



APEX MINING CO., INC.

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City, 1307

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

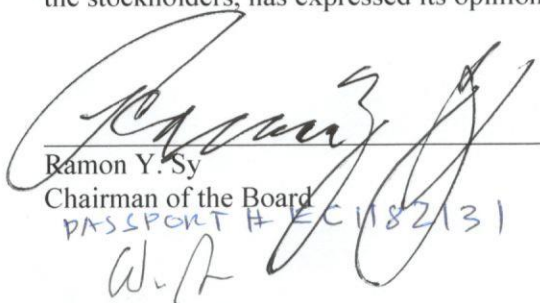
The management of Apex Mining Co., Inc. and Subsidiaries is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

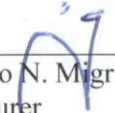
Sycip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


Ramon Y. Sy
Chairman of the Board

PASSPORT # EC1182131

Walter W. Brown
President & Chief Executive Officer

TIN # 123918226


Renato N. Migrino
Treasurer

TIN # 102118145

Signed this April 10, 2018

APR 30 2018
SUBSCRIBED AND SWORN to before me this ___ day of
MANDALUYONG CITY, Minors to me her
with No.: _____ as strong proof of her/his identity.

ATTY. JAMES K. ABUGAN

NOTARY PUBLIC

Until Dec 31, 2018

IBP No. 021498/1-5-2018

Rizal Chapter

Roll No. 26890

MCLE No. V-0004484-10/31/2014

PTR # 3369955 - 01/05/2018

Tel Nos. 706-2805/706-2806; Fax No. 706-2804

TIN # 116-239-956

Tel. 631-40-90

Manila Office: 3304B West Tower Philippine Stock Exchange Centre, Exchange Road, Ortigas, Pasig City, Philippines.
Mine Site: Maco, ComVal Province, Philippines.

"Proud to be an All-Filipino Team"

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Apex Mining Co., Inc.

Opinion

We have audited the consolidated financial statements of Apex Mining Co., Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 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 Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Deferred Exploration Costs

As at December 31, 2017, the carrying value of the Group's deferred exploration costs amounted to ₱2.51 billion. Under PFRS 6, *Exploration for and Evaluation of Mineral Resources*, these deferred exploration costs shall be assessed for impairment when facts and circumstances suggest that the carrying amounts exceed the recoverable amounts. The ability of the Group to recover its deferred exploration costs would depend on the commercial viability of the ore reserves. We considered this as a key audit matter because of the materiality of the amount involved, and the significant management judgment required in assessing whether there is any indication of impairment.

The Group's disclosures about deferred exploration costs are included in Note 11 to the consolidated financial statements.

Audit Response

We obtained management's assessment on whether there is any indication that deferred exploration costs may be impaired. We reviewed the summary of the status of each exploration project as at December 31, 2017. We reviewed contracts and agreements, and budget for exploration and development costs. We inspected the licenses/permits of each exploration project to determine that the period for which the Group has the right to explore in the specific area has not expired, will not expire in the near future, and will be renewed accordingly. We also inquired about the existing concession areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas.

Estimation of Ore Reserves

Ore reserves are estimates of the amount of ore that can be economically extracted from the Group's mine and mining properties and are key inputs to depletion and depreciation. The Group estimates its ore reserves based on information compiled by a competent person relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The estimation of ore reserves is determined based upon assumptions such as operating costs, taxes, royalty, production data, foreign exchange rates, and commodity pricing, along with geological assumptions and judgments made in estimating the size and grade of ore body. Changes in the ore reserve estimates may affect the carrying values of the mine and mining properties, and depletion and depreciation charges.

The Group's mine and mining properties amounting to ₱2.88 billion as at December 31, 2017 are amortized using the units of production method. Under the units of production method, cost of mine and mining properties is depleted based on the ratio of the volume of actual ore extracted during the year over the estimated volume of mineable ore reserves for the remaining life of the mine. This matter is significant to our audit because the estimation of the mineable ore reserves for the entire life of the mine requires significant estimation from the management.



