

Carmen Copper Corporation
*(A Wholly Owned Subsidiary of Atlas Consolidated Mining
and Development Corporation)*

Financial Statements
December 31, 2014 and 2013

and

Independent Auditors' Report



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, 2014 and 2013, 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.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Carmen Copper Corporation as at December 31, 2014 and 2013, 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 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 on taxes and licenses in Note 28 to the financial statements 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.



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Partner

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August 9, 2012, valid until August 8, 2015

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January 5, 2015, valid until January 4, 2018

PTR No. 4751289, January 5, 2015, Makati City

March 16, 2015



CARMEN COPPER CORPORATION
(A Wholly Owned Subsidiary of Atlas Consolidated Mining and Development Corporation)
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2014	2013
ASSETS		
Current Assets		
Cash (Note 4)	₱822,171,754	₱626,888,270
Short-term investments (Note 12)	804,968,571	1,775,799,999
Receivables (Note 5)	656,959,265	1,009,078,664
Inventories (Note 7)	1,406,931,456	1,403,724,816
Derivative assets (Note 6)	–	14,107,714
Prepayments and other current assets (Note 8)	626,853,881	565,988,414
Total Current Assets	4,317,884,927	5,395,587,877
Noncurrent Assets		
Property, plant and equipment (Note 9)	31,085,423,220	26,406,753,294
Available-for-sale (AFS) financial asset (Note 21)	13,260,000	18,902,000
Deferred income tax assets - net (Note 15)	463,412,957	352,912,422
Other noncurrent assets (Note 10)	2,068,760,414	1,896,723,522
Total Noncurrent Assets	33,630,856,591	28,675,291,238
TOTAL ASSETS	₱37,948,741,518	₱34,070,879,115
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 11)	₱4,992,207,548	₱3,730,309,449
Dividends payable (Note 14)	–	450,189,339
Current portion of long-term debt and other interest-bearing liabilities (Note 12)	2,138,182,081	3,327,763,270
Derivative liabilities (Note 6)	289,695,900	924,919
Income tax payable	–	60,488,099
Total Current Liabilities	7,420,085,529	7,569,675,076
Noncurrent Liabilities		
Long-term debt and other interest-bearing liabilities - net of current portion (Note 12)	17,992,873,837	14,057,571,409
Retirement benefits liability (Note 20)	598,816,600	374,945,646
Liability for mine rehabilitation costs (Note 13)	44,975,364	44,017,787
Total Noncurrent Liabilities	18,636,665,801	14,476,534,842
Total Liabilities	26,056,751,330	22,046,209,918
Equity		
Capital stock - ₱1 par value (Note 14)		
Authorized - 3.2 billion shares		
Issued and outstanding - 1.9 billion shares	1,909,820,561	1,909,820,561
Additional paid-in capital (Note 14)	3,748,511,439	3,748,511,439
Remeasurement loss on retirement plan	(186,127,643)	(98,304,618)
Unrealized loss on AFS financial asset (Note 21)	(10,006,795)	(4,364,795)
Retained earnings (Note 14)	6,429,792,626	6,469,006,610
Total Equity	11,891,990,188	12,024,669,197
TOTAL LIABILITIES AND EQUITY	₱37,948,741,518	₱34,070,879,115

See accompanying Notes to Financial Statements.



CARMEN COPPER CORPORATION
(A Wholly Owned Subsidiary of Atlas Consolidated Mining and Development Corporation)
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2014	2013
REVENUE (Note 6)		
Copper	₱13,729,786,457	₱12,431,869,410
Gold	1,333,406,135	1,135,790,561
Silver	1,283,875	1,377,154
Magnetite	—	14,912,849
	15,064,476,467	13,583,949,974
Less smelting and related charges	1,178,250,388	754,457,817
	13,886,226,079	12,829,492,157
COSTS AND EXPENSES		
Mining and milling costs (Note 16)	10,094,533,351	7,561,203,064
General and administrative expenses (Note 17)	1,154,240,366	1,103,878,209
Mine products taxes (Note 16)	276,884,449	255,227,947
	11,525,658,166	8,920,309,220
OTHER INCOME (CHARGES)		
Finance charges (Notes 11, 12, 13 and 20)	(1,306,030,123)	(798,155,496)
Unrealized loss on derivatives - net (Note 6)	(289,695,900)	(17,662,005)
Foreign exchange losses - net	(156,879,617)	(845,912,931)
Interest income (Notes 4 and 12)	56,470,733	156,872,098
Realized loss on derivatives (Note 6)	(20,273,621)	(27,335,819)
Others - net	9,000,649	14,939,333
	(1,707,407,879)	(1,517,254,820)
INCOME BEFORE INCOME TAX	653,160,034	2,391,928,117
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 15)		
Current	265,236,114	64,884,636
Deferred	(72,862,096)	(268,807,860)
	192,374,018	(203,923,224)
NET INCOME	460,786,016	2,595,851,341
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that will not be reclassified to profit or loss in subsequent periods:		
Remeasurement gain (loss) on retirement plan	(87,823,025)	5,665,612
Item that may be reclassified to profit or loss in subsequent periods:		
Unrealized loss on AFS financial asset (Note 21)	(5,642,000)	(4,364,795)
	(93,465,025)	1,300,817
TOTAL COMPREHENSIVE INCOME	₱367,320,991	₱2,597,152,158

See accompanying Notes to Financial Statements.



CARMEN COPPER CORPORATION**(A Wholly Owned Subsidiary of Atlas Consolidated Mining and Development Corporation)****STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	Capital Stock (Note 14)	Additional Paid-in Capital (Note 14)	Remeasurement Loss on Retirement Plan	Unrealized Loss on AFS Financial Asset (Note 21)	Retained Earnings (Note 14)	Total
Balances at January 1, 2013	₱1,909,820,561	₱3,748,511,439	(₱103,970,230)	₱–	₱4,873,155,269	₱10,427,517,039
Net income	–	–	–	–	2,595,851,341	2,595,851,341
Other comprehensive income (loss)	–	–	5,665,612	(4,364,795)	–	1,300,817
Total comprehensive income	–	–	5,665,612	(4,364,795)	2,595,851,341	2,597,152,158
Dividends declaration (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
Net income	–	–	–	–	460,786,016	460,786,016
Other comprehensive loss	–	–	(87,823,025)	(5,642,000)	–	(93,465,025)
Total comprehensive income	–	–	(87,823,025)	(5,642,000)	460,786,016	367,320,991
Dividend declaration (Note 14)	–	–	–	–	(500,000,000)	(500,000,000)
Balances at December 31, 2014	₱1,909,820,561	₱3,748,511,439	(₱186,127,643)	(₱10,006,795)	₱6,429,792,626	₱11,891,990,188

See accompanying Notes to Financial Statements.

CARMEN COPPER CORPORATION
(A Wholly Owned Subsidiary of Atlas Consolidated Mining and Development Corporation)
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱653,160,034	₱2,391,928,117
Adjustments for:		
Depreciation, depletion and amortization (Notes 16 and 17)	2,241,084,185	1,605,914,964
Finance charges (Notes 11, 12 and 13)	1,283,813,828	780,729,800
Net unrealized loss on derivatives (Note 6)	289,695,900	17,662,005
Foreign exchange losses - net	156,879,617	845,912,931
Retirement benefits costs (Note 20)	125,825,395	95,093,396
Interest income (Notes 4 and 12)	(56,470,733)	(156,872,098)
Net realized loss on derivatives (Note 6)	20,273,621	27,335,819
Provision for asset write-downs, inventory obsolescence and possible losses on input value-added tax (VAT) (Notes 7, 9 and 10)	11,976,654	16,928,516
Loss (gain) on disposals of property, plant and equipment	(7,625,000)	256,304
Other income from change in estimated liability for mine rehabilitation cost (Note 13)	(990,333)	(8,256,124)
Operating income before working capital changes	4,717,623,168	5,616,633,630
Decrease (increase) in:		
Receivables	80,990,039	454,026,412
Inventories	7,071,256	(582,173,048)
Prepayments and other current assets	(35,879,167)	565,930,417
Increase in accounts payable and accrued liabilities	1,224,214,221	437,418,990
Net cash generated from operations	5,994,019,517	6,491,836,401
Interest paid	(1,245,136,414)	(1,209,882,836)
Income taxes paid	(350,710,513)	(1,441,798)
Interest received	94,106,610	180,504,993
Benefits paid (Note 20)	(27,415,905)	(3,609,318)
Net cash flows generated from operating activities	4,464,863,295	5,457,407,442
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property, plant and equipment (Note 9 and 27)	(6,902,479,625)	(9,673,585,955)
Proceeds from termination of short-term investments	2,697,194,308	3,268,608,534
Short-term investments	(1,557,500,000)	—
Increase in other noncurrent assets	(172,036,892)	(424,628,565)
Proceeds from disposals of property, plant and equipment	7,625,000	—
Purchase of AFS financial asset	—	(23,266,795)
Net cash flows used in investing activities	(5,927,197,209)	(6,852,872,781)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt and other interest-bearing liabilities	6,462,031,970	4,274,436,041
Payments of long-term debt and other interest-bearing liabilities	(3,705,468,767)	(1,079,335,086)
Dividends paid	(950,189,339)	(1,549,810,661)
Purchase of put options	(7,090,826)	(65,770,215)
Increase in interest-free payables to related parties (Notes 11 and 19)	6,769,676	3,208,292
Net cash flows generated from financing activities	1,806,052,714	1,582,728,371
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(148,435,316)	125,351,984
NET INCREASE IN CASH	195,283,484	312,615,016
CASH AT BEGINNING OF YEAR	626,888,270	314,273,254
CASH AT END OF YEAR	₱822,171,754	₱626,888,270

See accompanying Notes to Financial Statements.



