the Company's loans and receivables consist of "Cash", "Short-term investments", "Receivables" and mine rehabilitation fund (MRF) included under "Other noncurrent assets".

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 financial liabilities as FVPL are recognized in the profit or loss.

The Company's financial liabilities at FVPL pertain to the derivative liabilities in the statement of financial position.

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

As at December 31, 2013 and 2012, other financial liabilities consist of "Accounts payable and accrued liabilities", "Dividends payable" 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 period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the contracted parties or a group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows such as changes in arrears or economic conditions that correlate with defaults.

AFS Financial Assets
For AFS financial assets, the Company assesses at each reporting period 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 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 OCI and recognized in profit or loss.

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

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

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 EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

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

In relation to receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the 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.

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

- the rights to receive cash flows from the asset have expired; or
- 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. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the 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 re-measured 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 re-measured 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 EIR method is used is amortized to profit or loss. Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

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 EIR method is used is amortized to profit or loss.

Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. The Company does not designate its derivative instruments as hedging instruments of a fair value hedge.

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

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

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

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 for copper sales transactions as at December 31, 2013 and 2012 (see Note 6).

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 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 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 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 period. 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. Cost is determined using the weighted average method.

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

Other Current and Noncurrent Assets
Other current assets are composed of deposits to suppliers, and prepaid fees and advances. Other noncurrent assets are composed of input VAT and others. These are classified as current when it is probable to be realized or consumed within one (1) year from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

Input VAT
Input VAT represents 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 5 years or the useful life of the capital goods, whichever is shorter. Input VAT is stated at its estimated NRV.

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

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

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.

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:

Roadways and bridges	5 - 40 years
Buildings and improvements	5 - 25 years
Machinery and equipment	3 - 10 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. The asset’s useful lives and methods of depreciation are reviewed and adjusted, if appropriate, at each reporting period.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. When assets are sold or retired, the cost and related accumulated depletion and depreciation are removed from the accounts. 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.

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

Mine development costs also include the estimated costs of rehabilitating the mine site, for which the Company is constructively liable. These 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.

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

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

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

<u>Impairment of Nonfinancial Assets</u>
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 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.

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
Provision is made for close down, restoration and environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the reporting period when the related environmental disturbance occurs, based on the estimated future costs using information available at the end of the reporting period.

The provision is discounted using a current market-based pre-tax discount rate and the unwinding of the discount is classified as interest accretion in the statement of comprehensive income. At the time of establishing the provision, a corresponding asset is capitalized, where it gives rise to a future benefit, and depreciated over future production from the operations to which it relates.

The provision 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 provision resulting from changes in the estimated cash flows or discount rate, and the adjusted cost of the asset is depreciated prospectively.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting period and the cost is charged to the statement of comprehensive income.

Rehabilitation trust funds committed for use in satisfying environmental obligations are included within "Other noncurrent assets" in the statement of financial position. The rehabilitation fund was deposited on trust accounts with banks and earns interest at the respective bank rates. This was established to comply with the requirements of the Philippine Mining Act of 1995 and shall be used for physical and social rehabilitation of areas and communities affected by mining activities and for research on the social, technical and preventive aspects of rehabilitation.

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 period. Foreign currency gains or losses are recognized in the profit or loss.

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

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

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

Operating Leases
Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b). Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in the 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 period 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 period.

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

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

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

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. The excess of proceeds from issuance of shares over the par value of shares are credited to additional paid-in capital.

Retained Earnings
The amount included in retained earnings includes profits (loss) attributable to the Company’s equity holders and dividends on capital stock. Dividends on capital stock are recognized as a liability under “Dividends payable” and deducted from equity when they are approved by the Company’s stockholders and the BOD. Dividends for the year that are approved after the reporting period are dealt with as an event after the reporting period.

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

Retained earnings may be appropriated for any plant expansion, investments and funding of certain reserve accounts to be established pursuant to the requirements of the lenders in accordance with the agreement. When the appropriation is no longer needed, it is reversed.

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 profit or loss for the year in accordance with PFRS.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable taking into account contractually defined terms of payment and excluding discounts, rebates and other sales taxes or duties. The Company assesses whether it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognized.

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 (1) to six (6) months. Provisional shipment of 90% for copper, gold and silver based on provisional prices is collected upon shipment, while the remaining 10% for copper is collected upon the determination of the final shipment value on final weight and assays for metal content and prices during the quotational period less deduction for smelting charges.

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 derivatives" under "Other income or charges". 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 EIR method.

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

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

Employee Benefits
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Re-measurements of net defined benefit liability or asset

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

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

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

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

<u>Contingencies</u>
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.

<u>Events After the Reporting Period</u>
Events after the reporting period that provide additional information about the Company's financial position at the reporting period (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed when material.

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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 functional currency of the Company has been determined by the management based on the currency that most faithfully represents the primary economic environment in which the Company operates and it is the currency that mainly influences the underlying transactions, events and conditions relevant to the Company.

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 2013 and 2012 amounted to ₱439.5 million and ₱696.8 million, respectively.

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
- AFS financial asset
- Loans and receivables

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

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 2013 and 2012 are 3.65% and 3.36%, respectively.

Operating Lease Commitments - Company as a Lessee
The Company has entered into property and equipment leases. The Company has determined that it does not retain all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

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

<u>Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainties at the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period 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 22).

Estimating Impairment of AFS Financial Assets
The 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 Company treats "significant" generally as 20% or more and "prolonged" as greater than 12 months for quoted equity securities. In addition, the 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 ₱18.9 million and nil as at December 31, 2013 and 2012, respectively (see Note 21).

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 EIR. 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 2013 and 2012. The carrying value of loans and receivables amounted to ₱3,427.7 million and ₱6,528.9 million as at December 31, 2013 and 2012, 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), Philippine Associated Smelting and Refining Corporation (PASAR) and Mitsui & Co., Ltd.(Mitsui) and the weight and assay for metal content in estimating the fair value less cost to sell of mine products inventory. Any changes in the assay for metal content of the mine products inventory is accounted for and adjusted accordingly. As at December 31, 2013 and 2012, the cost of mine products inventory is lower than its NRV. No allowance for decline in value of mine products inventory was recognized as at December 31, 2013 and 2012. Mine products inventory amounted to ₱117.5 million and ₱55.8 million as at December 31, 2013 and 2012, 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 ₱1,286.3 million and ₱769.0 million as at December 31, 2013 and 2012, respectively (see Note 7). The Company recognized allowance for obsolescence of materials and supplies inventory amounting to ₱12.2 million as at December 31, 2013. No provision for inventory obsolescence was provided in 2012.

Estimating Useful Lives of Property, Plant and Equipment except Land. The useful lives of property, plant and equipment are estimated based on the period over which these assets are expected to be used. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. Any reduction in the estimated useful lives of property, plant and equipment would increase the 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 2013 and 2012. Net book values of property, plant and equipment as at December 31, 2013 and 2012 amounted to ₱26,406.8 million and ₱17,959.3 million, respectively (see Note 9). Depreciation expense recognized in 2013 and 2012 amounted to ₱1,605.9 million and ₱1,702.4 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 nil and ₱20.6 million in 2013 and 2012, respectively (see Note 9).

Estimating Impairment of Input VAT. The Company assesses on a regular basis if there is objective evidence of impairment of input VAT. The amount of impairment loss is measured as the difference between the carrying amount and the estimated recoverable amount. The recognition of impairment requires the Company to assess the status of its application for refund and tax credit certificates with government agencies. Input VAT as at December 31, 2013 and 2012, net of accumulated allowance for impairment losses of ₱129.6 million and ₱124.9 million, respectively, amounted to ₱1,880.8 million and ₱1,468.1 million, respectively (see Note 10). The Company recognized allowance for impairment losses on input VAT amounting to ₱4.7 million and nil in 2013 and 2012, respectively (see Note 10).

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 CGU'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 CGU and to choose an appropriate discount rate in order to calculate the present value of those cash flows. Estimating the fair value less cost to sell is based on the information available to reflect the amount that the Company could obtain as of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining this amount, the 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 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 6).

Estimating Liability for Mine Rehabilitation Cost. The ultimate cost of mine rehabilitation and decommissioning is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience. The expected timing of expenditure can also change, for example in response to changes in ore reserves or production rates. As a result, there could be significant adjustments to the liability for mine rehabilitation cost, which would affect future financial results. The liability for mine rehabilitation cost is based on estimated future costs using information available at the reporting period. To the extent the actual costs differ from these estimates, adjustments will be recorded and the profit or loss may be impacted. As at December 31, 2013 and 2012, liability for mine rehabilitation cost amounted to ₱44.0 million and ₱110.5 million, respectively (see Note 13).