The Group's disclosure on mine and mining properties and mining rights are included in Note 10 to the consolidated financial statements.

Audit Response

We evaluated the competence, capabilities and objectivity of the competent person who performed a technical assessment of its ore reserves by considering their qualifications, experience and reporting responsibilities. We reviewed the summary of remaining proven and probable ore reserves report of the competent person and obtained an understanding of the nature, scope and objectives of their work and basis of the estimates including any changes in the ore reserves during the year. We tested the assumptions used by the competent person such as operating costs, taxes, royalty, production data, foreign exchange rates and commodity prices. In addition, we tested the ore reserves estimates applied to the relevant areas of the consolidated financial statements including carrying value of the mine and mining properties, and depletion and depreciation.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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



Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

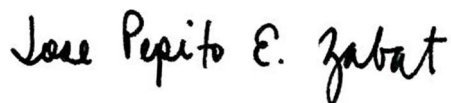


We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 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. 08-001998-60-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 6621350, January 9, 2018, Makati City

April 10, 2018



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



	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash (Note 5)	P423,908,113	P237,508,978
Trade and other receivables (Note 6)	621,998,486	194,468,066
Inventories - net realizable value (Note 7)	743,868,417	773,320,136
Advances to related parties (Note 15)	2,671,473	2,507,262
Prepayments and other current assets (Note 8)	515,566,086	407,511,416
Total Current Assets	2,308,012,575	1,615,315,858
Noncurrent Assets		
Property, plant and equipment (Note 10)	6,451,649,287	6,323,823,868
Deferred exploration costs (Note 11)	2,508,533,635	2,310,047,312
Available-for-sale (AFS) financial assets (Note 9)	344,640,000	344,640,000
Intangible assets (Note 12)	192,550,574	192,764,143
Other noncurrent assets (Note 13)	301,669,512	292,438,743
Total Noncurrent Assets	9,799,043,008	9,463,714,066
TOTAL ASSETS	P12,107,055,583	P11,079,029,924
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	P1,292,333,868	P1,465,453,445
Advances from related parties (Note 15)	976,012,000	978,230,761
Loans payable - net of noncurrent portion (Note 18)	1,423,152,603	3,121,667,433
Income tax payable	54,121,305	4,629,511
Total Current Liabilities	3,745,619,776	5,569,981,150
Noncurrent Liabilities		
Loans payable - net of current portion (Note 18)	2,440,476,190	—
Provision for retirement benefits (Note 16)	180,719,031	163,684,274
Provision for mine rehabilitation and decommissioning (Note 17)	32,813,580	42,837,160
Deferred income tax liabilities (Note 27)	235,140,538	303,576,822
Total Noncurrent Liabilities	2,889,149,339	510,098,256
Total Liabilities	6,634,769,115	6,080,079,406
Equity Attributable to Equity Holders of the Parent Company		
Issued capital stock (Note 19)	6,227,887,491	6,227,887,491
Additional paid-in capital (Note 19)	634,224	15,941,675
Treasury shares (Notes 19)	(2,081,746,680)	(2,117,737,909)
Revaluation surplus on property, plant and equipment (Note 10)	237,572,339	262,063,873
Remeasurement gain (loss) on retirement plan (Note 16)	13,459,116	(7,686,433)
Currency translation adjustment on foreign subsidiaries	566,324	(2,185,644)
Retained earnings (Note 19)	896,313,943	443,834,193
	5,294,686,757	4,822,117,246
Non-controlling Interests (Note 19)	177,599,711	176,833,272
Total Equity	5,472,286,468	4,998,950,518
TOTAL LIABILITIES AND EQUITY	P12,107,055,583	P11,079,029,924

See accompanying Notes to Consolidated Financial Statements.