CARMEN COPPER CORPORATION
(A Wholly Owned Subsidiary of Atlas Consolidated Mining and Development Corporation)
NOTES TO FINANCIAL STATEMENTS

1. Corporate Information and Authorization for Issue of the Financial Statements

Corporate Information

Carmen Copper Corporation (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 9/F 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 to written notice. In December 2014 and September 2013, 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 2014 and 2013, respectively (see Note 11).

The Executive Committees of the Parent Company and the Company, during a joint meeting held on February 3, 2015, approved the set off of (i) amounts withdrawn from the collection account of the Company with BDO (that was established under the December 2010 Omnibus Loan and Security Agreement between the Company and BDO) to fund the debt service reserve account of the Parent Company in respect of the BDO Facility, against (ii) fees receivable by the Parent Company from the Company pursuant to the Operating Agreement (the "Netting Arrangement"). Under the terms of the approval, the Netting Arrangement shall be applied retroactively to cover the relevant balances as at December 31, 2014.

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 ₱41.1 million and ₱40.9 million in 2014 and 2013, 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).

Authorization for Issue of the Financial Statements

The financial statements of the Company as at and for the years ended December 31, 2014 and 2013 were authorized for issue by the BOD on March 16, 2015.



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 and presentation currency in accordance with Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance

The accompanying financial statements have been prepared in compliance with PFRS.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the financial statements are consistent with the prior year, except for the adoption of the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) which were adopted as at January 1, 2014:

- Investment Entities (Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities* and PAS 27, *Separate Financial Statements*)
These amendments 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). The amendments must be applied retrospectively, subject to certain transition relief. These amendments have no effect to the Company since it does not qualify to be an investment entity under PFRS 10.
- 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 the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and are applied retrospectively. The amendments have no effect on the Company's financial position or performance.
- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Nonfinancial Assets* (Amendments)
These amendments remove the unintended consequences of PFRS 13, *Fair Value Measurement*, on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGU) for which impairment loss has been recognized or reversed during the period. The amendments have no effect on the Company's financial position or performance.
- 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 and retrospective application is required. These amendments have no effect on the Company as the Company has no novation of derivatives and any derivatives accounted for under hedge accounting during the current or prior periods.



- **Philippine Interpretation IFRIC 21, *Levies* (IFRIC 21)**
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. Retrospective application is required for IFRIC 21. The interpretation has no effect on the Company's financial statements.
- ***Annual Improvements to PFRSs* (2010-2012 cycle)**
In the 2010-2012 annual improvements cycle, seven amendments to six standards were issued, which included an amendment to PFRS 13. The amendment to PFRS 13 is effective immediately and it clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment has no effect to the Company's financial statements.
- ***Annual Improvements to PFRSs* (2011-2013 cycle)**
In the 2011-2013 annual improvements cycle, four amendments to four standards were issued, which included an amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - First-time Adoption of PFRS*. The amendment to PFRS 1 is effective immediately. It clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment has no impact on the Company as it is not a first time PFRS adopter.

Standards and Interpretations Issued but not yet Effective

The following new and revised standards, amendments to PFRS and Philippine Interpretations will become effective subsequent to December 31, 2014:

Effective Date to be Determined

- **PFRS 9, *Financial Instruments - Classification and Measurement* (2010 version)**
PFRS 9 (2010 version) reflects the first phase on the replacement of PAS 39 and applies to the classification and measurement of financial assets and liabilities as defined in PAS 39. 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 other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at FVPL. For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change 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.



PFRS 9 (2010 version) is effective for annual periods beginning on or after January 1, 2015. This mandatory adoption date was moved to January 1, 2018 when the final version of PFRS 9 was adopted by the Financial Reporting Standards Council (FRSC). Such adoption, however, is still for approval by the Board of Accountancy (BOA).

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 (SEC) and the FRSC have deferred the effectivity of this interpretation until the final revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any effect on the financial statements of the Company.

The following new standards and amendments issued by the IASB were already adopted by the FRSC but are still for approval of the BOA.

Effective in 2015

- *PAS 19, Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*
The amendments apply to contributions from employees or third parties to defined benefit plans. Where contributions are linked to service, they should be attributable to periods of service as a negative benefit. These amendments clarify that, if the amount of the contribution is independent of the number of year of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after January 1, 2015. It is not expected that this amendment would be relevant to the Company since the Company has no benefit plans with contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material effect to the Company. They include:

- *PFRS 2, Share-based Payment - Definition of Vesting Condition*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
 - A performance condition must contain a service condition.
 - A performance target must be met while the counterparty is rendering service.
 - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group.
 - A performance condition may be a market or non-market condition.
 - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

The amendment does not apply to the Company as it has no share-based payment.



- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*

The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of PAS 39 (or PFRS 9, *Financial Instruments*, if early adopted). 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 are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are "similar".
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*

The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

- PAS 24, *Related Party Disclosures - Key Management Personnel*

The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material effect to the Company. They include:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*

The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:

- Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*

The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.



- *PAS 40, Investment Property*

The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Effective in 2016

- *PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*

The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any effect to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

- *PAS 16, Property, Plant and Equipment, and PAS 41, Agriculture - Bearer Plants (Amendments)*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any effect to the Company as the Company does not have any bearer plants.

- *PAS 27, Separate Financial Statements - Equity Method in Separate Financial Statements (Amendments)*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any effect on the Company's financial statements.



- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments will not have any effect on the Company's financial statements.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)

The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any effect to the Company.

- PFRS 14, *Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Company is an existing PFRS preparer, this standard would not apply.

Annual Improvements to PFRSs (2012-2014 cycle)

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material effect to the Company. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*

The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.



- *PFRS 7, Financial Instruments: Disclosures - Servicing Contracts*
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.
- *PFRS 7 - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
- *PAS 19, Employee Benefits - Regional Market Issue Regarding Discount Rate*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
- *PAS 34, Interim Financial Reporting - Disclosure of Information "Elsewhere in the Interim Financial Report"*
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective in 2018

PFRS 9, *Financial Instruments - Hedge Accounting* and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)

PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of 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 nonfinancial 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 derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting. PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by the BOA. The adoption of PFRS 9 is not expected to have any significant effect on the Company's financial statements.



- PFRS 9, *Financial Instruments* (2014 or final version)
In July 2014, the final version of PFRS 9, *Financial Instruments*, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015. The adoption of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Company's financial liabilities. The adoption will also have an effect on the Company's application of hedge accounting. The Company is currently assessing the impact of adopting this standard.

The following new standard issued by the IASB has not yet been adopted by the FRSC.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted. The Company is currently assessing the effect of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

The revised, amended and additional disclosures or accounting changes provided by the standards and interpretations will be included in the financial statements in the year of adoption, if applicable.

Summary of Significant Accounting Policies

Presentation of Financial Statements

The Company has elected to present all items of recognized income and expense in one single statement of comprehensive income.

Cash

Cash includes cash on hand and in banks.

Financial Instruments - Initial Recognition and Subsequent Measurement

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 end of the reporting period.

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

As at December 31, 2014 and 2013, the Company has no HTM Investments.

Fair Value Measurement

The Company measures financial instruments, such as, AFS financial asset, 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 at each 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.

As at December 31, 2014 and 2013, the Company’s financial assets and liabilities at FVPL consist of derivative assets, derivative liabilities and put option contracts.



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 effective interest rate (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 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 end of the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2014 and 2013, the Company’s loans and receivables consist of “Cash”, “Short-term investments”, “Receivables” and “Others” under “Other noncurrent assets”.

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, 2014 and 2013, 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 end of the 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.

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; 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 nonfinancial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the nonfinancial 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, 2014 and 2013 (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 end of 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 reagent 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.

Prepayments and Other Current and Noncurrent Assets

Prepayments and other current assets are composed of deposits and advances to suppliers, and prepaid fees and taxes. 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.

Deposit and Advances to Suppliers

Deposit and advances to suppliers are nonfinancial assets arising from 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.

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 end of the 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.

Impairment of Nonfinancial Assets

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.

Liability for Mine Rehabilitation and Decommissioning Cost

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 end of 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 end of 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 end of the reporting period.

Deferred Tax

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying 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 end of the reporting period.

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



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

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 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 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”; QP). Adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement. The period between provisional invoicing and final settlement can be between one (1) to six (6) months. 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 QP 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 QP 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
- Remeasurements 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.

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 benefit 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 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.



Dividend Distribution

Dividend distribution to the Company's stockholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved or declared by the Company's BOD.

Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. For management purposes, the Company is organized into business units based on their products and services, and has one (1) operating segments. The Company operates in one geographical segment, being the location of its current mining activities.

Contingencies

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

Events After the End of the Reporting Period

Events after the end of the reporting period that provide additional information about the Company's financial position at the end of the reporting period (adjusting events) are reflected in the 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 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. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Company operates.



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 2014 and 2013 amounted to ₱1,170.2 million and ₱439.5 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 2014 and 2013 are 4.35% and 3.65%, 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 a 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.

Estimates and Assumptions

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 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 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 2014 and 2013. The carrying value of loans and receivables amounted to ₱2,294.5 million and ₱3,425.1 million as at December 31, 2014 and 2013, 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), Mitsui & Co., Ltd. (Mitsui) and Ocean Partners UK Ltd. (Ocean Partners) 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, 2014 and 2013, 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, 2014 and 2013. Mine products inventory amounted to ₱103.8 million and ₱117.5 million as at December 31, 2014 and 2013, 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 ₱1,303.1 million and ₱1,286.3 million as at December 31, 2014 and 2013, respectively. The Company recognized allowance for obsolescence of materials and supplies inventory amounting to ₱18.2 million and ₱12.2 million as at December 31, 2014 and 2013, respectively (see Note 7).