Estimating Retirement Benefits Costs. The cost of defined benefit retirement as well as the present value of the retirement liability are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future retirement increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit retirement liability are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period. The net retirement benefits liability as at December 31, 2013 and 2012 amounted to ₱374.9 million and ₱291.6 million, respectively (see Note 20).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit retirement liability.

Further details about the assumptions used are provided in Note 20.

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 ₱12,829.5 million and ₱13,524.3 million in 2013 and 2012, respectively.

Estimating Realizability of Deferred Tax Assets. The Company reviews the carrying amounts of deferred tax assets at each reporting period and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized. As at December 31, 2013 and 2012, net deferred tax assets amounting to ₱352.9 million and ₱89.6 million, respectively, 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 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

	2013	2012
Cash on hand	**₱2,508,173**	₱1,671,140
Cash in banks	**624,380,097**	312,602,114
	₱626,888,270	₱314,273,254

Cash in banks earn interest at respective bank deposit rates. Interest income earned from cash in banks amounted to ₱0.8 million and ₱6.7 million in 2013 and 2012, respectively.

The Company has United States Dollar (US$)-denominated cash amounting to ₱413.8 million and ₱113.1 million as at December 31, 2013 and 2012, respectively. The Company also has Japan Yen (JPY)-denominated cash amounting to ₱0.9 million and ₱1.6 million as at December 31, 2013 and 2012, respectively.

5. Receivables

	2013	2012
Trade (see Note 6)	**₱816,941,856**	₱1,234,292,911
Interest (see Note 12)	**135,240,195**	158,873,090
Nontrade	**34,229,595**	48,848,191
Advances to officers and employees	**22,667,018**	23,560,874
	₱1,009,078,664	₱1,465,575,066

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 on 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 risks such as commodity price, foreign exchange and interest rate risks. As at December 31, 2013, the Company has freestanding commodity option agreements, while embedded derivatives include provisional pricing in shipment contracts. The Company has not designated any of these derivatives as accounting hedges. The Company has accounted for its derivatives at fair value and any changes in the fair value is recorded in the statement of comprehensive income.

Pricing Agreements

MRI, PASAR and Mitsui

In the normal course of selling its copper concentrate, the Company entered into (i) several contracts of purchase with MRI (“MRI Contract”) and PASAR (“PASAR Contract”) in 2013 and in prior years, and (ii) one contract of purchase with Mitsui (“Mitsui Contract”) in 2013 (collectively, the “Copper Contracts”), whereby it agreed to sell a fixed volume of copper concentrate based on LME prices (as published in the Metal Bulletin) and as averaged over the quotational period (QP) as defined in the MRI Contract, PASAR Contract and Mitsui Contract.

The quality and quantity of the copper concentrate sold is determined through a sampling weight and assay analysis by an appointed independent surveyor. Under the Copper Contracts, the 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 Put Options

In 2013 and 2012, the Company purchased LME put options through Jefferies Prudential for the delivery of 35,950 tons and 33,325 tons of copper concentrates with a total premium amounting to $1.5 million and $6.4 million, respectively. As at December 31, 2013, the outstanding notional quantity of the put options is 14,000 tons with a strike price of $6,000 per ton and maturities from February to May 2014. The positive fair value of the outstanding put options amounted to ₱3.0 million and was recognized as “Derivative assets” as at December 31, 2013. Unrealized loss on derivatives recognized in the statement of comprehensive income amounted to ₱27.8 million in 2013. The Company has no outstanding commodity put option as at December 31, 2012.

Foreign Currency Forwards

In 2012, the Company entered into foreign currency forwards amounting to ¥780.3 million and EUR8.5 million. The Company used these foreign currency forwards to hedge its exposure to US$. Realized gain on foreign currency forwards amounted to ₱20.5 million. No foreign currency forwards were outstanding as at December 31, 2013 and 2012.

The 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, PASAR and Mitsui, the copper sales will be provisionally priced at shipment subject to price and quantity adjustment after the QP. Under the Copper Contracts, the Company with the consent of MRI and PASAR, can price fix the copper shipments before the QP. Copper sales that were not subject to price fixing are assessed as having embedded derivatives that are not clearly and closely related, and once the commodities have been delivered, it must be bifurcated on the delivery date or once the shipment is considered sold (in case of bill and hold sales). The Company recognized an unrealized loss and gain on the related derivative liability and asset amounting to ₱0.9 million and ₱11.1 million, respectively on its deliveries in 2013, and unrealized loss on derivative liability amounting to ₱7.6 million on its deliveries in 2012.

Prepayment Option

BDO Unibank, Inc (BDO)
In 2010, the 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 FVPL and the initial prepayment option amount of ₱721.9 million is treated as an effective interest adjustment on the loan (see Note 12).

On March 16, 2012, the Company prepaid all outstanding amounts under OLSA using part of the proceeds from its issuance of fixed-rate notes representing an aggregate debt of $300.0 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$-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. The Bonds Payable also have an identified call option as they may be redeemed fully prior to maturity at a redemption price equal to 100% of the principal amount plus applicable premium and accrued and unpaid interest (see Note 12).

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

7. Inventories

	2013	2012
Mine products	**₱117,453,619**	₱55,776,807
Materials and supplies (net of allowance for inventory obsolescence of ₱12.2 million and nil as at December 31, 2013 and 2012, respectively; see Note 17)	**1,286,271,197**	768,951,775
	₱1,403,724,816	₱824,728,582

Mine products include copper concentrate containing copper, gold and silver. The cost of mine products includes depreciation and depletion of property, plant and equipment (see Note 9). Materials and supplies consist of consumable items and spare parts. Mine products inventories are stated at cost, which is lower than NRV. Materials and supplies are stated at NRV.

The cost of mine products recognized as part of mining and milling costs in the statements of comprehensive income amounted to ₱7,561.2 million and ₱8,161.3 million in 2013 and 2012, respectively (see Note 16).

8. Other Current Assets

	2013	2012
Deposits to suppliers	**₱553,085,424**	₱1,111,097,468
Prepaid fees and advances	**12,902,990**	9,948,036
	₱565,988,414	₱1,121,045,504

Deposits to suppliers are non-financial assets arising from advanced payments made by the Company to its suppliers and contractors before goods or services have been received or rendered. These are classified as current since these are expected to be offset against future short-term billings and are recognized in the books at amounts initially paid.

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

Prepaid fees and advances include prepaid insurance and business taxes.

9. Property, Plant and Equipment

2013

	Land	Mine Development Costs	Machinery and Equipment	Buildings and Improvements	Roadways and Bridges	Construction In-progress	Total
Cost							
January 1	₱13,088,797	₱6,916,891,136	₱9,427,776,346	₱1,093,142,209	₱264,187,482	₱5,020,977,197	₱22,736,063,167
Additions	–	–	298,714,454	–	–	9,827,558,835	10,126,273,289
Reclassifications	–	141,314,323	672,339,076	40,507,058	12,555,370	(866,715,827)	–
Change in estimate (see Note 13)	–	(69,097,455)	–	–	–	–	(69,097,455)
Retirement	–	–	(2,175,124)	–	–	–	(2,175,124)
Disposals	–	–	(2,151,129)	–	–	–	(2,151,129)
December 31	13,088,797	6,989,108,004	10,394,503,623	1,133,649,267	276,742,852	13,981,820,205	32,788,912,748
Accumulated depreciation, depletion and asset write-downs							
January 1	–	590,254,319	3,531,347,066	531,765,911	123,381,554	–	4,776,748,850
Depreciation/depletion (see Notes 7, 16 and 17)	–	225,650,286	1,286,879,275	71,027,487	31,382,000	–	1,614,939,048
Change in estimate (see Note 13)	–	(5,458,495)	–	–	–	–	(5,458,495)
Retirement	–	–	(2,175,124)	–	–	–	(2,175,124)
Disposals	–	–	(1,894,825)	–	–	–	(1,894,825)
December 31	–	810,446,110	4,814,156,392	602,793,398	154,763,554	–	6,382,159,454
Net book values	₱13,088,797	₱6,178,661,894	₱5,580,347,231	₱530,855,869	₱121,979,298	₱13,981,820,205	₱26,406,753,294

