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

SEC Registration Number

4	0	6	2	1

COMPANY NAME

APEX MINING CO., INC.

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

3304B West Tower, PSE Centre,
Exchange Road, Ortigas Center,
Pasig City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRM	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
rnmigrino@apexmining.com	706-2805	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
2,799	6/30	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Renato N. Migriño	rnmigrino@apexmining.com	706-2805	N/A

CONTACT PERSON's ADDRESS

3304B West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City

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

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

APEX MINING CO., INC.

SECURITIES AND EXCHAGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Apex Mining Co., Inc. is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2016 and 2015, including the tabular schedule of standards and interpretations as of reporting date attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

SyCip, Gorres, Velayo & Co., the independent auditors, appointed by the stockholders for the period December 31, 2016 and 2015, has examined the financial statements of the Parent Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Ramon Y. Sy
Chairman of the Board

Walter W. Brown
President and Chief Executive Officer

Renato N. Migriño
Treasurer

APR 27 2017

SUBSCRIBED AND SWORN to before me this ___ day of ___
MANDALUYONG CITY, Affiant exhibits to me her ___
with No.: ___ as strong proof of her/his identity.

Signed this 11th day of April 2017.

ATTY. JOSE B. DULNUAN
NOTARY PUBLIC
FOR THE CITY OF MANDALUYONG
Until December 31, 2017
COMMISSION NO. 458-16
IBP LIFETIME NO. 0005268 / IFUGAO
PTR NO. ..., 1-3-17, Cainta, Rizal
ROLL NO. 26304
MCLE COMP. NO. V-0022171, 6-15-16
VALID UNTIL 04-14-2019
D22-AB GUVENTVILLE II, D.M. GUEVARA ST.
MAUWAY, MANDALUYONG CITY
532-8858, 5334664
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Series of 2017

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

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ey.com/ph

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Apex Mining Co., Inc.
3304B West Tower, PSE Centre, Exchange Road
Ortigas Center, Pasig City

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Apex Mining Co., Inc. (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2016 and 2015, and the parent company statements of income, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent Company's internal control.

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

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

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

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

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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulation 15-2010 in Note 33 to the parent company 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 Apex Mining Co., Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Jose Pepito E. Zabat III.

SYCIP GORRES VELAYO & CO.

Jose Pepito E. Zabat

Jose Pepito E. Zabat III
Partner
CPA Certificate No. 85501
SEC Accreditation No. 0328-AR-3 (Group A),
May 1, 2015, valid until April 30, 2018
Tax Identification No. 102-100-830
BIR Accreditation No. 08-001998-60-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5908781, January 3, 2017, Makati City

April 11, 2017

APEX MINING CO., INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash (Note 4)	**₱126,618,485**	₱176,713,501
Trade and other receivables (Note 5)	**103,834,889**	18,079,559
Advances to related parties (Note 13)	**306,514,288**	141,481,802
Inventories - net realizable value (Note 6)	**685,279,780**	657,585,201
Prepayments and other current assets (Note 7)	**360,580,976**	410,172,979
Total Current Assets	**1,582,828,418**	1,404,033,042
Non-current Assets		
Investment in subsidiaries (Notes 1 and 8)	**5,548,399,213**	5,544,652,462
Property, plant and equipment (Note 9)	**5,878,397,325**	5,571,832,098
Deferred exploration costs (Note 10)	**786,065,288**	744,866,741
Other non-current assets (Note 11)	**85,363,360**	110,519,927
Total Noncurrent Assets	**12,298,225,186**	11,971,871,228
TOTAL ASSETS	**₱13,881,053,604**	₱13,375,904,270
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 12)	**₱1,215,482,366**	₱1,417,802,105
Advances from related parties (Note 13)	**2,258,270,541**	1,852,101,265
Loans payable (Note 16)	**3,121,667,433**	3,284,805,747
Income tax payable	**4,624,775**	5,263,758
Total Current Liabilities	**6,600,045,115**	6,559,972,875
Non-current Liabilities		
Provision for retirement benefits (Note 14)	**163,684,274**	147,645,231
Provision for mine rehabilitation and decommissioning (Note 15)	**42,837,160**	44,026,510
Deferred income tax liabilities (Note 25)	**114,298,705**	123,719,538
Total Noncurrent Liabilities	**320,820,139**	315,391,279
Total Liabilities	**6,920,865,254**	6,875,364,154
Equity		
Capital stock (Note 17)	**6,227,887,491**	6,227,887,491
Additional paid-in capital (Note 17)	**15,941,675**	3,027,029,976
Revaluation surplus on property, plant and equipment (Note 9)	**262,063,873**	283,524,013
Remeasurement loss on retirement plan (Note 14)	**(7,686,433)**	(26,813,063)
Retained earnings (deficit) (Note 17)	**461,981,744**	(3,011,088,301)
Total Equity	**6,960,188,350**	6,500,540,116
TOTAL LIABILITIES AND EQUITY	**₱13,881,053,604**	₱13,375,904,270

See accompanying Notes to Parent Company Financial Statements.

APEX MINING CO., INC.
PARENT COMPANY STATEMENTS OF INCOME

	Years Ended December 31		
	2016	2015	2014
REVENUES			
Gold	**₱3,264,596,048**	₱2,270,473,543	₱1,598,452,936
Silver	**257,454,606**	159,623,786	132,288,632
	3,522,050,654	2,430,097,329	1,730,741,568
COST OF PRODUCTION (Note 19)	**(2,662,098,849)**	(2,014,031,718)	(1,872,112,864)
EXCISE TAXES	**(69,789,879)**	(48,601,947)	(34,578,395)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 20)	**(141,128,688)**	(107,434,123)	(101,891,688)
FINANCE COSTS (Note 24)	**(163,171,752)**	(143,047,630)	(110,670,820)
OTHER INCOME (CHARGES) - net (Note 21)	**(37,792,897)**	37,732,114	(133,032,482)
INCOME (LOSS) BEFORE INCOME TAX	**448,068,589**	154,714,025	(521,544,681)
BENEFIT FROM (PROVISION FOR) INCOME TAX (Note 25)			
Current	**(16,967,818)**	(11,389,658)	(6,508,648)
Deferred	**9,420,833**	25,999,763	(15,576,040)
	(7,546,985)	14,610,105	(22,084,688)
NET INCOME (LOSS)	**₱440,521,604**	₱169,324,130	(₱543,629,369)
BASIC/DILUTED EARNINGS (LOSS) PER SHARE (Note 18)	**₱0.07**	₱0.03	(₱0.12)

See accompanying Notes to Parent Company Financial Statements.

APEX MINING CO., INC.

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2016	2015	2014
NET INCOME (LOSS)	**₱440,521,604**	₱169,324,130	(₱543,629,369)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX			
Items to be reclassified to profit or loss in subsequent periods:			
Appraisal increase (Note 9)	–	303,629,735	–
Items not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains (losses) on retirement plan (Note 14)	**19,126,630**	93,189,377	(95,824,336)
	19,126,630	396,819,112	(95,824,336)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱459,648,234**	₱566,143,242	(₱639,453,705)

See accompanying Notes to Parent Company Financial Statements.

APEX MINING CO., INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

	Capital stock (Note 17)	**Deposit for future stock subscriptions** (Note 17)	**Additional paid-in capital** (Note 17)	**Revaluation surplus** (Note 9)	**Remeasurement gain (loss) on retirement plan** (Note 14)	**Deficit**	**Total**
Balances at December 31, 2013	**₱1,868,639,664**	**₱–**	**₱3,098,234,838**	**₱13,387,441**	**(₱24,178,104)**	**(₱2,670,276,225)**	**₱2,285,807,614**
Net loss	–	–	–	–	–	(543,629,369)	(543,629,369)
Other comprehensive loss	–	–	–	–	(95,824,336)	–	(95,824,336)
Total comprehensive loss	–	–	–	–	(95,824,336)	(543,629,369)	(639,453,705)
Deposit for future stock subscriptions (Note 17)	–	2,500,000,000	–	–	–	–	2,500,000,000
Transaction costs of share issuance	–	–	(49,408,614)	–	–	–	(49,408,614)
Transfer of portion of revaluation surplus realized through depreciation, depletion and disposal, net of tax	–	–	–	(8,115,822)	–	8,115,822	–
Balances at December 31, 2014	**₱1,868,639,664**	**₱2,500,000,000**	**₱3,048,826,224**	**₱5,271,619**	**(₱120,002,440)**	**(₱3,205,789,772)**	**₱4,096,945,295**

	Capital stock (Note 17)	Deposit for future stock subscriptions (Note 17)	Additional paid-in capital (Note 17)	Revaluation surplus (Note 9)	Remeasurement gain (loss) on retirement plan (Note 14)	Deficit	Total
Balances at December 31, 2014	**₱1,868,639,664**	**₱2,500,000,000**	**₱3,048,826,224**	**₱5,271,619**	**(₱120,002,440)**	**(₱3,205,789,772)**	**₱4,096,945,295**
Net income	–	–	–	–	–	169,324,130	169,324,130
Other comprehensive income	–	–	–	303,629,735	93,189,377	–	396,819,112
Total comprehensive income	–	–	–	303,629,735	93,189,377	169,324,130	566,143,242
Issuance of shares (Note 17)	4,359,247,827	(2,500,000,000)	–	–	–	–	1,859,247,827
Transaction costs of share issuance (Note 17)	–	–	(21,796,248)	–	–	–	(21,796,248)
Transfer of portion of revaluation surplus realized through depreciation, depletion and disposal, net of tax (Note 9)	–	–	–	(25,377,341)	–	25,377,341	–
Balances at December 31, 2015	**₱6,227,887,491**	**₱–**	**₱3,027,029,976**	**₱283,524,013**	**(₱26,813,063)**	**(₱3,011,088,301)**	**₱6,500,540,116**

	Capital stock (Note 17)	**Additional paid-in capital** (Note 17)	**Revaluation surplus** (Note 9)	**Remeasurement gain (loss) on retirement plan** (Note 14)	**Retained Earnings**	**Total**
Balances at December 31, 2015	**₱6,227,887,491**	**₱3,027,029,976**	**₱283,524,013**	**(₱26,813,063)**	**(₱3,011,088,301)**	**₱6,500,540,116**
Net income	–	–	–	–	440,521,604	440,521,604
Other comprehensive income	–	–	–	19,126,630	–	19,126,630
Total comprehensive income	–	–	–	19,126,630	440,521,604	459,648,234
Equity Restructuring (Note 17)	–	(3,011,088,301)	–	–	3,011,088,301	–
Transfer of portion of revaluation surplus realized through depreciation, depletion and disposal, net of tax (Note 9)	–	–	(21,460,140)	–	21,460,140	–
Balances at December 31, 2016	**₱6,227,887,491**	**₱15,941,675**	**₱262,063,873**	**(₱7,686,433)**	**₱461,981,744**	**₱6,960,188,350**

See accompanying Notes to Parent Company Financial Statements.

APEX MINING CO., INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱448,068,589**	₱154,714,025	(₱521,544,681)
Adjustments for:			
Depreciation, depletion and amortization (Note 22)	**632,655,837**	291,337,761	412,925,299
Interest and accretion expense (Note 24)	**155,169,381**	133,258,280	106,249,845
Unrealized foreign exchange losses (gains)	**9,074,335**	55,174,670	(54,794,081)
Movement in provision for retirement benefits (Note 14)	**35,165,673**	38,156,568	23,123,121
(Gain) loss on debt extinguishment (Note 21)	**(5,029,875)**	(56,655,246)	393,810
Loss on write-off of:			
Property, plant and equipment (Notes 9 and 21)	**4,980,679**	–	136,012,675
Other noncurrent assets (Notes 11 and 21)	**–**	6,000,000	–
Interest income (Notes 4 and 21)	**(860,103)**	(1,203,137)	(355,947)
Gain on disposal of equipment (Note 21)	**(150,821)**	(104,107)	–
Operating income before working capital changes	**1,279,073,695**	620,678,814	102,010,041
Decrease (increase) in:			
Trade and other receivables	**(85,755,330)**	84,046,506	303,018,533
Advances to related parties	**(165,032,486)**	(141,481,802)	–
Inventories	**417,801,769**	44,978,322	(83,018,638)
Prepayments and other current assets	**77,070,012**	(311,456,643)	(144,088,116)
Increase (decrease) in:			
Trade and other payables	**(178,894,203)**	55,256,474	2,469,532,767
Advances from related parties	**406,169,276**	(1,360,771,610)	667,518,770
Net cash generated from (used in) operations	**1,750,432,733**	(1,008,749,939)	3,314,973,357
Interest paid	**(193,375,507)**	(158,944,297)	(137,797,872)
Income tax paid	**(17,606,800)**	(8,037,702)	(4,596,847)
Interest received	**860,103**	1,203,137	355,947
Net cash flows from (used in) operating activities	**1,540,310,529**	(1,174,528,801)	3,172,934,585
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of property, plant and equipment (Note 9)	**(1,371,615,932)**	(2,001,721,436)	(878,442,701)
Increase in:			
Investment in subsidiaries (Note 8)	**–**	(422,491,375)	(5,122,161,087)
Deferred exploration costs (Note 10)	**(39,851,267)**	(106,822,642)	(40,880,844)
Other noncurrent assets	**(2,741,746)**	(10,595,754)	(2,661,936)
Proceeds from disposal of property, plant and equipment	**150,821**	205,358	–
Net cash flows from (used in) investing activities	**(1,414,058,124)**	(2,541,425,849)	(6,044,146,568)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of loans (Note 16)	**(213,418,313)**	(502,891,539)	(402,643,589)
Availment of loans (see Note 16)	**29,000,000**	2,467,000,000	839,815,447
Acquisition of non-controlling interests (Note 1)	**(3,746,751)**	–	–
Net proceeds from subscriptions to shares of stock (Note 17)	**–**	1,859,247,827	–
Transaction costs on share issuance (Note 17)	**–**	(21,796,248)	(49,408,614)
Deposit for future stock subscriptions (Note 17)	**–**	–	2,500,000,000
Net cash flows from (used in) financing activities	**(188,165,064)**	3,801,560,040	2,887,763,244
NET INCREASE (DECREASE) IN CASH	**(61,912,659)**	85,605,390	16,551,261
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**11,817,643**	34,549,648	6,330,137
CASH AT BEGINNING OF YEAR	**176,713,501**	56,558,463	33,677,065
CASH AT END OF YEAR (Note 4)	**₱126,618,485**	₱176,713,501	₱56,558,463

See accompanying Notes to Parent Company Financial Statements.

1. **Corporate Information, Status of Operations and Authorization to Issue the Parent Company Financial Statements**

Corporate Information
Apex Mining Co., Inc. (the "Company" or the "Parent Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 26, 1970, primarily to carry on the business of mining, milling, concentrating, converting, smelting, treating, preparing for market, manufacturing, buying, selling, exchanging and otherwise producing and dealing in gold, silver, copper, lead, zinc brass, iron, steel and all kinds of ores, metals and minerals.

The Parent Company currently operates the Maco Mines in Maco, Compostela Valley.

On March 7, 1974, the Parent Company listed its shares in the Philippine Stock Exchange (PSE) and attained the status of being a public company on the same date. The Parent Company is considered a public company under Rule 3.1 of the Implementing Rules and Regulations of the Securities Regulation Code, which, among others, defines a public corporation as any corporation with assets of at least ₱50.00 million and having 200 or more stockholders, each of which holds at least 100 shares of its equity securities.

The Parent Company's track record information is shown as follows:

SEC order rendered effective or permitted to sell	Event	Authorized capital stock balance	Issued shares	Issue/ offer price
August 4, 1988	Stock dividend declaration	₱150 million	*–	₱0.01
August 31, 1988	Increase in authorized capital stock	300 million	–	–
April 26, 1989	Pre-emptive rights offering	300 million	9.39 billion	0.01
June 28, 2000	Increase in authorized capital stock	800 million	–	–
October 18, 2000	Debt-to-equity conversion transaction	800 million	459.54 million	1.00
September 10, 2010	Increase in authorized capital stock	2.8 billion	–	–
October 13, 2010	Debt-to-equity conversion transaction	2.8 billion	560.94 million	1.00
November 14, 2011	Issuance of additional shares	2.8 billion	73.34 million	3.50
January 26, 2012	Issuance of additional shares	2.8 billion	75.56 million	3.70
July 13, 2012	Issuance of additional shares	2.8 billion	198.05 million	4.40
July 16, 2012	Debt-to-equity conversion transaction	2.8 billion	72.91 million	4.40
July 20, 2012	Debt-to-equity conversion transaction	2.8 billion	37.29 million	4.40
August 27, 2013	Issuance of additional shares	2.8 billion	93.87 million	2.79
September 20, 2012	Declassification of shares	2.8 billion	–	–
January 12, 2015	Increase in authorized capital stock	12.8 billion	–	–
February 3, 2015	Issuance of additional shares	12.8 billion	2.50 billion	1.00
March 12, 2015	Issuance of additional shares	12.8 billion	1.86 billion	1.00

**The Company has no records on the number of issued shares for the transaction.*

As at December 31, 2016 and 2015, the Parent Company has 2,517 and 2,507 stockholders, respectively, each holding at least 100 shares.

The Parent Company's ownership structure as at December 31, 2016 and 2015 is as follows (in percentage):

	Country of Incorporation	**2016**	2015
Prime Metroline Holdings Inc. (PMHI)	Philippines	**40.32%**	40.32%
Monte Oro Resources & Energy, Inc. (MORE)	Philippines	**9.07%**	9.07%
Lakeland Village Holdings, Inc.	Philippines	**7.62%**	7.62%
Devoncourt Estate Inc.	Philippines	**6.81%**	6.81%
A. Brown Company Inc.	Philippines	**6.24%**	6.24%
Public ownership	Philippines	**26.76%**	26.76%
Others	–	**3.18%**	3.18%
		100.00%	100.00%

The Parent Company's registered business and principal office address is 3304B West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City, Philippines

Status of Operations
On December 22, 2005, the Mines and Geosciences Bureau (MGB) approved the Parent Company's Mineral Production Sharing Agreement (MPSA) covering 679.02 hectares of land situated in Maco, Compostela Valley. On June 25, 2007, the MGB approved the Parent Company's second application for a MPSA covering an additional 1,558.50 hectares of land near the area covered by the first mineral permit.