APEX MINING CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2017	2016	2015
REVENUES			
Gold	₱3,850,608,747	₱3,264,596,048	₱2,270,473,543
Silver	271,579,378	257,454,606	159,623,786
	4,122,188,125	3,522,050,654	2,430,097,329
COST OF PRODUCTION (Note 21)	(3,189,212,287)	(2,699,036,348)	(2,014,031,718)
EXCISE TAXES	(83,918,675)	(72,267,752)	(48,601,947)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 22)	(219,649,358)	(225,983,326)	(187,028,862)
FINANCE COSTS (Note 26)	(201,850,279)	(163,352,707)	(146,605,682)
OTHER INCOME (CHARGES) - net (Note 23)	(7,859,248)	(28,781,663)	23,060,560
INCOME BEFORE INCOME TAX	419,698,278	332,628,858	56,889,680
BENEFIT FROM (PROVISION FOR) INCOME TAX (Note 27)			
Current	(100,014,225)	(16,970,058)	(11,496,325)
Deferred	109,070,602	6,300,453	25,997,364
	9,056,377	(10,669,605)	14,501,039
NET INCOME	₱428,754,655	₱321,959,253	₱71,390,719
Net income (loss) attributable to:			
Equity holders of the Parent Company	₱427,988,216	₱326,006,282	₱78,402,528
Non-controlling interests	766,439	(4,047,029)	(7,011,809)
	₱428,754,655	₱321,959,253	₱71,390,719
BASIC/DILUTED EARNINGS PER SHARE (Note 20)	₱0.08	₱0.06	₱0.01

See accompanying Notes to Consolidated Financial Statements.



APEX MINING CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2017	2016	2015
NET INCOME	₱428,754,655	₱321,959,253	₱71,390,719
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX			
<i>Items that will be reclassified to profit or loss in subsequent periods</i>			
Exchange differences on translation of foreign subsidiaries	2,751,968	(1,838,024)	(139,275)
Revaluation surplus, net of tax (Note 10)	–	–	303,629,735
<i>Item that will not be reclassified to profit or loss in subsequent periods</i>			
Remeasurement gains on retirement plan, net of tax (Note 16)	21,145,549	19,126,630	93,189,377
	23,897,517	17,288,606	396,679,837
TOTAL COMPREHENSIVE INCOME	₱452,652,172	₱339,247,859	₱468,070,556
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	₱451,885,733	₱343,294,888	₱475,082,365
Non-controlling interests	766,439	(4,047,029)	(7,011,809)
	₱452,652,172	₱339,247,859	₱468,070,556

See accompanying Notes to Consolidated Financial Statements.



APEX MINING CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

	Attributable to Equity Holders of the Parent Company									
	Capital stock (Note 19)	Deposit for future stock subscriptions (Note 19)	Additional paid-in capital (Note 19)	Revaluation surplus (Note 10)	Treasury shares (Note 19)	Remeasurement gain (loss) on retirement plan (Note 16)	Currency translation adjustment on foreign subsidiaries	Retained Earnings (Deficit) (Note 19)	Non-controlling interests (Note 19)	Total
Balances at December 31, 2014	₱1,868,639,664	₱2,500,000,000	₱3,048,826,224	₱5,271,619	(₱2,412,407,370)	(₱120,002,440)	(₱208,345)	(₱2,960,688,438)	₱187,892,110	₱2,117,323,024
Net income (loss)	—	—	—	—	—	—	—	78,402,528	(7,011,809)	71,390,719
Other comprehensive income (loss)	—	—	—	303,629,735	—	93,189,377	(139,275)	—	—	396,679,837
Total comprehensive income (loss)	—	—	—	303,629,735	—	93,189,377	(139,275)	78,402,528	(7,011,809)	468,070,556
Issuance of shares (Note 19)	4,359,247,827	(2,500,000,000)	—	—	—	—	—	—	—	1,859,247,827
Transaction costs of share issuance (Notes 4 and 19)	—	—	(21,796,248)	—	—	—	—	—	—	(21,796,248)
Transfer of portion of revaluation surplus realized through depreciation, depletion and disposal, net of tax (Note 10)	—	—	—	(25,377,341)	—	—	—	25,377,341	—	—
Acquisition of Itogon-Suyoc Resources, Inc. (Note 4)	—	—	—	—	294,669,461	—	—	(57,811,961)	—	236,857,500
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