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	₱7,304,005,146	₱1,184,891,952	₱255,006,656	₱ 1,501,598,211	₱17,143,498,385
Additions	–	–	1,846,591,736	67,710,480	–	3,980,642,345	5,894,944,561
Reclassifications	–	21,265,168	590,277,588	(159,460,223)	9,180,826	(461,263,359)	–
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	6,916,891,136	9,427,776,346	1,093,142,209	264,187,482	5,020,977,197	22,736,063,167
Accumulated depreciation, depletion and asset write-downs							
January 1	–	371,853,810	2,477,004,292	409,866,029	94,009,506	–	3,352,733,637
Depreciation/depletion (see Notes 7, 16 and 17)	–	218,400,509	1,346,888,407	121,899,882	29,372,048	–	1,716,560,846
Provision for asset write-downs (see Note 16)	–	–	20,552,491	–	–	–	20,552,491
Retirement	–	–	(312,702,737)	–	–	–	(312,702,737)
Disposals	–	–	(395,387)	–	–	–	(395,387)
December 31	–	590,254,319	3,531,347,066	531,765,911	123,381,554	–	4,776,748,850
Net book values	₱13,088,797	₱6,326,636,817	₱5,896,429,280	₱561,376,298	₱140,805,928	₱5,020,977,197	₱17,959,314,317

Construction in-progress consists mainly of expenditures for the expansion projects and existing capacity. The expansion projects are intended to increase the milling capacity of the plant which is expected to be completed in March 2014. The estimated percentage of completion of this project is 97% and 30% as at December 31, 2013 and 2012, respectively. Construction in-progress to improve existing capacity includes cost of various projects at different percentages of completion as at December 31, 2013 and December 31, 2012, respectively.

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

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

Mine development costs consist of the following:

2013

	Mine and Mining Properties	**Development Costs**	**Mine Rehabilitation Costs**	**Total**
Cost				
January 1	**₱1,196,664,467**	**₱5,651,129,214**	**₱69,097,455**	**₱6,916,891,136**
Additions	**–**	**141,314,323**	**–**	**141,314,323**
Change in estimate (see Note 13)	**–**	**–**	**(69,097,455)**	**(69,097,455)**
December 31	**1,196,664,467**	**5,792,443,537**	**–**	**6,989,108,004**
Accumulated depletion				
January 1	**119,150,655**	**467,855,164**	**3,248,500**	**590,254,319**
Depletion	**39,092,681**	**184,347,610**	**2,209,995**	**225,650,286**
Change in estimate (see Note 13)	**–**	**–**	**(5,458,495)**	**(5,458,495)**
December 31	**158,243,336**	**652,202,774**	**–**	**810,446,110**
Net book values	**₱1,038,421,131**	**₱5,140,240,763**	**₱–**	**₱6,178,661,894**

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	–	21,265,168	–	21,265,168
Change in estimate (see Note 13)	–	–	10,718,345	10,718,345
December 31	1,196,664,467	5,651,129,214	69,097,455	6,916,891,136
Accumulated depletion				
January 1	81,759,074	288,760,073	1,334,663	371,853,810
Depletion	37,391,581	179,095,091	1,913,837	218,400,509
December 31	119,150,655	467,855,164	3,248,500	590,254,319
Net book values	₱1,077,513,812	₱5,183,274,050	₱65,848,955	₱6,326,636,817

Fully Depreciated Property and Equipment
Fully depreciated property and equipment still used by the Company amounted to ₱583.0 million and ₱172.4 million as at December 31, 2013 and 2012, 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.

Borrowing Costs
Borrowing costs, capitalized in "Construction in-progress", amounted to ₱452.7 million in 2013 and ₱13.4 million in 2012 at interest rates of 6.5% to 8% for both 2013 and 2012 (see Note 12).

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 nil and ₱20.6 million in 2013 and 2012, respectively (see Note 16).

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 12 and 19) amounted to ₱2,368.5 million as at December 31, 2013 and ₱16,882.2 million as at December 31, 2012.

Capital Expenditure Commitments
As at December 31, 2013 and 2012, the Company has capital expenditure commitments amounting to ₱1,149.8 million and ₱1,361.4 million, respectively.

10. Other Noncurrent Assets

	2013	2012
Input VAT (net of accumulated allowance for possible losses of ₱129.6 million and ₱124.9 million in 2013 and 2012, respectively)	**₱1,880,835,360**	₱1,468,088,491
Others	**15,888,162**	8,734,084
	₱1,896,723,522	₱1,476,822,575

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 5 years or the useful life of the capital goods, whichever is shorter. Input VAT is stated at its estimated NRV. Input VAT, net of allowance for possible losses, amounting to ₱1,880.8 million and ₱1,468.1 million as at December 31, 2013 and 2012, respectively, will be claimed by the Company as tax credits.

Movements of the allowance for possible losses on input VAT are as follows:

	2013	2012
Balances at beginning of year	**₱124,856,133**	₱124,856,133
Provision for possible losses (see Note 17)	**4,727,618**	–
Balances at end of year	**₱129,583,751**	₱124,856,133

Others consist mainly of MRF required under Final Mine Rehabilitation and Decommissioning Plan as approved by the DENR.

11. Accounts Payable and Accrued Liabilities

	2013	2012
Trade	**₱1,938,171,833**	₱1,026,680,786
Accrued expenses	**1,093,215,630**	1,095,256,486
Royalties (see Note 1)	**504,374,669**	504,374,669
Nontrade	**171,410,739**	146,107,825
Related parties (see Note 19)	**23,136,578**	19,928,286
Payable to buyers (see Note 6)	**–**	5,131,250
	₱3,730,309,449	₱2,797,479,302

Trade payables are noninterest-bearing and are normally settled on a 30 to 60-day term.

Nontrade payables pertain to foreign currency-denominated purchases and government payables.

The accrued expenses accounts are as follows:

	2013	2012
Professional fees	**₱253,053,154**	₱4,812,463
Interest (see Note 12)	**246,146,865**	228,011,649
Contracted services (see Note 24)	**233,562,547**	426,466,534
Power and other utilities (see Note 24)	**128,540,261**	89,562,884
Rental	**126,761,414**	123,675,322
Personnel cost	**40,071,844**	32,634,194
Insurance	**10,500,000**	56,549,007
Consigned fees	**10,264,134**	5,026,534
Others	**44,315,411**	128,517,899
	₱1,093,215,630	₱1,095,256,486

Accrued expenses are normally settled within 6 months.

Payable to buyers include advance payments made by Goldwin Holdings Limited (GHL) in 2012. In December 2012, the Company entered into a Contract of Purchase with GHL whereby it agreed to sell a specified volume of iron ore concentrate at a fixed price of $25/Wet Metric Ton (WMT) (see Note 24). Payable to buyers were fully settled in 2013.

12. **Long-term Debt and Other Interest-bearing Liabilities**

	2013	2012
Bonds payable	**₱13,059,824,560**	₱11,993,726,982
BDO Leasing and Finance, Inc. (BDO Leasing)	**1,210,621,785**	916,764,230
United Coconut Planters Bank (UCPB)	**790,231,000**	369,450,000
Land Bank of the Philippines (Land Bank)	**510,542,500**	–
Standard Chartered Bank (SCB)	**443,950,000**	–
LBP Leasing Corp (LBP Leasing)	**300,000,000**	–
MayBank	**297,446,500**	–
Security Bank	**288,567,500**	–
Bank of China	**266,370,000**	–
SBM Leasing, Inc. (SBM Leasing)	**210,302,192**	–
Atlas Copco Customer Finance AB (Atlas Copco)	**5,210,491**	33,725,288
Metropolitan Bank and Trust Company (MBTC) and Orix Metro Leasing and Finance Corporation (ORIX)	**2,268,151**	7,935,115
FLSmidth Krebs Pacific (FLS)	**–**	35,302,803
	17,385,334,679	13,356,904,418
Less noncurrent portion	**14,057,571,409**	12,525,641,180
Current portion	**₱3,327,763,270**	₱831,263,238

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

	2013	2012
Due in:		
2013	**₱–**	₱831,263,238
2014	**3,327,763,270**	274,760,844
2015	**729,494,477**	12,250,880,336
2016 and thereafter	**13,328,076,932**	–
	₱17,385,334,679	₱13,356,904,418

Bonds Payable

On March 16, 2012, the Company completed the issuance of US$-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, which were issued at the price of 98.95% of face value, will pay interest semi-annually every 21st of March and 21st of September at the rate of 6.5% and will carry a yield to maturity of 6.75%. The accrued interest payable from bonds amounted to ₱238.1 million and ₱224.6 million as at December 31, 2013 and 2012, respectively (see Note 11). The interest expense recognized from bonds amounted to ₱1,079.0 million and ₱778.6 million in 2013 and 2012, respectively. The Company capitalized interest expense in relation to the $300 million bonds under "Construction in-progress", amounting to ₱452.7 million in 2013 and ₱13.4 million in 2012 at interest rates of 6.5% to 8% for both 2013 and 2012 (see Note 9).