As at December 31, 2016, the Parent Company holds MPSA Nos. 225-2005-XI and 234-2007-XI, both having a term of 25 years from effective date. The said MPSAs are valid and subsisting.

ISO Certification
In a letter dated September 30, 2016, Certification International Philippines, Inc. awarded the Parent Company a Certificate of Registration to ISO 14001:2015 valid from with the following scope: "Exploration activities; underground mining; milling and recovery/smelting of gold and silver using carbon-in-pulp process; mine waste and mill trails management; and all support services." The certificate is valid for three years until September 29, 2019, subject to satisfactory results of annual surveillance audits. As a certified organization, the Parent Company is required to maintain its environmental management system and comply with the other conditions of the certification by Certification International.

Department of Environment and Natural Resources (DENR) Audit
On October 18, 2016 the Parent Company received a letter dated October 3, 2016 from the DENR furnishing a copy of the report on the mine audit conducted by the agency of the Parent Company's Maco mine in August 2016 pursuant to DENR Memorandum Order No. 2016-01 regarding "Audit of All Operating Mines and Moratorium on New Mining Projects" issued on July 8, 2016. Along with other minor findings, the report recommended to allow the continued operation of the mine which confirms the earlier press releases made by the DENR, the Parent Company's Maco mine can continue with its operations together with the other mines that have not been suspended.

The continuation of the Parent Company's operations was reaffirmed by the DENR in its press conference on February 2, 2017.

Acquisition of MORE
On September 11, 2014, the Board of Directors (BOD) approved the Parent Company's purchase for cash of all the outstanding capital stock of MORE, consisting of 5.12 billion shares, with par value of ₱1.00 per share, for a total consideration of ₱5.12 billion, for a purchase price of ₱1.00 per share.

Also on the same date, the BOD approved the subscription of the shareholders of MORE to 2.50 billion new shares of the Parent Company, for a subscription price of ₱1.00 per share from the stockholders of MORE who agreed to sell all their shares in MORE to the Parent Company, which will result to the Parent Company owning 100% of the equity of MORE. In October 2014, the Parent Company received ₱2.50 billion from the stockholders of MORE as payment for their subscriptions.

The deeds of sales of shares between the Parent Company and the stockholders of MORE were signed and executed on October 10, 2014. As at December 31, 2015, the Parent Company had paid the total consideration of the purchase of all of MORE's outstanding shares.

On January 28, 2015, the BOD approved the subscription by PMHI to 1.86 billion shares for a subscription price of ₱1.00 per share. The agreement covering the said subscription was entered into by the Parent Company and PMHI on February 2, 2015. The shares covered by the subscription agreement were issued on March 5, 2015.

Amendments on Articles of Incorporation
On April 11, 2014 and May 2, 2014, the BOD approved the following amendments on the Company's Articles of Incorporation:

- that the place where the principal office of the Company will be established or located shall be in 3304B West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City, Philippines; and
- that the capital stock of the Company shall be increased to ₱12.80 billion divided into 12.80 billion common shares with par value of ₱1.00 per share.

The said amendments was approved by the Company's stockholders owning or preparing at least two-thirds of the outstanding capital stock

On January 12, 2015, the Philippine SEC approved the aforementioned amendments in the Company's Articles of Incorporation

Acquisition of Itogon-Suyoc Resources, Inc. (ISRI)
On June 24, 2015, the Company acquired 98% of the total outstanding capital stock of ISRI consisting of 24.50 billion shares, with par value of ₱0.01 per share, for a total consideration of ₱182.67 million consisting of ₱32.67 million cash and ₱150.00 million in the Company's shares held by MORE for a purchase price of ₱0.007456 per share.

Also on the same date, the following transactions were made:

- Subscription of the Company to 23.80 billion new shares in ISRI at par value of ₱0.01 each. The proceeds of this cash equity infusion shall be used by the latter to pay down its debts and to reopen its mines. ISRI also received the ₱238.00 million from the Parent Company as payment for its subscriptions. The shares covered by the said subscriptions were issued after ISRI's application for the increase in its authorized capital stock which was approved by the Philippine SEC on February 2, 2016.

- Commitment by the Company to support ISRI by paying its advances made from Sagitro, Inc. amounting to ₱50.00 million by transferring Company's listed shares held by MORE.

- Incidental cost paid by the Company related to the acquisition amounted to ₱1.82 million.

The Parent Company entered into several deeds of sale on August 26, 2016 to acquire the remaining 2% of the total outstanding capital stock of ISRI consisting of 500.00 million shares with par value of ₱0.01 per share, for a total consideration of ₱3.75 million of cash. ISRI became a wholly-owned subsidiary of the Parent Company.

Equity Restructuring or Quasi-Reorganization
On October 6, 2016, the Philippine SEC approved the Parent Company's equity restructuring plan or quasi-reorganization earlier approved by the stockholders in the annual meeting on June 30, 2016 to eliminate the Parent Company's deficit against the additional paid-in capital (APIC) as at December 31, 2015 (see Note 17).

Authorization to Issue the Financial Statements
The accompanying Parent Company financial statements as at December 31, 2016 and 2015 and for the years then ended, were authorized for issuance by the Company's BOD on April 11, 2017.

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2. Basis of Preparation and Significant Accounting Policies

Basis of Preparation
The Parent Company financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS).

The Parent Company financial statements have been prepared on a historical cost basis, except for property, plant and equipment, which are carried at revalued amounts. The Parent Company financial statements are presented in Philippine Peso, the Parent Company's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year for .the following new and amended PFRS, Philippine Accounting Standards (PAS), Philippine Interpretation based on International Financial Reporting Interpretation s Committee (IFRIC) and improvements to PFRS which were adopted as at January 1, 2016. The adoption of these amendments did not have any significant impact on the Parent Company financial statements.

- Amendments to PAS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interest in Other Entities,* and PAS 28, *Investments in Associates and Joint Ventures, Investments Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Joint Arrangements, Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Presentation of Financial Statements*, *Disclosure Initiative*
- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 38, *Intangible Assets, Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, Agriculture*: Bearer Plants*
- Amendments to PAS 27*, Separate Financial Statements, Equity Method in Separate Financial Statements*

- Annual Improvements to PFRSs 2012-2014 Cycle
  - Amendment to PFRS 5, Non-current Assets Held for Sale and Discontinued Operations, *Changes in Methods of Disposal*
  - Amendment to PFRS 7, *Financial Instruments: Disclosures, Servicing Contracts*
  - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - Amendment to PAS 19, *Employee Benefits, Discount Rate: Regional Market Issue*
  - Amendment to PAS 34, *Interim Financial Reporting, Disclosure of Information 'Elsewhere in the Interim Financial Report'*

Future Changes in Accounting Policies

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Parent Company does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Parent Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2017

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

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

  The Parent Company will include the required disclosures in its 2017 consolidated financial statements.

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

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

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

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

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

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

The amendment is not expected to have any impact to the Parent Company.

Effective beginning on or after January 1, 2018

- Amendment to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- Amendment to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments with PFRS 4*
- Amendment to PFRS 15, *Revenue from Contracts with Customers*.
- Amendment to PFRS 9, *Financial Instruments*
- Amendment to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (*Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle*)*
- Amendment to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Considerations.*

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

Deferred effectivity

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

Summary of Significant Accounting Policies

Presentation of Parent Company Financial Statements
The Parent Company has elected to present all items of recognized income and expenses in two statements: a statement displaying components of profit or loss in the Parent Company statement of income and a second statement beginning with profit or loss and displaying components of other comprehensive income (OCI) in the Parent Company statement of comprehensive income.

Foreign Currency-Denominated Transactions
Transactions in foreign currencies are initially recorded using the prevailing exchange rate at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are restated at the closing exchange rate at the end of the reporting period. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the transaction.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial Recognition
The Parent Company recognizes a financial asset or a financial liability in the Parent Company statement of financial position when it becomes a party to the contractual provisions of the instrument.

All financial instruments are initially recognized at fair value. Except for financial assets and financial liabilities at fair value through profit of loss (FVPL), the initial measurement of financial instruments includes transaction costs. The Parent Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, loans and receivables or as hedging instrument in an effective hedge as appropriate. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date i.e., the date that an asset is delivered to or by an entity.

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

The Parent Company classifies its financial liabilities into financial liabilities at FVPL, loans and borrowings, trade and other payables or as derivative designated as hedging instrument in an effective hedge, as appropriate. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates such designation at each end of the reporting period.

The Parent Company's financial assets are in the nature of loans and receivables, while its financial liabilities are in the nature of trade and other payables, loans and borrowings. As at December 31, 2016 and 2015, the Company has no financial assets classified as at FVPL, HTM and AFS financial assets and derivatives designated as hedging instruments in an effective hedge. Further, the Parent Company has no financial liabilities classified as at FVPL and derivatives designated as hedging instrument in an effective hedge as at December 31, 2016 and 2015.

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

Loans and Receivables
These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as "financial assets held for trading" or designated as "AFS Financial assets" or "financial assets at FVPL."

After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization and losses arising from impairment are recognized in "Other income (charges)" in the parent company statement of income.

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.

The Parent Company's cash, trade and other receivables, advances to related parties, deposits under "Prepayments and other current assets" and mine rehabilitation fund (MRF) under "Other noncurrent assets" are classified as loans and receivables (see Notes 4, 5, 7, 8,11 and 13).

Trade and other payables
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations (e.g., accounts payable, accrued liabilities). Payables are included in current liabilities if maturity is within 12 months from the end of the financial reporting period or within the Parent Company's normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent liabilities.

Payables are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

This accounting policy relates to the Parent Company's trade and accrued expenses under "Trade and other payables" (see Note 12).

Loans and Borrowings
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. Loans and borrowings are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the parent statement of income. Gains and losses are recognized in "Other income (charges)" in the parent company statement of income when the liabilities are derecognized as well as through the amortization process.

Loans and borrowings are classified as current when these are expected to be settled within 12 months after the end of the reporting period and if the Parent Company has an unconditional right to defer settlement for at least 12 months from the end of the reporting period. Otherwise, these are classified as noncurrent liabilities.

The Parent Company's loans and borrowings include trade and other payables (excluding balances payable to government agencies arising from withholding taxes and payroll deductions), advances from related parties and loans payable (see Notes 12, 13 and 16).

Derecognition of Financial Assets and Liabilities

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

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

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

Where the Parent Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of Parent Company's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay. In that case, the Parent 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 Parent Company has retained.

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognized in the Parent Company statement of income.

Impairment of Financial Assets Carried at Amortized Cost
An assessment is made at each reporting period to determine whether there is objective evidence that a specific financial asset is impaired.

The Parent Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Evidence of impairment may include indications that the borrower is experiencing significant difficulty, default or delinquency in payments, the probability that they will enter bankruptcy, or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial 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. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as customer type, past due status and term.

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 assets' original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in the statement of income.

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

With respect to receivables, the Parent Company maintains a provision for impairment losses of receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this provision is evaluated by management on the basis of factors that affect the collectibility of the accounts. A review of the age and status of receivables, designed to identify accounts to be provided with allowance, is performed regularly. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery. If a write off is later recovered, the recovery is recognized in the Parent Company statement of income.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Parent Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Parent Company and all of the counterparties.

Fair Value Measurement

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 27.

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 the Parent 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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Parent 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 statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- 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 Parent Company financial statements on a recurring basis, the Parent 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 the end of each reporting period.

<u>Inventories</u>
Inventories, which consist of gold and silver bullions, metal in circuit, ore stockpile and materials and supplies used in the Parent Company's operations, are physically measured or estimated and valued at the lower of cost and net realizable value (NRV). NRV is the estimated future sales price of the product that the entity expects to realize when the product is processed and sold, less estimated costs to complete production and bring the product to sale. Where the time value of money is material, these future prices and costs to complete are discounted.

Mine Products Inventory
Mine products inventory, which pertains to bullions, and ore stockpile, containing gold and silver, are stated at lower of cost and NRV.

NRV for mine products inventory is the selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Materials and Supplies
Materials and supplies are valued at lower of cost and NRV. It comprises all costs of purchase and other costs incurred in bringing the materials and supplies to their present location and condition. The purchase cost is determined on a moving average basis.

A regular review is undertaken to determine the extent of any provision for obsolescence.

<u>Prepayments and Other Current Assets</u>
Prepayments
Prepayments are expenses paid in advance and recorded as asset, before these are used or consumed, as the service or benefit will be received in the future. Prepayments expire and are recognized as expenses either with the passage of time or through use or consumption.

Input Taxes
Input taxes, which represent value-added tax (VAT) arising from purchases of goods and services, are carried at cost and included as part of "Prepayment and other current assets" in the Parent Company statement of financial position. Input VAT on capitalized assets subject to amortization is presented as "Deferred Input VAT" in the Parent Company statement of financial position. This may either be applied against future output tax liabilities or claimed for tax credit or refund. The Company conducts regular assessment on the recoverability of the account balance depending on how this is to be utilized. The amount of the loss is measured as the difference between the

recoverable amount and the carrying amount of the asset. Impairment loss is recognized in profit or loss as the difference between the asset's carrying amount and estimated recoverable value, and the carrying amount of the asset is reduced through the use of an allowance account.

Creditable Withholding Taxes (CWTs) and Tax Credit Certificates (TCCs)
CWTs are withheld from income subject to expanded withholding taxes (EWT) while TCCs are input VAT applied for by the Company and approved as tax credit certificate by the Bureau of Internal Revenue (BIR). CWTs and TCCs can be utilized as payment for income taxes provided that they are properly supported by certificates of creditable withholding tax withheld at source subject to the rules in Philippine income taxation. CWTs and TCCs are expected to be utilized as payment for income taxes within 12 months and are classified as current assets.

Investment in Subsidiaries
A subsidiary is an entity that is controlled by another entity. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiaries are accounted for under the cost method less any impairment losses. Cost method is a method of accounting for an investment whereby the investment is recognized at cost. The investor recognizes income from the investment only to the extent that the investor receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company and its accounting policies conforms to those used by the Company for like transactions and events in similar circumstances. Where necessary, adjustments are made to bring the accounting policies of the subsidiaries in line with those of the Company.

Property, Plant and Equipment
Following initial recognition at cost, property, plant and equipment is carried at revalued amounts, which represent fair value at date of revaluation less any subsequent accumulated depreciation, depletion and impairment losses.

The initial cost of property, plant and equipment comprises the purchase price or construction cost, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the property, plant and equipment to its working condition and location for its intended use. Such cost includes the cost of replacing parts of such property, plant and equipment, if the recognition criteria are met. All other repairs and maintenance are charged to current operations during the financial period in which these are incurred.

Valuations are performed frequently enough to ensure that the fair value of a revalued property, plant and equipment does not significantly differ from its carrying amount. Any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount. The increase of the carrying amount of an asset as a result of a revaluation is credited directly to other comprehensive income, unless it reverses a revaluation decrease previously recognized as an expense, in which case it is credited in profit or loss. A revaluation decrease is charged directly against any related revaluation surplus, with any excess being recognized as an expense in profit or loss.

Deferred income tax is provided on the temporary difference between the carrying amount of the revalued property, plant and equipment and its tax base. Any taxable temporary difference reflects the tax consequences that would follow from the recovery of the carrying amount of the asset through sale (non-depreciable assets) and through use (depreciable assets), using the applicable tax rate.

Each year, the Company transfers, from the revaluation surplus reserve to retained earnings, the amount corresponding to the difference, net of tax, between the depreciation charges calculated based on the revalued amounts and the depreciation charge based on the assets' historical costs.

Construction in progress is stated at cost, which includes cost of construction and other direct costs less any impairment in value. Construction in-progress is not depreciated nor depleted until such time as the relevant assets are completed and put into operational use.

Gain and loss on disposal of an asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the Parent Company statement of income. On disposal of the revalued asset, the relevant revaluation surplus, included in the reserve account, is transferred directly to retained earnings.
The Company's future retained earnings is restricted to the extent of the revaluation surplus recognized in equity.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Type of Asset	*Estimated Useful Life in Years*
Buildings and improvements	5 to 33
Mining and milling equipment	5 to 20
Power equipment	10 to 13
Roads and bridges, and land improvements	2 to 19
Exploration equipment and others	3 to 15

The assets' residual values, estimated recoverable reserves and useful lives are reviewed and adjusted, if appropriate, at each end of the reporting period.

Property, plant and equipment is depreciated or depleted from the moment the assets are available for use and after the risks and rewards are transferred to the Company. Depreciation and depletion cease when the assets are fully depreciated or depleted, or at the earlier of the period that the item is classified as held for sale (or included in the disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the period the item is derecognized.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each end of the reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Development Cost and Mine and Mining Properties
When it has been established that a mineral deposit is commercially mineable, development sanctioned, and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), amounts previously carried under deferred exploration costs are tested for impairment and transferred to mine development costs.

Subsequent expenditures incurred to develop a mine on the property prior to the start of mining operations are stated at cost and are capitalized to the extent that these are directly attributable to an area of interest or those that can be reasonably allocated to an area of interest, which may include costs directly related to bringing assets to the location and condition for intended use and costs incurred, net of any revenue generated during the commissioning period, less any impairment in value. These costs are capitalized until assets are already available for use or when the Company has already achieved commercial levels of production at which time, these costs are moved to mine and mining properties.

Commercial production is deemed to have commenced when management determines that the completion of operational commissioning of major mine and plant components is completed, operating results are being achieved consistently for a period of time and that there are indicators that these operating results will be continued.

No depreciation or depletion is charged during the mine exploration or development phases.

Upon start of commercial operations, mine development costs are transferred as part of mine and mining properties. These costs are subject to depletion, which is computed using the units-of-production method based on proven and probable reserves. Mine and mining properties include the initial estimate of provision for mine rehabilitation and decommissioning.