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 was no change in the estimated useful lives in 2014 and 2013. Net book values of property, plant and equipment as at December 31, 2014 and 2013 amounted to ₱31,085.4 million and ₱26,406.8 million, respectively (see Note 9). Depreciation and depletion expense recognized in 2014 and 2013 amounted to ₱2,241.1 million and ₱1,605.9 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 ₱5.9 million and nil in 2014 and 2013, respectively (see Note 9).

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 asset amounted to ₱13.3 million and ₱18.9 million as at December 31, 2014 and 2013, respectively (see Note 21).



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, 2014 and 2013, net of accumulated provision for impairment losses of ₱129.6 million for both 2014 and 2013, amounted to ₱2,052.1 million and ₱1,880.8 million, respectively. The Company recognized provision for impairment losses on input VAT amounting to nil and ₱4.7 million in 2014 and 2013, 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 end 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 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 end of the reporting period. The net retirement benefits liability as at December 31, 2014 and 2013 amounted to ₱598.8 million and ₱374.9 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.



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 end of 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, 2014 and 2013, liability for mine rehabilitation cost amounted to ₱45.0 million and ₱44.0 million, respectively (see Note 13).

Measurement of Mine Products Sales. Mine products sales are provisionally priced such that these are not settled until predetermined future dates based on market prices at that time. Revenue on these sales are initially recognized based on shipment values calculated using the provisional metals prices, shipment weights and assays for metal content less smelting and related charges. The final shipment values are subsequently determined based on final weights and assays for metal content and prices during the applicable Quotation Period. Total mine product sales, net of smelting and related charges, amounted to ₱13,886.2 million and ₱12,829.5 million in 2014 and 2013, respectively.

Estimating Realizability of Deferred Tax Assets. The Company 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, 2014 and 2013, deferred tax assets amounting to ₱1,076.7 million and ₱963.1 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

	2014	2013
Cash on hand	₱6,185,230	₱2,508,173
Cash in banks	815,986,524	624,380,097
	₱822,171,754	₱626,888,270

Cash in banks earn interest at the respective bank deposit rates. Interest income earned from cash in banks amounted to ₱1.4 million and ₱0.8 million in 2014 and 2013, respectively.

The Company has United States Dollar (US\$) - denominated cash amounting to US\$11.2 million and US\$9.3 million as at December 31, 2014 and 2013, respectively. The Company also has Japanese Yen (JPY) - denominated cash amounting to JPY0.8 million and JPY2.1 million as at December 31, 2014 and 2013, respectively (see Note 21).

5. Receivables

	2014	2013
Trade (see Note 6)	₱496,273,137	₱816,941,856
Interest (see Note 12)	97,604,318	135,240,195
Nontrade	40,329,976	34,229,595
Advances to officers and employees	22,751,834	22,667,018
	₱656,959,265	₱1,009,078,664

Trade receivables arise from its shipments of copper concentrate to customers under several agreements (see Note 6). Trade receivables are noninterest-bearing and are normally settled on terms ranging from 15 to 30 days. Interest receivable pertains to earned interest from short-term investments which are still outstanding as at the reporting date. Nontrade receivables comprise mainly of receivables from contractors and suppliers. Advances to officers and employees pertain to the unliquidated advances used in the Company's operations and are collectible on demand.

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. In 2014 and 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, Mitsui and Ocean Partners

In the normal course of selling its copper concentrate, the Company entered into (i) several contracts of purchase with MRI ("MRI Contract"), PASAR ("PASAR Contract") and Mitsui ("Mitsui Contract") in 2014 and prior years, and (ii) one (1) contract of purchase with Ocean Partners ("Ocean Partners Contract") in 2014 (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 QP as defined in the MRI Contract, PASAR Contract, Mitsui Contract and Ocean Partners 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 or Ocean Partners have the option to price-fix in advance of the QP the payable copper contents of the concentrate to be delivered, subject to adjustments during the QP. If the option to price-fix prior to the QP is exercised, (i) the fixed price and the volume to which the fixed price applies will be confirmed in writing by the parties, and (ii) with respect to sales of copper concentrate to MRI, an addendum to the MRI Contract will be executed to confirm the actual volume of the copper shipped based on the fixed price.

On April 14, 2014, the Company executed an addendum to its January 2014 Offtake Agreement with MRI (the “2014 Offtake Contract”) to confirm, among others, (i) the increase in the quantity of MRI’s copper concentrate offtake allotment by 80,000 dry metric tons (DMT; the “Additional Offtake”), and (ii) the deposit of US\$30.0 million with respect to the Additional Offtake. On December 1, 2014, the Company executed another addendum to the 2014 Offtake Contract to provide for the terms of the additional deposit of US\$30.0 million in respect to the Additional Offtake (see Note 11).

Freestanding Derivatives

Commodity Put Options

In 2014 and 2013, the Company purchased LME put options through Jefferies Prudential for the delivery of 18,725 tons and 35,950, respectively, of copper concentrates with a total premium amounting to US\$0.2 million and US\$1.5 million, respectively. As at December 31, 2014, the Company has no outstanding commodity put option. As at December 31, 2013, the positive fair value of the outstanding put options amounted to ₱3.0 million and was recognized as “Derivative assets”. Unrealized loss on derivatives recognized in the statement of comprehensive income amounted to ₱27.9 million in 2013. The Company has also recognized an outstanding notional quantity of the put options at 14,000 tons with a strike price of US\$6,000 per ton and maturities from February to May 2014 as at December 31, 2013.

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, Mitsui and Ocean Partners, 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 on the related derivative liabilities amounting to ₱289.7 million on its deliveries in 2014 and an unrealized loss and gain on the related derivative liabilities and assets amounting to ₱0.9 million and ₱11.1 million, respectively, on its deliveries in 2013.



Prepayment Option

Bonds Payable

On March 16, 2012, the Company completed the issuance of US\$-denominated fixed-rate notes representing US\$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% of the notes since the redemption value is equal to the amortized cost.

7. Inventories

	2014	2013
Mine products	₱103,826,147	₱117,453,619
Materials and supplies (net of allowance for inventory obsolescence of ₱18.2 million and ₱12.2 million as at December 31, 2014 and 2013, respectively)	1,303,105,309	1,286,271,197
	₱1,406,931,456	₱1,403,724,816

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. Materials and supplies at cost amounted to ₱1,321.3 million and ₱1,298.5 million as at December 31, 2014 and 2013, respectively. 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 expense amounted to ₱10,094.5 million and ₱7,561.2 million in 2014 and 2013, respectively.

8. Prepayments and Other Current Assets

	2014	2013
Deposits and advances to suppliers	₱560,708,826	₱559,738,632
Prepayments	66,145,055	6,249,782
	₱626,853,881	₱565,988,414



Deposits and advances to suppliers are nonfinancial assets arising mainly 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.

Prepayments includes prepaid fees and taxes that were paid for the benefit of the next period's operations and overpayment made in excess of provision for income tax, and creditable withholding taxes that will be used for the Company's income tax payable in 2015.



9. Property, Plant and Equipment

	2014						
	Land	Mine Development Costs	Roadways and Bridges	Buildings and Improvements	Machinery and Equipment	Construction In-progress	Total
Cost:							
Balances at the beginning of year	₱13,088,797	₱6,989,108,004	₱276,742,852	₱1,133,649,267	₱10,394,503,623	₱13,981,820,205	₱32,788,912,748
Additions	146,250	—	—	—	—	6,941,862,411	6,942,008,661
Reclassifications	—	10,016,898,934	13,235,691	1,445,707,322	5,170,868,575	(16,646,710,522)	—
Retirement (see Note 16)	—	—	—	—	(39,621,786)	—	(39,621,786)
Disposals	—	—	—	—	(3,345,536)	—	(3,345,536)
Balances at end of year	13,235,047	17,006,006,938	289,978,543	2,579,356,589	15,522,404,876	4,276,972,094	39,687,954,087
Accumulated depreciation and depletion:							
Balances at the beginning of year	—	810,446,110	154,763,554	602,793,398	4,814,156,392	—	6,382,159,454
Depreciation and depletion (see Notes 7, 16 and 17)	—	590,304,820	32,710,746	161,022,772	1,473,356,686	—	2,257,395,024
Retirement (see Note 16)	—	—	—	—	(33,678,075)	—	(33,678,075)
Disposals	—	—	—	—	(3,345,536)	—	(3,345,536)
Balances at end of year	—	1,400,750,930	187,474,300	763,816,170	6,250,489,467	—	8,602,530,867
Net book values	₱13,235,047	₱15,605,256,008	₱102,504,243	₱1,815,540,419	₱9,271,915,409	₱4,276,972,094	₱31,085,423,220



	2013						
	Land	Mine Development Costs	Roadways and Bridges	Buildings and Improvements	Machinery and Equipment	Construction In-progress	Total
Cost:							
Balances at the beginning of year	₱13,088,797	₱6,916,891,136	₱264,187,482	₱1,093,142,209	₱9,427,776,346	₱5,020,977,197	₱22,736,063,167
Additions	—	—	—	—	298,714,454	9,827,558,835	10,126,273,289
Reclassifications	—	141,314,323	12,555,370	40,507,058	672,339,076	(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)
Balances at end of year	13,088,797	6,989,108,004	276,742,852	1,133,649,267	10,394,503,623	13,981,820,205	32,788,912,748
Accumulated depreciation and depletion:							
Balances at the beginning of year	—	590,254,319	123,381,554	531,765,911	3,531,347,066	—	4,776,748,850
Depreciation and depletion (see Notes 7, 16 and 17)	—	225,650,286	31,382,000	71,027,487	1,286,879,275	—	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)
Balances at end of year	—	810,446,110	154,763,554	602,793,398	4,814,156,392	—	6,382,159,454
Net book values	₱13,088,797	₱6,178,661,894	₱121,979,298	₱530,855,869	₱5,580,347,231	₱13,981,820,205	₱26,406,753,294

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 was completed in the first quarter of 2014. The estimated percentage of completion of this project as at December 31, 2013 is 97%. Construction in-progress to improve existing capacity includes cost of various projects at different percentages of completion as at December 31, 2014 and 2013.