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 (4) fiscal quarterly periods prior to the incurrence of the indebtedness (the "Four Quarter Period"); (2) the aggregate fixed charges during the Four Quarter Period.

- *Payment of dividends* - 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 complied with the above covenants, as at December 31, 2013 and 2012.

Short-term Investments
A portion of the proceeds from the issuance of the Bonds Payable was put in multiple US$ time deposit accounts which have a five-year maturity period reckoned from the date of placement and which can be terminated anytime. Such deposits amounting to ₱1,775.8 million and ₱4,740.3 million as at December 31, 2013 and 2012, respectively, were classified as "Short-term investments" in the statements of financial position. Interest income earned from short-term investments amounted to ₱156.1 million and ₱206.1 million in 2013 and 2012, respectively. Interest receivable amounted to ₱135.2 million and ₱158.9 million as at December 31, 2013 and 2012, respectively (see Note 5).

BDO Leasing
From August 2011 to December 2013, the Company availed of peso-denominated equipment financing facilities from BDO Leasing. The amounts due under the facilities which totalled ₱2,042.5 million are payable within 24 months and accrue interest at the rate of 4.75% to 10.00% per annum. In 2013 and 2012, the Company availed of additional equipment financing facilities from BDO Leasing covering the total amount of ₱848.7 million and ₱889.5 million, respectively. The accrued interest payable amounted to ₱2.0 million and nil as at December 31, 2013 and 2012, respectively.

UCPB
On October 29, 2012, the Company obtained from UCPB a short-term credit facility covering the amount of US$9.0 million which was used to finance working capital requirements. During 2013, the Company obtained from UCPB various short-term credit facility covering the amount of US$17.8 million which was used to finance working capital requirements. The amount drawn from the facility is payable within 12 months and accrues interest at the rate of 3.5% to 4% per annum. The accrued interest payable amounted to ₱0.8 million and ₱1.2 million as at December 31, 2013 and 2012, respectively.

Land Bank
On April 23, 2013, the Company obtained a short-term loan with a dollar to peso convertibility clause from Land Bank with a maturity date on October 18, 2013 in the amount of US$12.0 million which was used to finance working capital requirements. On October 18, 2013, the Company paid a total of US$0.5 million of the outstanding amount of the loan and extending the maturity from October 18, 2013 to April 16, 2014. The accrued interest payable amounted to ₱0.5 and nil as at December 31, 2013 and 2012, respectively.

SCB
On November 8, 2013, the Company obtained from SCB a short-term credit facility covering the amount of US$10.0 million which was used to finance working capital requirements. The amount drawn from the facility is payable within 180 days from the date of the loan and accrues interest at the rate of 2.7% per annum. The accrued interest payable amounted to ₱0.7 million and nil as at December 31, 2013 and 2012, respectively.

LBP Leasing
From July to September 2013, the Company obtained from LBP Leasing a short-term credit facility which can be converted to finance lease in the amount of ₱156.4 million. In December 2013, the Company obtained an additional short-term loan in the amount ₱300 million which will mature on December 18, 2016 and accrues at the rate of 6.5% per annum. Part of the proceeds obtained from the loan was used to pay the outstanding of ₱156.4 million which matured on December 26, 2013. The accrued interest payable amounted to nil as at December 31, 2013 and 2012.

MayBank
From September to October 2013, the Company obtained from MayBank a short-term credit facility covering the amount of US$6.7 million which was used to finance working capital requirements. The amount drawn from the facility is payable within 180 days from the date of the loan and accrues interest at the rate of 2.64% to 2.65% per annum. The accrued interest payable amounted to ₱0.4 and nil as at December 31, 2013 and 2012, respectively.

Security Bank
From February to October 2013, the Company obtained from Security Bank a short-term credit facility covering the amount of US$11.3 million which was used to finance working capital requirements. The amount drawn from the facility is payable within 12 months and accrues interest at the rate of 2.25% to 2.60% per annum. The accrued interest payable amounted to ₱0.2 million and nil as at December 31, 2013 and 2012, respectively.

Bank of China
On November 8, 2013, the Company obtained from Bank of China a short-term credit facility covering the amount of US$6.0 million which was used to finance working capital requirements. The amount drawn from the facility is payable within 120 days and accrues interest at the rate of 2.38% per annum. The accrued interest payable amounted to ₱0.4 million and nil as at December 31, 2013 and 2012, respectively.

SBM Leasing
From March 2013 to December 2013, the Company availed of peso-denominated equipment financing facilities from SBM Leasing. The amounts due under the facilities which amounted to ₱269.4 million are payable within 36 months and accrue interest at the rate of 6.5% to 7% per annum. The accrued interest payable amounted to nil as at December 31, 2013 and 2012.

Atlas Copco
On January 20, 2012, the Company obtained a supplier credit facility from Atlas Copco for the amount of US$1.6 million which was used for the purchase of certain mining equipment. The amount drawn from the facility is payable within 24 months and accrues interest at the rate of 7% per annum. The accrued interest payable amounted to nil as at December 31, 2013 and 2012.

MBTC and 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). The accrued interest payable amounted to nil as at December 31, 2013 and 2012.

FLS
On March 29, 2011, the Company availed from FLS a US$-denominated loan facility amounting to US$4.7 million that is payable within 24 months and accrues interest at the rate of 11% per annum. The loan is secured by a chattel mortgage covering the crushers and auxiliary equipment purchased from FLS using the proceeds thereof (see Note 9). The accrued interest payable amounted to nil as at December 31, 2013 and 2012.

BDO US$140 million
In December 2010, the Company availed from BDO a US$-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.

The BDO Loan has a prepayment feature which was bifurcated and accounted for as at FVPL (see Note 6) with the initial prepayment value of ₱721.9 million being amortized over its term using the EIR 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).

Total interest expense arising from the financing activities amounted to ₱1,228.0 million and ₱933.3 million for the years ended December 31, 2013 and 2012, respectively.

13. **Liability for Mine Rehabilitation Cost**

	2013	2012
Balances at beginning of year	**₱110,513,789**	₱94,782,472
Unwinding of discount	**5,399,082**	5,012,972
Effect of change in estimate	**(71,895,084)**	10,718,345
Balances at end of year	**₱44,017,787**	₱110,513,789

The Company makes a full provision for the future cost of rehabilitation of the plant and other future costs on a discounted basis. Liability for mine rehabilitation and others represents the present value of future rehabilitation and other costs. 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 a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual costs will ultimately depend upon future market prices for the necessary works required which will reflect market conditions at the relevant time. Furthermore, the timing of the rehabilitation and expenditure of other costs is likely to depend on when the mine ceases to produce at economically viable rates, and the timing that the event for which the other provisions provided for will occur.

In 2013 and 2012, the Company changed its future rehabilitation cost projections. As at December 31, 2013 and 2012, change in the liability for mine rehabilitation cost amounted to (₱71.9 million) and ₱10.7 million, respectively, were recognized as a result of the change in estimate. In 2013, total reduction in "Mine development costs" classified under "Property, plant and equipment" amounted to ₱69.1 million (see Note 9) as a result of the change in estimate, while the remaining amount of ₱8.3 million was credited in the statements of comprehensive income.

14. Capital Stock

The Company's authorized and issued capital stock as at December 31, 2013 and 2012 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

Preferred Shares

The rights, privileges, and features of the Company's common and preferred shares are the same, except for the preference in liquidation and right to nominate directors. 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 at December 31, 2013 and 2012, all preferred shares were held by ACMDC.

Dividend Declaration

On September 25, 2013, the BOD authorized the declaration of cash dividends out of the Company's retained earnings to stockholders of record as at September 25, 2013 amounting to ₱1,000,000,000. On December 7, 2012, the BOD authorized the declaration of cash dividends out of the Company's retained earnings to stockholders of record as at December 31, 2011 amounting to ₱1,000,000,000. The dividends payable as at December 31, 2013 and 2012 amounted to ₱450.2 million and ₱1.0 billion, respectively.