Development costs, including construction in-progress incurred from an already operating mine area, are stated at cost and included as part of mine and mining properties. These pertain to expenditures incurred in sourcing new resources and converting them to reserves, which are not depleted or amortized until such time as these are completed and become available for use.

The carrying value of mine and mining properties transferred from mine development costs represents total expenditures incurred to date on the area of interest, net of gross margin from saleable material recognized during the pre-commercial production period, if any.

Deduction is only appropriate if it can clearly be shown that the production of the saleable material is directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management.

<u>Deferred Exploration Costs</u>
Expenditures for mine exploration work prior to drilling are charged to the Parent Company statement of income. Deferred exploration costs represent capitalized expenditures related to the acquisition and exploration of mining properties, including acquisition of property rights, which are stated at cost and are accumulated in respect of each identifiable area of interest, less any impairment in value.

The Company classifies deferred exploration costs as tangible or intangible according to the nature of the asset acquired or cost incurred and applies the classification consistently. Certain deferred exploration costs are treated as intangible (e.g., license and legal fees), whereas others are tangible (e.g., submersible pumps). To the extent that a tangible asset is consumed in developing an intangible asset, the amount reflecting that consumption is part of the cost of the intangible asset. However, using a tangible asset to develop an intangible asset does not change a tangible asset into an intangible asset.

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

Other noncurrent assets
Other noncurrent assets include noncurrent portion of deferred input VAT, deposits, mine rehabilitation funds, national transmission lines and mining software of the Company.

These are carried at historical cost and classified as noncurrent since the Company expects to utilize the assets beyond 12 months from the end of the reporting period.

Mining software consists of acquired computer software licenses and is capitalized on the basis of the costs incurred to acquire and bring to use the said software. These costs are amortized on a straight-line basis over the assets' estimated useful lives of three years.

Impairment of Nonfinancial Assets
Advances to Suppliers and Contractors, and Prepayments and Other Current Assets
At each end of the reporting period, these assets are reviewed to determine whether there is any indication that those assets have suffered impairment loss. If there is an indication of possible impairment, the recoverable amount of assets are estimated and compared with their carrying amounts. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in the Parent Company statement of income.

Investment in Subsidiaries
The Company determines at each end of the reporting period whether there is any objective evidence that its investment in subsidiaries is impaired. If this is the case, the Company calculates the amount of impairment as being the difference between the fair value of the investment and the acquisition cost and recognizes the amount of difference in the Parent Company statement of income.

An assessment is made at each end of reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the investments' recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amounts of the investments are increased to their recoverable amounts. The increased amounts cannot exceed the carrying amounts that would have been determined had no impairment loss been recognized for the assets in prior years. Such reversal is recognized in the statement of income.

Property, Plant and Equipment and Other Noncurrent Assets
The Company assesses at each reporting period whether there is an indication that property, plant and equipment, and other noncurrent assets may be impaired when events or changes in circumstances indicate that the carrying values of the said assets may not be recoverable. If any such indication exists and if the carrying value exceeds the estimated recoverable amount, the assets or CGUs are written down to their recoverable amounts. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use (VIU) 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 assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the Parent Company statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each end of the reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, depletion and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Parent Company statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The Company also provides allowance for impairment losses on mine and mining properties when these can no longer be realized. A valuation allowance is provided for unrecoverable costs of mine and mining properties based on the Company's assessment of the future prospects of a project. Full provision is made for the impairment unless it is probable that such costs are expected to be recouped through successful mine operations of the area of interest, or alternatively, by its sale. If the project does not prove to be viable or is abandoned, all revocable costs associated with the project and the related impairment provisions are written off.

Deferred Exploration Costs
An impairment review is performed when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the reporting period in which this is determined. Deferred exploration costs are carried forward provided that at least one of the following indicators is met:

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

<u>Provisions</u>
General
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. 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 assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as finance cost in the Parent Company statement of income. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented on the Parent Company statement of income, net of any reimbursement.

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

Retirement Benefits Costs
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 the Parent Company statement of income. 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 the Parent Company statement of income.

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 other comprehensive income in the period in which these arise. Remeasurements are not reclassified to profit or loss in subsequent periods. Remeasurements recognized in other comprehensive income 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 these 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 expenditures required to settle a defined benefit obligation is recognized as a separate asset at fair value when, and only when, reimbursement is virtually certain.

Equity

Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as APIC. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When the retained earnings account has a debit balance, it is called "deficit." A deficit is not an asset but a deduction from equity. Dividends are recognized as a liability and deducted from equity when these are approved by the BOD of the Company. Dividends for the period that are approved after the end of the reporting period are dealt with as an event after the reporting period.

Deposit for Future Stock Subscription

This pertains to the amount of cash received as payment for future issuance of stocks. This is classified as an equity instrument when the Company will deliver a fixed number of its own equity instruments in exchange for a fixed amount of cash or another financial asset. Otherwise, it is classified under liabilities.
In instances where the Company does not have sufficient unissued authorized capital stock, the following elements should be present as at the balance sheet date in order for the deposits for future subscriptions to qualify as equity:

- the unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- there is BOD approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation);
- there is stockholders' approval of said proposed increase and;
- the application for the approval of the proposed increase has been filed with the Philippine SEC.

Earnings (Loss) Per Share

Basic

Basic earnings (loss) per share is calculated by dividing the net income (loss) attributable to ordinary stockholders of the Company by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Company and held as treasury shares.

Diluted
Diluted earnings (loss) per share is calculated by dividing the net income (loss) attributable to ordinary stockholders of the company by the weighted average number of common shares outstanding, adjusted for any stock dividends declared during the year plus weighted average number of ordinary shares that would be issued on the conversion of all potentially dilutive common shares during the period.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

Revenue from Mine Products
Revenue from mine products is recognized at completion of production. It is measured based on the metal shipment's value price, which is based on quoted metal prices in the London Bullion Market Association, and weight and assay content as adjusted at a later period, net of marketing charges, to reflect the NRV of mine products inventory at the end of the financial reporting period. Contract terms for the Company's sale of metals (i.e., gold and silver) in bullion provide for price adjustment based on the final assay by the customer to determine metal content.

The terms of the sales contract contain provisional arrangements whereby the selling price for the metals can be based on prevailing spot prices after shipment to the refiner. Smelting, freight and interest are deducted from the proceeds received by the Company.

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

Costs and Expenses
Cost 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 decrease in equity, other than those relating to distributions to equity participants. Cost and expenses are recognized in Parent Company statement of income in the period these are incurred.

Cost of Production
Cost of production is recognized when incurred in the normal course of business. It is comprised mainly of mining and milling costs, contracted services, depreciation, depletion and amortization, personnel costs, power and utilities, rentals, marketing and others, which are provided in the period when the goods are delivered.

Excise Taxes
Excise taxes pertain to the taxes due from the Company for its legal obligation arising from its mine products. Excise taxes are expensed as incurred.

General and Administrative Expenses
General and administrative expenses pertain to costs associated in the general administration of day-to-day operations of the Company. Included under general and administrative expenses are selling expenses, which are incurred by the Company to market and distribute its products such as advertising, salaries, and shipping charges. These are generally recognized when the expense arises.

Other Income (Charges)
Other income and charges of the Parent Company include incidental income earned and expenses incurred arising from activities of the Parent Company which are not directly related to the ordinary course of business. Other income and charges are recognized when earned and incurred, respectively.

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.

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 the Parent Company statement of income in the period in which these are incurred.

Leases
Determination of Whether an Arrangement Contains a Lease
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the date of inception and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

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

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

Operating Leases
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the Parent Company statement of income on a straight-line basis over the lease terms.

Income Taxes
Current Income Tax
Current tax liabilities for the current and prior year periods are measured at the amount expected to be paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as of the financial reporting date.

Deferred Income Tax
Deferred income tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry-forward benefits of unused net operating loss carry-over (NOLCO) and excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences, unused NOLCO and excess of MCIT over RCIT can be utilized.

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

Deferred income tax assets are measured at the tax rate that is expected to apply to the period when the asset is realized based on tax rate and tax laws that has been enacted or substantively enacted as at the reporting date.

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

Income tax relating to items recognized directly in equity is recognized in equity and not in the Parent Company statement of income.

<u>Operating segments</u>
The Company's operating businesses are recognized and managed according to the nature of the products or services offered, with each segment representing a strategic business unit that serves different markets.

Segment assets include operating assets used by a segment and consist principally of operating cash, trade and other receivables, deferred exploration cost, and property, plant and equipment, net of allowances and provisions.

Segment liabilities include all operating liabilities and consist principally of trade and other payables and accrued expenses.

Segment revenue, expenses and profit include transfers between business segments. The transfers are accounted for at competitive market prices charged to unaffiliated customers for similar products. Such transfers are eliminated in the consolidation.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the President that makes strategic decisions.

Contingencies
Contingent liabilities are not recognized in the Parent Company financial statements. These are, however, disclosed in the notes to Parent Company financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the Parent Company financial statements but disclosed in the notes to Parent Company financial statements when an inflow of economic benefits is probable.

Events after the Reporting Period
Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the Parent Company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the Parent Company financial statements when material.

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Parent Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the accompanying disclosures. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the Parent Company financial statements as they become reasonably determinable.

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

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those including estimations and assumptions, which have the most significant effect on the amount recognized in the Parent Company financial statements.

Determination of the Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine peso. In making this judgment, the Company considered the following:

a. The currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales price for its financial instruments and services are denominated and settled.);
b. The currency in which funds from financing activities are generated; and
c. The currency in which receipts from operating activities are usually retained.

The Philippine peso is the currency of the primary economic environment in which the Company operates.

Assessment of Control over Subsidiaries
The Company has wholly-owned subsidiaries. Management concluded that the Company controls subsidiaries as the Company has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- exposure, or rights, to variable returns from its involvement with the investee and
- the ability to use its power over the investee to affect its returns.

As at December 31, 2016, the Parent Company assessed that it has control over MORE and ISRI and has accounted for the investment as investments in subsidiaries.

Assessment Whether an Agreement is a Finance or Operating Lease
Management assesses at the inception of the lease whether an arrangement is a finance or operating lease based on who bears substantially all the risk and benefits incidental to the ownership of the leased item. Based on management's assessment, the risk and rewards of owning the items leased by the Company are retained by the lessor and therefore accounts for such lease as operating lease.

Operating Lease - Company as a Lessee
The Company has entered into several contracts of lease and has determined that the lessors retain all the significant risks and rewards of ownership of these properties due to the following:
a. The ownership of the asset does not transfer at the end of the lease term;
b. The Company has no option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date of the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
c. The lease term is not for the major part of the economic life of the asset even if title is not transferred; and
d. At the inception of the lease, the present value of the minimum lease payments does not amount to at least substantially all of the fair values of the leased assets.

Operating leases of the Company are related to leases of mining and milling equipment, transportation vehicles and others.

Assessment of the Production Start Date
The Company assesses the stage of each mine development project to determine when a mine moves into the production stage. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Company considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase. Some of the criteria include, but are not limited to the following:
- the level of capital expenditure compared to construction cost estimates;
- completion of a reasonable period of testing of the property, plant and equipment;
- ability to produce ore in saleable form; and
- ability to sustain ongoing production of ore.

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

Classification of Financial Instruments
The Company exercises judgments in classifying a financial instrument on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Parent Company statement of financial position.

In addition, the Company classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognized in the Parent Company financial statements within the next financial year are discussed below.

Assessment of the Recoverability of Deferred Exploration and Mine Development Costs
The application of the Company's accounting policy for deferred exploration and mine development costs requires judgment in determining whether future economic benefits are likely, either from future exploitation or sale, or where activities have reached a stage, that permits a reasonable assessment of the existence of ore resource and/or reserves. The determination of a resource is itself an estimation process that has varying degrees of uncertainty depending on a number of factors, which estimate directly impacts the determination of whether ore reserves could eventually be developed to justify capitalization of exploration and mine development expenditures. The capitalization policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether economically viable extraction operations can be established. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available. Deferred exploration costs amounted to ₱786.07 million and ₱744.87 million as at December 31, 2016 and 2015, respectively. Capitalized mine development costs classified under property, plant and equipment amounted to ₱1.64 billion and ₱1.65 billion as at December 31, 2016 and 2015, respectively (see Notes 9 and 10).

Estimation of Ore Reserves
Recoverable ore reserves are determined using various factors that affect the viability of mining operations such as the ore resource, the market price of metals and other operating and economic parameters. The computed recoverable reserve is used in the calculation of depletion rate and, when needed, in the testing of the overall recoverability of the mining assets. Mine and mining properties, net of accumulated depletion, amounted to ₱2.80 billion and ₱2.49 billion as at December 31, 2016 and 2015, respectively (see Note 9).

Estimation of Impairment of Nonfinancial Assets, including Investment in Subsidiaries, Property, Plant and Equipment and Other Noncurrent Assets
The Company evaluates whether investment in subsidiaries, property and equipment and nonfinancial other noncurrent assets have suffered any impairment either annually or when circumstances indicate that related carrying amounts are no longer recoverable. The recoverable amounts of these assets have been determined based on either VIU or fair value, if said

information is readily available.

Estimation of VIU requires the use of estimates on cost projections, gold and silver prices, foreign exchange rates and mineral reserves, which are determined based on an approved mine plan, fluctuations in the market and assessment of either internal or third-party geologists, who abide by certain methodologies that are generally accepted within the industry. Fair value is based on the results of assessment done by independent appraisers engaged by the Company. The approach utilizes prices recently paid for similar assets with adjustments made to the indicated market price to reflect condition and utility of the appraised assets relative to the market comparable.

Aggregate net book values of investment in subsidiaries, property, plant and equipment and nonfinancial other noncurrent assets amounted to ₱11.48 billion and ₱11.19 billion as at December 31, 2016 and 2015, respectively (see Notes 8, 9 and 11).

These are subjected to impairment testing when impairment indicators are present. Write-off of property, plant and equipment, and other nonfinancial noncurrent assets were recognized in 2016, 2015 and 2014 amounted to ₱4.98 million, ₱6.00 million and ₱136.01 million, respectively (see Note 21).

Estimation of Allowance for Doubtful Accounts on Trade and other Receivables and Advances to Related Parties

If the Company assessed that there is objective evidence that an impairment loss has been incurred on its trade and other receivables and advances to related parties, the Company estimates the related allowance for doubtful accounts on receivables that are specifically identified as doubtful of collection. The level of allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. In these cases, the Company uses judgment based on the best available facts and circumstances, including but not limited to, the length of its relationship with the customer and the customer's credit status based on third-party credit reports and known market factors, to record specific reserves for customers against amounts due in order to reduce the receivables to amounts that the Company expects to collect. These specific reserves are re-evaluated and adjusted as additional information received affect the amounts estimated.

The allowance for doubtful accounts as at December 31, 2016 and 2015, represents the amounts estimated to be uncollectible amounting to ₱1.70 million and ₱1.77 million, after the write off of allowance amounting to ₱0.06 million and ₱0.56 million, respectively (see Note 5). No provision for impairment losses were made in 2016, 2015 and 2014 on trade and other receivables and advances to related parties as management believes that these will be recovered within the terms established with the debtors.

As at December 31, 2016 and 2015, the carrying values of receivables amounted to ₱103.83 million and ₱18.08 million, respectively (see Note 5). The carrying value of advances to related parties amounted to ₱306.51 million and ₱141.48 million respectively (see Note 13).

Estimation of Allowance for Inventory Losses and Obsolescence

The Company maintains an allowance for inventory losses and obsolescence at a level considered adequate to reflect the excess of cost of inventories over their NRV. NRV of inventories are assessed regularly based on prevailing estimated selling prices of inventories and the corresponding cost of disposal. Increase in the NRV of inventories will increase cost of inventories but only to the extent of original acquisition costs.

The Company recorded reversal of provision for inventory losses and obsolescence amounting to nil and ₱12.96 million and provided an additional provision amounting to ₱18.56 million and nil in 2016 and 2015, respectively. As at December 31, 2016 and 2015, the carrying amounts of inventories amounted to ₱685.28 million and ₱657.59 million, respectively, net of allowance for inventory losses and obsolescence of ₱86.15 million and ₱67.59 million as at those dates (see Notes 6 and 21).

Assessment of the Realizability of Nonfinancial Prepayments and Other Current Assets
A review to determine the realizability of the asset is made by the Company on a continuing basis yearly. The assessment as to the realizability of the nonfinancial other current assets is based on how the Company can utilize these assets.

No impairment loss and allowance for impairment loss has been recognized as at December 31, 2016 and 2015 as the management believes it will realize its value through continuing use. The aggregate carrying value of nonfinancial prepayments and other current assets amounted to ₱360.58 million and ₱410.17 million as at December 31, 2016 and 2015, respectively, and is included under "Prepayments and other current assets" caption in the Parent Company statement of financial position (see Note 7).

Estimating Impairment of the Investment in Subsidiaries
PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the fair value of the investment in subsidiaries requires the Company to make estimates and assumptions that can materially affect its Parent Company financial statements. Future events could cause the Company to conclude that the investment is impaired. Any resulting impairment loss could have a material adverse impact on the Parent Company statement of financial position and Parent Company statement of income.

No allowance for impairment loss has been recognized as at December 31, 2016 as management has assessed that there were no impairment indicators. Investment in subsidiaries amounted to ₱5.55 billion and ₱5.54 billion as at December 31, 2016 and 2015, respectively (see Note 8).

Estimation of Fair Value, Useful Lives and Residual Values of Property, Plant and Equipment
The Company estimates the fair value, useful lives and residual values of property, plant and equipment based on the results of assessment of independent appraisers. Fair value and estimated useful lives of the property, plant and equipment are reviewed periodically, and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets.

Management does not expect carrying amounts of property, plant and equipment as at December 31, 2016 and 2015 to materially vary in the succeeding year as the most recent revaluation adjustment was only recognized during the year based on appraisal report dated April 17, 2015 covering certain items of the Company's property, plant and equipment.