Fully Depreciated Property and Equipment

Fully depreciated property and equipment still used by the Company amounted to ₱2,090.7 million and ₱583.0 million as at December 31, 2014 and 2013, 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 ₱39.5 million in 2014 and ₱452.7 million in 2013 at interest rates of 6.5% to 8% for both 2014 and 2013 (see Note 12).



Mine development costs consist of the following:

2014				
	Mine and Mining Properties	Development Costs	Mine Rehabilitation Costs	Total
Cost:				
Balances at the beginning of year	₱1,196,664,467	₱5,792,443,537	₱—	₱6,989,108,004
Reclasifications	—	10,016,898,934	—	10,016,898,934
Balances at the end of year	1,196,664,467	15,809,342,471	—	17,006,006,938
Accumulated depletion:				
Balances at the beginning of year	158,243,336	652,202,774	—	810,446,110
Depletion	44,321,216	545,983,604	—	590,304,820
Balances at the end of year	202,564,552	1,198,186,378	—	1,400,750,930
Net book values	₱994,099,915	₱14,611,156,093	₱—	₱15,605,256,008

2013				
	Mine and Mining Properties	Development Costs	Mine Rehabilitation Costs	Total
Cost:				
Balances at the beginning of year	₱1,196,664,467	₱5,651,129,214	₱69,097,455	₱6,916,891,136
Reclasifications	—	141,314,323	—	141,314,323
Change in estimate (see Note 13)	—	—	(69,097,455)	(69,097,455)
Balances at the end of year	1,196,664,467	5,792,443,537	—	6,989,108,004
Accumulated depletion:				
Balances at the beginning of year	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)
Balances at the end of year	158,243,336	652,202,774	—	810,446,110
Net book values	₱1,038,421,131	₱5,140,240,763	₱—	₱6,178,661,894

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 ₱5.9 million and nil in 2014 and 2013, 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 ₱1,610.1 million and ₱2,368.5 million as at December 31, 2014 and 2013, respectively.

Capital Expenditure Commitments

As at December 31, 2014 and 2013, the Company has capital expenditure commitments amounting to ₱1,445.1 million and ₱1,149.8 million, respectively.



10. Other Noncurrent Assets

	2014	2013
Input VAT (net of accumulated allowance for possible losses of ₱129.6 million as at December 31, 2014 and 2013)	₱2,052,128,832	₱1,880,835,360
Others	16,631,582	15,888,162
	₱2,068,760,414	₱1,896,723,522

Input VAT represents VAT imposed on the Company by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations. Deferred input VAT represents input VAT on purchase of capital goods exceeding one million pesos. The related input VAT is recognized over five (5) years or the useful life of the capital goods, whichever is shorter. Input VAT is stated at its estimated NRV. Input VAT will be claimed by the Company as tax credits.

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.

Movements of the allowance for possible losses on input VAT are as follows:

	2014	2013
Balances at beginning of year	₱129,583,751	₱124,856,133
Provision for possible losses (see Note 17)	–	4,727,618
Balances at end of year	₱129,583,751	₱129,583,751

Others consist mainly of security deposit and mine rehabilitation fund required under Final Mine Rehabilitation and Decommissioning Plan as approved by the DENR.

11. Accounts Payable and Accrued Liabilities

	2014	2013
Trade	₱3,247,040,346	₱1,938,171,833
Accrued expenses	1,406,411,386	1,093,215,630
Nontrade	182,455,759	171,410,739
Royalties (see Notes 1 and 19)	126,393,803	504,374,669
Related parties (see Note 19)	29,906,254	23,136,578
	₱4,992,207,548	₱3,730,309,449

Trade payables are noninterest-bearing and are normally settled on a 30 to 60-day term. Nontrade payables pertain to statutory and other noninterest-bearing payables. Trade payables include the customer deposits made by MRI on December 1, 2014 amounting to US\$30 million as part of the increase in offtake allotment of 80,000 DMT of copper concentrate to MRI. The deposit will be applied in shipments of six (6) lots of five (5) thousand DMT starting in February 2015 (see Note 6).



Details of the accrued expenses are as follows:

	2014	2013
Contracted services (see Note 24)	₱443,078,437	₱233,562,547
Interest (see Note 12)	282,876,369	246,146,865
Power and other utilities (see Note 24)	217,110,412	128,540,261
Rental	154,166,580	126,761,414
Insurance	110,223,296	10,500,000
Personnel cost	46,225,411	40,071,844
Consigned fees (see Note 24)	33,459,041	10,264,134
Professional fees	2,239,731	253,053,154
Others	117,032,109	44,315,411
	₱1,406,411,386	₱1,093,215,630

Accrued expenses are normally settled within 6 months.

The interest expense recognized related to trust receipts amounted to ₱5.5 million and ₱4.8 million in 2014 and 2013, respectively.

12. Long-term Debt and Other Interest-bearing Liabilities

	2014	2013
Bonds payable	₱13,231,369,142	₱13,059,824,560
United Overseas Bank (UOB)	1,118,000,000	—
Security Bank	1,100,000,000	288,567,500
Standard Chartered Bank (SCB)	995,884,037	443,950,000
BDO Leasing and Finance, Inc. (BDO Leasing)	986,858,600	1,210,621,785
MayBank	894,400,000	297,446,500
Rizal Commercial Banking Corporation (RCBC)	872,040,000	—
Land Bank of the Philippines (Land Bank)	491,920,000	510,542,500
LBP Leasing Corp (LBP Leasing)	206,407,960	300,000,000
BDO Unibank, Inc. (BDO)	122,376,179	—
SBM Leasing, Inc. (SBM Leasing)	111,800,000	210,302,192
Atlas Copco Customer Finance AB (Atlas Copco)	—	5,210,491
United Coconut Planters Bank (UCPB)	—	790,231,000
Bank of China	—	266,370,000
Metropolitan Bank and Trust Company (MBTC) and Orix Metro Leasing and Finance Corporation (ORIX)	—	2,268,151
	20,131,055,918	17,385,334,679
Less noncurrent portion	17,992,873,837	14,057,571,409
Current portion	₱2,138,182,081	₱3,327,763,270



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

	2014	2013
Due in:		
2014	₱—	₱3,327,763,270
2015	2,138,182,081	729,494,477
2016	496,248,507	268,252,371
2017	13,512,185,330	13,059,824,561
2018 and thereafter	3,984,440,000	—
	₱20,131,055,918	₱17,385,334,679

Bonds Payable

On March 16, 2012, the Company completed the issuance of US\$-denominated fixed-rate notes representing US\$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 ₱239.8 million and ₱238.1 million as at December 31, 2014 and 2013, respectively (see Note 11). The interest expense recognized from bonds amounted to ₱1,093.1 million and ₱1,079.0 million in 2014 and 2013, respectively. The Company capitalized interest expense in relation to the \$300 million bonds under "Construction in-progress", amounting to nil in 2014 and ₱452.7 million in 2013 at interest rates of 6.5% to 8% for both 2014 and 2013 (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 (EBITDA) 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, 2014 and 2013.

Short-term Investments

A portion of the proceeds from the issuance of the Bonds Payable was put in multiple US\$ - denominated 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 ₱805.0 million and ₱1,775.8 million as at December 31, 2014 and 2013, respectively, were classified as “Short-term investments” in the statements of financial position. Interest income earned from short-term investments amounted to ₱55.1 million and ₱156.1 million in 2014 and 2013, respectively. Interest receivable amounted to ₱97.6 million and ₱135.2 million as at December 31, 2014 and 2013, respectively (see Note 5).

Bilateral Loan Agreements

On October 10, 2014, the Company has entered into bilateral term loan agreements with Security Bank, Maybank Philippines Inc., Maybank International Labuan branch, RCBC and UOB (“the Bilateral Loan Agreements”). The proceeds of the loans will be used by the Company to fund its capital expenditures and to refinance its outstanding short-term loan obligations.

The loans have a term of four (4) years reckoned from the date of availment, and will constitute unsubordinated obligations of the Company that will rank at least pari passu in priority of payment with all its unsecured obligations.

Covenants

The agreement embodying the terms of the Bilateral Loan Agreements imposes, certain restrictions and requirements with respect to, among others, the following:

- *Target Financial Ratios* - During the term of the loans, the Company shall ensure that:
 - (i) its Debt to Equity Ratio does not exceed 2.0 in each of the calendar years 2014, 2015, 2016, and 2017, based on the audited financial statements as of the last day of each of such calendar years; Debt to Equity Ratio is the Company’s total debt divided by its total equity;
 - (ii) its Debt Service Coverage Ratio (“DSCR”) shall not be less than (a) 1.5 in each of the calendar years 2014, 2015, and 2017, and (b) 1.1 in the calendar year 2016, based on the audited financial statements as of the last day of each of such calendar years; DSCR is the sum of EBITDA for the most recent audited year and the ending cash balance for the most recent audited year divided by the aggregate of principal, interest and lease payments for the current year; and
 - (iii) its Debt to EBITDA Ratio does not exceed 4.0 in each of the calendar years 2014, 2015, 2016 and 2017, based on the audited financial statement as of the last day of each of such calendar year; Debt to EBITDA Ratio is the Company total debt divided by its EBITDA.