Retained Earnings

The details and movements of the Company's retained earnings are as follows:

	2013	2012 (As restated)
Beginning balances	**₱4,873,155,269**	₱2,549,017,162
Net income	**2,595,851,341**	3,324,138,107
Declaration of cash dividends	**(1,000,000,000)**	(1,000,000,000)
Ending balances	**₱6,469,006,610**	₱4,873,155,269

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

15. **Income Taxes**

The components of provision for current income tax are as follows:

	2013	2012
RCIT	**₱64,884,636**	₱–
Excess of MCIT over RCIT	**–**	369,624
	₱64,884,636	₱369,624

The Company’s net deferred tax assets are as follows:

	2013	2012 (As restated)
Recognized directly in profit or loss		
Deferred tax assets:		
Unrealized foreign exchange loss	**₱719,317,084**	₱377,185,015
Allowance for possible losses	**109,420,392**	104,341,837
Retirement benefits liability	**70,353,143**	42,907,919
Liability for mine rehabilitation cost	**13,205,336**	33,154,137
Unrealized loss on derivatives	**8,643,891**	–
	920,939,846	557,588,908
Deferred tax liabilities:		
Unrealized foreign exchange gain	**606,812,684**	512,597,260
Unrealized gain on derivatives	**3,345,290**	–
	610,157,974	512,597,260
Recognized directly in other comprehensive income:		
Deferred tax assets:		
Retirement benefits liability	**42,130,550**	44,558,671
Deferred tax assets - net	**₱352,912,422**	₱89,550,319

In 2012, no deferred tax asset is recognized for the excess MCIT as management believes that the Company will not be able to realize in the future the carryforward benefits of the excess MCIT prior to their expiration. Unrecognized deferred tax asset arising from excess MCIT amounted to nil and ₱3.0 million as at December 31, 2013 and 2012, respectively. Unrecognized deferred tax asset arising from excess MCIT in 2012 was recognized and applied in 2013.

Movement in excess MCIT:

	2013	2012
Beginning balances	**₱3,017,636**	₱2,690,221
Application	**(3,017,636)**	–
Additions	**–**	369,624
Expirations	**–**	(42,209)
	₱–	₱3,017,636

The reconciliation of provision for (benefit from) income tax computed at the statutory income tax rates with the provision for income tax, as shown in the statement of comprehensive income, is as follows:

	2013	2012 (As restated)
Provision for income tax at statutory income tax rates	**₱717,578,435**	₱1,006,894,076
Adjustments to (reductions in) income tax resulting from:		
Income subject to ITH (see Note 1)	**(905,958,364)**	(999,719,876)
Interest income already subjected to final tax	**(47,061,629)**	(63,856,310)
Nondeductible expenses	**34,535,970**	22,794,998
Application of excess MCIT	**(3,017,636)**	–
Movement of unrecognized DTA	**–**	66,062,593
Provision for (benefit from) income tax	**(₱203,923,224)**	₱32,175,481

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

In addition to the BOI incentives availed by the Company, the Company benefits from the automatic VAT zero-rating of its purchase of goods and services from domestic suppliers pursuant to Revenue Memorandum Order No. 9-2000 on account of the certification by the BOI that one hundred per cent (100%) of its sales are export sales.

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

	2013	2012 (As restated)
Mining and milling:		
Materials and supplies	**₱3,380,481,660**	₱3,311,358,018
Power and other utilities (see Note 24)	**1,769,152,424**	2,066,862,215
Depletion and depreciation (see Note 9)	**1,499,414,961**	1,547,198,799
Personnel costs (see Note 18)	**599,965,814**	506,235,244
Contracted services (see Note 24)	**119,677,527**	358,414,564
Provision for asset write-downs (see Note 9)	**–**	20,552,491
Other costs	**192,510,678**	350,709,211
	₱7,561,203,064	₱8,161,330,542
Mine products taxes:		
Excise taxes	**₱255,227,947**	₱271,574,691

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**

	2013	2012 (As restated)
Personnel costs (see Note 18)	**₱505,271,290**	₱451,127,743
Taxes and licenses	**154,009,774**	112,706,391
Rental	**129,875,615**	59,526,553
Depletion and depreciation (see Note 9)	**106,500,003**	155,160,084
Insurance	**43,436,507**	38,692,072
Professional fees	**37,340,651**	29,943,659
Power and other utilities (see Note 24)	**16,261,563**	41,006,011
Provision for inventory obsolescence (see Note 7)	**12,200,898**	–
Repairs and maintenance	**6,604,742**	9,024,844
Entertainment, amusement and representation	**5,728,915**	5,638,339
General consumption items	**5,371,487**	1,586,311
Provision for possible losses on input VAT (see Note 10)	**4,727,618**	–
Office supplies	**4,555,207**	4,808,692
Others	**71,993,939**	99,437,224
	₱1,103,878,209	₱1,008,657,923

Rentals consist of land and equipment rentals not directly used in the mining operations.
Others consist significantly of community assistance, environmental and community development expense and training and seminars.

18. **Personnel Costs**

	2013	2012 (As restated)
Salaries and wages	**₱798,714,442**	₱758,854,074
Retirement benefits costs (see Note 20)	**77,667,700**	46,840,500
Other employee benefits	**228,854,962**	151,668,413
	₱1,105,237,104	₱957,362,987

Other employee benefits are composed of various benefits given to employees which includes clothing, educational, medical and other employee benefits.

The above amounts were distributed as follows:

	2013	2012 (As restated)
Mining and milling costs (see Note 16)	**₱599,965,814**	₱506,235,244
General and administrative expenses (see Note 17)	**505,271,290**	451,127,743
	₱1,105,237,104	₱957,362,987

19. **Related Party Transactions**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are 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.

In the normal course of business, the Company has significant related party transactions as follows:

	December 31, 2013			
	Amount/ Volume	**Outstanding Balance**	**Terms**	**Conditions**
Advances from a stockholder (see Note 11):				
ACMDC	**₱3,546,372**	**₱23,136,578**	**On demand; noninterest-bearing**	**Unsecured, no impairment, no guarantee**
Royalties payable (see Notes 1 and 11):				
ACMDC	**–**	**504,374,669**	**On demand; noninterest-bearing**	**Unsecured, no impairment, no guarantee**

	December 31, 2012			
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Advances from a stockholder (see Note 11):				
ACMDC	₱860,953,119	₱19,928,286	On demand; noninterest-bearing	Unsecured, no impairment, no guarantee
Royalties payable (see Notes 1 and 11):				
ACMDC	–	504,374,669	On demand; noninterest-bearing	Unsecured, no impairment, no guarantee

The Company has an Operating Agreement with ACMDC as discussed in Note 1.

Compensation of Key Management Personnel
The Company considers all senior officers as key management personnel. The compensation of key management personnel for 2013 and 2012 are as follows:

	2013	2012
Short-term benefits	**₱94,596,730**	₱55,709,796
Retirement benefits costs	**3,691,249**	5,125,449
	₱98,287,979	₱60,835,245

20. Retirement Benefits Costs

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

The following tables summarize the components of retirement benefits costs and liability recognized in the Company's statements of comprehensive income and statements of financial position, respectively.

The details of retirement benefits costs are as follows:

	2013	2012 (As restated)
Current service cost (see Note 18)	**₱77,667,700**	₱46,840,500
Interest cost on retirement obligation	**17,425,696**	8,167,100
	₱95,093,396	₱55,007,600

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

The Company has 4,555 regular employees and 798 employees on probationary and project status as at December 31, 2013 and 3,006 regular employees and 843 employees on probationary and project status as at December 31, 2012.

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

	2013	December 31, 2012 (Asrestated)	January 1, 2012 (Asrestated)
Balances at beginning of year	**₱291,555,300**	₱156,599,400	₱83,193,700
Current service cost	**77,667,700**	46,840,500	32,531,200
Interest cost on retirement obligation	**17,425,696**	8,167,100	6,630,700
Effect of curtailment	–	–	(29,323,700)
Re-measurement of actuarial loss (gain) - experience adjustments	**(9,803,832)**	32,744,400	11,132,300
Re-measurement of actuarial loss - financial assumptions	**1,710,100**	50,567,100	54,085,100
Benefits paid	**(3,609,318)**	(3,363,200)	(1,649,900)
Balances at end of year	**₱374,945,646**	₱291,555,300	₱156,599,400

The Company does not have any plan assets as at December 31, 2013 and 2012.