There were no changes in the estimated fair values, useful lives and residual values of property, plant and equipment in 2016. Remaining property, plant and equipment as at December 31, 2016 and 2015 are expected to be realized through continued use under the current mining plan with none identified subject for sale or disposal.

Property, plant and equipment at fair value as at December 31, 2016 and 2015 has net book values amounting to ₱5.88 billion and ₱5.57 billion respectively, while property, plant and equipment at cost as at December 31, 2016 and 2015 amounted to ₱5.50 billion and ₱5.17 billion, respectively (see Note 9). The estimated useful lives are disclosed in Note 2 to the parent company financial statements. The estimated useful lives are disclosed in Note 2 to the parent company financial statements. In 2016, there was a decrease in depreciation amounting to ₱116.11 million as a result of changed in the estimated fair values, useful lives of property, plant and equipment in 2015.

Estimation of Depletion Rate
Depletion rates used to amortize mine and mining properties are annually assessed based on a latest estimate of recoverable ore reserves. The Company estimates its ore reserves in accordance with local regulatory guidelines provided under the Philippine Mineral Reporting Code, duly reviewed and certified by a Competent Person.

Depletion rates used to amortize mine and mining properties in 2016 and 2015 were 10% and 22%, respectively. Depletion costs amounted to ₱259.98 million, ₱118.96 million and ₱134.39 million in 2016, 2015 and 2014, respectively. Mine and mining properties, net of accumulated depletion, amounted to ₱2.80 billion and ₱2.49 billion as at December 31, 2016 and 2015, respectively (see Note 9).

Estimation of Provision for Mine Rehabilitation and Decommissioning
The Company assesses its provision for mine rehabilitation and decommissioning annually. Significant estimates and assumptions are made in determining the provision as there are numerous factors that will affect it. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rates, which uncertainties may result in future actual expenditure differing from the amounts currently provided. Changes to estimated future costs are recognized in the Parent Company statement of financial position by adjusting the rehabilitation asset against the corresponding liability. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation and other costs required.

Accretion expense amounted to ₱0.74 million, ₱0.61 million and ₱0.29 million in 2016, 2015 and 2014, respectively (see Note 24). As at December 31, 2016 and 2015, the provision for mine rehabilitation and decommissioning amounted to ₱42.84 million and ₱44.03 million, respectively (see Note 15).

Estimation of Retirement Benefits
The costs of defined benefit retirement as well as the present value of the provision for retirement benefits 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, retirement benefit liability is highly sensitive to changes in these assumptions. All assumptions are reviewed at each end of the reporting period.

Retirement benefits costs amounted to ₱38.08 million, ₱38.16 million and ₱23.12 million in 2016, 2015 and 2014, respectively. Provision for retirement benefits amounted to ₱163.68 million and ₱147.65 million as at December 31, 2016 and 2015, respectively. Benefits paid in 2016 amounted to ₱2.91 million (see Note 14).

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 14.

Assessment on Provisions and Contingencies
The Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with in-house and outside counsel handling the Company's defense in these matters and is based upon an analysis of potential results. The Company currently assessed that these proceedings will not have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 28).

Assessment of Realizability of Deferred Income Tax Assets
The Company reviews the carrying amounts of deferred income taxes assets at each end of the reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax assets to be utilized. Accordingly, the Company did not recognize deferred tax assets in respect of deductible temporary differences and unused tax losses. As at December 31, 2016 and 2015, unrecognized deferred income tax assets amounted to ₱724.27 million and ₱1.19 billion, respectively. (see Note 25).

Estimation of Legal Contingencies
The Company evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsel believe that the Company has substantial legal and factual bases for its position and are of the opinion that losses arising from these cases, if any, will not have material impact on the Parent Company's financial statements. No provision for probable losses arising from these cases was recognized in the financial statements as at December 31, 2016 and 2015 (see Note 28).

4. Cash

	2016	2015
Cash on hand	**₱653,595**	₱1,332,060
Cash in bank	**125,964,890**	175,381,441
	₱126,618,485	₱176,713,501

Cash in bank earns interest at the respective bank deposit rates.

Interest income, net of final tax, arising from cash in banks amounted to ₱0.86 million, ₱1.20 million and ₱0.36 million in 2016, 2015 and 2014, respectively (see Note 21).

The Company has foreign currency-denominated cash amounting to US$0.23 million and US$2.22 million as at December 31, 2016 and 2015, respectively (see Note 26).

5. Trade and Other Receivables

	2016	2015
Trade	**₱99,978,358**	₱7,578,310
Advances to officers and employees	**3,511,090**	8,061,973
Others	**2,048,119**	4,204,976
	105,537,567	19,845,259
Less allowance for doubtful accounts	**1,702,678**	1,765,700
	₱103,834,889	₱18,079,559

Trade receivables are non-interest bearing and are generally on less than 15 days' terms. These are related to the gold and silver refining and transportation agreements entered into by the Company with Heraeus Limited (Heraeus), a refining company based in Hong Kong (see Note 28).

Advances to suppliers and contractors comprise mainly of advance payments made by the Company relating to services, materials and supplies necessary in the operations. These are non-interest bearing and will be realized through offsetting against future billings from suppliers and contractors.

Advances to officers and employees pertain to cash advances that are subject to liquidation within 10 to 30 days.

Other receivables comprise of advances for social security claims and medical benefits of employees. These said advances will be settled by the employees once their claims or benefits have been received from the related agency.

The Company's receivables consist mainly of individually significant accounts and were therefore subject to the specific impairment approach. Based on management's assessment of the collectibility of the accounts, the Company recognized allowance for impairment losses on the receivables that are considered individually impaired amounting to ₱1.70 million and ₱1.77 million as at December 31, 2016 and 2015. The Company wrote off allowance for doubtful accounts amounting to ₱0.06 million and ₱0.56 million in 2016 and 2015, respectively.

The Company has foreign currency-denominated trade and other receivables amounting to US$2.01 million and US$0.16 million as at December 31, 2016 and 2015, respectively (see Note 26).

6. **Inventories** - NRV

	2016	2015
Gold and silver bullions	**₱184,130,287**	₱137,258,113
Ore stockpile	**155,925,349**	189,190,286
	340,055,636	326,448,399
Materials and supplies	**431,375,556**	398,731,747
Less allowance for inventory losses and obsolescence	**86,151,412**	67,594,945
	345,224,144	331,136,802
	₱685,279,780	₱657,585,201

Cost of inventories recognized as part of cost of production amounted to ₱791.20 million, ₱672.14 million and ₱634.28 million in 2016, 2015 and 2014, respectively (see Note 19).

Cost of materials and supplies recognized as part of general and administrative expense in 2016, 2015 and 2014 amounted to ₱2.07 million, ₱3.58 million and ₱2.47 million, respectively (see Note 20).

The Company recognized ₱6.24 million of the prior year capitalized depreciation, depletion and amortization on inventories. (see Note 22).

Movements in allowance for inventory losses and obsolescence are as follows:

	2016	2015
Beginning balances	**₱67,594,945**	₱80,550,746
Provision (Note 21)	**18,556,467**	–
Reversal (Note 21)	–	(12,955,801)
Ending balances	**₱86,151,412**	₱67,594,945

The Company recorded an additional provision for inventory losses and obsolescence amounting to ₱18.56 million in 2016 while reversed a provision amounting to ₱12.96 million in 2015 (see Note 21).

The Company has written off materials and supplies amounting to nil, ₱0.06 million and nil in 2016, 2015 and 2014, respectively. However, the Company recovered materials and supplies previously written-off of nil, nil and ₱5.99 million in 2016, 2015 and 2014, respectively (see Note 21).

7. Prepayments and Other Current Assets

	2016	2015
Input VAT	**₱186,380,223**	₱142,749,098
Advances to suppliers and contractors	**70,335,919**	208,567,208
Deferred input VAT	**39,182,769**	37,529,895
TCCs	**30,543,782**	1,588,122
Prepayments	**9,420,343**	4,056,383
Others	**24,717,940**	15,682,273
	₱360,580,976	₱410,172,979

Input VAT represents VAT imposed on the Company by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations. The Company applied for the conversion of the unused input VAT into a tax credit certificate which the Company used to pay for its excise tax. TCCs are previously recognized input VAT that was approved by regulatory agencies to be converted to TCCs. These can be utilized through application against national taxes such as income, excise, etc.

The Company written off input VAT amounting to ₱1.76 million, ₱0.75 million and nil in 2016, 2015 and 2014, respectively (see Note 21).

Deferred input VAT pertains to input VAT on purchases of or importation of capital goods exceeding ₱1.00 million in a calendar month. The current portion pertains to input VAT, which will be amortized within 12 months from the end of the reporting period.

Prepayments include licenses and premiums on insurance policies covering the Company's vehicles and employees.

Others pertain to deposits made by the Company to non-bank entities including service professionals and advances for an investment made to a broker.

8. Investment in Subsidiaries

	Nature of Business	% of Ownership Direct 2016	Indirect 2016	Direct 2015	Indirect 2015	Country of Incorporation	2016	2015
Subsidiaries:								
MORE	Mining	**100**	–	100	–	Philippines	**₱5,122,161,087**	₱5,122,161,087
ISRI	Mining	**100**	–	98	–	Philippines	**426,238,126**	422,491,375
							₱5,548,399,213	₱5,544,652,462

The registered office address of MORE is in 3rd Floor, COB Extension Office, ICTSI Admin Building, MICT South Access Road, Manila.

The registered office address of ISRI is in 3303D West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City.
Below is the relevant audited financial information of MORE and ISRI:

MORE	**December 31 2016**	2015
Current assets, including cash ₱26,829,107 (2015: ₱24,536,911) and prepayments ₱80,730 (2015:₱818,956)	**₱1,351,934,752**	₱1,317,822,278
Noncurrent assets	**3,805,301,834**	3,350,239,910
Current liabilities, including income tax payable ₱1,296 (2015:₱23,723)	**64,136,089**	12,765,144
Equity	**5,089,005,752**	4,655,294,645
Cost and expenses	**22,133,757**	22,031,694
Other income (charges) - net	**10,496,175**	72,346,326
Net income (loss)	**(11,637,582)**	(50,314,632)
Other comprehensive income (loss)	**445,348,689**	(646,251,424)
Total comprehensive income (loss)	**₱433,711,107**	(₱595,936,792)

ISRI	**December 31 2016**	2015
Current assets, including cash ₱67,550,419 (2015: ₱250,773,553) and prepayments ₱26,170,936 (2015: ₱18,914,165)	**₱159,537,237**	₱295,940,355
Noncurrent assets	**308,383,293**	303,036,445
Current Liabilities	**280,060,159**	370,873,287
Equity	**187,860,371**	228,703,759
Cost and expenses	**39,936,452**	28,094,542
Other charges – net	**306,690**	7,233,065
Net loss	**40,243,142**	35,327,607
Other comprehensive income	**–**	–
Total comprehensive loss	**₱40,243,142**	₱35,327,607

9. Property, Plant and Equipment

	2016							
	Buildings and improvements	Mining and milling equipment	Power equipment	Roads and bridges, and land improvements	Exploration equipment, and others	Mine and mining properties	Construction in progress	Total
At revalued amounts:								
Balance at beginning of year	**₱194,576,047**	**₱3,655,866,673**	**₱467,647,802**	**₱660,064,479**	**₱182,889,270**	**₱3,648,114,896**	**₱1,029,152,058**	**₱9,838,311,225**
Additions	**65,000**	**214,021,010**	**32,222,786**	**–**	**4,288,413**	**510,697,451**	**610,321,272**	**1,371,615,932**
Capitalized depreciation (Note 22)	**–**	**–**	**–**	**–**	**–**	**44,139,166**	**–**	**44,139,166**
Capitalized borrowing cost (Note 16)	**–**	**–**	**–**	**–**	**–**	**15,440,324**	**4,155,455**	**19,595,779**
Change in estimate of provision for mine rehabilitation and decommissioning (Note 15)		**–**	**–**	**–**	**–**	**(1,933,925)**	**–**	**(1,933,925)**
Reclassifications/transfers	**(3,356,211)**	**(27,845,529)**	**(9,272)**	**–**	**1,268,709**	**3,350,034**	**(425,139,999)**	**(451,732,268)**
Reclassifications to (from) construction in progress	**11,535,073**	**468,955,520**	**44,930,373**	**9,960,841**	**–**	**–**	**(535,381,807)**	**–**
Write-offs	**–**	**(4,980,679)**	**–**	**–**	**(850,000)**	**–**	**–**	**(5,830,679)**
Balances at end of year	**202,819,909**	**4,306,016,995**	**544,791,689**	**670,025,320**	**187,596,392**	**4,219,807,946**	**683,106,979**	**10,814,165,230**
Accumulated depreciation and amortization:								
Balances at beginning of year	**117,063,099**	**2,072,798,433**	**355,962,426**	**274,511,026**	**123,537,484**	**1,159,932,448**	**–**	**4,103,804,916**
Depreciation and depletion	**8,169,179**	**282,788,943**	**20,137,969**	**41,637,338**	**13,289,150**	**259,977,033**	**–**	**625,999,612**
Capitalized depreciation (Note 22)	**–**	**44,139,166**	**–**	**–**	**–**	**–**	**–**	**44,139,166**
Revaluation	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Reclassifications/transfers	**(1,189,748)**	**–**	**–**	**–**	**–**	**1,189,748**	**–**	**–**
Disposal and write offs	**–**	**–**	**–**	**–**	**(850,000)**	**–**	**–**	**(850,000)**
Balances at end of year	**124,042,530**	**2,399,726,542**	**376,100,395**	**316,148,364**	**135,976,634**	**1,421,099,229**	**–**	**4,773,093,694**
Allowance for impairment:								
Balances at beginning and end of year	**126,037**	**3,318,744**	**–**	**159,229,430**	**–**	**–**	**–**	**162,674,211**
Net book values	**₱78,651,342**	**₱1,902,971,709**	**₱168,691,294**	**₱194,647,526**	**₱51,619,758**	**₱2,798,708,717**	**₱683,106,979**	**₱5,878,397,325**

	2015							
	Buildings and improvements	Mining and milling equipment	Power equipment	Roads and bridges, and land improvements	Exploration equipment, and others	Mine and mining properties	Construction in progress	Total
At revalued amounts:								
Balances at beginning of year	₱166,991,882	₱2,739,755,443	₱404,201,086	₱574,960,242	₱270,059,489	₱2,780,353,885	₱960,106,333	₱7,896,428,360
Additions	3,872,091	596,306,177	58,387,340	–	12,217,148	791,234,329	539,704,351	2,001,721,436
Capitalized depreciation (Note 22)	–	–	–	–	–	57,876,936	–	57,876,936
Revaluation	23,329,863	130,206,845	(8,309,645)	(46,645,716)	(97,884,510)	–	–	696,837
Capitalized borrowing cost (Note 16)	–	–	–	–	–	24,649,746	6,863,032	31,512,778
Change in estimate of provision for mine rehabilitation and decommissioning (Note 15)	(1,357,267)	–	–	–	–	–	–	(1,357,267)
Reclassifications/transfers	(1,053,446)	(2,785,300)	(6,200,997)	–	(95,000)	(6,000,000)	(130,619,991)	(146,754,734)
Reclassifications to (from) construction in progress	2,792,924	192,383,508	19,975,282	131,749,953	–	–	(346,901,667)	–
Write-offs	–	–	(405,264)	–	(1,407,857)	–	–	(1,813,121)
Balances at end of year	194,576,047	3,655,866,673	467,647,802	660,064,479	182,889,270	3,648,114,896	1,029,152,058	9,838,311,225
Accumulated depreciation and amortization:								
Balances at beginning of year	123,162,734	2,061,420,466	359,292,756	323,899,360	269,083,917	1,040,972,503	–	4,177,831,736
Depreciation and depletion	11,517,351	95,019,373	11,260,651	36,210,852	17,949,285	118,959,945	–	290,917,457
Capitalized depreciation (Note 22)	–	70,994,586	–	–	–	–	–	70,994,586
Revaluation	(17,616,986)	(203,358,000)	(13,018,652)	(85,599,186)	(113,467,103)	–	–	(433,059,927)
Reclassifications/transfers	–	48,722,008	(1,167,065)	–	(48,722,008)	–	–	(1,167,065)
Disposal and write offs	–	–	(405,264)	–	(1,306,607)	–	–	(1,711,871)
Balances at end of year	117,063,099	2,072,798,433	355,962,426	274,511,026	123,537,484	1,159,932,448	–	4,103,804,916
Allowance for impairment:								
Balances at beginning and end of year	126,037	3,318,744	–	159,229,430	–	–	–	162,674,211
Net book values	₱77,368,911	₱1,579,749,496	₱111,685,376	₱226,324,023	₱59,351,786	₱2,488,182,448	₱1,029,152,058	₱5,571,832,098

During 2015, the Parent Company revalued its property, plant and equipment based on estimated fair values as indicated in the independent appraiser's report dated April 17, 2015. The assigned value was estimated using the cost approach method, which is based on economic principle that a buyer will pay no more for an asset that the cost to obtain an asset of equal utility, whether by purchase or by construction. The cost approach involves the appraiser coming up with the replacement cost less an allowance for accrued depreciation as evidenced by the observed condition in comparison with new units of like kind with consideration to physical deterioration and functional/economic factors.

As at April 17, 2015, the management assessed that the highest and best use of buildings and improvements, mining and milling equipment, power equipment, roads bridges and land improvements and exploration equipment and others assumes its current use which amounted to ₱2.4 billion.

Accordingly, as of the date of the revaluation, the Company recognized a net increase of ₱303.63 million which was directly credited to revaluation surplus, net of deferred taxes amounting to ₱130.13 million. During the year, the Company credited a realized portion of the revaluation surplus through depreciation, net of deferred tax, amounting to ₱21.46 million. In addition, the Company did not recognize impairment loss because there was no impairment indicators identified.

Construction in-progress consists mainly of expenditures and other construction projects at different stages of completion, as at December 31, 2016 and 2015, respectively.

