C O V E R   S H E E T

SEC Registration Number

4	0	6	2	1						

C O M P A N Y   N A M E

APEX MINING CO., INC. AND SUBSIDIARIES

P R I N C I P A L   O F F I C E *(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
17-Q		N/A

C O M P A N Y   I N F O R M A T I O N

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)
	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.*

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended: **March 31, 2017**

2. Commission Identification Number: **40621**

3. BIR Tax Identification No.: **000-284-138**

4. Exact Name of Registrant as specified in its charter**: APEX MINING CO., INC.**

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

6. Industry Classification Code: (SEC Use Only)

7. Address of registrant's principal office: **3304B West Tower PSE Centre, Exchange Road, Ortigas Center, Pasig City,**
   Postal Code: **1605**

8. Telephone number, including area code: **Tel. # (02) 706-2805 Fax # 706-2804**

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common shares	6,227,887,491
Debt outstanding	₱3,556,280,000

11. Are any of the issuer's securities listed on a Stock Exchange? If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

    Yes [X] No [ ] Philippine Stock Exchange / Common shares

12. Indicate by check mark whether the registrant:
    (a) has filed all reports required to be filed by Section 11 of the RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporate Code of the Philippines, during the preceding 12 months (or for such shorter period that registrant was required to file such reports)

    Yes [X] No [ ]

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

    Yes [ ] No [X]

Part I – FINANCIAL INFORMATION

Item 1. Financial Statements

Please see attached Unaudited Interim Financial Statements as of March 31, 2017

Item 2. Management Discussion and Analysis of Financial Position and Results of Operations for the First Quarter of 2017 and 2016

Consolidated Statement of Income

Consolidated Net Income (Loss)

The consolidated net income of Apex Mining Co., Inc. (the "Parent Company") and Subsidiaries (collectively referred to as the "Group") was ₱100.3 million in the first quarter of 2017, more than double the ₱39.4 million consolidated net income in the same period in 2016.

The Parent Company net income in the first quarter of 2017 and 2016 amounted to ₱112.2 million and ₱51.3 million, respectively.

Consolidated Revenues

The consolidated revenues in the first quarter of 2017 and 2016 amounted to ₱991.5 million and ₱775.4 million, respectively, an increase of ₱216.1 million or 28% in 2017 compared to 2016. The consolidated revenues of the Group pertain to the Parent Company revenues in both comparative quarters.

Information on the Parent Company production volume and realized prices for both gold and silver in the first quarter of 2017 and 2016 is as follows:

Gold	**2017**	2016	Change
Volume in ounces	**14,969**	12,779	+17%
Realized price/ounce, in USD	**$1,234**	$1,214	+2%

Silver	**2017**	2016	Change
Volume in ounces	**75,359**	61,085	+23%
Realized price/ounce, in USD	**$17.7**	$15.1	+17%

The weighted average United States Dollar (USD) to Philippine Peso (PHP) foreign exchange rates on the Parent Company revenues in 2017 and 2016 were ₱50.06 and ₱47.17, to one USD respectively.

An analysis of the consolidated revenue variance, which comprises of volume, price and exchange rate variances, all of which were positive variances, between the comparative periods ended March 31, 2017 and 2016 of the Group are as follows:

Variance	Gold	Silver	Total
Volume	₱125,439,071	₱10,188,403	₱135,627,474
Price	14,101,858	9,256,723	23,358,581
Exchange rate	53,304,167	3,856,837	57,161,004
Consolidated revenue	₱192,845,096	₱23,301,963	₱216,147,059

The positive volume variance is a direct result of the Parent Company milling 52% more ore in the first quarter of 2017 than in 2016. Notwithstanding lower grades, which was 23% and 17% lower for gold and silver, respectively, than the comparative quarter in 2016, the Parent Company was still able to produce 17% more ounces of gold and 23% more ounces of silver in 2017.

Average realized prices of both gold and silver improved in the 2017 compared to 2016 leading to a positive price variance, while the continued strength of the USD against the PHP favored the exchange rate variance as shown in the table.

Consolidated Cost of Production
Consolidated cost of production incurred in the first quarter of 2017 and 2016, all of which pertains solely to the Parent Company cost of production, amounted to ₱770.7 million and ₱640.4 million, respectively. A breakdown of the main components of consolidated cost of production is as follows:

- Depreciation and depletion expense increased by 57% or ₱94.3 million in 2017 compared to 2016.