Attributable to Equity Holders of the Parent Company										
	Capital stock (Note 19)	Deposit for future stock subscriptions (Note 19)	Additional paid-in capital (Note 19)	Revaluation surplus (Note 10)	Treasury shares (Note 19)	Remeasurement gain (loss) on retirement plan (Note 16)	Currency translation adjustment on foreign subsidiaries	Retained earnings (deficit) (Note 19)	Non-controlling interests (Note 19)	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)	—	—	—	—	—	—	—	326,006,282	(4,047,029)	321,959,253
Other comprehensive income (loss)	—	—	—	—	—	19,126,630	(1,838,024)	—	—	17,288,606
Total comprehensive income (loss)	—	—	—	—	—	19,126,630	(1,838,024)	326,006,282	(4,047,029)	339,247,859
Transfer of portion of revaluation surplus realized through depreciation, depletion and disposal, net of tax (Note 10)	—	—	—	(21,460,140)	—	—	—	21,460,140	—	—
Equity restructuring (Note 19)	—	—	(3,011,088,301)	—	—	—	—	3,011,088,301	—	—
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



	Attributable to Equity Holders of the Parent Company									Total
	Capital stock (Note 19)	Deposit for future stock subscriptions (Note 19)	Additional paid-in capital (Note 19)	Revaluation surplus (Note 10)	Treasury shares (Note 19)	Remeasurement gain (loss) on retirement plan (Note 16)	Currency translation adjustment on foreign subsidiaries	Retained earnings (deficit) (Note 19)	Non-controlling interests (Note 19)	
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	–	–	–	–	–	–	–	427,988,216	766,439	428,754,655
Other comprehensive income	–	–	–	–	–	21,145,549	2,751,968	–	–	23,897,517
Total comprehensive income	–	–	–	–	–	21,145,549	2,751,968	427,988,216	766,439	452,652,172
Transfer of portion of revaluation surplus realized through depreciation, depletion and disposal, net of tax (Note 10)	–	–	–	(24,491,534)	–	–	–	24,491,534	–	–
Reissuance of treasury shares (Note 19)	–	–	–	–	35,991,229	–	–	–	–	35,991,229
Loss on reissuance of treasury shares (Note 19)	–	–	(15,307,451)	–	–	–	–	–	–	(15,307,451)
Balances at December 31, 2017	₱6,227,887,491	₱–	₱634,224	₱237,572,339	(₱2,081,746,680)	₱13,459,116	₱566,324	₱896,313,943	₱177,599,711	₱5,472,286,468

See accompanying Notes to Consolidated Financial Statements.