Movement in revaluation surplus in equity is as follows:

	2016	2015
Balances at beginning of year	**₱283,524,013**	₱5,271,619
Appraisal increase, net of tax	**–**	303,629,735
Realized portion through depreciation, net of tax	**(21,460,140)**	(25,377,341)
Balance at end of year	**₱262,063,873**	₱283,524,013

Total revaluation surplus is not available for distribution to stockholders until this is realized through depreciation.

If the property, plant and equipment were carried at cost less accumulated depreciation and accumulated impairment loss, the amounts would be as follows:

	2016							
	Buildings and improvements	**Mining and milling equipment**	**Power equipment**	**Roads and bridges, and land improvements**	**Exploration equipment, and others**	**Mine and mining properties**	**Construction in progress**	**Total**
Cost:								
Balances at end of year	**₱179,490,047**	**₱4,175,810,150**	**₱553,101,334**	**₱716,671,036**	**₱282,642,462**	**₱4,214,257,721**	**₱683,106,979**	**₱10,805,079,729**
Accumulated Depreciation and Amortization:								
Balances at end of year	**137,050,970**	**2,560,742,312**	**388,929,941**	**393,746,659**	**236,816,044**	**1,421,099,229**	**–**	**5,138,385,155**
Allowance for impairment:								
Balances at beginning and end of year	**126,037**	**3,318,744**	**–**	**159,229,430**	**–**	**–**	**–**	**162,674,211**
Net Book Values	**₱42,313,040**	**₱1,611,749,094**	**₱164,171,393**	**₱163,694,947**	**₱45,826,418**	**₱2,793,158,492**	**₱683,106,979**	**₱5,504,020,363**

	2015							
	Buildings and improvements	Mining and milling equipment	Power equipment	Roads and bridges, and land improvements	Exploration equipment, and others	Mine and mining properties	Construction in progress	Total
Cost:								
Balances at end of year	₱171,246,185	₱3,525,659,828	₱475,957,447	₱706,710,195	₱279,633,066	₱3,648,114,896	₱1,029,152,058	₱9,836,473,675
Accumulated Depreciation and Amortization:								
Balances at end of year	132,776,227	2,209,886,217	368,741,685	356,960,806	278,704,287	1,159,932,448	–	4,507,001,670
Allowance for impairment:								
Balances at beginning and end of year	126,037	3,318,744	–	159,229,430	–	–	–	162,674,211
Net Book Values	₱38,343,921	₱1,312,454,867	₱107,215,762	₱190,519,959	₱928,779	₱2,488,182,448	₱1,029,152,058	₱5,166,797,794

The cost of fully depreciated property, plant and equipment that are still being used amounted to ₱2.99 billion and ₱2.84 billion as at December 31, 2016 and 2015, respectively.

Certain items of property, plant and equipment amounting to nil and ₱583.41 million under the mining and milling equipment category, are used as collateral to the various financing agreements entered into by the Company as at December 31, 2016 and 2015, respectively. (see Note 16).

The Company capitalized borrowing cost amounting to ₱4.15 million and ₱6.86 million for construction in progress and ₱15.44 million and ₱24.65 million for mine development in 2016 and 2015, respectively. The rate used to determine the amount of borrowing costs eligible for capitalization was 5.43% and 5.82% in 2016 and 2015, respectively (see Note 16).

	2016				
	Mine and mining properties	**Mine development cost**	**Mine rehabilitation asset**	**Mine rehabilitation asset – PPE**	**Total**
Cost:					
Balances at beginning of year	**₱1,971,447,103**	**₱1,652,783,952**	**₱23,883,841**	**₱–**	**₱3,648,114,896**
Additions	–	**510,697,451**	–	–	**510,697,451**
Capitalized borrowing cost (Note 16)	–	**15,440,324**	–	–	**15,440,324**
Capitalized depreciation (Note 22)	–	**44,139,166**	–	–	**44,139,166**
Change in estimate	–	–	**(374,660)**	**(1,559,265)**	**(1,933,925)**
Reclassifications/transfers	–	–	–	**3,350,034**	**3,350,034**
Reclassification from deferred exploration and mine development costs	**582,225,284**	**(582,225,284)**	–	–	–
Balances at end of year	**2,553,672,387**	**1,640,835,609**	**23,509,181**	**1,790,769**	**4,219,807,946**
Accumulated depletion:					
Balances at beginning of year	**1,136,567,681**	–	**23,364,767**	–	**1,159,932,448**
Reclassification/transfers	–	–	–	**1,189,748**	**1,189,748**
Depletion (Note 22)	**259,231,598**	–	**144,414**	**601,021**	**259,977,033**
Balances at end of year	**1,395,799,279**	–	**23,509,181**	**1,790,769**	**1,421,099,229**
Net book values	**₱1,157,873,108**	**₱1,640,835,609**	**₱–**	**₱–**	**₱2,798,708,717**

	2015			
	Mine and mining properties	Mine development cost	Mine rehabilitation asset	Total
Cost:				
Balances at beginning of year	₱1,568,985,563	₱1,187,484,481	₱23,883,841	₱2,780,353,885
Additions	–	791,234,329	–	791,234,329
Capitalized borrowing cost (Note 16)	–	24,649,746	–	24,649,746
Capitalized depreciation (Note 22)	–	57,876,936	–	57,876,936
Reclassifications/transfers	–	(6,000,000)	–	(6,000,000)
Reclassification from deferred exploration and mine development costs	402,461,540	(402,461,540)	–	–
Balances at end of year	1,971,447,103	1,652,783,952	23,883,841	3,648,114,896
Accumulated depletion:				
Balances at beginning of year	1,017,750,364	–	23,222,139	1,040,972,503
Depletion (Note 22)	118,817,317	–	142,628	118,959,945
Balances at end of year	1,136,567,681	–	23,364,767	1,159,932,448
Net book values	₱834,879,422	₱1,652,783,952	₱519,074	2,488,182,448

10. **Deferred Exploration Costs**

	2016	2015
Balances at beginning of year	**₱744,866,741**	₱636,042,706
Additions	**39,851,267**	106,822,642
Capitalized borrowing cost (Note 16)	**1,347,280**	2,001,393
Balances at end of year	**₱786,065,288**	₱744,866,741

Deferred exploration costs consist of expenditures related to the exploration activities covered by the Company's mining tenements. Additions to deferred exploration costs include those incurred on service contracts for the exploration of the mines, drilling activities, and other direct costs related to exploration activities. There were no reclassifications to mine development costs under mine and mining properties during the year. The recovery of these costs depends upon the success of the exploration activities, the future development of the corresponding mining properties and the extraction of mineral products as these properties shift into commercial operations.

The Company capitalized borrowing costs amounting to ₱1.35 million and ₱2.0 million relating to expenditures for deferred exploration cost in 2016 and 2015, respectively. The rate used to determine the amount of borrowing costs eligible for capitalization was 5.43% and 5.82% in 2016 and 2015, respectively (see Note 16).

11. **Other Noncurrent Assets**

	2016	2015
Deferred input VAT - noncurrent	**₱53,664,385**	₱81,142,393
MRF	**14,796,723**	12,054,978
Deposits	**13,845,193**	13,845,193
National transmission lines	**2,949,236**	2,949,236
Software	**107,823**	528,127
	₱85,363,360	₱110,519,927

Deposits, which pertain to security deposits on leases of equipment, will be recovered through offsetting against final billings from lessors. The Company has written off deposits amounting to nil and ₱6.00 million in 2016 and 2015, respectively (see Note 21).

As at December 31, 2016 and 2015, the Company maintains MRF consisting of monitoring trust, rehabilitation cash, environmental trust and final rehabilitation and decommission funds as provided in its agreements entered into with the provincial government and the MGB. The funds are to be used for the physical and social rehabilitation, reforestation and restoration of areas and communities affected by mining activities, pollution control, slope stabilization and integrated community development projects. These funds do not meet the features provided under Philippine Interpretation - IFRIC 5, *Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.*

National transmission lines pertain to the national transmission line for the warehouse, will be recovered through offsetting against final electricity billings.

Mining software consists of acquired computer software licenses and is capitalized on the basis of the costs incurred to acquire and bring to use the said software. Movement of software for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
Cost:		
Balances at beginning of year	**₱40,324,062**	₱40,324,062
Additions	**–**	–
Balances at end of year	**40,324,062**	40,324,062
Accumulated amortization:		
Balances at beginning of year	**39,795,935**	39,375,631
Amortization (Note 22)	**420,304**	420,304
	40,216,239	39,795,935
Net book values	**₱107,823**	₱528,127

12. **Trade and Other Payables**

	2016	2015
Trade	**₱481,315,423**	₱754,298,530
Nontrade	**459,168,029**	446,717,765
Accrued expenses	**177,590,194**	133,204,218
Payables to employees	**42,751,843**	31,925,976
Payables to government agencies	**35,964,837**	19,657,224
Retention fees	**11,013,674**	7,296,764
Others	**7,678,366**	24,701,628
	₱1,215,482,366	₱1,417,802,105

Trade payables, accrued liabilities and others are non-interest bearing. Trade payables are payable on demand while accrued liabilities are generally settled in 30 to 60 days terms. Payable to supplier amounting to ₱5.03 million was extinguished on 2016 (see Note 21).

Nontrade payables includes royalties and surface rights based on the memorandum of agreement with the indigenous peoples of barangay Masara, Maco, Compostela Valley (see Note 28), and other payables that are incurred outside the Company's trading operations. The Company extinguished nontrade payables amounting to nil and ₱56.66 million was extinguished in 2016 and 2015, respectively (see Note 21).

Accrued expenses include billings for services, project suppliers, professional fees, utilities and other expenses related to the operations.

Payables to employees pertain to accrued leave benefits that are monetized and given to employees and unclaimed salaries and wages as at each end of the reporting period.

Payables to government agencies are normally remitted to various regulatory bodies within 10 days from the close of each taxable month.

Retention fees pertain to withheld payment for services availed or product purchases incurred pending the completion of some specified conditions such as successful construction and installation. Settlement may vary depending on the remaining estimated time to complete the conditions. Retention fees are non-interest bearing.

Other payables pertain to short-term non-trade payables availed by the Company necessary to support its operations.

13. Related Party Disclosures

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

In the normal course of business, transactions with related parties consist mainly of rendering of, unsecured non-interest bearing, short-term cash advances for working capital requirements of the Company, which are due and demandable.

Category	Relationship with the Company	Year	Volume/ Amount	Outstanding Balance	Terms	Conditions
Advances to related parties						
ISRI	Subsidiary	**2016**	**₱149,488,693**	**₱257,057,858**	Due and demandable,	Unsecured
		2015	107,569,165	107,569,165	cash settled	Unguaranteed
CRPI	Indirect	**2016**	**15,543,794**	**49,156,430**	Due and demandable,	Unsecured
	Subsidiary	2015	33,612,637	33,612,637	cash settled	Unguaranteed
BMRC	Indirect	**2016**	**–**	**300,000**	Due and demandable,	Unsecured
	Subsidiary	2015	300,000	300,000	cash settled	Unguaranteed
2016			**₱165,032,487**	**₱306,514,288**		
2015			141,481,802	141,481,802		
Advances from related parties						
MORE	Subsidiary	**2016**	**₱30,157,276**	**₱1,282,258,541**	Due and demandable,	Unsecured
		2015	101,239,305	1,252,101,265	cash settled	Unguaranteed
PMHI	Stockholder	**2016**	**376,012,000**	**976,012,000**	Due and demandable,	Unsecured
		2015	600,000,000	600,000,000	cash settled	Unguaranteed
2016			**₱406,543,829**	**₱2,258,270,541**		
2015			701,239,305	1,852,101,265		

a. Advances from MORE pertain to funds obtained by the Company for its working capital requirements, which were issued through promissory notes. On December 23, 2016, the Company obtained a ₱30 million loan under such terms and conditions as the parties agree. The notes bear an interest rate of 8% per annum and interest should be paid on its maturity date December 23, 2017. Interest expense accrued in 2016 amounted to ₱0.05 million (see Note 24).

b. Advances from PMHI pertain to advances obtained by the Company for its working capital requirements.

Trustee Bank
The Company's retirement fund is being held by a trustee bank. The carrying amounts of the Company's retirement fund amounted to ₱14.57 million and ₱15.63 million, respectively, while the fair values amounted to and ₱14.36 million and ₱15.71 million, respectively, as at as at December 31, 2016 and 2015 (see Note 14).

As at December 31, 2016 and 2015, the retirement fund consists of investments in government bonds, cash and short-term deposits, equity instruments and others which accounts for 74.17% and 66.81%, 26.41% and 22.36%, 10.44% and 9.55% and (11.02%) and 1.28% respectively, of its composition (see Note 14).

The Company made no contributions to the fund for 2016 and 2015. There were no transactions made between the Company and the retirement fund in both years.

Compensation of Key Management Personnel
The Company considered as key management personnel all employees holding executive positions up to the Chairman of the Board. There were no stock options or other long-term benefits granted to the key management personnel in 2016 and 2015. The following are the components of the compensation of the Company's key management personnel in 2016, 2015 and 2014:

	2016	2015	2014
Salaries and short-term benefits	**₱104,088,951**	₱85,252,692	₱71,707,568
Post-retirement benefits	**–**	–	2,021,390
	₱104,088,951	₱85,252,692	₱73,728,958

14. Provision for Retirement Benefits

The Company has a multi-employer retirement plan, a funded, noncontributory defined benefit retirement plan. It accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan.

The following tables summarize the components of retirement benefits costs and liability recognized in the Parent Company statements of comprehensive income and Parent Company statements of financial position, respectively.

The details of retirement benefits costs follow:

	2016	2015	2014
Current service cost (Note 23)	**₱30,073,030**	₱28,367,218	₱18,702,146
Interest cost - net (Note 24)	**8,002,371**	9,789,350	4,420,975
	₱38,075,401	₱38,156,568	₱23,123,121

Changes in defined benefits liability and fair value of plan assets in 2016 and 2015 are as follows:

2016	**Defined benefits liability**	**Fair value of plan assets**	**Net defined benefit liability**
At January 1	**₱163,353,731**	**₱15,708,500**	**₱147,645,231**
Net interest(Note 24)	**8,853,772**	**851,401**	**8,002,371**
Current service cost (Note 23)	**30,073,030**	**–**	**30,073,030**
Benefits paid directly from book reserve	**(2,909,728)**	**–**	**(2,909,728)**
Remeasurement of actuarial losses (gains):			
Experience	**(11,880,674)**	**–**	**(11,880,674)**
Changes in financial assumptions	**(9,441,626)**	**–**	**(9,441,626)**
Remeasurement loss - return on plan assets	**–**	**(2,195,670)**	**2,195,670**
	(21,322,300)	**(2,195,670)**	**(19,126,630)**
At December 31	**₱178,048,505**	**14,364,231**	**₱163,684,274**

2015	Defined benefits liability	Fair value of plan assets	Net defined benefit liability
At January 1	₱218,080,928	₱15,402,888	₱202,678,040
Net interest (Note 24)	10,533,309	743,959	9,789,350
Current service cost (Note 23)	28,367,218	–	28,367,218
Remeasurement of actuarial loss:			
Changes in financial assumptions	(79,678,262)	–	(79,678,262)
Experience	(13,949,462)	–	(13,949,462)
Remeasurement loss - return on plan assets	–	(438,347)	438,347
	(93,627,724)	(438,347)	(93,189,377)
At December 31	₱163,353,731	₱15,708,500	₱147,645,231

Changes in defined benefits cost recognized in other comprehensive income in 2016 and 2015 are as follows:

	2016	2015
At January 1	**₱26,813,063**	₱120,002,440
Actuarial gains - defined benefit obligation	**(21,322,300)**	(93,627,724)
Remeasurement loss - plant asset	**2,195,670**	438,347
At December 31	**₱7,686,433**	₱26,813,063

The major categories of the Company's plan assets as a percentage of the fair value of total plan assets are as follows:

	2016	2015
Debt instruments - government bonds	**74.17%**	66.81%
Cash and short - term deposits	**26.41%**	22.36%
Equity Instruments	**10.44%**	9.55%
Others	**-11.02%**	1.28%
	100.00%	100.00%

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:

	2016	2015
Discount rate	**5.86%**	5.42%
Salary increase rate	**5.00%**	5.00%
Expected average remaining life	**22.6**	23.3
Mortality rate	**The 2001 CSO Table – Generational**	The 2001 CSO Table - Generational
Disability rate	**The Disability Study, Period 2, Benefit 5**	The Disability Study, Period 2, Benefit 5

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

	Increase (decrease)	**2016**
Discount rates	**(10.50%)**	**₱18,630,168**
	12.80%	**(22,750,044)**

	Increase (decrease)	2015
Discount rates	7.7%	(₱12,492,471)
	(6.8%)	11,092,489

	Increase (decrease)	**2016**
Salary increase rate	**12.2%**	**₱21,730,409**
	(10.2%)	**(18,199,097)**

	Increase (decrease)	2015
Salary increase rate	6.8%	₱11,123,680
	(6.2%)	(10,132,950)

The latest available actuarial valuation report of the Company was obtained in March 2017 representing information as at December 31, 2016. There were no transactions made between the Company and the retirement fund in 2016 and 2015.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2016 and 2015:

	2016	2015
Less than one year	**₱41,668,172**	₱16,591,748
More than one year to five years	**54,678,783**	42,220,100
More than five years to 10 years	**92,513,250**	86,275,393
	₱188,860,205	₱145,087,241

15. Provision for Mine Rehabilitation and Decommissioning

	2016	2015
Balance at beginning of year	**₱44,026,510**	₱44,769,638
Accretion (Note 24)	**744,575**	614,139
Effect of change in estimate (Note 9)	**(1,933,925)**	(1,357,267)
Balance at end of year	**₱42,837,160**	₱44,026,510

The Company makes a full provision for the future costs of rehabilitating of the mine and other future costs on a discounted basis. Provision for mine rehabilitation and decommissioning represents the present value of future rehabilitation and other costs, based on the approved final mine rehabilitation and decommissioning plan (FMRDP). The Company's FMRDP, covering MPSA Nos. 225-2005-XI and 234-2007-XI, was approved by the MGB on August 9, 2010. These provisions have been created based on the Company's internal estimates. Assumptions based on the current economic environment have been made, which management believes are reasonable 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.