  Depreciation inched up by only 8% or ₱9.1 million. Depletion, on the other hand, tripled to ₱129.3 million in first quarter of 2017 from ₱44.1 million in 2016 on account of higher tonnage milled and depletion rate. The higher depletion rate in 2017 was brought about by opening new working areas to achieve the increased production. The Parent Company managed to increase its daily throughput average from 1,194 tonnes per day (TPD) in 2016 to 1,677 TPD in 2017. The development cost of these new operating areas has since been reclassified to mine and mining properties and subjected to depletion.

- Materials and supplies used in mining and milling rose by ₱17.7 million in 2017 compared to 2016. Materials and supplies cost is production-driven and the throughput in the comparative first quarters of 2017 and 2016 increased to 135,904 tonnes from 89,494 tonnes. The Group's cost-cutting measures and improvement in the operational processes resulted in containing the increase in materials and supplies cost at 10% in spite of a 52% increase in total throughput in the current quarter in 2017.

Consolidated Excise Taxes
Consolidated excise taxes are the excise taxes on the market value of metals produced by the Parent Company. The higher consolidated excise taxes in the first quarter of 2017 was a direct result of the higher consolidated revenues in that period.

Consolidated General and Administrative Expenses
Consolidated general and administrative (G&A) expense in the first quarter of 2017 and 2016 amounted to ₱57.3 million and ₱50.9 million, respectively. Details of the significant elements of the consolidated G&A expenses are discussed below.

- Personnel cost increased by 16% or ₱3.6 million in 2017 versus the comparative quarter in 2016 due to higher salary rates.

- Refining charges pertain to the cost of refining the bullion to attain the level of purity acceptable by commodity market standards. The increase in the metals produced in the first quarter of 2017 compared to the same period in 2016 directly resulted to the increase in the refining charges.

Consolidated Other Charges
Consolidated other charges of the Group amounted to ₱39.3 million and ₱29.4 million in the first quarter of 2017 and 2016, respectively. This was primarily due to the higher financing cost or interest expense in the current period as the Parent Company availed of an additional loan towards the end of January 2017.

<u>Consolidated Statement of Financial Position</u>
Consolidated Current Assets
Total consolidated current assets grew by ₱603.3 million to ₱2.2 billion as of March 31, 2017 from ₱1.6 billion as of December 31, 2016 due to the following:

- Cash of the Group grew by ₱383.4 million to ₱620.9 million as of March 31, 2017 versus the cash as of the comparative period of ₱237.5 million primarily from the proceeds of the loan availed of the Parent Company in the current period.

- Trade and other receivables increased by ₱87.5 million as of March 31, 2017 compared to December 31, 2016 mainly due to advances made for the operations of one of the Parent Company's subsidiaries, and the increased metal account of the Parent Company with its refiner at the end of the quarter.

- Inventory went down by ₱130.8 million as of March 31, 2017 due to lower bullion inventory compared to the balance as of December 31, 2017. The Parent Company was able to ship out most of its production in the first quarter of 2017 to its refiner.

- Prepayments and other current assets rose by ₱147.1 million as of March 31, 2017 versus the comparative balances as of December 31, 2016 on account of additional advances to suppliers. These advances, which are mainly for machinery and equipment, inventory and services purchased, are being offset against the actual billings as the services are rendered or the machinery and equipment and goods are received.

Consolidated Noncurrent Assets
Total consolidated noncurrent assets decreased by ₱185.7 million to ₱9.3 billion as of March 31, 2017 from ₱9.5 billion as of December 31, 2016 mainly because of the depreciation and depletion charges for the quarter.

Consolidated Current Liabilities
Consolidated current liabilities were lower by ₱143.1 million to ₱5.4 billion as of March 31, 2017 from ₱5.6 billion as of December 31, 2016. The Group was able to reduce its trade and other payables by ₱242.2 million, but increased its loans payable by ₱101.3 million.

Consolidated Noncurrent Liabilities
The Group's consolidated noncurrent liabilities went up by ₱344.2 million to ₱854.3 million as of March 31, 2017 from ₱510.1 million as of December 31, 2016. Loans payable added ₱333.3 million, the maturity of which will be more than 12 months from the financial position date. There was also an increase in the provision for retirement benefits of ₱10.9 million.

Consolidated Equity
Consolidated equity was higher as of March 31, 2017 by ₱100.3 million on account of the total comprehensive income recognized in the quarter.