APEX MINING CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P419,698,278	P332,628,858	P56,889,680
Adjustments for:			
Depreciation, depletion and amortization (Note 24)	934,999,887	651,525,508	297,731,304
Interest and accretion expense (Note 26)	192,204,428	155,350,336	136,816,332
Movement in provision for retirement benefits (Note 16)	43,391,437	35,165,673	38,156,568
Gain on debt extinguishment (Note 23)	(1,926,097)	(5,029,875)	(56,655,246)
Interest income (Notes 5 and 23)	(6,306,664)	(5,426,372)	(5,850,334)
Unrealized foreign exchange losses (gains)	29,783,103	(1,326,842)	104,388,094
Gain on change of estimate on provision for mine rehabilitation	(14,397,827)	—	—
Loss on write-off of:			
Property, plant and equipment (Notes 10 and 23)	9,159,256	4,980,679	—
Other noncurrent assets (Notes 13 and 23)	—	—	6,000,000
Gain on disposal of equipment	—	(96,026)	(102,878)
Gain from acquisition (Notes 4 and 23)	—	—	(48,828,667)
Dividend income (Notes 9 and 23)	—	—	(1,024,931)
Operating income before working capital changes	1,606,605,801	1,167,771,939	527,519,922
Decrease (increase) in:			
Trade and other receivables	(427,530,420)	(86,970,733)	32,833,528
Prepayments and other current assets	(108,054,670)	71,915,793	(207,786,016)
Inventories	29,451,719	434,490,523	5,207,542
Advances to related parties	(164,211)	(201,113)	19,994,803
Increase (decrease) in:			
Trade and other payables	(185,589,195)	(249,765,491)	102,937,628
Advances from related parties	(2,218,761)	366,180,298	(1,469,219,105)
Net cash generated from (used in) operations	912,500,263	1,703,421,216	(988,511,698)
Interest paid	(176,868,776)	(193,609,793)	(162,502,345)
Income taxes paid	(50,522,431)	(17,713,470)	(8,134,184)
Interest received	6,306,664	5,426,372	5,850,334
Dividend received	—	—	1,024,931
Net cash flows from (used in) operating activities	691,415,720	1,497,524,325	(1,152,272,962)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of property, plant and equipment (Note 10)	(1,031,132,894)	(1,429,048,905)	(2,036,334,722)
Acquisition of intangible asset (Note 12)	—	(18,200)	—
Increase in:			
Deferred exploration costs (Note 11)	(179,733,323)	(47,132,960)	(310,266,468)
Other noncurrent assets	(9,230,769)	(13,114,945)	(111,790,721)
Proceeds from disposal of property, plant and equipment	2,200,000	220,821	905,356
Acquisition of a subsidiary (Notes 1 and 4)	—	(3,746,751)	(31,154,515)
Cash flows used in investing activities	(1,217,896,986)	(1,492,840,940)	(2,488,641,070)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of loans (Note 18)	(2,464,045,833)	(360,918,313)	(502,891,539)
Availment of loans (Note 18)	3,206,007,193	29,000,000	2,614,500,000
Net proceeds from subscriptions to shares of stock (Note 19)	—	—	1,859,247,827
Transaction costs on share issuance (Notes 4 and 19)	—	—	(21,796,248)
Net cash flows from (used in) financing activities	741,961,360	(331,918,313)	3,949,060,040
NET INCREASE (DECREASE) IN CASH	215,480,094	(327,234,928)	308,146,008
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(29,080,959)	13,763,136	35,135,258
CASH AT BEGINNING OF YEAR	237,508,978	550,980,770	207,699,504
CASH AT END OF YEAR (Note 5)	P423,908,113	P237,508,978	P550,980,770

See accompanying Notes to Consolidated Financial Statement



APEX MINING CO., INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Corporate Information

Apex Mining Co., Inc. (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.

As at December 31, 2017 and 2016, the Parent Company has 2,492 and 2,517 stockholders, respectively, each holding at least 100 shares.

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

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 (see Notes 4 and 19).

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 (see Note 4).
- 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 (see Note 19).
- Incidental costs paid by the Parent 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.

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.

Subscription by Prime Metroline Holdings, Inc. (PMHI)

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 12, 2015.

Amendments 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, 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 January 1, 2016 (see Note 19).



Status of Operations

Significant developments in the Parent Company's and its subsidiaries' (collectively referred to as, the "Group") operations are 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 December 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 valid from with the following scope: "Exploration activities; underground mining; milling and recovery/smeltering 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

ISRI, an entity incorporated in the Philippines, is a holder of four (4) Patented Mineral Claims, MPSA No. 152-2000-CAR, pending application for the 3rd renewal of its Exploration Permit, APSA No. 0103-CAR, APSA No. 0067-CAR, EXPA No. 031, EXPA No. 030, and EXPA-000048-V. Also, ISRI owns the mining facilities in Sangilo, Itogon, Benguet, which suspended operations and was on care and maintenance since 2013.

Following the acquisition of ISRI by the Parent Company in June 2015, the rehabilitation and refurbishment of the Sangilo mine commenced in October 2015 and is currently in progress.