16. Loans Payable

	2016	2015
Banco de Oro Unibank, Inc. (BDO)	**₱2,250,000,000**	₱2,250,000,000
Rizal Commercial Banking Corporation (RCBC)	**450,000,000**	450,000,000
Unionbank of the Philippines (UBP)	**397,760,000**	376,480,000
Atlas Copco Rock Drills (Atlas Copco)	**23,907,433**	98,059,822
Sandvik Mining and Construction (Sandvik Mining)	**–**	109,291,679
Planters Bank	**–**	974,246
Philippine National Bank (PNB)	**–**	–
	3,121,667,433	3,284,805,747
Less current portion	**3,121,667,433**	3,284,805,747
Noncurrent portion	**₱–**	₱–

UBP
The Company issued two promissory notes to UBP on July 22, 2014 and August 1, 2014 for US$4.00 million each. The notes bear an interest rate of 5% per annum with 180 days term.

The Company has two outstanding US$4.00 promissory notes totaling to US$8.00 million equivalent to ₱397.76 million and ₱376.48 million as at December 31, 2016 and 2015, respectively maturing on January 11 and 22, 2017, respectively.

Upon maturity on January 11 and 22, 2017, UBP granted the Company rollover of its two US$4.00 million promissory notes maturing on September 22, 2017 at the same interest rate of 5% per annum.

RCBC
On August 5, 2014, the Company issued a non-negotiable promissory note to RCBC for ₱450.00 million maturing on February 1, 2015. The note bears an interest rate of 6.5% per annum with 180 days term.

The Company has outstanding promissory notes amounting to ₱450.00 million as at December 31, 2016 and 2015.

Upon maturity on January 21, 2017, RCBC granted the Parent Company to rollover of its maturing outstanding promissory note with new maturity date of April 21, 2017 at a lower 6.25% interest rate per annum.

Philippine Business Bank (PBB)
On January 7, 2015, PBB agreed to grant the Parent Company a three-year term loan amounting to ₱42.0 million. The term loan bears an interest rate of 8% per annum with principal and interest payments due to quarterly up to January 8, 2018. The proceeds of the loan was used for acquisition of heavy equipment. On June 10, 2015, the Company paid the full amount of the loan.

BDO
On March 20, 2015, BDO approved a one-year, short term ₱2.25 billion loan to the Company for cash requirements and capital expenditures maturing on March 30, 2016. Interest shall be based on the prevailing market rates at the time of drawdown which was 5.50% per annum.

The Company has an outstanding obligation amounting to ₱2.25 billion as at December 31, 2016 and 2015.

On March 24, 2017 the Company was able to renew its ₱2.25 billion loan with BDO that was set to mature on March 24, 2017. The new maturity date of the fully-drawn loan is on March 24, 2018 bearing the same interest rate of 5.50%.

PNB
PNB granted the Company the following facilities:

- On November 26, 2016, Credit Facilities consisting of Letters of Credit (LC), Trust Receipts and Settlement Risk Lines totaling ₱500.00 million expiring on July 31, 2017; and

- On November 28, 2016, Term Loan Facility of up to ₱500.00 million with tenor of three years with equal quarterly principal repayment plus interest. Interest rates shall be fixed for three years based on a three-year Philippine Dealing System Treasury (PDST) plus a 2% spread, or 5%, whichever is higher.

Subject to certain conditions precedent to drawdown on such as the execution of the Loan Agreement for the Term Loan Facility which was signed by the parties on January 10, 2017, on January 27, 2017, the Parent Company drew on the Term Loan Facility for the full amount with the interest rate set at 5.45% per annum for the three-year term. The first principal repayment plus interest will begin on April 27, 2017 and every quarter thereafter up to January 27, 2020.

As at April 11, 2017, the Parent Company has utilized ₱60.16 million (US$1.20 million) worth of LC for its importation of machinery and equipment using the standard credit terms with the supplier of 90 to 180 days.

Equipment Financing
In 2013, the Company entered into financing agreements to fund the purchase of machinery and equipment.

Atlas Copco
In June 2013, the Company entered into Purchase Agreements with Atlas Copco for the acquisition of mining-related machinery and equipment. The Company also signed Supplier Credit Arrangements with Customer Finance AB, which makes available to the Company credit lines to be used in financing the Purchase Agreements. The said Credit Agreements are payable in three years and bear an interest rate of 8.00% per annum.

On December 12, 2014, the Company and Atlas Copco signed an amendment to the purchase agreements wherein the terms provided for a new monthly payment schedule starting February 28, 2015 up to December 31, 2016.

Certain items of property, plant and equipment under the mining and milling category amounting to nil and ₱262.43 million are used as collateral to the said purchase agreements as at December 31, 2016 and 2015, respectively.

The Company has an outstanding balance of $0.48 million and $2.08 million equivalent to ₱23.91 million and ₱98.06 million to Atlas Copco as at December 31, 2016 and 2015, respectively.

Sandvik Mining
In June 2013, the Company entered into several Sale and Purchase Agreements with Sandvik Mining covering purchases of equipment to be used in its expansion program. Settlement of the said purchases on behalf of the Company was covered by financing agreements entered into with Sandvik Mining. The said agreements due to Sandvik Mining are payable in three years and bear an interest rate of 10.00% per annum.

On December 29, 2014, the Company and Sandvik Mining signed an amendment to the purchase agreements wherein, the amended terms provided for a new 7 to 8 quarterly payment schedules starting January 20, 2015, consisting of the principal payments and interest up to October 20, 2016. During 2016, the Company paid the full amount of the loan and terminated their financing agreements with Sandvik.

Planters Bank
In March 2013, the Company obtained promissory notes from Planters Banks which were used to finance the purchase of transportation equipment to be used in the mine site. The said promissory notes are payable in three years and bear an interest rate of 8.58% per annum. These are secured by chattel mortgages on the purchased transportation equipment amounting to nil and ₱17.38 million as at December 31, 2016 and 2015, respectively. The Company has an outstanding balance of nil and ₱0.97million as a December 31, 2016 and 2015 respectively.

The Company's availment and payment of loans and equipment financing as at December 31, 2016 and 2015 are as follows:

	2016		2015	
	Availment	**Payment**	Availment	Payment
Sandvik Mining	**₱–**	**₱109,291,679**	₱–	₱108,194,812
Atlas Copco	**–**	**74,152,388**	–	70,859,789
RCBC	**29,000,000**	**29,000,000**	175,000,000	175,000,000
UBP	**–**	**–**	–	–
BDO	**–**	**–**	2,250,000,000	–
PBB	**–**	**–**	42,000,000	42,000,000
HSBC/BDO-net	**–**	**–**	–	100,620,000
Planters Bank	**–**	**974,246**	–	6,216,938
	₱29,000,000	**₱213,418,313**	₱2,467,000,000	₱502,891,539

Interest expenses incurred in 2016 and 2015 in relation to the availed loans are as follows:

	2016	2015
BDO	**₱122,959,375**	₱84,113,680
RCBC	**26,067,040**	30,024,985
UBP	**19,307,191**	18,822,921
Sandvik Mining	**2,356,490**	16,436,155
Atlas Copco	**3,548,021**	11,242,019
HSBC/BDO - net	**–**	3,687,531
PBB	**–**	1,398,823
Planters Bank	**–**	348,510
	174,238,117	166,074,624
Capitalized borrowing costs (Note 9 and 10)	**20,943,059**	33,514,171
Interest on loans payable (Note 24)	**₱153,295,058**	₱132,560,453

The Company capitalized borrowing costs amounting to ₱20.94 million and ₱33.51 million relating to expenditures for deferred exploration cost, mine development and construction in progress in 2016 and 2015, respectively. The rate used to determine the amount of borrowing costs eligible for capitalization was 5.43% and 5.82% in 2016 and 2015, respectively (see Note 9 and 10).

All loan covenants are complied with as at December 31, 2016.

17. **Capital Stock**

Capital Stock
The Company has authorized capital stock of ₱12.80 billion, divided into a single class of common shares with a par value of ₱1.00 per share as at December 31, 2016.

Movements in the subscribed, issued and outstanding capital are as follows:

	2016		2015	
	Shares	**Amount**	Shares	Amount
Issued and subscribed shares at beginning of year	**6,227,887,491**	**₱6,227,887,491**	1,868,639,664	₱1,868,639,664
Issued during the year	–	–	4,359,247,827	4,359,247,827
Issued shares at end of year	**6,227,887,491**	**₱6,227,887,491**	6,227,887,491	₱6,227,887,491
Outstanding shares at the end of the year	**6,227,887,491**	**₱6,227,887,491**	6,227,887,491	₱6,227,887,491

Details of the most recent capital stock transactions of the Company are as follows:

a. On August 26, 2016, the Company acquired the remaining 2% of the total outstanding capital stock of ISRI consisting of 500 million shares with par value of ₱0.01 per share, for a total consideration of ₱3.75 million of cash. ISRI has become a wholly-owned subsidiary of the Company.

b. On June 24, 2015, the Parent Company used its shares held by MORE for the following transactions:
   - 51,546,392 shares as part of payment of the purchase price for the acquisition of ISRI amounting to ₱150.00 million (see Note 1).
   - 17,182,131 shares as advances to ISRI to pay its advances from previous stockholder amounting to ₱50.00 million (see Note 1).

c. On March 12, 2015, the Company issued 1.86 billion shares to PMHI out of unissued capital stock at an issue price equivalent to its par value of ₱1.00 per share.

d. On February 3, 2015, the Company issued 2.50 billion shares out of the unissued capital stock at an issue price equivalent to its par value of ₱1.00 per share corresponding to the deposit for future stock subscriptions of ₱2.5 billion as at December 31, 2014.

e. On January 12, 2015, the Company's application for the increase in its authorized capital stock was duly approved by the Philippine SEC.

f. On December 29, 2014, the Company filed with the SEC an application for the increase in authorized capital stock from ₱2.80 billion divided into 2.80 billion shares, with par value of ₱1.00 per share, to ₱12.80 billion divided into 12.80 billion shares, with par value of ₱1.00 per share.

g. On October 10, 2014, through the execution of the subscription agreements between the Company and stockholders of MORE, the Company recorded as part of its equity deposit for future stock subscriptions amounting to ₱2.50 billion.

h. On April 16, 2014, MORE purchased from MCGC 644.68 million shares of the Company.

Additional paid-in-capital
Movement in the additional paid-in capital is as follows:

	2016	2015
Balance at beginning of year	**₱3,027,029,976**	₱3,048,826,224
Equity restructuring	**(3,011,088,301)**	–
Transaction cost for share issuances	–	(21,796,248)
Balance at end of year	**₱15,941,675**	₱3,027,029,976

Retained earnings (deficit)
Movement in the retained earnings (deficit) is as follows:

	2016	2015
Balance at beginning of year	**(₱3,011,088,301)**	(₱3,205,789,772)
Equity restructuring	**3,011,088,301**	–
Net income	**440,521,604**	169,324,130
Realization of revaluation surplus	**21,460,140**	25,377,341
Balance at end of year	**₱461,981,744**	(₱3,011,088,301)

On October 6, 2016, the Philippine SEC approved the Company's equity restructuring plan or quasi-reorganization earlier approved by the stockholders in the annual meeting on June 30, 2016 to eliminate the Company's deficit against the additional paid-in capital as at December 31, 2015.

The additional paid-in capital of ₱3.01 billion as at December 31, 2015 was decreased to ₱15.94 million as at January 1, 2016 and the deficit of ₱2.91 billion as at December 31, 2015 was increased to ₱96.3 million positive retained earnings as at January 1, 2016 after reflecting the equity restructuring.

18. Basic/Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing the net earnings (loss) attributable to stockholders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares.

Estimation of earnings (loss) per share for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
Net income shown in the Parent Company statements of comprehensive income	**₱440,521,604**	₱169,324,130
Weighted average number of common shares for basic and diluted earnings per share	**6,227,887,491**	5,840,544,194
Basic and diluted earnings per share	**₱0.07**	₱0.03

19. **Cost of Production**

	2016	2015	2014
Materials and supplies (Note 6)	**₱791,200,703**	₱672,140,940	₱634,284,369
Depreciation, depletion and amortization (Note 22)	**632,235,533**	290,917,457	402,056,618
Personnel costs (Note 23)	**509,649,984**	455,491,924	334,643,252
Utilities	**248,138,874**	190,836,451	97,498,227
Contracted services	**232,647,814**	159,743,036	116,620,334
Taxes and licenses	**44,854,540**	39,941,450	44,035,261
Royalties (Note 28)	**35,220,506**	24,300,973	1,772,380
Surface Rights (Note 28)	**35,220,506**	24,300,973	16,077,705
Marketing	**32,589,515**	23,957,772	15,877,963
Community development expenses	**22,854,015**	15,336,632	32,123,410
Professional fees	**17,115,680**	16,972,581	12,867,920
Rent (Note 28)	**14,040,301**	50,378,367	96,796,464
Data and communication	**8,514,621**	6,564,415	4,573,241
Insurance	**4,389,203**	2,107,901	9,414,099
Transportation and accommodation	**3,575,540**	4,869,594	6,109,784
Employee activities	**3,169,719**	5,985,943	9,705,292
Repairs and maintenance	**2,764,386**	2,957,300	1,566,540
Donations and contributions	**1,297,679**	6,697,320	1,006,178
Representation and entertainment	**1,232,980**	7,008,811	23,352,255
Others	**21,386,750**	13,521,878	11,731,572
	₱2,662,098,849	₱2,014,031,718	₱1,872,112,864

Surface rights pertain to expenses incurred for amounts due to IPs near the Company's mining tenements. Other costs of production include costs of assay testing and contracted labor for the Company's operations.

The amounts were distributed as follows:

	2016	2015	2014
Mining	**₱823,882,021**	₱668,619,602	₱932,689,359
Milling	**532,733,500**	444,645,939	375,390,967
Compliance	**182,920,256**	173,141,210	113,564,794
Mine overhead	**1,122,563,072**	727,624,967	450,467,744
	₱2,662,098,849	₱2,014,031,718	₱1,872,112,864

20. **General and Administrative Expenses**

	2016	2015	2014
Personnel costs (Note 23)	**₱71,962,139**	₱65,583,087	₱68,011,445
Taxes, licenses and permits	**22,867,919**	8,654,416	3,454,428
Professional fees	**15,664,040**	3,578,945	381,803
Transportation and accommodation	**6,722,886**	4,518,870	3,595,160
Repairs and maintenance	**3,684,160**	1,405,695	62,717
Rent (Note 28)	**3,587,553**	2,865,846	1,276,867
Materials and supplies (Note 6)	**2,071,964**	3,576,399	2,469,749
Contracted services	**1,935,264**	527,616	37,150
Data and communication	**1,927,291**	1,553,686	622,148
Donations and contributions	**1,865,983**	1,183,525	711,523

	2016	2015	2014

(Forward)

	2016	2015	2014
Insurance	**₱1,595,314**	₱1,515,726	₱265,336
Utilities	**551,923**	442,095	362,876
Depreciation and amortization (Note 22)	**420,304**	420,304	10,868,681
Community development expense	**386,869**	1,689,750	1,944,484
Representation and entertainment	**261,326**	740,778	3,441,601
Employee activities	**53,386**	278,707	1,606,973
Others	**5,570,367**	8,898,678	2,778,747
	₱141,128,688	₱107,434,123	₱101,891,688

Other expenses pertain to freight and handling, bank charges, promotion and advertising, laboratory expenses and miscellaneous expenses.

21. **Other Income (Charges)**

	2016	2015	2014
Reversal of (provision for) inventory losses and obsolescence (Note 6)	**(₱18,556,467)**	₱12,955,801	(₱65,378,154)
Foreign exchange gains (losses) - net	**(18,536,635)**	(26,343,733)	62,410,290
Gain (loss) on extinguishment of debt (Note 12)	**5,029,875**	56,655,246	(393,810)
Loss on write-off of:			
Property, plant and equipment (Note 9)	**(4,980,679)**	–	(136,012,675)
Input VAT (Note 7)	**(1,759,915)**	(750,678)	–
Other noncurrent assets (Note 11)	**–**	(6,000,000)	–
Inventory (Note 6)	**–**	(59,692)	–
Interest income (Note 4)	**860,103**	1,203,137	355,947
Gain on sale of fixed asset	**150,821**	104,107	–
Reversal of inventory write-off	**–**	–	5,985,920
Miscellaneous	**–**	(32,074)	–
	(₱37,792,897)	₱37,732,114	(₱133,032,482)

22. **Depreciation, Depletion and Amortization**

	2016	2015	2014
Property, plant and equipment (Note 9)	**625,999,612**	₱290,917,457	₱402,056,618
Inventories (Note 6)	**6,235,921**	–	–
Other noncurrent assets (Note 11)	**420,304**	420,304	10,868,681
	₱632,655,837	₱291,337,761	₱412,925,299

The amounts were distributed as follows:

	2016	2015	2014
Cost of production (Note 19)	**₱632,235,533**	₱290,917,457	₱402,056,618
General and administrative expenses (Note 20)	**420,304**	420,304	10,868,681
	₱632,655,837	₱291,337,761	₱412,925,299

The Company capitalized depreciation, depletion and amortization costs amounting to nil and

₱13.12 million as part of inventories and ₱44.14 million and ₱57.88 million as part of mine development costs in 2016 and 2015, respectively. The Company recognized ₱6.24 million of the prior year capitalized depreciation, depletion and amortization on inventories (see Note 6).