<u>Key Performance and Financial Soundness Indicators</u>
Tonnes Mined and Milled
Tonnage, ore grade and metal recovery determine production volume. The higher the tonnage, ore grade and recovery, the more metals are produced. Below are the mine and mill data that determine the production of the Maco mine of the Parent Company.

	Three-Month Period Ended March 31		
	2017	2016	Change
Tonnes mined	**135,787**	125,738	+8%
Mine grade (grams/tonne; g/t)	**5.62**	6.59	+15%
Tonnes milled	**135,904**	89,494	+52%
Mill head grade (g/t)			
Gold	**4.17**	5.42	-23%
Silver	**26.76**	32.34	-17%
Metal recovery			
Gold	**82%**	82%	–
Silver	**66%**	67%	-1%

Financial Ratios
Management has identified the following financial ratios as significant in assessing the Group's performance:

		Three-Month Period Ended March 31	
Financial Ratio	Formula	**2017**	2016
Gross profit margin	Gross profit / Revenue	**22.3%**	17.4%
Return on assets	Net income / Total assets	**0.9%**	0.4%
Return on equity	Net income / Total equity	**2.0%**	0.9%
Debt service coverage ratio	EBITDA / Loan principal plus interest payments	**3.9:1**	5.9:1

Financial Ratio	Formula	**March 31, 2017**	December 31, 2016
Current ratio	Current assets / Current liabilities	**0.39:1**	0.29:1
Debt-to-equity	Total debt / Total equity	**1.23:1**	1.22:1
Asset-to-equity	Total assets / Total equity	**2.23:1**	2.22:1

The higher gross profit margin, return on assets and return on equity were a result of the higher net earnings of the Group in the first quarter of 2017 compared to the same period last year.

The inclusion of principal amortization to the interest expense in the denominator caused the decrease in the debt service coverage ratio in the first quarter of 2017. There was no principal amortization projected in the first quarter of 2016.

The higher current, debt-to-equity and asset-to-equity ratios were a result of the additional loan availed of by the Parent Company in the first quarter of 2017.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

APEX MINING CO., INC.
Registrant

WALTER W. BROWN
President & CEO

RENATO N. MIGRINO
Treasurer

MARION SAUL V. AGGARAO
Comptrollership Head

APEX MINING CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	March 31, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash	**₱620,938,050**	₱237,508,978
Trade and other receivables	**281,947,385**	194,468,066
Advances to related parties	**2,273,648**	2,507,262
Inventories - net realizable value	**642,563,996**	773,320,136
Prepayments and other current assets	**554,653,771**	407,511,416
Total Current Assets	**2,102,376,850**	1,615,315,858
Non-current Assets		
Available-for-sale financial assets	**344,640,000**	344,640,000
Property, plant and equipment	**6,216,403,582**	6,323,823,868
Deferred exploration costs	**2,231,130,035**	2,310,047,312
Intangible assets	**192,202,964**	192,764,143
Other non-current assets	**293,611,468**	292,438,743
Total Noncurrent Assets	**9,277,988,049**	9,463,714,066
TOTAL ASSETS	**₱11,380,364,899**	₱11,079,029,924
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	**₱1,223,254,451**	₱1,465,453,445
Advances from related parties	**976,012,000**	978,230,761
Loans payable	**3,222,946,667**	3,121,667,433
Income tax payable	**4,626,071**	4,629,511
Total Current Liabilities	**5,426,839,189**	5,569,981,150
Non-current Liabilities		
Loans payable - net of current portion	**333,333,333**	–
Provision for retirement benefits	**174,558,108**	163,684,274
Provision for mine rehabilitation and decommissioning	**42,837,160**	42,837,160
Deferred income tax liabilities	**303,576,822**	303,576,822
Total Noncurrent Liabilities	**854,305,423**	510,098,256
Total Liabilities	**6,281,144,612**	6,080,079,406
Equity Attributable to Equity Holders of the Parent Company		
Capital stock	**6,227,887,491**	6,227,887,491
Additional paid-in capital	**15,941,675**	15,941,675
Treasury shares	**(2,117,737,909)**	(2,117,737,909)
Revaluation surplus on property, plant and equipment	**262,063,873**	262,063,873
Remeasurement loss on retirement plan	**(7,686,433)**	(7,686,433)
Currency translation adjustment on foreign subsidiaries	**(2,185,644)**	(2,185,644)
Retained earnings	**543,961,965**	443,834,193
	4,922,245,018	4,822,117,246
Non-controlling Interests	**176,975,269**	176,833,272
Total Equity	**5,099,220,287**	4,998,950,518
TOTAL LIABILITIES AND EQUITY	**₱11,380,364,899**	₱11,079,029,924

See accompanying Notes to Consolidated Financial Statements.