The cost of defined retirement benefits plan, as well as the present value of the retirement benefits liability are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining retirement benefits liability for the defined retirement plan are shown below:

	2013	December 31, 2012 (As restated)	January 1, 2012 (As restated)
Discount rate	**6.06%**	6.09%	5.94%
Expected rate of salary increase	**10.00%**	10.0%	10.0%
Turnover rate	**10% at age 20 decreasing to 0% at age 55**	10% at age 20 decreasing to 0% at age 55	10% at age 20 decreasing to 0% at age 55
Mortality rate	**1952 Disability**	1952 Disability	1952 Disability

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined retirement benefits liability as of the end of the reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	2013
Discount rates	+1%	(₱61,042,800)
	-1%	78,046,900

	Increase (decrease)	2013
Salary increase rate	+1%	₱72,269,900

The Company does not expect to contribute to the defined benefit pension plan in 2014.
The Company does not have a Trustee Bank, and does not currently employ any asset-liability matching.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2013:

Less than one (1) year	₱6,218,764
More than one (1) year to five (5) years	64,117,827
More than five (5) years to ten (10) years	235,349,153
More than ten (10) years to fifteen (15) years	446,866,793
More than fifteen (15) years to twenty (20) years	719,768,007
More than twenty (20) years	12,415,720,660
	₱13,888,041,204

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

21. Financial Risk Management Objectives and Policies

The Company's main financial instruments are cash, short-term investments, AFS financial assets, dividends payable, 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, equity price risk, concentration risk, credit and counterparty 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.

An analysis is made based on the assumption that the gold and copper prices move using the implied volatility based on one year historical LME copper prices with all other variables held constant. Shown below is the 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, 2013

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

December 31, 2012

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

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$. Transactions with companies outside the Philippines are carried out with currencies that management believes to be stable such as the US Dollar. All of the Company's revenues are denominated in US$.

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 at December 31, 2013 and 2012, foreign currency-denominated assets and liabilities were as follows:

	2013		2012	
	Original Currency	**Peso Equivalent**	Original Currency	Peso Equivalent
Financial Assets				
Cash				
- US$	**9,321,861**	**₱413,844,008**	2,755,863	₱113,128,167
- JPY	**2,081,609**	**882,394**	3,288,600	1,574,253
Short-term investments - US$	**40,000,000**	**1,775,799,999**	115,476,558	4,740,312,725
Receivables - US$	**21,447,957**	**952,182,051**	30,068,037	1,234,292,911
Derivative assets - US$	**256,598**	**14,107,714**	–	–
		₱3,156,816,166		₱6,089,308,056
Financial Liabilities				
Accounts payable and accrued liabilities				
- US$	**19,185,011**	**₱851,718,565**	7,018,622	₱288,114,439
- CAN	**273,000**	**11,390,352**	–	–
- EUR	**166,795**	**10,143,795**	250	13,633
- AUD	**49,563**	**1,955,674**	556,896	23,764,250
- JPY		**–**	371,509,800	177,841,741
Long-term debt and other interest-bearing liabilities				
- US$	**358,617,367**	**15,920,818,008**	302,855,178	12,432,205,073
Derivative liabilities - US$	**20,834**	**924,919**	184,887	7,589,596
		16,796,951,313		₱12,929,528,732
Net Exposure		**(₱13,640,135,147)**		(₱6,840,220,676)

The exchange rates as at December 31, 2013 and 2012 were:

	2013	2012
Peso to US$	**₱44.4**	₱41.05
Peso to Japanese Yen	**0.42**	0.48
Peso to Australian Dollar	**39.46**	42.67
Peso to EURO	**60.82**	54.53
Peso to Canada Dollar	**41.72**	41.39

The tables below demonstrate the sensitivity to a reasonable change in the US$ 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$ will result in a drop in net income.

December 31, 2013

Change in Peso-Foreign Exchange rate	**Effect on Income Before Income Tax**
Increase by 3.62%	**(₱493,127,985)**
Decrease by -3.14%	**428,606,567**

December 31, 2012

Change in Peso-Foreign Exchange rate	Effect on Income Before Income Tax
Increase by 4.75%	(₱324,910,482)
Decrease by 4.99%	341,600,621

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 at December 31, 2013 and 2012, the percentage (%) of foreign currency debt over foreign currency revenue is 97% and 96%, respectively. 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 75:25 and 90:10 in 2013 and 2012, 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.

Based on the historical movement of the interest rates, management believes that the reasonably possible change for the next (12) months would result to an increase (decrease) of 100 basis points for 2013 and 2012. There is no other impact on the Company's equity other than those already affecting the statement of comprehensive income.

The following table sets forth, for the period indicated, the impact in changes on interest rate on the Company's income before income tax:

December 31, 2013

Change in Interest Rates (In Basis Points)	**Effect on Income Before Income Tax**
Increase by 100	**(₱43,180,315)**
Decrease by 100	**43,180,315**

December 31, 2012

Change in Interest Rates (In Basis Points)	Effect on Income Before Income Tax
Increase by 100	(₱12,862,142)
Decrease by 100	12,862,142

Equity Price Risk
As at December 31, 2013, the Company has quoted equity instrument amounting to ₱18.9 million that is carried at fair market value. Unrealized loss on AFS financial asset amounted to ₱4.4 million as at December 31, 2013. There was no dividend income earned from the quoted equity instrument in 2013. There was no impairment loss recognized in 2013. The Company has no outstanding AFS financial asset as at December 31, 2012.

Equity price risk is the risk to earnings or capital arising from changes in stock prices relating to the Company's quoted equity instrument. The Company's exposure to equity price risk relates primarily to its AFS financial assets on shares of stock of a listed company.

The Company's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine impact on its financial position.

The table below shows the sensitivity to a reasonably possible change in equity prices on AFS equity instrument as at December 31, 2013. The equity impact is arrived using the reasonably possible change of the relevant market indices and the specific adjusted beta of each stock the Company holds. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole.

	Average change in market indices (in percentage)	Sensitivity to equity
2013	**+6.61%**	**₱1,026,200**
	-6.61%	**(1,026,200)**

The AFS financial asset shares of stock are traded in the Philippine Stock Exchange.

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 2013 and 2012, the Company's counter parties for the delivery of copper shipments are MRI and PASAR. 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 at December 31:

	2013	2012
Loans and receivables:		
Cash*	**₱624,380,097**	₱312,602,114
Short-term investments	**1,775,799,999**	4,740,312,725
Trade receivables	**816,941,856**	1,234,292,911
Nontrade receivables	**34,229,595**	48,848,191
Advances to officers and employees	**22,667,018**	23,560,874
Interest receivable	**135,240,195**	158,873,090
MRF under "Other noncurrent assets"	**15,888,162**	8,734,084
AFS financial assets:		
Quoted equity instrument	**18,902,000**	–
Financial asset at FVPL:		
Derivative assets	**14,107,714**	–
	₱3,458,156,636	₱6,527,223,989

**Excluding cash on hand*

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 at:

December 31, 2013

	Neither Past Due nor Impaired	**Past Due**			
		Less than 30 Days	**30 to 60 Days**	**More than 60 Days**	**Total**
Loans and Receivables					
Cash*	**₱624,380,097**	**₱–**	**₱–**	**₱–**	**₱624,380,097**
Short-term investments	**1,775,799,999**	–	–	–	**1,775,799,999**
Trade receivables	**816,941,856**	–	–	–	**816,941,856**
Nontrade receivables	**4,834,536**	**92,301**	**209,216**	**29,093,542**	**34,229,595**
Advances to officers and employees	**1,960,726**	**756,052**	**169,635**	**19,780,605**	**22,667,018**
Interest receivable	**135,240,195**	–	–	–	**135,240,195**
Other noncurrent assets	**15,888,162**	–	–	–	**15,888,162**
AFS Financial Asset					
Quoted equity instrument	**18,902,000**	–	–	–	**18,902,000**
Financial Asset at FVPL					
Derivative assets	**14,107,714**	–	–	–	**14,107,714**
	₱3,408,055,285	**₱848,353**	**₱378,851**	**₱48,874,147**	**₱3,458,156,636**

**Excluding cash on hand*

	Neither Past Due nor Impaired				
	High Grade	**Standard Grade**	**Substandard Grade**	**Past Due**	**Total**
Loans and Receivables					
Cash*	**₱624,380,097**	**₱–**	**₱–**	**₱–**	**₱624,380,097**
Short-term investments	**1,775,799,999**	**–**	**–**	**–**	**1,775,799,999**
Trade receivables	**816,941,856**	**–**	**–**	**–**	**816,941,856**
Nontrade receivables	**4,834,536**	**–**	**–**	**29,395,059**	**34,229,595**
Advances to officers and employees	**–**	**1,960,726**	**–**	**20,706,292**	**22,667,018**
Interest receivable	**135,240,195**	**–**	**–**	**–**	**135,240,195**
MRF under "Other noncurrent assets"	**15,888,162**	**–**	**–**	**–**	**15,888,162**
AFS Financial Asset					
Quoted equity instrument	**18,902,000**	**–**	**–**	**–**	**18,902,000**
Financial Asset at FVPL					
Derivative assets	**14,107,714**	**–**	**–**	**–**	**14,107,714**
	₱3,406,094,559	**₱1,960,726**	**₱–**	**₱50,101,351**	**₱3,458,156,636**