The Company’s compliance with the financial covenants provided herein shall be determined annually by calculating the Financial Ratios for each of the relevant calendar years by no later than April 30 of the year following the calendar year with respect to which compliance is being tested.



Should the Annual Test for the calendar year 2014 (and for such year only), to be performed on or before April 30, 2015 (the “2014 Annual Test”), result in a determination that not all of the Target Financial Ratios were achieved by the Company, the Financial Ratios will be calculated again before the next annual test on a date not later than August 31, 2015, and (b) based on the Company’s unaudited financial statements for the six-month period ending June 30, 2015 that will be certified by the Company’s Chief Finance Officer and Executive Vice President (the “2015 Interim Test”).

The Company’s failure to achieve the Target Financial Ratios with respect to the calendar year 2014, as determined through the 2014 Annual Test, shall not constitute an event of default. For the avoidance of doubt, the 2015 Interim Test will be performed only if the Company is unable to satisfy the Target Financial Ratios based on the 2014 Annual Test.

For the purpose of the 2015 Interim Test: (a) the calculation of the Financial Ratios that consider EBITDA shall be based on two times the amount of the six-month EBITDA as at June 30, 2015; (b) the calculation of the DSCR shall consider (1) the ending cash balance as at June 30, 2015, and (2) the projected amount of debt service for the one-year period beginning July 1, 2015 and ending June 30, 2016; and (c) the calculation of the Debt-to-Equity Ratio shall consider the Company’s equity as at June 30, 2015.

- *Payment of Dividends* - The Company shall not pay any dividends or make any distribution on or with respect to its capital stock (other than dividends or distributions payable or paid solely in shares of stock of the Company, other than Disqualified Stock or preferred stock) (i) if a default has occurred and is continuing at the time of such payment or distribution, or would occur as a result of such payment or distribution, or (ii) if after giving effect thereto, such payment or distribution, together with the aggregate amount of all dividend payments and distributions made by the Company since the issuance of the Bonds Payable shall exceed 50% of the aggregate amount of the net income of the Company accrued on a cumulative basis during the period beginning on January 1, 2012 and ending on the last day of the Company’s most recently ended fiscal quarter for which financial statements of the Company are available and have been provided to the lenders at the time of such payment or distribution.

The Company capitalized interest expense in relation to the Bilateral Loan Agreements under “Construction in-progress”, amounting to ₱39.5 million in 2014.

UOB

The bilateral term loan agreement between the Company and UOB that was entered into on October 10, 2014 (the “UOB TLA”), covers a facility for the amount of US\$25.0 million and has a term of 4 years reckoned from the date of the loan availment. The loan accrues interest at the rate of 3.735% per annum. The Company fully availed the facility covered by the UOB TLA. The interest expense recognized in respect of the UOB TLA amounted to ₱11.0 million in 2014. Accrued interest payable as at December 31, 2014 amounted to ₱11.0 million (see Note 11).

Security Bank

From February to October 2013, the Company obtained from Security Bank short-term credit facilities covering the aggregate amount of US\$11.3 million which was used to finance working capital requirements. The amount drawn from the facilities are payable within twelve (12) months and accrues interest at the rate of 2.25% to 2.60% per annum. In 2014, the Company rolled over the short-term loans, thereby extending their maturity to October 2014. On October 16, 2014, the Company paid the outstanding portion of the loan amounting to US\$6.5 million from the proceeds of the ₱1,100.0 million facility covered by the bilateral term loan agreement between the



Company and Security Bank dated October 10, 2014 (the “SB TLA”). Under the terms of the SB TLA, the principal amount of the loan availed shall be payable within four (4) years from the date of availment and shall accrue interest at the rate of 5.0% per annum. The Company fully availed the facility covered by the SB TLA. The interest expense recognized from Security Bank amounted to ₱21.3 million and ₱4.8 million in 2014 and 2013, respectively. The accrued interest payable amounted to ₱12.5 million and ₱0.2 million as at December 31, 2014 and 2013, respectively (see Note 11).

RCBC

On April 11, 2014, the Company obtained a short-term loan from RCBC with a maturity date on October 8, 2014 in the amount of ₱450,000 which was used to finance working capital requirements. The amount drawn from the facility is payable within 180 days from the date of availment and accrues interest at the rate of 2.5% per annum. The Company paid the loan balance of ₱450,000 on October 16, 2014 from the proceeds of the availment under the bilateral term loan agreement between the Company and RCBC dated October 10, 2014 (the “RCBC TLA”). The RCBC TLA covers a facility for the amount of US\$19.5 million. Under the terms of the RCBC TLA, any loan availment shall be payable within four (4) years from the date of availment and shall accrue interest at the rate of 3.735% per annum. The Company fully availed the facility covered by the RCBC TLA. The interest expense recognized in respect of the RCBC TLA amounted to ₱13.5 million in 2014. The accrued interest payable amounted to ₱7.6 million as at December 31, 2014 (see Note 11).

MayBank

From September to October 2013, the Company obtained from MayBank a short-term loans having an aggregate amount of US\$6.7 million which was used to finance working capital requirements. The loan availments are payable within 180 days from the drawdown date and accrue interest at the rate of 2.62% per annum. On April 4, 2014 and October 3, 2014, the Company paid US\$1.7 million and US\$5.0 million of the outstanding amount, respectively. On April 7, 2014, the Company obtained an additional short-term loan in the amount of US\$1.67 million which matured and was paid on October 16, 2014.

On October 10, 2014, the Company entered into bilateral term loan agreements with Maybank Philippines and Maybank International which cover facilities for the aggregate amount of US\$20.0 million (the “MayBank TLA”). Loan availments under the facilities are payable within four (4) years from the drawdown date and accrue interest at the rate of 3.735% per annum. The Company fully availed the facilities covered by the MayBank TLA. The interest expense recognized from MayBank amounted to ₱14.6 million and ₱2.3 million in 2014 and 2013, respectively. The accrued interest payable amounted to ₱8.4 million and ₱0.4 million as at December 31, 2014 and 2013, respectively (see Note 11).

BDO Leasing

From August 2011 to September 2014, the Company availed of peso-denominated finance lease facilities from BDO Leasing for the purchase of various equipment. The amounts due under the facilities which totaled ₱995.9 million are payable within 36 months and accrue interest at the rate of 4.75% to 6.75% per annum. In 2014 and 2013, the Company availed of additional finance lease facilities from BDO Leasing covering the total amount of ₱413.3 million and ₱848.7 million, respectively. The interest expense recognized from BDO Leasing amounted to ₱61.2 million and ₱82.4 million in 2014 and 2013, respectively. The accrued interest payable amounted to ₱1.9 million and ₱2.0 million as at December 31, 2014 and 2013, respectively (see Note 11).



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. On June 9, 2014, the Company rolled over the loan and extended the maturity to December 5, 2014. On February 11, 2014, the Company obtained an additional short-term loan in the amount of US\$5.0 million which will mature on August 8, 2014 and is accruing interest at the rate of 3.0% per annum. On December 5, 2014 the Company rolled over the US\$10.0 million and US\$5.0 million loans and extended their terms to February 2015.

On May 21, 2014, the Company executed an Omnibus Loan and Security Agreement (OLSA) with the Singapore Branch of SCB respecting a secured term loan facility covering a total amount of US\$20 million that may be availed in tranches, the proceeds of which are intended to fund the purchase of mining equipment. Under the OLSA, any availment accrues interest at an annual rate equivalent to the sum of 2.85% and the 3-month US\$ London Interbank Offered Rate that corresponds to the relevant interest period. Each interest period for the reckoning of accrued and payable interest on every availment spans three (3) months, with the first interest period commencing on the date of the first availment under the OLSA. Accrued interest is payable on the last day of each interest period.

The first availment under the OLSA amounting to US\$8.4 million was made on June 11, 2014 and will accrue interest at the rate of 3.08% per annum. Each availment under the OLSA will mature three (3) years from the date of availment.

Availments under the OLSA are secured by a chattel mortgage covering the movable equipment purchased using the proceeds thereof.

The interest expense recognized from SCB amounted to ₱27.0 million and ₱0.7 million in 2014 and 2013, respectively. The total accrued interest payable for all SCB loans amounted to ₱1.5 million and ₱0.7 million as at December 31, 2014 and 2013, respectively (see Note 11).

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. On April 10, 2014, the Company paid a total of US\$0.5 million of the outstanding amount of the loan and extending the maturity to September 29, 2014. On September 29, 2014, the Company rolled over the loan and extended the maturity to March 2015. The interest expense recognized from Land Bank amounted to ₱15.0 million and ₱10.8 million in 2014 and 2013, respectively. The accrued interest payable amounted to ₱0.1 million and ₱0.5 million as at December 31, 2014 and 2013, respectively (see Note 11).

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 interest expense recognized from LBP Leasing amounted to ₱16.7 million and ₱3.3 million in 2014 and 2013, respectively. The accrued interest payable amounted to nil as at December 31, 2014 and 2013 (see Note 11).

BDO

On February 10, 2014, the Company obtained a short-term loan from BDO with a maturity date on August 8, 2014 in the amount of US\$2.5 million which was used to finance working capital requirements. The amount drawn from the facility is payable within 180 days from the date of the loan and accrues interest at the rate of 2.375 % per annum. The interest expense recognized from BDO amounted to ₱2.4 million in 2014. The accrued interest payable amounted to ₱0.1 million as at December 31, 2014 (see Note 11).