APEX MINING CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE-MONTH PERIOD ENDED MARCH 31

	Period Ended March 31	
	2017 (Unaudited)	2016 (Unaudited)
REVENUES		
Gold	**₱924,628,923**	₱731,783,827
Silver	**66,901,761**	43,599,798
	991,530,684	775,383,625
COST OF PRODUCTION		
Depreciation, depletion and amortization	**258,786,943**	164,519,675
Materials and supplies	**193,891,014**	176,179,869
Personnel cost	**131,811,331**	129,212,123
Utilities	**67,374,970**	63,910,374
Contracted Services	**59,021,023**	52,274,750
Others	**59,814,535**	54,336,908
	770,699,816	640,433,699
EXCISE TAXES	**20,082,075**	12,948,059
GENERAL AND ADMINISTRATIVE EXPENSES		
Personnel cost	**25,936,701**	22,386,567
Refining charges	**8,589,575**	6,280,648
Taxes and licenses	**8,169,248**	9,373,540
Professional fees	**2,856,821**	2,173,616
Others	**11,757,497**	10,664,273
	57,309,842	50,878,644
OTHER CHARGES - net	**39,325,998**	29,419,334
INCOME BEFORE INCOME TAX	**104,112,953**	41,703,889
PROVISION FOR INCOME TAX	**3,843,184**	2,314,424
NET INCOME	**₱100,269,769**	₱39,389,465
Net income (loss) attributable to:		
Equity holders of the Parent Company	**₱100,127,772**	₱40,220,141
Non-controlling interests	**141,997**	(830,676)
	₱100,269,769	₱39,389,465
BASIC/DILUTED EARNINGS PER SHARE	**₱0.018**	₱0.007

See accompanying Notes to Consolidated Financial Statements.

APEX MINING CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED MARCH 31

	Period Ended March 31	
	2017 (Unaudited)	2016 (Unaudited)
NET INCOME	**₱100,269,769**	₱39,389,465
OTHER COMPREHENSIVE INCOME, NET OF TAX	**–**	–
TOTAL COMPREHENSIVE INCOME	**₱100,269,769**	₱39,389,465
Total comprehensive income (loss) attributable to:		
Equity holders of the Parent Company	**₱100,127,772**	₱40,220,141
Non-controlling interests	**141,997**	(830,676)
	₱100,269,769	₱39,389,465

See accompanying Notes to Consolidated Financial Statements.

APEX MINING CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIODS ENDED MARCH 31, 2017 AND 2016

	Attributable to Equity Holders of the Parent Company								
	Capital stock	**Additional paid-in capital**	**Revaluation surplus**	**Treasury shares**	**Remeasurement loss on retirement plan**	**Currency translation adjustment on foreign subsidiaries**	**Deficit**	**NCI**	**Total**
Balances at December 31, 2015	**₱6,227,887,491**	**₱3,027,029,976**	**₱283,524,013**	**(₱2,117,737,909)**	**(₱26,813,063)**	**(₱347,620)**	**(₱2,914,720,530)**	**₱180,880,301**	**₱4,659,702,659**
Net income (loss)	–	–	–	–	–	–	40,220,141	(830,676)	39,389,465
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income (loss)	–	–	–	–	–	–	40,220,141	(830,676)	39,389,465
Equity restructuring (Note 1)	–	(3,011,088,301)	–	–	–	–	3,011,088,301	–	–
Balances at March 31, 2016	**₱6,227,887,491**	**₱15,941,675**	**₱283,524,013**	**(₱2,117,737,909)**	**(₱26,813,063)**	**(₱347,620)**	**₱136,587,912**	**₱180,049,625**	**₱4,699,092,124**
Balances at December 31, 2016	**₱6,227,887,491**	**₱15,941,675**	**₱262,063,873**	**(₱2,117,737,909)**	**(₱7,686,433)**	**(₱2,185,644)**	**₱443,834,193**	**₱176,833,272**	**₱4,998,950,518**
Net income	–	–	–	–	–	–	100,127,772	141,997	100,269,769
Other comprehensive income	–	–	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	–	100,127,772	141,997	100,269,769
Balances at March 31, 2017	**₱6,227,887,491**	**₱15,941,675**	**₱262,063,873**	**(₱2,117,737,909)**	**(₱7,686,433)**	**(₱2,185,644)**	**₱543,961,965**	**₱176,975,269**	**₱5,099,220,287**

See accompanying Notes to Consolidated Financial Statements.