**Excluding cash on hand*

December 31, 2012

	Neither Past Due nor Impaired	Past Due			
		Less than 30 Days	30 to 60 Days	More than 60 Days	Total
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
Other noncurrent assets	8,734,084	–	–	–	8,734,084
	₱6,454,814,924	₱21,819,463	₱6,513,994	₱44,075,608	₱6,527,223,989

**Excluding cash on hand*

	Neither Past Due nor Impaired				
	High Grade	Standard Grade	Substandard Grade	Past Due	Total
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
MRF under "Other noncurrent assets"	8,734,084	–	–	–	8,734,084
	₱6,454,814,924	₱–	₱–	₱72,409,065	₱6,527,223,989

**Excluding cash on hand*

As at December 31, 2013 and 2012, 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 standard 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 2013 and 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 (1) 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 period, unless unforeseen circumstances require more careful attention. Impaired financial assets as at December 31, 2013 and 2012 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, 2013

	On Demand	Less than 1 Year	1 Year to < 3 Years	3 Years to < 5 Years	Total
Loans and Receivables					
Cash	**₱626,888,270**	**₱–**	**₱–**	**₱–**	**₱626,888,270**
Short-term investments	**1,775,799,999**	**–**	**–**	**–**	**1,775,799,999**
Receivables:					
Trade		**816,941,856**			**816,941,856**
Nontrade	**34,229,595**	**–**	**–**	**–**	**34,229,595**
Advances to officers and employees	**22,667,018**	**–**	**–**	**–**	**22,667,018**
Interest receivable	**–**	**135,240,195**	**–**	**–**	**135,240,195**
MRF under "Other noncurrent assets"	**–**	**–**	**10,628,337**	**5,259,825**	**15,888,162**
AFS Financial Asset					
Quoted equity instrument	**18,902,000**	**–**	**–**	**–**	**18,902,000**
Financial Asset at FVPL					
Derivative assets	**–**	**14,107,714**	**–**	**–**	**14,107,714**
	₱2,478,486,882	**₱966,289,765**	**₱10,628,337**	**₱5,259,825**	**₱3,460,664,809**

(Forward)

	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	₱–	₱1,938,171,833	₱–	₱–	₱1,938,171,833
Related parties	–	23,136,578	–	–	23,136,578
Accrued expenses	–	1,093,215,630	–	–	1,093,215,630
Royalties payable	–	504,374,669	–	–	504,374,669
Nontrade*	–	42,863,704	–	–	42,863,704
Dividends payable	–	450,189,339	–	–	450,189,339
Long-term debt and other interest-bearing liabilities	–	3,327,763,270	997,746,848	13,059,824,560	17,385,334,678
Financial Liabilities at FVPL					
Derivative liabilities	–	924,919	–	–	924,919
	₱–	₱7,380,639,942	₱997,746,848	₱13,059,824,560	₱21,438,211,350
	₱2,478,486,882	(₱6,414,350,177)	(₱987,118,511)	(₱13,054,564,735)	(₱17,977,546,541)

**Excluding government payables*

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
MRF under "Other noncurrent assets"	–	–	3,540,502	5,193,582	8,734,084
	₱5,126,995,044	₱1,393,166,001	₱3,540,502	₱5,193,582	₱6,528,895,129

	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	₱–	₱1,026,680,786	₱–	₱–	₱1,026,680,786
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*	–	27,279,544	–	–	27,279,544
Dividends payable	–	1,000,000,000	–	–	1,000,000,000
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)	(₱528,373,696)	(₱11,988,533,400)	(₱10,514,249,906)

**Excluding government payables*

22. Financial Instruments

PFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

<u>Fair Values of Financial Instruments</u>
The following table shows the carrying values and fair values of the Company's financial instruments, whose carrying values does not approximate its fair values as at December 31 of each year:

	Carrying Values		Fair Values	
	2013	2012	**2013**	2012
Other Financial Liabilities				
Long-term debt and other interest-bearing liabilities:				
Bonds Payable	**₱13,059,824,560**	₱11,993,726,982	**₱12,918,340,207**	₱12,234,201,285
BDO Leasing	**1,210,621,785**	916,764,230	**1,299,586,690**	1,006,717,946
LBP Leasing	**300,000,000**	–	**331,415,852**	–
SBM Leasing	**210,302,191**	–	**228,204,996**	–
	14,780,748,536	12,910,491,212	**14,777,547,745**	13,240,919,231

Cash, Short-term Investments, Receivables, MRF, Accounts Payable and Accrued Liabilities and Dividends Payable. The carrying amounts of cash, short-term investments, receivables, MRF, accounts payable and accrued liabilities and dividends payable approximate their fair values due to the short-term nature of these financial instruments accounts.

AFS Financial Asset
The fair value of quoted equity instrument is determined by reference to market bid quotes at the end of the reporting period. AFS financial assets are carried at fair value.

Long-term Debt and Other Interest-bearing Liabilities. Fair value of long-term debt and other interest-bearing liabilities is estimated using the discounted cash flow methodology using the benchmark risk free rates for similar types of long-term debt and other interest-bearing liabilities, except for the Bonds Payable whose fair value is determined by reference to market prices at the end of the period.

Derivative Instruments. Fair values of commodity forwards and embedded derivatives are obtained using the "forward versus forward" approach using copper forward prices and discounted at the appropriate London Interbank Offered Rate. Fair value of put option is derived from the Black-Scholes option pricing formula. The Company uses historical volatility for the computation of the value of put options which is computed as the standard deviation of the lognormal returns on commodity price over a fixed number of days. Historical volatility typically does not represent current market participants' expectations about future volatility, even if it is the only information available to price an option.

Shown below is the impact of a one (1) percent upward or downward change in volatility to the Company's net income:

	Change in volatility	Impact on net income
2013	**+1%**	**₱680,653**
	-1%	**(619,226)**

Fair value of embedded provisional pricing derivatives on copper sales contracts is computed as the difference between the provisional price set by the Company and the average of the quoted LME futures prices applicable to the quotational period specified for each sales contract discounted with the risk free rate of return. Derivative assets and liabilities are carried at fair value.

The Company uses the following hierarchy for determining and disclosing the fair value by valuation technique:

- Quoted prices in active markets for identical asset or liability (Level 1);
- 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) (Level 2); and
- Those inputs for asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The fair value hierarchy of the financial assets and liabilities as at December 31of each year is presented as follows:

2013

	Level 1	**Level 2**	**Level 3**	**Total**
Asset measured at fair value:				
AFS financial asset	**₱18,902,000**	**₱–**	**₱–**	**₱18,902,000**
Derivative assets	**–**	**11,150,966**	**2,956,748**	**14,107,714**
	18,902,000	**11,150,966**	**2,956,748**	**33,009,714**
Liability measured at fair value:				
Derivative liabilities	**–**	**(924,919)**	**–**	**(924,919)**
Liability for which fair values are disclosed:				
Long-term debt and other interest-bearing liabilities	**(12,918,340,207)**	**–**	**(1,859,207,538)**	**(14,777,547,745)**
	(₱12,918,340,207)	**(₱924,919)**	**(₱1,859,207,538)**	**(₱14,778,472,664)**

2012

	Level 1	Level 2	Level 3	Total
Liability measured at fair value:				
Derivative liabilities	–	(7,589,596)	–	(7,589,596)
Liability for which fair values are disclosed:				
Long-term debt and other interest-bearing liabilities	(₱12,234,201,285)	₱–	(₱1,006,717,946)	(₱13,240,919,231)
	(₱12,234,201,285)	(₱7,589,596)	(₱1,006,717,946)	(₱13,248,508,827)

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

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 ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

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

	2013	December 31, 2012 (As restated)
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	**23,136,578**	19,928,286
Retained earnings	**6,469,006,610**	4,873,155,269
	₱12,150,475,188	₱10,551,415,555

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 TPC 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 ₱1,781.2 million and ₱2,012.6 million in 2013 and 2012, respectively. Related accrued expenses amounted to ₱128.5 million and ₱89.6 million as at December 31, 2013 and 2012, respectively.

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 four (4) years reckoned from the earlier of June 1, 2012 or the date when Galeo commences the performance of waste stripping services.

Total expenses related to waste mining service agreement amounted to ₱1,810.9 million and ₱1,610.0 million in 2013 and 2012, respectively. Related accrued expenses amounted to ₱201.2 million ₱351.1 million as at December 31, 2013 and 2012, respectively.