SBM Leasing

From March to December 2013, the Company availed of peso-denominated finance lease 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 interest expense recognized from SBM Leasing amounted to ₱11.8 million and ₱13.1 million in 2014 and 2013, respectively. The accrued interest payable amounted to nil as at December 31, 2014 and 2013 (see Note 11).

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 interest expense recognized from Atlas Copco amounted to ₱0.1 million and ₱1.4 million in 2014 and 2013, respectively. The accrued interest payable amounted to nil as at December 31, 2014 and 2013 (see Note 11).

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. In 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. In January 2014, the Company paid US\$0.2 million and rolled over the remaining amount for another six (6) months. The amount drawn from the facility is payable within six (6) months and accrues interest at the rate of 3.4% to 3.75% per annum. In October 2014, the Company paid the remaining loan balance of US\$17.6 million. The interest expense recognized from UCPB amounted to ₱22.3 million and ₱22.7 million in 2014 and 2013, respectively. The accrued interest payable amounted to nil and ₱0.8 million as at December 31, 2014 and 2013, respectively (see Note 11).

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 2.74% per annum. On May 7, 2014, the Company rolled over the US\$6.0 million short-term loan extending the maturity to November 7, 2014. During the term of the extension the loan will accrue interest at the rate of 2.72% per annum. In October 2014, the Company paid the outstanding loan amounting to US\$6.0 million. The interest expense recognized from Bank of China amounted to ₱5.8 million and ₱1.1 million in 2014 and 2013, respectively. The accrued interest payable amounted to nil and ₱0.4 million as at December 31, 2014 and 2013, respectively (see Note 11).



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 interest expense recognized from MBTC and ORIX amounted to ₱0.1 million and ₱0.5 million in 2014 and 2013, respectively. The accrued interest payable amounted to nil as at December 31, 2014 and 2013 (see Note 11).

FLSmidth Krebs Pacific (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 interest expense recognized from FLS amounted to nil and ₱0.8 million in 2014 and 2013, respectively. There is no accrued interest payable as at December 31, 2014 and 2013 (see Note 11).

Total interest expense arising from the financing activities amounted to ₱1,321.4 million and ₱1,228.0 million in 2014 and 2013, respectively.

13. Liability for Mine Rehabilitation Costs

	2014	2013
Balances at beginning of year	₱44,017,787	₱110,513,789
Unwinding of discount	1,947,910	5,399,082
Effect of change in estimate	(990,333)	(71,895,084)
Balances at end of year	₱44,975,364	₱44,017,787

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 2014 and 2013, the Company changed its future rehabilitation cost projections. As at December 31, 2014 and 2013, change in the liability for mine rehabilitation cost amounted to ₱1.0 million and ₱71.9 million, respectively, were recognized as a result of the changes in estimate. In 2014 and 2013, total reduction in "Mine development costs" classified under "Property, plant and equipment" amounted to nil and ₱63.6 million, respectively (see Note 9), as a result of the changes in estimate, while the remaining amount of ₱1.0 million and ₱8.3 million, respectively, were recognized in the statements of comprehensive income under "Others-net".

Discount rate used by the Company is 4.64% and 4.43% in 2014 and 2013, respectively.



14. Capital Stock

The Company's authorized and issued capital stock as at December 31, 2014 and 2013 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
Total shares issued and subscribed	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, 2014 and 2013, 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 ₱1.0 billion. On June 5, 2014, the BOD authorized the declaration of cash dividends out of the Company's retained earnings to stockholders of record as at May 30, 2014 amounting to ₱500.0 million. The dividends payable as at December 31, 2014 and 2013 amounted to nil and ₱450.2 million, respectively.

Retained Earnings

The details and movements of the Company's retained earnings are as follows:

	2014	2013
Beginning balances	₱6,469,006,610	₱4,873,155,269
Net income	460,786,016	2,595,851,341
Declaration of cash dividends	(500,000,000)	(1,000,000,000)
Ending balances	₱6,429,792,626	₱6,469,006,610

As at December 31, 2014 and 2013, the Company has retained earnings in an amount exceeding its paid-up capital. The retention of the surplus profit is on account of: (i) the restriction under the indenture in respect of the Bonds Payable and the Bilateral Loan Agreements on the declaration of dividends in an amount exceeding 50% of the Company's cumulative net income during the period beginning on January 1, 2012 and ending on the last day of any fiscal quarter during the term of the Indenture, and (ii) the earmarking of funds for substantial capital expenditures covering open pit mine development.



15. Income Taxes

Provision for current income tax in 2014 and 2013 amounted to ₱265.2 million and ₱64.9 million, respectively, represents the Company's RCIT.

The following are the components of the Company's net deferred income tax assets as at December 31, 2014 and 2013:

	2014	2013
<i>Recognized directly in profit or loss</i>		
Deferred income tax assets:		
Unrealized foreign exchange losses	₱750,536,996	₱719,317,084
Retirement benefits liability	99,875,991	70,353,143
Unrealized loss on derivatives	86,908,770	8,643,891
Allowance for possible losses	46,128,391	109,420,392
Liability for mine rehabilitation costs	13,492,609	13,205,336
	996,942,757	920,939,846
Deferred income tax liabilities:		
Unrealized foreign exchange gains	613,298,789	606,812,684
Unrealized gain on derivatives	–	3,345,290
	613,298,789	610,157,974
<i>Recognized directly in other comprehensive income:</i>		
Deferred income tax assets:		
Retirement benefits liability	79,768,989	42,130,550
	₱463,412,957	₱352,912,422

Unrecognized deferred income tax asset arising from excess MCIT in 2012 was recognized and applied in 2013. There were no unrecognized deferred income tax asset arising from excess MCIT as at December 31, 2014 and 2013.

Movement in excess MCIT:

	2013
Beginning balance	₱3,017,636
Application	(3,017,636)
	₱–

The reconciliation of the Company's provision for (benefit from) income tax for the years ended December 31, 2014 and 2013 computed at the statutory income tax rates to actual provision shown in the statements of comprehensive income follow:

	2014	2013
At statutory income tax rates	₱195,948,010	₱717,578,435
Addition to (reductions in) income tax		
resulting from tax effects of:		
Interest income subjected to final tax	(16,941,220)	(47,061,629)
Nondeductible expenses	13,456,328	34,535,970
Nontaxable income	(89,100)	–
Income subject to ITH (see Note 1)	–	(905,958,364)
Application of excess MCIT	–	(3,017,636)
	₱192,374,018	(₱203,923,224)



Section 27 of the National Internal Revenue Code, as amended, provides that 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.

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 percent (100%) of its sales are export sales.

The Company did not avail of the Optional Standard Deduction in 2014 and 2013.

16. Mining and Milling Costs and Mine Products Taxes

	2014	2013
Mining and milling:		
Materials and supplies	₱4,479,583,245	₱3,380,481,660
Depreciation and depletion (see Note 9)	2,171,411,761	1,499,414,961
Power and other utilities (see Note 24)	2,171,729,114	1,769,152,424
Personnel costs (see Note 18)	763,448,042	599,965,814
Contracted services (see Note 24)	176,724,589	119,677,527
Provision for asset write-downs (see Note 9)	5,943,711	—
Other costs	325,692,889	192,510,678
	₱10,094,533,351	₱7,561,203,064
Mine products taxes:		
Excise taxes	₱276,884,449	₱255,227,947

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

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



17. General and Administrative Expenses

	2014	2013
Personnel costs (see Note 18)	₱487,341,924	₱505,271,290
Rental	169,180,690	129,875,615
Taxes and licenses	165,622,297	154,009,774
Professional fees	71,953,090	37,340,651
Depreciation and depletion (see Note 9)	69,672,424	106,500,003
Insurance	57,162,652	43,436,507
General consumption items	19,239,358	17,572,385
Power and other utilities (see Note 24)	18,438,666	16,261,563
Entertainment, amusement and representation	9,649,347	5,728,915
Office supplies	₱4,637,265	₱4,555,207
Repairs and maintenance	4,493,570	6,604,742
Provision for possible losses on input VAT (see Note 10)	—	4,727,618
Others	76,849,083	71,993,939
	₱1,154,240,366	₱1,103,878,209

Rentals consist of land and equipment rentals not directly used in the mining operations.

Others consist of community assistance, environmental and community development expense and training and seminars.

18. Personnel Costs

	2014	2013
Salaries and wages	₱966,081,051	₱798,714,442
Retirement benefits costs (see Note 20)	103,609,100	77,667,700
Other employee benefits	181,099,815	228,854,962
	₱1,250,789,966	₱1,105,237,104

Other employee benefits are composed of various benefits given to employees which includes clothing, educational and other medical benefits.

The above amounts were distributed as follows:

	2014	2013
Mining and milling costs (see Note 16)	₱763,448,042	₱599,965,814
General and administrative expenses (see Note 17)	487,341,924	505,271,290
	₱1,250,789,966	₱1,105,237,104

19. Related Party Transactions

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities 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.



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 to written notice. In December 2014 and September 2013, the BOD of ACMDC approved the waiver of its entitlement to receive from the Company, pursuant to the Operating Agreement, royalties due from operations in 2014 and 2013, respectively.

In the normal course of business, the Company has significant related party transactions as follows:

December 31, 2014				
	Amount/ Volume	Outstanding Balance	Terms	Conditions
<i>Advances from a stockholder (see Note 11):</i>				
ACMDC	₱6,769,676	₱29,906,254	Noninterest-bearing and are on demand	Unsecured, no guarantee
<i>Royalties payable (see Notes 1 and 11):</i>				
ACMDC	–	126,393,803	Noninterest-bearing and are on demand	Unsecured, no guarantee
December 31, 2013				
	Amount/ Volume	Outstanding Balance	Terms	Conditions
<i>Advances from a stockholder (see Note 11):</i>				
ACMDC	₱3,546,372	₱23,136,578	Noninterest-bearing and are on demand	Unsecured, no guarantee
<i>Royalties payable (see Notes 1 and 11):</i>				
ACMDC	–	504,374,669	Noninterest-bearing and are on demand	Unsecured, 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 2014 and 2013 are as follows:

	2014	2013
Short-term benefits	₱139,890,968	₱94,596,730
Retirement benefits costs	9,620,733	3,691,249
	₱149,511,701	₱98,287,979

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 one month's salary for every year of service, with six months or more of service considered as one year.