APEX MINING CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE-MONTH PERIOD ENDED MARCH 31

	2017 (Unaudited)	2016 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax for the period	**₱104,112,953**	₱41,703,889
Adjustments for:		
Depreciation, depletion and amortization	**259,500,999**	165,052,968
Provision for retirement benefits	**10,873,834**	–
Operating income before working capital changes	**374,487,786**	206,756,857
Decrease (increase) in:		
Receivables	**(87,479,319)**	62,739,517
Inventories	**130,756,140**	58,248,309
Prepayments and other current assets	**(147,142,355)**	(26,886,792)
Increase (decrease) in trade and other payables	**(242,198,994)**	(165,933,304)
Cash flows generated from operations	**28,423,258**	134,924,587
Income tax paid	**(3,846,624)**	(5,346,798)
Net cash flows from operating activities	**24,576,634**	129,577,789
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures for property, plant and equipment, including mine development costs	**(73,774,982)**	(332,572,136)
Increase in deferred exploration costs	–	(1,719,561)
Net cash flows used in investing activities	**(73,774,982)**	(334,291,697)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net loan availment (payment)	**434,612,567**	(213,087,098)
Net change in accounts with related parties	**(1,985,147)**	197,533,870
Net cash flows from (used in) financing activities	**432,627,420**	(15,553,228)
NET INCREASE IN CASH	**383,429,072**	(220,267,136)
CASH AT BEGINNING OF PERIOD	**237,508,978**	550,980,770
CASH AT END OF PERIOD	**₱620,938,050**	₱330,713,634

APEX MINING CO., INC. AND SUBSIDIARIES

AGING OF ACCOUNTS RECEIVABLE - UNAUDITED

AS OF THE PERIOD ENDED MARCH 31, 2017

1) Aging of Accounts Receivable

	Total	1 Month	2-3 Months	4-6 Months	7 Months to 1 Year	1-3 Years	3-5 Years	5 Years Above	Past due accounts & items in litigation
Type of Accounts Receivable									
a) Trade Receivables	₱122,129,672	122,129,672	–	–	–	–	–	–	–
Less: Allow. For Doubtful Acct.	–	–	–	–	–	–	–	–	–
Net Trade Receivable	122,129,672	122,129,672	–	–	–	–	–	–	–
b) Non-Trade Receivables									
1) Advances - Temp. Accom.	161,581,509	37,665,496	68,128,341	22,285,000	33,502,672	–	–	–	–
Less: Allow. For Doubtful Acct.	(1,763,796)	–	–		(1,763,796)	–	–	–	–
Net Non-Trade Receivables	159,817,713	37,665,496	68,128,341	22,285,000	31,738,876				
Net Receivables (a + b)	**₱281,947,385**								

2) Accounts Receivable Description

Type of Receivable	Nature/Description	Collection Period
a.) Accounts Receivable	receivable from customers	7 to15 days
b) Accounts Receivable-Others	cash advance to suppliers and contractors, officers and employees/SSS Claims	Within normal operating cycle

3) Normal Operating Cycle: 3 months

1. Corporate Information

Corporate Information

Apex Mining Co., Inc. ("AMCI" 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, 2013	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	2.5 billion	1.00
March 12, 2015	Issuance of additional shares	12.8 billion	1.9 billion	1.00

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

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

Acquisition of Itogon-Suyoc Resources, Inc. (ISRI)
On June 24, 2015, the Parent 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 Parent Company's shares held by Monte Oro Resources Energy, Inc. (MORE) for a purchase price of ₱0.007456 per share.

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

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

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.

Acquisition of Monte Oro Resources & Energy, Inc. (MORE)
On September 11, 2014, the 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 Prime Metroline Holdings, Inc. (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 12, 2015.

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

- that the place where the principal office of the Parent Company will be established or located shall be in 3304B West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila, Philippines; and
- that the authorized capital stock of the Parent 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

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.

<u>Status of Operations</u>
Significant developments in the Parent Company's and its subsidiaries' (the "Group") operations were as follows:

a. Mining

Maco Mines
On December 22, 2005, the Mines and Geosciences Bureau (MGB) approved the Parent Company's application for a 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 March 31, 2017, the Parent Company holds MPSA Nos. 225-2005-XI and 234-2007-XI, which have terms of 25 years from the 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 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.