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 ₱894.8 million and ₱1,908.9 million in 2013 and 2012, respectively. Accrued expenses amounted to ₱68.9 million and ₱26.1 million as at December 31, 2013 and 2012, respectively.

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 2013 and 2012.

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 (5) 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 (1) year beginning July 1, 2012 to June 30, 2013. In July 2013, the Company renewed its contract with Synchrotek Corporation valid for one (1) year beginning July 1, 2013 to June 30, 2014.

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 freight-on-board (FOB) basis. The price was fixed at US$26 per WMT. On December 6, 2012, the Company entered into a similar agreement with GHL 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. In January 2013, the fixed price was amended to $34/WMT.

25. **Other Matters**

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 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.

SDMP
The Company has a five-year SDMP in compliance with DENR Administrative Order 96-40, as amended. The Company has been implementing its SDMP as approved by the MGB.

26. Segment Reporting

The Company has only one (1) operating segment which is the mining business. There is no geographical segment since its business is located in the Philippines.

27. Supplemental Disclosure to Statements of Cash Flows

Non-cash investing activities pertain to the Company's capitalized borrowing costs amounted to ₱452.7 million and ₱13.4 million in 2013 and 2012, respectively.

28. Supplementary Tax 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. 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 2013 are as follows:

Sales/Receipts/Fees

	Exempt Sales	Zero-rated Sales	Regular Sales	Total
Net Sales	₱10,822,072,620	₱–	₱2,011,378,532	₱12,833,451,152

Cost of Sales

	Exempt Sales	Zero-rated Sales	Regular Sales	Total
Merchandise/finished goods inventory, beginning	₱824,728,582	₱–	₱1,306,043,610	₱2,130,772,192
Add: Purchases of merchandise/cost of goods manufactured	6,629,837,663	–	1,506,503,447	8,136,341,110
Total goods available for sale	7,454,566,245	–	2,812,547,057	10,267,113,302
Less: Merchandise/finished goods inventory, end	1,306,043,610	–	1,403,724,816	2,709,768,426
	₱6,148,522,635	₱–	₱1,408,822,241	₱7,557,344,876

Non-operating and Taxable Other Income Not Subjected to Final Tax

	Exempt Sales	Zero-rated Sales	Regular Sales	Total
Realized foreign exchange gains - net	₱–	₱–	₱69,799,192	₱69,799,192
Other income	–	–	18,861,004	18,861,004
	₱–	₱–	₱88,660,196	₱88,660,196

Itemized Deductions

	Exempt Sales	Zero-rated Sales	Regular Sales	Total
Interest	₱516,512,571	₱–	₱202,832,979	₱719,345,550
Personnel cost	350,400,386	–	126,298,192	476,698,578
Taxes and licenses	306,209,949	–	66,638,664	372,848,613
Rental	110,024,514	–	19,851,101	129,875,615
Realized foreign exchange losses - net	89,323,308	–	–	89,323,308
Depreciation	51,279,603	–	11,576,202	62,855,805
Insurance	37,485,823	–	5,950,684	43,436,507
Depletion	36,541,867	–	7,102,331	43,644,198
Professional fees	24,125,875	–	10,864,721	34,990,596
Power and other utilities	17,881,764	–	3,223,288	21,105,052
Bank charges	10,837,241	–	1,340,554	12,177,795
SSS, GSIS, Philhealth, HDMF and other contributions	9,149,150	–	1,941,867	11,091,017
Transportation and Travel	8,532,457	–	2,166,722	10,699,179
Repairs and maintenance	6,236,394	–	368,348	6,604,742
Office supplies	3,655,971	–	899,236	4,555,207
Other Services	1,832,500	–	517,556	2,350,056
Entertainment, amusement and representation	424,581	–	77,955	502,536
Others	81,490,939	–	13,283,968	94,774,907
	₱1,661,944,893	₱–	₱474,934,368	₱2,136,879,261

Taxes and Licenses

	Exempt Sales	Zero-rated Sales	Regular Sales	Total
Excise taxes	₱214,937,078	₱–	₱40,290,869	₱255,227,947
Local taxes	62,047,888	–	12,409,577	74,457,465
Real property taxes	10,964,958	–	2,176,788	13,141,746
Documentary stamp taxes	7,429,631	–	2,263,956	9,693,587
Others	10,830,394	–	9,497,474	20,327,868
	₱306,209,949	₱–	₱66,638,664	₱372,848,613

29. Supplementary Tax 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, 2013:

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	₱12,829,492,157	₱–
Vatable sales - scrap materials	18,953,612	2,274,433
Exempt sales - others	163,695	–
	₱12,848,609,464	₱2,274,433

Input VAT Credits

Balances at beginning of year	₱1,592,944,624
Current year's domestic purchases/payments for:	
Goods other than for resale or manufacture	187,833,851
Capital goods subject to amortization	228,670,147
Services lodged under other accounts	970,490
Balance	2,010,419,112
Less claims for tax credit/refund and applications	1,315,108,271
	₱695,310,841

Information on the Company's Importations in 2013

Dutiable value	₱3,303,887,397
Custom duties	50,895,953
Total landed cost of imports	₱3,354,783,350

Other Taxes/License and Permit Fees

Included in mine products taxes and royalties:	
Excise taxes	₱255,227,947
	255,227,947
Included in general and administrative expenses:	
Real property taxes	13,141,746
Local taxes	74,457,465
Documentary stamp taxes	9,693,587
Others	56,716,976
	154,009,774
	₱409,237,721

Withholding Taxes

Expanded withholding taxes	₱200,754,165
Final withholding taxes	149,865,380
Withholding taxes on compensation and benefits	114,162,123
	₱464,781,668

SGV
Building a better working world

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1226 Makati City
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Fax: (632) 819 0872
ey.com/ph

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Carmen Copper Corporation
Quad Alpha Centrum
125 Pioneer St., Mandaluyong City

We have examined the financial statements of Carmen Copper Corporation (a wholly owned subsidiary of Atlas Consolidated Mining and Development Corporation) for the year ended December 31, 2013, on which we have rendered the attached report dated March 14, 2014.

In compliance with Securities Regulation Code Rule 68, As Amended (2011), we are stating that the said Company has one (1) stockholder owning more than one hundred (100) shares.

SYCIP GORRES VELAYO & CO.

Eleanore A. Layug
Eleanore A. Layug
Partner
CPA Certificate No. 0100794
SEC Accreditation No. 1250-A (Group A),
August 9, 2012, valid until August 8, 2015
Tax Identification No. 163-069-453
BIR Accreditation No. 08-001998-97-2012,
January 11, 2012, valid until January 10, 2015
PTR No. 4225180, January 2, 2014, Makati City

March 14, 2014

CARMEN COPPER CORPORATION
ANNUAL AUDITED FINANCIAL REPORT
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Supplementary Schedules:

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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, 2013 and 2012 and have issued our report thereon dated March 14, 2014. 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 Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic 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.

Eleanore A. Layug
Eleanore A. Layug
Partner
CPA Certificate No. 0100794
SEC Accreditation No. 1250-A (Group A),
August 9, 2012, valid until August 8, 2015
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March 14, 2014

SCHEDULE I
CARMEN COPPER CORPORATION
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
PURSUANT TO SRC RULE 68, AS AMENDED AND SEC MEMORANDUM CIRCULAR NO.11
DECEMBER 31, 2013

Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, beginning*		₱3,905,312,870*
Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings	2,595,851,341	
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)	325,433,460	
Unrealized actuarial gain	–	
Fair value adjustment (mark-to-market gains)	–	
Fair value adjustment of investment property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP – gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Subtotal	325,433,460	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	1,291,875,207	
Adjustment due to deviation from PFRS/GAAP – loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Stock option expense for the period	–	
Subtotal	1,291,875,207	
Net income actually earned during the period		3,562,293,088
Add (Less):		
Dividend declarations during the period	(1,000,000,000)	
Appropriations of retained earnings	–	
Reversals of appropriations	–	
Effects of prior period adjustments	–	
Treasury shares	–	
Subtotal	(1,000,000,000)	2,562,293,088
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND		**₱6,467,605,958**

*Computed as follows:

Unappropriated Retained earnings as at December 31, 2012, as reflected in audited financial statements	₱4,873,155,269
Unrealized foreign exchange gains - net except those attributable to cash and cash equivalents	(967,842,399)
Total	₱3,905,312,870

SCHEDULE II
CARMEN COPPER CORPORATION
SCHEDULE OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER THE PFRS PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2013

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 at December 31, 2013:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics				
PFRSs Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	Not early adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	Not early adopted		
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	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
	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			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2013		Adopted	Not Adopted	Not Applicable
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	✓		
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			✓