23. Personnel Costs

	2016	2015	2014
Salaries and wages	**₱408,290,147**	₱431,173,400	₱331,805,589
Other employee benefits	**143,248,946**	61,534,393	52,146,962
Retirement benefits cost (Note 14)	**30,073,030**	28,367,218	18,702,146
	₱581,612,123	₱521,075,011	₱402,654,697

The amounts were distributed as follows:

	2016	2015	2014
Cost of production (Note 19)	**₱509,649,984**	₱455,491,924	₱334,643,252
General and administrative expenses (Note 20)	**71,962,139**	65,583,087	68,011,445
	₱581,612,123	₱521,075,011	₱402,654,697

24. Finance Cost

	2016	2015	2014
Interest on loans payable (Note 16)	**₱153,295,058**	₱132,560,453	₱102,402,732
Interest on loans to related parties (Note 13)	**53,333**	–	–
Net interest cost on retirement benefits (Note 14)	**8,002,371**	9,789,350	4,420,975
Accretion expense (Note 15)	**744,575**	614,139	290,246
Others - net	**1,076,415**	83,688	3,556,867
	₱163,171,752	₱143,047,630	₱110,670,820

25. Income Tax

The Company's benefit from (provision for) income tax in 2016, 2015 and 2014 is presented below. Provision for current income tax in 2016, 2015 and 2014 pertains to MCIT.

	2016	2015	2014
Current	**(₱16,967,818)**	(₱11,389,658)	(₱6,508,648)
Deferred	**9,420,833**	25,999,763	(15,576,040)
	(₱7,546,985)	₱14,610,105	(₱22,084,688)

Reconciliation between the benefit from (provision for) income tax computed at the statutory income tax rate and the benefit from (provision for) income tax as shown in the Parent Company statement of income follows:

	2016	2015	2014
Benefit from (provision for) income tax computed at statutory income tax rate	**(₱134,420,576)**	(₱46,414,208)	₱156,463,404
Add (deduct) tax effects of:			
Changes in unrecognized deferred income tax assets	**129,844,739**	61,472,300	(139,247,211)
Expired MCIT	**(2,618,689)**		
Various nondeductible expenses	**(610,490)**	(808,928)	(41,529,346)
Interest income subjected to final tax	**258,031**	360,941	106,784
Realization of revaluation surplus	**–**	–	3,478,210
Expired NOLCO	**–**	–	(3,152,305)
Reversal of inventory write-off	**–**	–	1,795,776
Benefit from (provision for) income tax	**(₱7,546,985)**	₱14,610,105	(₱22,084,688)

Details of deductible temporary differences, unused tax credit and NOLCO as at December 31, 2016 and 2015, for which no deferred income tax assets were recognized in the Parent Company statement of financial position are as follows:

	2016	2015
NOLCO	**₱203,767,622**	₱691,164,474
Provision for retirement benefits	**181,195,144**	147,645,231
Allowance for impairment losses on:		
Property, plant and equipment	**162,674,211**	162,674,211
Inventory losses and obsolescence	**86,151,412**	67,594,945
Receivables	**1,765,700**	1,765,700
Unrealized foreign exchange losses	**9,074,335**	55,174,670
Provision for mine rehabilitation and decommissioning	**44,771,086**	44,026,510
MCIT	**34,866,125**	20,516,995
	₱724,265,635	₱1,190,562,736

Realization of the future tax benefits related to the deferred income tax assets is dependent on many factors including the Company's ability to generate taxable profit within the allowed carry-over period and determining whether realization of these deferred income tax assets will fall within the ITH period. The Company's management has considered these factors in not recognizing deferred income tax assets for these temporary differences and unused tax losses and credits.

The Company's deferred income tax liabilities as at December 31, 2016 and 2015 pertain to the following:

	2016	2015
Revaluation surplus on property, plant and equipment	**₱112,313,089**	₱121,510,291
Asset retirement obligation	**1,985,616**	2,209,247
	₱114,298,705	₱123,719,538

The Company has NOLCO and MCIT that can be claimed as deduction from future taxable income and future RCIT due as follows:

Year Incurred	Year of Expiration	NOLCO	MCIT
2016	2019	₱–	₱16,967,819
2015	2018	–	11,389,658
2014	2017	203,767,622	6,508,648
		₱203,767,622	₱34,866,125

The movements of NOLCO are as follows:

	2016	2015
Balances at beginning of year	**₱691,164,474**	₱1,015,027,244
Application	**(487,396,852)**	(323,862,770)
Balances at end of year	**₱203,767,622**	₱691,164,474

The movements of MCIT are as follows:

	2016	2015
Balances at beginning of year	**₱20,516,995**	₱9,127,337
Additions	**16,967,819**	11,389,658
Expirations	**(2,618,689)**	–
Balances at end of year	**₱34,866,125**	₱20,516,995

The Company did not avail of the Optional Standard Deduction (OSD) in 2016 and 2015.

26. Financial Risk Management Objectives and Policies, and Capital Management

Financial Risk Management Objectives and Policies

The Company's financial instruments consist mainly of cash, receivables, deposits under "Prepayments and other current assets" trade and other payables, and mine rehabilitation fund under "Other noncurrent assets" which arise directly from its operations, advances to and from stockholders and related parties, and loans payable. The main purpose of these financial instruments is to raise funds and maintain continuity of funding and financial flexibility for the Company.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, and foreign currency risk and commodity price risk. The BOD reviews and approves policies for managing each of these risks and these are summarized below.

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

The Company has a concentration of credit risk on its trade receivables, included as part of receivables, as it has only one customer purchasing its gold and silver bullion under a Sale-Purchase Contract. However, management believes that credit risk on trade receivables is not significant as the Company's gold and silver bullion are considered highly traded commodities that has a readily available market.

The maximum exposure to credit risk of the Company's financial assets (cash in bank, and trade receivables and other receivables) is equal to the carrying amounts of the said financial assets, as at December 31, 2016 and 2015.

Aging analysis of the Company's financial assets classified as loans and receivables as at December 31, 2016 and 2015 are as follows:

	December 31, 2016					
		Neither past due		**Past due but not impaired**		**Impaired**
	Total	**nor impaired**	**1-30 Days**	**31-60 Days**	**Over 60 Days**	
Cash in banks	**₱125,964,890**	**₱125,964,890**	**₱–**	**₱–**	**₱–**	**₱–**
Receivables						
Trade receivables	**99,978,358**	**99,978,358**	**–**	**–**	**–**	**–**
Advances to officers and Employees	**3,511,090**	**–**	**–**	**–**	**3,511,090**	**–**
Others	**3,750,797**	**–**	**–**	**–**	**2,048,119**	**1,702,678**
Advances to related parties	**306,514,289**	**306,514,289**	**–**	**–**	**–**	**–**
Deposits	**3,479,941**	**3,479,941**	**–**	**–**	**–**	**–**
MRF	**14,796,723**	**14,796,723**	**–**	**–**	**–**	**–**
	₱557,996,088	**₱550,734,201**	**₱–**	**₱–**	**₱5,559,209**	**₱1,702,678**

	December 31, 2015					
		Neither past due		Past due but not impaired		Impaired
	Total	nor impaired	1-30 Days	31-60 Days	Over 60 Days	
Cash in banks	₱175,381,441	₱175,381,441	₱–	₱–	₱–	₱–
Receivables						
Trade receivables	7,578,310	7,578,310	–	–	–	–
Advances to officers and employees	8,061,973	–	–	–	8,061,973	–
Others	4,204,976	–	–	–	2,439,276	1,765,700
Advances to related parties	141,481,802	141,481,802	–	–	–	–
Deposits	2,807,106	2,807,106	–	–	–	–
MRF	12,054,978	12,054,978	–	–	–	–
	₱351,570,586	₱339,303,637	₱–	₱–	₱10,501,249	₱1,765,700

The credit quality of financial assets is managed by the Company using internal credit ratings and is classified into three: High grade, which has no history of default; Standard grade, which pertains to accounts with history of one or two defaults; and Substandard grade, which pertains to accounts with history of at least three payment defaults.

Accordingly, the Company has assessed the credit quality of the following financial assets that are neither past due nor impaired:

a. Cash in bank and mine rehabilitation fund were assessed as high grade since these are deposited in reputable banks, which have low probabilities of insolvency.
b. Trade receivables were assessed as high grade since these have a high probability of collection and currently have no history of default. Advances to officers and employees and other receivables are collected on their due dates provided that the Company made a persistent effort to collect them is included under substandard grade receivables. Past due receivables include those that are past due but are still collectible.
c. Advances to related parties were assessed as high grade since these advances are due and demandable and these subsidiaries have the capability of repaying the amount due.
d. Deposits were assessed as high grade since these are receivables from reputable companies.

Liquidity Risk
Liquidity risk is the risk that Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages its liquidity based on business needs, tax, capital or regulatory considerations, if applicable, in order to maintain flexibility.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and receivables. The Company considers its available funds and its liquidity in managing its long-term financial requirements. For its short-term funding, the Company's policy is to ensure that there are sufficient operating and capital inflows to match repayments of short-term debt.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments and financial assets used to manage liquidity risk as at December 31, 2016 and 2015.

2016	On demand	Less than three months	Three to 12 months	More than 12 months	Total
Trade and other payables					
Trade	₱44,238,306	₱105,793,447	₱329,658,212	₱1,625,458	₱481,315,423
Nontrade	459,168,029	–	–	–	459,168,029
Accrued expenses	65,857,626	43,574,424	57,878,223	10,279,921	177,590,194
Payable to employees	23,285,084	–	19,466,759	–	42,751,843
Retention fees	11,013,674	–	–	–	11,013,674
Others	–	–	–	7,678,366	7,678,366
Advances from related parties	2,258,270,541	–	–	–	2,258,270,541
Loans payable	23,907,433	2,647,760,000	450,000,000	–	3,121,667,433
	₱2,885,740,693	₱2,797,127,871	₱857,003,194	₱19,583,745	₱6,559,455,503

2016	On demand	Less than three months	Three to 12 months	More than 12 months	Impaired	Total
Cash in banks	₱125,964,890	₱–	₱–	₱–	₱–	₱125,964,890
Trade and other receivables	–	–	–	–	–	–
Trade	99,978,358	–	–	–	–	99,978,358
Advances to officers and employees	–	–	–	3,511,090	–	3,511,090
Other receivables	–	–	2,048,119	–	1,702,678	3,750,797
Advances to related parties	306,514,289	–	–	–	–	306,514,289
Deposits	–	–	3,479,941	–	–	3,479,941
MRF	14,796,723	–	–	–	–	14,796,723
	₱547,254,260	₱–	₱5,528,060	₱3,511,090	₱1,702,678	₱557,996,088

2015	On demand	Less than three months	Three to 12 months	More than 12 months	Total
Trade and other payables					
Trade	₱89,320,200	₱125,245,805	₱164,968,023	₱374,764,502	₱754,298,530
Nontrade	446,717,765	–	–	–	446,717,765
Accrued expenses	71,292,797	40,401,457	17,783,872	3,726,092	133,204,218
Payable to employees	6,076,713	–	3,857,426	21,991,837	31,925,976
Retention fees	7,296,764	–	–	–	7,296,764
Others	–	–	–	24,701,628	24,701,628
Advances from related parties	1,852,101,265	–	–	–	1,852,101,265
Loans payable	–	3,143,650,941	141,154,806		3,284,805,747
	₱2,472,805,504	₱3,309,298,203	₱327,764,127	₱425,184,059	₱6,535,051,893

2015	On demand	Less than three months	Three to 12 months	More than 12 months	Impaired	Total
Cash in banks	₱175,381,441	₱–	₱–	₱–	₱–	₱175,381,441
Trade and other receivables						
Trade	7,578,310	–	–	–	–	7,578,310
Advances to officers and employees	–	–	–	8,061,973	–	8,061,973
Other receivables	–	–	2,439,276	–	1,765,700	4,204,976
Advances to related parties	141,481,802				–	141,481,802
Deposits	–	–	2,807,106	–	–	2,807,106
MRF	–	–	–	12,054,978	–	12,054,978
	₱324,441,553	₱–	₱5,246,382	₱20,116,951	₱1,765,700	₱351,570,586

Foreign Currency Risk

The Company is exposed to currency risk arising from the effect of fluctuations in foreign currency exchange rates, which arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency.

The Company has transactional currency exposures arising from its sales and purchases in US$. To minimize its foreign currency risk, the Company normally requires its purchases from suppliers to be denominated in its functional currency to eliminate or reduce the currency exposures. The Company does not enter into forward currency contracts.

The Company's foreign currency-denominated financial instruments as at December 31, 2016 and 2015 are as follows:

	2016		2015	
	US$	**Php**	US$	Php
Financial Assets				
Cash	**$232,494**	**₱11,559,602**	$2,223,395	₱104,632,969
Trade receivables	**2,010,828**	**99,978,368**	161,035	7,578,307
	$2,243,322	**111,537,970**	$2,384,430	112,211,276
Financial Liability				
Trade payables	**3,081,942**	**153,234,156**	3,760,459	176,967,221
Loans payable	**8,480,841**	**421,667,415**	12,406,109	583,831,490
	$11,562,783	**₱574,901,571**	16,166,568	760,798,711
Net financial liability	**($9,319,461)**	**(₱463,363,601)**	($13,782,138)	(₱648,587,435)

As at December 31, 2016 and 2015, the exchange rates of the Philippine peso based on the Philippine Dealing System were ₱49.72 and ₱47.06 to a US$, respectively.

The sensitivity to a reasonable possible change in the US$ exchange rate, with all other variables held constant, of the Company's income (loss) before income tax (due to changes in fair value of monetary assets and liabilities) as at December 31, 2016 and 2015 are as follows:

		Change in foreign exchange rates	Effect in income (loss) before tax
US$	**2016**	**₱0.98**	**(₱9,133,072)**
		(0.74)	**6,896,401**
	2015	₱0.50	(₱94,494,450)
		(0.13)	24,3088,557

There is no other impact on the Company's equity other than those already affecting the Parent Company statements of comprehensive income.

Commodity Price Risk
The Company is exposed to the risk of fluctuations in prevailing market commodity prices on the mineral products it produces. The Company's policy to minimize the risk is by closely monitoring regularly the movement in metal prices and by selling on spot price basis or by the AM or PM fix as the price trend may indicate as more favorable to the Company.

Assuming all other variables remain constant, the impact of the change in metal prices is relative to the consolidated financial statements, for 2016 and 2015 as follows:

	Change in gold metal price	Effect on income (loss) before tax
2016	**Increase by 10%**	**₱306,872,023**
	Decrease by 10%	**(₱306,872,023)**
2015	Increase by 10%	₱213,487,822
	Decrease by 10%	(₱213,487,822)

Capital Management
The primary objective of the Company's capital management is to maintain a strong credit rating in order to support its business, maximize stockholder value, comply with capital restrictions and requirements as imposed by regulatory bodies, including limitations on ownership over the Company's different types of shares, requisites for actual listing and trading of additional shares, if any, and required minimum debt to base equity ratio in order for the Company to continuously benefit from tax and other incentives provided by its registration with BOI. Moreover, the Company continually aims to protect the investing public through transparency and implementation of adequate measures in order to address the accumulated deficit. Capital pertains to equity, excluding reserve from revaluation of property, plant and equipment, and advances from related parties.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2016 and 2015.

The Company considers the following as its core economic capital:

	2016	2015
Capital stock	**₱6,227,887,491**	₱6,227,887,491
Additional paid-in capital	**15,941,675**	3,027,029,976
	₱6,243,829,166	₱9,254,917,467

The Company has no externally imposed capital requirements.

27. Fair Value Measurements

Property and Equipment
The fair value of property and equipment is calculated using the direct income capitalization method, which results in measurements being classified as Level 3 in the fair value hierarchy.

Cash, Trade and Other Receivables, Advances to Related Parties, Others under "Other Current Assets", Mine Rehabilitation Funds under "Other Noncurrent Assets", Trade and Other Payables, Advances from Related Parties
The carrying amounts of these financial instruments approximate their fair values due to their short-term nature and maturities.

Loans Payable
The carrying amounts of these financial instruments approximate their fair values due to their short-term nature and maturities.

The Parent Company has no financial instruments measured at fair value under Levels 1, 2 and 3 of the fair value hierarchy. There were no transfers between levels in 2016 and 2015.

28. Significant Agreements and Contingencies

Agreement with Indigenous Cultural Communities (ICC) and National Commission on Indigenous Peoples (NCIP) pursuant to Republic Act 8371
On June 16, 2004, the Company, together with the Indigenous Cultural Communities (ICC) of Maco, Compostela Valley and the National Commission on Indigenous Peoples (NCIP), entered into an agreement pursuant to Republic Act (8371 and its implementing rules. The agreement calls for the compliance of the Company with regard to providing scholarships, health and welfare programs, payment of surface rights and royalties to the ICCs. The payment of surface rights is at 1% percent of the gross production of the Company derived from mining activities within the area of claims. The royalty is based on 1% of the gross income, wherein 30% is to be deposited in the account of the ICCs for the funding of the agreed programs.

In 2016 and 2015 royalties and surface rights recognized under "Cost of Production" amounted to both ₱35.22 million and ₱24.30 million, respectively (See Note 19).

On December 13, 2012, a case denominated as NCIP Case No. R-XI-0037-12 entitled Maco Ancestral Domain, Inc. (MADCI) vs. Apex Mining Co., Inc. was filed and is still pending as at December 31, 2015 before the Regional Hearing Office of the National Commission on Indigenous Peoples - Region XI, Davao City. Aside from MADCI, the following Indigenous Peoples Organization (IPO) of Maco joined the case as intervenor-complainants:

a. Mantakadong Mansaka Indigenous Peoples Ancestral Domain, Inc.
b. Sumpaw ng Inangsabong Mansaka, Inc. (SIMI)

The Parent Company made an initial payment of ₱7.00 million in January 2016 to the account of SIMI and has provided ₱3.00 million every month thereafter.

Executive Order (EO) 79
On July 12, 2012, EO 79 was issued to lay out the framework for the implementation of mining reforms in the Philippines. The policy highlights several issues that includes area of coverage of mining, small-scale mining, creation of a council, transparency and accountability, and reconciling the roles of the national government and local government units. Management believes that EO 79 has no impact on the Company's current operations since its mining properties are covered by existing mineral permits and agreements with the government. Section 1 of EO 79, provides that mining contracts approved before the effectivity of the EO shall continue to be valid, binding and enforceable so long as they strictly comply with existing laws, rules and regulations and the terms and conditions of their grant. The EO could, however, delay or adversely affect the Group's mineral properties covered by Exploration Permits (EPs), Exploration Permit Applications (EPAs) or Applications for Production Sharing Agreements (APSAs) given the provision of the EO declaring a moratorium on the granting of new mineral agreements by the government until a legislation rationalizing existing revenue sharing schemes and mechanisms shall have taken effect.