In a letter dated April 27, 2017, TÜV Rheinland Philippines Inc., awarded the Company a Certificate of Registration to ISO 14001:2015 with the following scope: “Exploration, Mining and Mineral Processing” and “Provision of Mining Exploration and Project Development Activities”. The certificate is valid until March 30, 2020, subject to satisfactory results of annual surveillance audits. As a certified organization, the Company is required to maintain its environmental management system and comply with the other conditions of the certification by TÜV Rheinland Philippines Inc.

Paracale Gold Project

MORE wholly owns Paracale Gold Limited (PGL), a British Virgin Islands (BVI) company which 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 BMRC. These include qualifying shares which are recorded in the names of nominee directors.

The mine project of PGL is located in Jose Panganiban, Camarines Norte. BMRC handles all tenements, while CRPI is the owner/operator of the mineral processing plant.

As at December 31, 2017, BMRC currently holds 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 Khar At Uui Gold Project is registered under the joint venture company Erdeneminas LLC, which is owned 51% by Minas de Oro Mongol LLC (Minas), a wholly-owned subsidiary of MORE, and 49% by Erdenejas LLC, a Mongolian exploration company.

As at April 10, 2018, the project is currently under continued care and maintenance until such a time when it can be presented to potential buyers.

Sierra Leone Project

The Gori Hills Project is located in the Republic of Sierra Leone in West Africa. MORE, through its 90%-owned subsidiaries Monte Oro Mining Co., Ltd. (MOMCL) and MORE Minerals SL (MMSL), has been conducting artisanal mining and exploration activities in the project areas since 2010.

The project activities were suspended in 2014 due to the outbreak of the Ebola virus crisis. Following the declaration by the World Health Organization of the end of the Ebola crisis in 2015, MOMCL obtained in November 2017 the exploration license certificate to conduct exploration on the project area for a period of four years and any renewal thereof.

Myanmar Project

The Modi Tuang Gold Project is located in the Yementhin Township, Mandalay Division, south east of Mandalay and north of Yangon, Myanmar. The Project is controlled by National Prosperity Gold Production Group Ltd. in which the Company has a 3.92% equity interest.

Uganda Project

MORE has interest in the Gold Mines of Uganda Ltd. (GMU) in the form of advances amounting to \$2,025,000 made to this company.

GMU owns significant gold related assets and gold resources in Uganda. In May 2016, GMU and MORE entered into a Memorandum of Agreement whereby both parties agreed to combining



their Africa mineral interests and working toward creating a mining company that will be listed and marketed to international investors and enabling GMU to raise capital funding through the listing. There has been no further development in the regard as at April 10, 2018.

b. Oil and Gas

Service Contract (SC) 72

MORE 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. holds the remaining 70% participating interest and is the operator of the SC. The transfer of 30% participating interest in SC 72 from Forum (GSEC 101) Ltd. to MORE was approved and confirmed by the Department of Energy (DOE) on October 5, 2015 (see Note 30).

In February 2015, Forum Energy Plc, the parent company of Forum (GSEC 101) Ltd., received a letter from the DOE confirming the suspension of offshore exploration activities in the disputed areas of the West Philippine Sea while the arbitration case between the Philippines and China remains pending. The force majeure became effective from December 15, 2014 to remain until the date when the DOE notifies Forum (GSEC 101) Ltd. to resume operations. On July 12, 2016, the United Nations Arbitral Tribunal ruled that Reed bank, where SC 72 is located, is within the Philippines' Exclusive Economic Zone as defined under the United Nations Convention on the Law of the Sea. As at April 10, 2018, the DOE, however, has not yet lifted the force majeure.

c. Solid Waste Management

MORE owns 52% of International Cleanenvironment Systems, Inc. (ICSI) which has a Build-Operate-Transfer agreement with the Philippine government through the DENR to manage, rehabilitate and introduce ecologically friendly technologies for waste disposal, recycling and energy generation. The contract is for a period of 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 April 10, 2018, ICSI has not yet started operations.

Authorization to issue the Consolidated Financial Statements

The accompanying consolidated financial statements of the Group as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, were authorized for issuance by the Parent Company's BOD on April 10, 2018.