Itogon Mines
The rehabilitation of the Itogon mine of ISRI in Benguet is being programmed to run at the initial rate of 400 tonnes per day.

On April 27, 2017, TUV Rheinland granted ISRI a Certificate of Registration to ISO 14001:2015 valid until March 30, 2020 covering the following scopes:

- "Exploration, Mining and Mineral Processing" for the Sangilo mine in Itogon, Benguet
- "Provision of Mining Exploration and Project Development Activities" for the Suyoc mine in Mankayan, Benguet

Paracale Gold Project
A deed of sale was executed by MORE and Paracale Gold Limited (PGL), a British Virgin Islands (BVI) company, on June 25, 2014, whereby MORE purchased 100% of the outstanding capital stock of PGL, an entity incorporated in the Isle of Man and a wholly owned subsidiary of PGL-BVI, for and in consideration of 235.85 million shares owned by MORE in the Parent Company under the terms and conditions specified on the agreement dated March 14, 2014.

The agreement provides that the transfer of shares shall be completed through the facilities of the PSE in a special block sale. Transfer price to PGL-BVI was set at ₱2.00 per share. As a security for payment to PGL-BVI, the contracting parties entered into a pledge agreement on June 25, 2014, whereby MORE shall deliver 235.85 million Parent Company's shares to PGL-BVI by way of pledge within five days.

PGL wholly owns Coral Resources Philippines, Inc. (CRPI) and has a 40% interest in Bulawan Mineral Resources Corporation (BMRC). PGL has advances to and an option to buy over the other 60% shareholdings in Bulawan. These include qualifying shares, which are recorded in the names of the nominee directors.

CRPI owns a fully operational mine processing plant located in Paracale, Jose Panganiban, Camarines Norte, Philippines. CRPI and BMRC have direct rights or legal agreements over nine applications for production sharing agreements (APSA), 13 exploration permits pending renewal and exploration permit applications, and two mining lease contracts.

On February 11, 2016, BMRC has obtained the Environmental Compliance Certificate (ECC) with No. ECC-R05-1510-0140 from Environmental Management Bureau, Region V. The ECC covers the proposed Bulawan Mineral Resources Gold Mining Project with an area of 24.5 hectares located at Barangay Sta. Rosa Norte, Jose Panganiban, Camarines Norte.

As at December 31, 2016, PGL currently holds twenty five (25) tenements in various stages of application. It is currently working on the processing and approval of pending applications, plus alternative options such as Special Mines Permits and ores from legal small scale mining operations.

Mongolia Project
The gold project is registered under the joint venture company Erdeneminas LLC, which is owned 51 % by Minas de Oro Mongol LLC (Minas), a subsidiary of MORE, and 49% by Erdenejas LLC, a Mongolian exploration company.

The project is currently under continued care and maintenance until such a time when the economic situation in Mongolia improves, that it can be presented to potential buyers.

Sierra Leone Projects
MORE owns 90% of both Monte Oro Mining Co., Ltd. (MOMCL) and MORE Minerals SL (MMSL). Both have been conducting mining and exploration activities in Sierra Leone in West Africa where they were organized. The Group plans to continue its representation and operations in Sierra Leone.

b. Oil and Gas

Service Contract (SC) 72
The Company has a 30% participating interest in SC 72, a service contract for gas in the offshore area called Sampaguita Fields of Palawan in the West Philippine Sea. Forum (GSEC 101) Ltd.-Philippine Branch owns the remaining 70% participating interest and is the operator of the SC.

In February 2015, Forum Energy Plc received a letter from the Department of Energy (DOE) confirming the suspension of offshore exploration activities in disputed areas of the West Philippine Sea while the arbitration case between the Philippines and China remains pending. The suspension became effective from December 15, 2014 until the date when the DOE notifies Forum to resume operations.

On October 5, 2015, the transfer of 30% participating interest in SC72 from GSEC 101 Ltd.-Philippine branch to MORE was approved and confirmed by the DOE.

On July 12, 2016, the United Nations Arbitral Tribunal ruled that Reed bank, where SC 72 is located, is within the Philippines' EEZ as defined under the UNCLOS.

On November 24, 2016, the DOE approved the Work Program and Budget for 2017 submitted by the Branch consisting of License Administration and the conduct of a geotechnical survey contingent on the lifting of the force majeure over SC 72. As at filing date of this report, the DOE has not yet lifted the force majeure.