On March 7, 2013, the MGB has recommended to the Department of Environment and Natural Resources (DENR) the lifting of DENR Memorandum Order No. 2011-01 on the suspension of acceptance of all types of mining applications. Effective March 18, 2014, the MGB has started accepting mining applications for EPs and Financial or Technical Assistance Agreements pursuant to DENR Administrative Order No. 2014-11. To date, however, the moratorium on the acceptance and processing of mineral agreements is still in effect.

Tax Assessment
The Company was assessed by the BIR covering tax deficiencies for the taxable year 2011. On July 28, 2015, the Company received a Final Assessment Notice (FAN) amounting to ₱34.96 million for tax deficiencies, interest, surcharges and compromise penalties. The Company disagreed with the said assessment and on August 27, 2015, filed a Protest to the FAN requesting for reinvestigation on the findings, as the management found the said assessment as baseless and devoid of merit.

On May 11, 2016, the Company received a Final Decision on Disputed Assessment (FDDA) and amounting to ₱37.67 million for withholding taxes, value added taxes, documentary taxes and excise taxes. The Company reiterate that the disputed assessment is patently unjust and excessive having been based on clear and manifest errors in fact and law. On June 10, 2016, the Parent Company filed for a Motion for Reconsideration (MR).

As at April 11, 2017, the Parent Company has not received any reply from the BIR with regard to its MR.

Operating Leases
The Company entered into several lease agreements covering various machinery and equipment used in the mining operations. Total rent expense recognized on these lease agreements amounted to ₱17.63 million, ₱53.25 million and ₱98.08 million in 2016, 2015 and 2014, respectively. (see Notes 19 and 20).

Refining and Transportation Agreement with Heraeus
On January 1, 2015, the Company entered into Refining and Transportation Agreement of gold and silver bullion with Heraeus, a refining company based in Hong Kong.

Heraeus shall settle the metal payables initially at ninety-five percent (95%) of the provisional values while the remaining balance shall be paid after determining the final assayed gold and silver contents of refined material for each shipment less refining and transportation charges.

The prices for all sales are either spot prices or London Bullion Market Association fixings of gold and silver at the discretion of the Company.

29. Operating Segments

The Company has only one operating segment which is the mining business. There is no geographical segment since its business is located in the Philippines.

30. Earnings before Interests, Taxes, Depreciation, Depletion and Amortization (EBITDA)

Net income for the year is measured consistent with net income in the parent company statements of income. EBITDA is measured as net income excluding interest expense, interest income, benefit from (provision for) income tax, depreciation and depletion of property, plant and equipment, amortization of intangible assets and effects of non-recurring items.

The Company's EBITDA amounted to ₱1.26 billion and ₱551.37 million in 2016 and 2015 respectively.

31. Events after the Reporting Period

DENR Issues on Mining Operations

On February 27, 2017, ISRI received show cause letter (Letter) from the DENR directing ISRI to explain why the MPSA No. 152-00-CAR should not be cancelled for being located within watershed areas.

On March 6, 2017, the management of ISRI responded to the Letter stating that there is no legal nor factual basis for the cancellation of the MPSA since the contract area covered by the MPSA is not located within proclaimed watershed forest reserves where mining is prohibited. ISRI informs DENR that the arbitrary cancellation of their MPSA will cause irreparable injury and to communicate in writing to discuss the matter.

PNB Loan Drawdown

On January 27, 2017, the Parent Company executed a Loan Agreement with PNB for the amount of ₱500.00 million (see note 16).

32. Other Matters

Supplemental Disclosure to the Parent Company Statements of Cash Flows
The Company had the following non-cash investing and financing activities in 2016 and 2015 which were considered in the preparation of the statements of cash flows as follows:

	2016	2015
Addition (reduction) to property, plant and equipment pertaining to capitalized mine rehabilitation costs	**(₱1,933,925)**	(₱1,357,267)

Reclassification
Certain 2015 and 2014 financial statement accounts have been reclassified to conform to the 2016 financial statement presentation.

33. Supplementary Tax Information Required Under Revenue Regulations (RR) No. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 prescribing the manner of compliance in connection with the preparation and submission of financial statements accompanying the tax returns. It includes provisions for additional disclosure requirements in the notes to the financial statements, particularly on taxes, duties and license fees paid or accrued during the calendar year.

The Company reported and/or paid the following types of taxes in 2015:

a. VAT

a. Output VAT

The National Internal Revenue Code of 1997 provides for the imposition of VAT on sales of goods and services. In accordance with R.A. 9337, the Company's sales are subject to zero-rated output VAT. In 2015, the Company declared zero-rated VAT sales, which arise from one hundred percent (100%) export sales of gold and silver bullion, amounting to ₱3,522,050,654 pursuant to the BOI certification received by the Company as a new producer of gold, silver bullion, copper concentrates with gold, silver, zinc and lead values on a non-pioneer status.

b. Input VAT

The Company's input VAT came from prior and current year purchases as follows:

Balance at January 1, 2016	₱142,749,100
Add current year's domestic purchases/payments for:	
Capital goods subject to amortization	39,713,105
Importation of goods other than capital goods	32,745,339
Goods and services	1,905,935
Less: 2013 BOC approved TCC	(28,955,660)
2013 BOC disallowed TCC	(1,759,917)
Output VAT on disposal of PPE	(17,679)
Balance at December 31, 2016	₱186,380,223

b. Importations
The total landed cost of imports, and the amount of custom duties and tariff fees paid and accrued for the year ended December 31, 2015 follows:

Landed cost of imports	₱391,347,226
Amount paid for customs duties and tariff fees	7,180,302
	₱398,527,528

c. Excise tax
Excise taxes for the year ended December 31, 2016, resulting from the sales of gold and silver amounted to ₱69,789,879

d. Documentary stamp tax
Documentary stamp taxes paid for the year ended December 31, 2016, pertaining to loans from related parties PMHI, bank loan renewals /roll-over and purchase of shares of ISRI amount to ₱16,581,565 and ₱66,737, respectively.

e. Other taxes and licenses
All other local and national taxes paid for the year ended December 31, 2016 consist of:

Municipal taxes	₱40,702,859
Mayor's permit	3,659,418
Real property tax	2,414,909
Occupation Tax	140,625
Customs Duties	47,764
Community tax	21,000
Registration fees	500
Others	3,029,458
	₱50,016,533

The above local and national taxes are lodged under taxes, licenses and permits account in general and administrative expenses in the statement of comprehensive income.

f. Withholding taxes
Withholding taxes paid and accrued and/or withheld for the year ended December 31, 2016 consist of:

	Paid	Accrued	Total
Expanded withholding tax	₱27,532,050	₱2,017,529	₱29,549,579
Withholding tax on compensation	62,604,974	9,265,542	71,870,516
Final withholding tax	1,345,276	–	1,345,276
	₱91,482,300	₱11,283,071	₱102,765,371

g. Income Taxes
The Company has a minimum corporate income taxes for the year ended December 31, 2016 amounted to ₱16,967,818.

h. Tax cases
The Company has no outstanding tax cases in any other court or bodies outside of the BIR as at December 31, 2016.

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

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

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Apex Mining Co., Inc.
3304B West Tower, PSE Centre, Exchange Road
Ortigas Center, Pasig City

We have audited the accompanying financial statements of Apex Mining Co., Inc. as at and for the year ended December 31, 2016, on which we have rendered the attached report dated April 11, 2017.

In compliance with Securities Regulation Code Rule 68, As Amended (2011), we are stating that the above Company has two thousand five hundred seventeen (2,517) stockholders owning one hundred (100) or more shares.

SYCIP GORRES VELAYO & CO.

Jose Pepito E. Zabat

Jose Pepito E. Zabat III
Partner
CPA Certificate No. 85501
SEC Accreditation No. 0328-AR-3 (Group A),
May 1, 2015, valid until April 30, 2018
Tax Identification No. 102-100-830
BIR Accreditation No. 08-001998-60-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5908781, January 3, 2017, Makati City

April 11, 2017

SGV
Building a better working world

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November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Apex Mining Co., Inc.
3304B West Tower, PSE Centre, Exchange Road
Ortigas Center, Pasig City

We have audited, in accordance with Philippine Standards on Auditing, the Parent Company financial statements of Apex Mining Co., Inc. as at and for the years ended December 31, 2016 and 2015 and have issued our report thereon dated April 11, 2017. Our audits were made for the purpose of forming an opinion on the basic Parent Company financial statements taken as a whole. The schedules listed in the Index to the Parent Company Financial Statements and Supplementary Schedules are the responsibility of the Parent Company's management. These schedules are presented for purposes of complying with Securities Regulations Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jose Pepito E. Zabat

Jose Pepito E. Zabat III
Partner
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April 11, 2017

APEX MINING CO., INC.

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FOR THE YEAR ENDED DECEMBER 31, 2016

SCHEDULE I
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2016

APEX MINING CO., INC.
3304B West Tower, PSE Centre, Exchange Road
Ortigas Center, Pasig City

Unappropriated Retained Earnings, *as adjusted to available for dividend distribution, beginning*			(₱3,031,713,322)*
Add: Net income actually earned/realized during the period			
Net income during the period closed to Retained Earnings		440,521,604	
Less:	Non-actual/unrealized income net of tax	–	
	Equity in net income of associate/joint venture	–	
	Unrealized foreign exchange gain (loss) - net (except those	(2,743,309)	
	attributable to cash)	–	
	Unrealized actuarial gain	–	
	Fair value adjustment (mark-to-market gains)	–	
	Fair value adjustment of investment property resulting to gain	–	
	Adjustment due to deviation from PFRS/GAAP – gain	–	
	Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	–	
Subtotal		437,778,295	
Add:	Non-actual losses		
	Depreciation on revaluation increment (after tax)	21,460,140	
	Adjustment due to deviation from PFRS/GAAP – loss	–	
	Loss on fair value adjustment of investment property (after tax)	–	
Subtotal		21,460,140	
Net income actually incurred during the period		459,238,435	
Add (Less):			
	Dividend declarations during the period	–	
	Appropriations of retained earnings	–	
	Reversals of appropriations	–	
	Effects of change in accounting policy	–	
	Treasury shares	–	
	Equity Restructuring	3,011,088,301	
Subtotal		–	3,470,326,736
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND			**₱438,613,414**

**Refer to the to the table for the related computation.*
†Amount is zero since the reconciliation results to a deficit

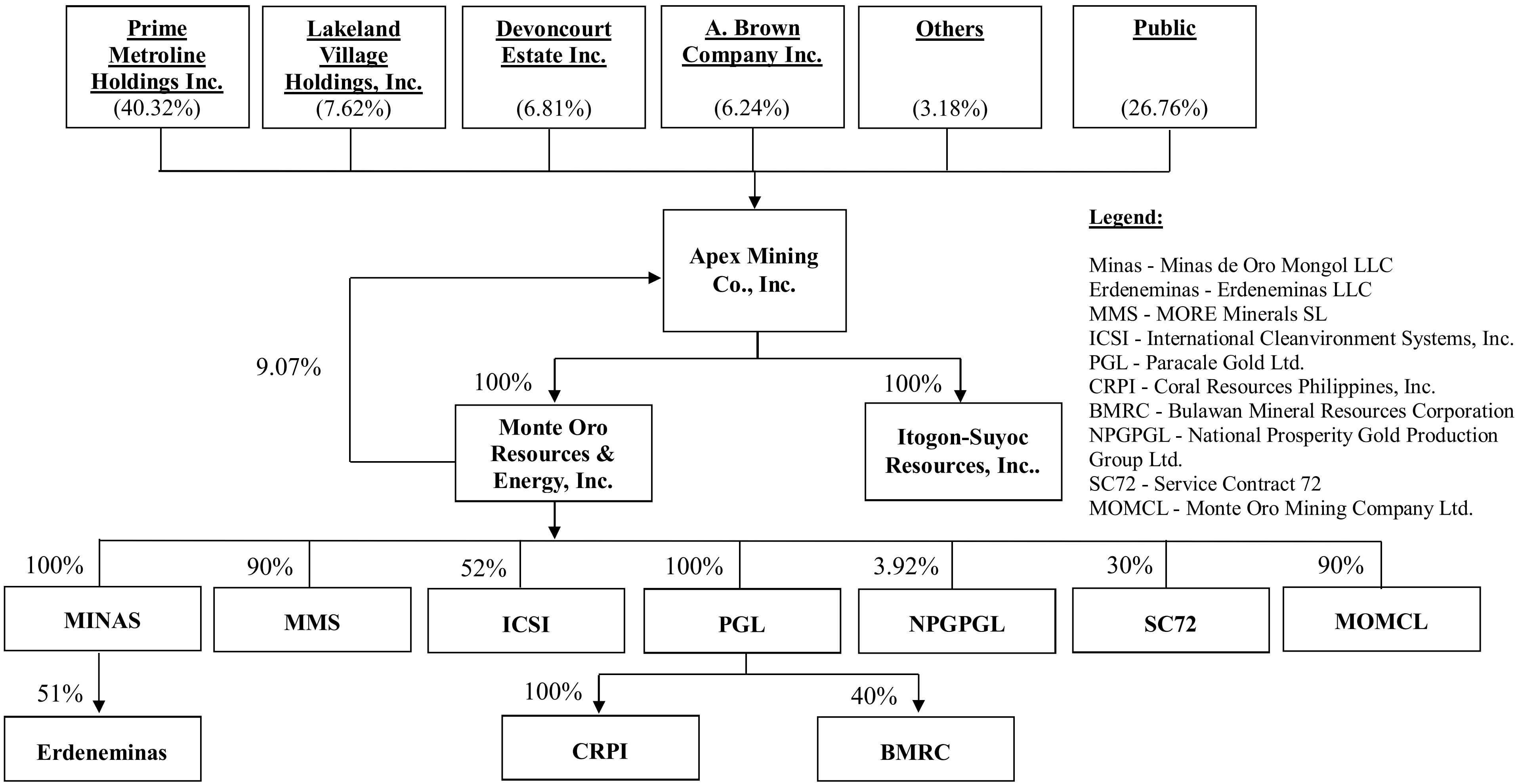
*Computed as follows:

Retained earnings as of December 31, 2015, as reflected in audited financial statements	(₱3,011,088,301)
Unrealized foreign exchange gain - net	(20,625,021)
Total	(₱3,031,713,322)

SCHEDULE II
APEX MINING CO., INC.
FINANCIAL RATIOS PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2016

	2016	2015
Profitability Ratios:		
Return on assets	**3.17%**	1.26%
Return on equity	**6.33%**	2.60%
Gross profit margin	**26.34%**	17.12%
Liquidity Ratio:		
Current ratio	**0.24:1**	0.22:1
Financial Leverage Ratios:		
Asset to equity ratio	**2:1**	2.06:1
Debt to equity ratio	**1:1**	1.06:1
Debt service coverage ratio (DSCR)	**7.05:1**	2.13:1

SCHEDULE III
APEX MINING CO., INC.
MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2016



SCHEDULE IV
APEX MINING CO., INC.
TABULAR SCHEDULE OF EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER THE PFRS PURSUANT TO SRC RULE 68, AS AMENDED DECEMBER 31, 2016

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as at December 31, 2016:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
PFRS 2	Share-based Payment			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 13	IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
IFRIC 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2016		Adopted	Not Adopted	Not Applicable
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

SCHEDULE A

APEX MINING CO., INC.
FINANCIAL ASSETS
DECEMBER 31, 2016

Name of issuing entity and association of each issue	Number of shares or principal amounts of bonds and notes	Amount shown in the balances sheet (figures in thousands)	Income received and accrued

NOT APPLICABLE

SCHEDULE B

APEX MINING CO., INC.

AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2016

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected / Settlements	Amounts Written off	Current	Not Current	Balance at end period

NOT APPLICABLE

SCHEDULE C

APEX MINING CO., INC.
AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2016

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected / Settlements	Amounts Written off	Current	Not Current	Balance at end period
ISRI	₱107,569,165	₱149,488,693			₱257,057,858		₱257,057,858
CRPI	33,612,637	15,543,794			49,156,431		49,156,431
BMRC	300,000				300,000		300,000

SCHEDULE D

APEX MINING CO., INC.
INTANGIBLE ASSETS - OTHER ASSETS
DECEMBER 31, 2016

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Intangible Assets	528,127	–	(420,304)	–	–	107,823
Deferred Exploration Costs	744,866,741	41,198,547	–	–	–	786,065,288

SCHEDULE E

APEX MINING CO., INC.
LONG-TERM DEBT
DECEMBER 31, 2016

Title of Issue and type of obligation	Amount authorized by: Indenture	Amount shown under the caption "Current Portion of long-term borrowings" in related balance sheet	Amount shown under the caption "Long-term borrowings- net of current portion" in related balance sheet

NOT APPLICABLE

SCHEDULE F

APEX MINING CO., INC.
INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2016

Name of Related Party	Balance at beginning of period	Balance at end of period
	NOT APPLICABLE	

<u>**SCHEDULE G**</u>

APEX MINING CO., INC.
GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2016

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owed by person for which statement is filed	Nature of guarantee

NOT APPLICABLE

SCHEDULE H

APEX MINING CO., INC.
CAPITAL STOCK
DECEMBER 31, 2016

The Company's authorized share capital is ₱12,800,00,000, divided into 12,800,000,000 shares at ₱1.00 par value each. As at December 31, 2016, total shares issued and outstanding is 6,227,887,491 held by 2,799 shareholders.

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for option, warrants, conversions and other rights	No of shares held by		
				Affiliates	Directors and Officers	Others
Common Stock	12,800,000,000	6,227,887,491	–	-	148,199,894	6,079,687,597