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

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:

	2014	2013
Current service cost (see Note 18)	₱103,609,100	₱77,667,700
Interest cost on retirement obligation	22,216,295	17,425,696
	₱125,825,395	₱95,093,396

The Company has 3,466 regular employees and 684 employees on probationary and project status as at December 31, 2014 and 4,555 regular employees and 798 employees on probationary and project status as at December 31, 2013.

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

	2014	2013
Balances at beginning of year	₱374,945,646	₱291,555,300
Current service cost	103,609,100	77,667,700
Interest cost on retirement obligation	22,216,295	17,425,696
Remeasurement of actuarial gain - experience adjustments	(21,620,636)	(9,803,832)
Remeasurement of actuarial loss - financial assumptions	147,082,100	1,710,100
Benefits paid	(27,415,905)	(3,609,318)
Balances at end of year	₱598,816,600	₱374,945,646

The Company does not have any plan assets as at December 31, 2014 and 2013.

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:

	2014	2013
Discount rate	4.56%	6.06%
Expected rate of salary increase	10.00%	10.00%
	10% at age 20	10% at age 20
	decreasing to 0% at	decreasing to 0%
Turnover rate	age 55	at age 55
Mortality rate	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 at December 31, 2014 and 2013, assuming all other assumptions were held constant:

	Increase (decrease)	2014	2013
Discount rates	+1%	(P103,838,500)	(P61,042,800)
	-1%	141,096,000	78,046,900
Salary increase rate	+1%	P122,260,100	P72,269,900

The Company does not expect to contribute to the defined benefit pension plan in 2015.
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, 2014 and 2013:

	2014	2013
Less than one (1) year	P7,982,279	P6,218,764
More than one (1) year to five (5) years	76,224,484	64,117,827
More than five (5) years to ten (10) years	256,883,847	235,349,153
More than ten (10) years to fifteen (15) years	433,765,788	446,866,793
More than fifteen (15) years to twenty (20) years	671,067,022	719,768,007
More than twenty (20) years	10,386,230,214	12,415,720,660
	P11,832,153,634	P13,888,041,204

The average duration of the defined retirement benefits liability as at December 31, 2014 and 2013 are 29.27 years and 31 years, respectively.

21. Financial Risk Management Objectives and Policies

The Company's main financial instruments are cash, short-term investments, AFS financial asset, 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, credit and counterparty risk, concentration 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, 2014

Change in Copper Prices	Effect on Income Before Income Tax
Increase by 10%	₱1,384,812,407
Decrease by 10%	(1,384,842,199)

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)

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\$. 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, 2014 and 2013, foreign currency-denominated assets and liabilities were as follows:

	2014		2013	
	Original Currency	Peso Equivalent	Original Currency	Peso Equivalent
Financial Assets				
Cash				
- US\$	11,183,723	₱500,136,110	9,321,861	₱413,844,008
- JPY	788,573	291,772	2,081,609	882,394
Short-term investments - US\$	18,000,192	804,968,570	40,000,000	1,775,799,999
Receivables - US\$	13,279,907	593,877,455	21,447,957	952,182,051
Derivative assets - US\$	—	—	256,598	14,107,714
		₱1,899,273,907		₱3,156,816,166
Financial Liabilities				
Accounts payable and accrued liabilities				
- Australian Dollar (AUD)	279,467	₱10,118,500	49,563	₱1,955,674
- US\$	14,925,656	667,475,326	19,185,011	851,718,565
- EURO (EUR)	66,854	3,632,797	166,795	10,143,795
- Canada Dollar (CAN)	—	—	273,000	11,390,352
Long-term debt and other interest-bearing liabilities				
- US\$	400,067,500	₱17,891,018,600	358,617,367	₱15,920,818,008
Derivative liabilities - US\$	6,477,994	289,695,900	20,834	924,919
		18,861,941,123		16,796,951,313
Net Exposure		(₱16,962,667,216)		(₱13,640,135,147)

The exchange rates as at December 31, 2014 and 2013 were:

	2014	2013
Peso to US\$	₱44.72	₱44.4
Peso to JPY	0.37	0.42
Peso to AUD	36.21	39.46
Peso to EUR	54.34	60.82
Peso to CAN	38.40	41.72

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, 2014

Change in Peso-Foreign Exchange rate	Effect on Income Before Income Tax
Increase by 2.86%	(₱485,514,625)
Decrease by -3.85%	652,410,278

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



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, 2014 and 2013, the percentage (%) of foreign currency debt over foreign currency revenue is 133% and 117%, respectively. From an economic view, this means that if the peso appreciates (depreciates), the overall income decreases (increases), respectively.

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 85:15 and 75:25 in 2014 and 2013, 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 2014 and 2013. 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, 2014

Change in Interest Rates (In Basis Points)	Effect on Income Before Income Tax
Increase by 100	(P68,996,868)
Decrease by 100	68,996,868

December 31, 2013

Change in Interest Rates (In Basis Points)	Effect on Income Before Income Tax
Increase by 100	(P43,180,315)
Decrease by 100	43,180,315

Equity Price Risk

As at December 31, 2014 and 2013, the Company has quoted equity instrument amounting to P13.3 million and P18.9 million, respectively, which are carried at fair value. Unrealized loss on AFS financial asset amounted to P5.64 million and P4.37 million in 2014 and 2013, respectively. Dividend income under "Others - net" earned from the quoted equity instrument amounted to P0.3 million and nil in 2014 and 2013, respectively. There was no impairment loss recognized in 2014 and 2013.



Movements in the “Unrealized loss on AFS financial asset” presented as a separate component of equity follow:

	2014	2013
Balances at beginning of year	(P4,364,795)	P–
Decrease in fair value of AFS financial asset	(5,642,000)	(4,364,795)
Balances at end of year	(P10,006,795)	(P4,364,795)

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 asset 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 tables below show the sensitivity to a reasonably possible change in equity prices on AFS equity instrument as at December 31, 2014 and 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
2014	+2.86%	P334,613
	-2.86%	(334,613)
	Average change in market indices (in percentage)	Sensitivity to equity
2013	+6.61%	P1,026,200
	-6.61%	(1,026,200)

The AFS financial asset equity instrument 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 2014 and 2013, the Company’s counter parties for the delivery of copper shipments are MRI, Mitsui, PASAR and Ocean Partners. The Company targets other counterparty customer for the delivery of its copper shipments in order to spread counterparty 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:

	2014	2013
Loans and receivables:		
Cash in banks	₱815,986,524	₱624,380,097
Short-term investments	804,968,571	1,775,799,999
Trade receivables	496,273,137	816,941,856
Interest receivable	97,604,318	135,240,195
Nontrade receivables	40,329,976	34,229,595
Advances to officers and employees	22,751,834	22,667,018
Other noncurrent assets*	16,631,582	15,888,162
AFS financial asset:		
Quoted equity instrument	13,260,000	18,902,000
Financial asset at FVPL:		
Derivative assets	–	14,107,714
	₱2,307,805,942	₱3,458,156,636

*Excluding input VAT

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 analyses 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, 2014 and 2013 are summarized below:

2014	Neither Past Due nor Impaired	Past Due			Total
		Less than 30 Days	30 to 60 Days	More than 60 Days	
Loans and Receivables					
Cash in banks	₱815,986,524	₱–	₱–	₱–	₱815,986,524
Short-term investments	804,968,571	–	–	–	804,968,571
Trade receivables	496,273,137	–	–	–	496,273,137
Nontrade receivables	2,928,754	–	262,495	37,138,727	40,329,976
Advances to officers and employees	2,172,407	–	230,167	20,349,260	22,751,834
Interest receivable	97,604,318	–	–	–	97,604,318
Other noncurrent assets*	16,631,582	–	–	–	16,631,582
AFS Financial Asset					
Quoted equity instrument	13,260,000	–	–	–	13,260,000
	₱2,249,825,293	₱–	₱492,662	₱57,487,987	₱2,307,805,942

*Excluding input VAT

2014	Neither Past Due nor Impaired			Past Due	Total
	High Grade	Standard Grade	Substandard Grade		
Loans and Receivables					
Cash in banks	₱815,986,524	₱–	₱–	₱–	₱815,986,524
Short-term investments	804,968,571	–	–	–	804,968,571
Trade receivables	496,273,137	–	–	–	496,273,137
Nontrade receivables	–	2,928,754	–	37,401,222	40,329,976
Advances to officers and employees	–	2,172,407	–	20,579,427	22,751,834
Interest receivable	97,604,318	–	–	–	97,604,318
Other noncurrent assets*	16,631,582	–	–	–	16,631,582
AFS Financial Asset					
Quoted equity instrument	13,260,000	–	–	–	13,260,000
	₱2,244,724,132	₱5,101,161	₱–	₱57,980,649	₱2,307,805,942

*Excluding input VAT



2013	Neither Past Due nor Impaired	Past Due			Total
		Less than 30 Days	30 to 60 Days	More than 60 Days	
Loans and Receivables					
Cash in banks	₱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 input VAT

2013	Neither Past Due nor Impaired			Past Due	Total
	High Grade	Standard Grade	Substandard Grade		
Loans and Receivables					
Cash in banks	₱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
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 input VAT

As at December 31, 2014 and 2013, the Company has no impaired financial assets. Cash in banks, short-term investments and related interest receivables 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.