MORE also has oil exploration projects in Catanduanes and in Cagayan Valley under SC 48.

c. Solid Waste Management

On September 27, 1996, International Cleanvironment Systems, Inc. (ICSI) was registered with the Philippine SEC to manage, rehabilitate and introduce ecologically friendly technologies for waste disposal, recycling and energy generation. ICSI entered into a Build-Operate-Transfer Agreement with the Philippine government through the DENR for 25 years starting from the completion of the Philippine government of its deliverables to ICSI with the option to renew for another 25 years. As at filing date of this report, ICSI has not yet started operations.

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

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

The consolidated financial statements have been prepared on a historical cost basis, except for property, plant and equipment, which are carried at revalued amounts. The consolidated 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.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of and for the period ended March 31, 2017 and December 31, 2016. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if, and only if, the Parent 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
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement(s) with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Parent Company's voting rights and potential voting rights

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests (NCI), even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Parent Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Parent Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The Parent Company's principal subsidiaries and their nature of business, country of incorporation and effective percentage of ownership are as follows:

	Nature of business	Country of incorporation	Effective percentage of ownership
ISRI	Mine exploration and development	Philippines	100.00
MORE	Mine and oil exploration and development	Philippines	100.00
MORE's Subsidiaries:			
Minas	Mine exploration and development, and gold trading	Mongolia	100.00
PGL	Mine exploration and development	Isle of Man	100.00
CRPI*	Mine exploration and development	Philippines	100.00
BMRC*	Mine exploration and development	Philippines	100.00
MMSL	Mine exploration and development, and gold trading	Sierra Leone	90.00
MOMCL	Mine exploration and development, and gold trading	Sierra Leone	90.00
ICSI	Solid Waste Management	Philippines	52.00

* *Indirect ownership through PGL*

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Group's consolidated 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 consolidated 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 Group'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 consolidated financial statements.

Assessment of the Recoverability of Capitalized Deferred Exploration and Mine Development Costs

The application of the Group's accounting policy for 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 mineral 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 mineral reserves could eventually be developed to justify deferral of exploration and mine development expenditures. The deferral 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.

Determination of the Parent Company's Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Parent Company, the functional currency of the Parent Company has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Parent Company operates.

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

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

Operating leases of the Group are related to leases of mining and milling equipment, transportation vehicles and others that are normally accounted for on either on a per usage or per lease term basis.

Assessment on Provisions and Contingencies
The Group 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 Group's defense in these matters and is based upon an analysis of potential results. The Group 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.

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

- the level of capital expenditure compared to construction cost estimates
- completion of a reasonable period of testing of the 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 Group 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 consolidated statement of financial position.

In addition, the Group 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 consolidated financial statements within the next financial year are discussed below.

Estimation of Ore Reserves
Recoverable mineral reserves are determined using various factors that affect the viability of mining operations such as the mineral 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.

Estimation of Impairment of Nonfinancial Assets, including Property, Plant and Equipment, Deferred Exploration Costs, Intangible Assets, and Other Noncurrent Assets
The Group evaluates whether property, plant and equipment, deferred exploration costs, intangible assets, 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 value-in-use or fair value, if said information is readily available.

Estimation of value-in-use 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 Group. 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. These are subjected to impairment testing when impairment indicators are present.

Estimation of Allowance for Doubtful Accounts on Trade and Other Receivables, and Advances to Related Parties
If the Group 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 Group estimates the related allowance for doubtful accounts 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 Group 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 trade and other receivables, and advances to related parties to amounts that the Group expects to collect. These specific reserves are re-evaluated and adjusted as additional information received affect the amounts estimated.

Estimation of Allowance for Inventory Losses and Obsolescence
The Group 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 their original acquisition costs.

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

Estimation of Fair Value of Identifiable Net Assets of an Acquiree in a Business Combination
The Group applies the acquisition method of accounting whereby the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) on the basis of fair value at the date of acquisition. The determination of fair values requires estimates of economic conditions and factors such as metal prices, mineral reserve, freight exchange rates and others.

Estimation of Fair Value, Useful Lives and Residual Values of Property, Plant and Equipment
The Group 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.

There were 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 March 31, 2017 and December 31, 2016 are expected to be realized through continued use under the current mining plan with none identified subject for sale or disposal.

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

Estimation of Provision for Mine Rehabilitation and Decommissioning
The Group 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 consolidated 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.

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.

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.

Estimation of Impairment of AFS Financial Assets Carried at Cost
If there is objective evidence that an impairment loss on an unquoted equity instrument, that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument 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 discounted at the current market rate of return of a similar financial asset.

Assessment of Realizability of Deferred Income Tax Assets
The Group 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 profit will be available to allow all or part of the deferred income tax assets to be utilized. Accordingly, the Group did not recognize deferred tax assets in respect of deductible temporary differences and unused tax losses.

Estimation of Legal Contingencies
The Group evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsel believe that the Group 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 consolidated financial statements.

4. **Loans Payable**

Banco de Oro Unibank, Inc. (BDO)
On March 20, 2015, BDO approved a one year, short term ₱2.25 billion loan to the Parent Company for cash requirements and capital expenditures. Interest shall be based on the prevailing market rates at the time of drawdown which was 5.50% per annum.

The Parent Company was able to renew its ₱2.25 billion loan with BDO that matured on March 24, 2017. The new maturity date of the fully-drawn loan outstanding as of March 31, 2017 and December 31, 2016 is on March 19, 2018 bearing an interest rate of 5.75% per annum.

Unionbank of the Philippines (UBP)
The Parent Company issued two promissory notes to UBP US$4.00 million each. The notes bear an interest rate of 5.00% per annum with 180 days term.

Upon maturity on January 11 and 22, 2017, UBP granted the Parent Company rollover of its two US$4.00 million promissory notes with new maturity date of September 22, 2017 and at the same interest rate of 5.00% per annum.

Rizal Commercial Banking Corporation (RCBC)
On August 5, 2014, the Parent 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.

Upon maturity of its most recent promissory note on April 21, 2017, RCBC granted the Parent Company rollover of its maturing outstanding promissory note with a new maturity date of April 16, 2018 at a lower interest rate of 6.25% per annum.

The Parent Company has outstanding promissory notes amounting to ₱405.00 million and ₱450.00 million as of March 31, 2017 and December 31, 2016, respectively.

Philippine National Bank (PNB)
PNB granted the Parent 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, a 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 PDST (spell out) plus a 2% spread, or 5%, whichever is higher.

subject to certain conditions precedent to drawdown 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 the date of filing of the report, the Parent Company has utilized ₱70.22 million worth of LC for its importation of machinery and equipment using the standard credit terms with the supplier of 90-180 days.

5. Related Party Disclosures

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Group, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Group and close members of the family of these individuals, and companies associated with these individuals also constitute related parties.

In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

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

6. Capital Stock

The Parent Company has authorized capital stock of ₱12.80 billion, divided into a single class of 12.8 billion common shares, with a par value of ₱1.00 per share as of March 31, 2017 and 2016.

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

	Shares	Amount
Issued and subscribed shares at beginning of period	6,227,887,491	₱6,227,887,491
Issued during the period	–	–
Issued shares at end of period	6,227,887,491	6,227,887,491
Less treasury shares	564,730,109	2,117,737,909
Outstanding shares at end of period	5,663,157,382	₱4,110,149,582

7. Basic/Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing the net loss attributable to stockholders of the Parent Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Parent Company and held as treasury shares. Estimation of earnings (loss) per share for the three-month period ended March 31, 2017 and 2016 as follows

	2017	2016
Net income attributable to the equity holders of the Parent Company	**₱100,127,772**	₱40,220,141
Weighted average number of common shares for basic and diluted earnings per share	**5,663,157,382**	5,663,157,382
Basic and diluted earnings per share	**₱0.018**	₱0.007

8. Cost of Production

Amounts for the periods ended March 31 were distributed as follows:

	2017	2016
Mining	**₱195,394,266**	₱207,166,892
Milling	**148,184,048**	126,438,578
Mine overhead	**168,334,559**	142,308,554
Depreciation, depletion and amortization	**258,786,943**	164,519,675
	₱770,699,816	₱640,433,699

9. Results of Operations

The highlights of the Group's consolidated statement of income for the three-month period ended March 31, 2017 broken down into the Parent Company, Subsidiaries and NCI are as follows:

	Parent Company	Subsidiaries	NCI	Consolidated
Revenues	₱991,530,684	₱–	₱–	₱991,530,684
Cost and expenses	(835,134,403)	(12,551,778)	(326,553)	(848,091,734)
Other income (charges)	(40,318,331)	523,784	468,550	(39,325,997)
Provision for income tax	(3,843,184)	–	–	(3,843,184)
Net income (loss)	₱112,155,766	(₱21,021,631)	₱141,997	₱100,269,769