Other noncurrent assets, excluding input VAT, are assessed as high grade since the counterparties have low probability of insolvency.

Quoted equity instrument are assessed as substandard grade since the listed entity has its business plan to address its recovery issues.



Concentration Risk

In 2014 and 2013, 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 end of the reporting period, unless unforeseen circumstances require more careful attention. Impaired financial assets as at December 31, 2014 and 2013 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, 2014

	On Demand	Less than 1 Year	1 Year to < 3 Years	3 Years to < 5 Years	Total
Loans and Receivables					
Cash	₱822,171,754	₱—	₱—	₱—	₱822,171,754
Short-term investments	804,968,571	—	—	—	804,968,571
Receivables:					
Trade	—	496,273,137	—	—	496,273,137
Nontrade	—	40,329,976	—	—	40,329,976
Advances to officers and employees	—	22,751,834	—	—	22,751,834
Interest receivable	—	97,604,318	—	—	97,604,318
Other noncurrent assets*	—	—	16,631,582	—	16,631,582
AFS Financial Asset					
Quoted equity instrument	13,260,000	—	—	—	13,260,000
	₱1,640,400,325	₱656,959,265	₱16,631,582	₱—	₱2,313,991,172
Other Financial Liabilities					
Accounts payable and accrued liabilities:					
Trade	₱—	₱3,247,040,346	₱—	₱—	₱3,247,040,346
Related parties	—	29,906,254	—	—	29,906,254
Accrued expenses	—	1,406,411,386	—	—	1,406,411,386
Royalties payable	—	126,393,803	—	—	126,393,803
Nontrade**	—	182,455,759	—	—	182,455,759
Dividends payable	—	—	—	—	—
Long-term debt and other interest-bearing liabilities	—	2,138,182,081	14,008,433,837	3,984,440,000	20,131,055,918
Financial Liabilities at FVPL					
Derivative liabilities	—	289,695,900	—	—	289,695,900
	₱—	₱7,420,085,529	₱14,008,433,837	₱3,984,440,000	₱25,412,959,366
	₱1,640,400,325	(₱6,763,126,264)	(₱13,991,802,255)	(₱3,984,440,000)	(₱23,098,968,194)

*Excluding input VAT

**Excluding statutory payables



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
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
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 input VAT

**Excluding statutory 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.

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	
	2014	2013	2014	2013
Other Financial Liabilities				
Long-term debt and other interest-bearing liabilities:				
Bonds Payable	₱13,231,369,142	₱13,059,824,560	₱13,288,548,000	₱12,918,340,207
UOB	1,118,000,000	—	1,272,618,981	—
Security Bank	1,100,000,000	—	1,303,661,531	—
BDO Leasing	995,884,037	1,210,621,785	1,041,022,389	1,299,586,690
MayBank	894,400,000	—	1,018,095,185	—
RCBC	872,040,000	—	992,642,806	—
SCB	316,058,600	—	329,597,055	—
LBP Leasing	206,407,960	300,000,000	220,862,605	331,415,852
SBM Leasing	122,376,179	210,302,191	128,329,140	228,204,996
	₱18,856,535,918	₱14,780,748,536	₱19,595,377,692	₱14,777,547,745



Cash, Short-term Investments, Receivables, Other Noncurrent Assets, Accounts Payable and Accrued Liabilities and Dividends Payable. The carrying amounts of cash, short-term investments, receivables, other noncurrent assets, 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 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)

There was no outstanding put options as at December 31, 2014.

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 fair value hierarchy of the financial assets and liabilities as at December 31 of each year is presented as follows:

2014

	Level 1	Level 2	Level 3	Total
Asset measured at fair value:				
AFS financial asset	₱13,260,000	₱—	₱—	₱13,260,000
Liability measured at fair value:				
Derivative liabilities	—	(289,695,900)	—	(289,695,900)
Liability for which fair values are disclosed:				
Long-term debt and other interest-bearing liabilities	(13,288,548,000)	—	(6,306,829,692)	(19,595,377,692)
	(₱13,288,548,000)	(₱289,695,900)	(₱6,306,829,692)	(₱19,885,073,592)

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)

There were no transfers between levels of fair value measurement as at December 31, 2014 and 2013.

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:

	2014	2013
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 (see Note 19)	29,906,254	23,136,578
Retained earnings	6,429,792,626	6,469,006,610
	₱12,118,030,880	₱12,150,475,188

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. The power plant was completed in December 2014.
- On December 15, 2014, the Company and TPC executed a twelve-year Energy Conversion Agreement pursuant to which the Company shall supply to TPC the coal needed to generate electric power from the Plant under the terms of the EPPA.
- In June 2008, the Company entered into a power supply agreement with Cebu III Electric Cooperative, Inc. for the supply of 2MW of firm electric power at agreed prices. The agreement may be terminated by either party upon 30 days prior notice.

Total utilities expenses related to the above power agreements amounted ₱2,181.3 million and ₱1,781.2 million in 2014 and 2013, respectively. Related accrued expenses amounted to ₱186.5 million and ₱128.5 million and as at December 31, 2014 and 2013, 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 ₱2,380.0 million and ₱1,810.9 million in 2014 and 2013, respectively. Related accrued expenses amounted to ₱183.0 million and ₱201.2 million as at December 31, 2014 and 2013, 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 ₱1,172.1 million and ₱894.8 million in 2014 and 2013, respectively. Accrued expenses amounted to ₱26.0 million and ₱68.9 million as at December 31, 2014 and 2013, 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 2014 and 2013.



Collective Bargaining Agreement (CBA)

In October 2012, the Company executed a five-year CBA with its rank-and-file union, (the "Union"). However, in view of the election of a new bargaining representative for the Union in October 2014, a new CBA was executed by the Company on January 30, 2015 (the "2015 CBA"). The 2015 CBA shall be valid as to the representation aspect for a period of five years. Under the provisions of the Labor Code, the economic provisions of the 2015 CBA shall be re-negotiated on the third anniversary of its execution.

Consignment Agreements

Shorr Industrial Sales, Inc., Synchrotek Corporation and Morse Hydraulics

In 2012, the Company entered into a consignment agreement with: (1) Shorr Industrial Sales, Inc. for the supply of parts and tools for heavy equipment, (2) Synchrotek Corporation for the supply of filters and lubricants, and (3) 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 and 2014, the Company renewed its contract with Shorr Industrial Sales, Inc., Synchrotek Corporation and Morse Hydraulics valid for one (1) year until June 30, 2014 and 2015, respectively.

Orica Philippines, Inc. and Le Price International Corporation

In 2013, the Company entered into a consignment agreement with Orica Philippines, Inc. for the supply of explosives and blasting accessories for use in mining and mine development activities and with Le Price International Corporation for the supply of a centralized lubrication, a filtration, a fire suppression and a refueling system. The consignment agreements with Orica Philippines, Inc. and Le Price International Corporation, which is valid until September 30, 2014 and July 31, 2014, respectively, ensures the availability of the goods covered thereby and pegs a price range for the supply of such goods during the period of effectivity. The consignment agreement with Orica Philippines, Inc. and Le Price International Corporation was renewed in September 2014 and July 2014, respectively and extended until September 30, 2015 and July 31, 2015, respectively.

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 operations 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.

On March 7, 2013, MGB recommended DENR to lift the DENR Memorandum Order No. 2011-01 on the suspension of acceptance of all types of applications for mining permits and mineral agreements. Effective March 18, 2013, MGB resumed the acceptance of mining applications for exploration permits and Financial and Technical Assistance Agreements pursuant to DENR Administrative Order No. 2013-11.

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 information presented 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 ₱39.5 million and ₱452.7 million in 2014 and 2013, respectively.

28. Supplementary Tax Information Required Under Revenue Regulations (RR) 15-2010

On November 25, 2010, the Bureau of Internal Revenue issued RR 15-2010 prescribing the manner of compliance in connection with preparation and submission of financial statements accompanying the tax returns. It includes provisions for additional disclosure requirements in the notes to financial statements, particularly on taxes, duties and licenses paid or accrued during the year.

The Company reported or paid the following types of taxes in 2014:

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	₱15,064,476,467	₱—
Vatable sales - scrap materials	25,393,625	3,047,235
Exempt sales - others	5,148,347	—
	₱15,095,018,439	₱3,047,235

Input VAT Credits

Balances at beginning of year	₱2,010,419,112
Current year's domestic purchases/payments for:	
Goods other than for resale or manufacture	119,380,077
Capital goods subject to amortization	46,328,664
Services lodged under other accounts	5,584,730
Balance	2,181,712,583
Less claims for tax credit/refund and applications	1,448,691,581
	₱733,021,002

Information on the Company's Importations in 2014

Dutiable value	₱1,335,928,631
Custom duties	18,178,936
Total landed cost of imports	₱1,354,107,567



Other Taxes/License and Permit Fees

Included in mine products taxes and royalties:	
Excise taxes	₱276,884,449
	276,884,449
Included in general and administrative expenses:	
Real property taxes	13,143,804
Local taxes	76,849,543
Documentary stamp taxes	37,474,362
Others	38,154,588
	165,622,297
	₱442,506,746

Withholding Taxes

Expanded withholding taxes	₱213,241,917
Final withholding taxes	172,211,698
Withholding taxes on compensation and benefits	111,609,856
	₱497,063,471

Tax assessments and Cases

There has been no deficiency tax assessment, tax cases and/or prosecutions in courts or bodies outside the BIR during the year ended December 31, 2014.