2. Basis of Preparation and Summary of Significant Accounting Policies

Basis of Preparation

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's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance

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



Tax Reform for Acceleration and Inclusion Act (TRAIN)

Republic Act No. 10963 or the TRAIN was signed into law on December 19, 2017 and took effect on January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the financial statement balances as of the reporting date.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2017 and 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.

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 NCI 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, NCI and other components of equity while any resulting 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	
			2017	2016
ISRI	Mine exploration and development	Philippines	100.00	100.00
MORE	Mine and oil exploration and development	Philippines	100.00	100.00
MORE's Subsidiaries:				
Minas	Mine exploration and development, and gold trading	Mongolia	100.00	100.00
PGL	Mine exploration and development	Isle of Man	100.00	100.00
CRPI*	Mine exploration and development	Philippines	100.00	100.00
BMRC*	Mine exploration and development	Philippines	100.00	100.00
MMSL	Mine exploration and development, and gold trading	Sierra Leone	90.00	90.00
MOMCL	Mine exploration and development, and gold trading	Sierra Leone	90.00	90.00
ICSI	Solid waste management	Philippines	52.00	52.00

*Indirect ownership through PGL

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2017. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)
- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

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 Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.



On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

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

- *PFRS 9, Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses.

The Group is currently assessing the impact of adopting PFRS 9.

- *Amendments to PFRS 4, Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

The amendments are not applicable to the Group since it does not have activities that are predominantly connected with insurance or issue insurance contracts.

- *PFRS 15, Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted.

The Group is currently assessing the impact of adopting PFRS 15.



- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

These amendments are not expected to have any impact on the Group's financial statements.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

These amendments are not expected to have any significant impact on Group's financial statements.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

These amendments are not expected to have any significant impact on the Group's financial statements.



Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of ‘low-value’ assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of twelve (12) months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today’s accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard’s transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The amendment does not apply to the Group as it has no long-term interests in associates and joint ventures.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.



The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group is currently assessing the impact of adopting this interpretation.

Deferred effectivity

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture.

The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Summary of Significant Accounting and Financial Reporting Policies

Presentation of Consolidated Financial Statements

The Group has elected to present all items of recognized income and expenses in two statements: a statement displaying components of profit or loss in the consolidated statement of income and a second statement beginning with profit or loss and displaying components of OCI in the consolidated statement of comprehensive income.

The financial statements of the foreign subsidiaries are translated at closing exchange rates with respect to the consolidated statement of financial position and the average exchange rates for the year with respect to the consolidated statement of income. Resulting translation differences are included in equity under "currency translation adjustment on foreign subsidiaries" and consolidated statement of comprehensive income. Upon disposal of the foreign subsidiaries, accumulated exchange differences are recognized in the consolidated statement of income as a component of the gain or loss on disposal.



Cash

Cash includes cash on hand and cash with banks. Cash with banks are carried at face value and earn interest at the prevailing bank deposit rates.

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 Group recognizes a financial instrument in the consolidated 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 or loss (FVPL), the initial measurement of financial instruments includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, 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 Group classifies its financial liabilities into financial liabilities at FVPL, loans and borrowings, other financial liabilities 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 Group's financial assets are in the nature of loans and receivables and AFS financial assets while its financial liabilities are in the nature of loans and borrowings and other financial liabilities. As at December 31, 2017 and 2016, the Group has no financial assets classified as at FVPL, HTM financial assets and derivatives designated as hedging instruments in an effective hedge. Further, the Group has no financial liabilities classified as at FVPL and derivatives designated as at hedging instrument in an effective hedge as at December 31, 2017 and 2016.

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 (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee 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 consolidated 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 Group's cash, trade and other receivables (excluding advances to contractors and suppliers), 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 5, 6, 8, 13 and 15).

AFS Financial Assets

AFS financial assets are non-derivative financial assets that are designated in this category or not classified in any of the other categories of financial assets. After initial measurement, AFS financial assets for which no reliable basis of fair value measurement is available, these are carried at cost less any impairment in value.

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

Other Financial Liabilities

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 Group'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.

The Group's other financial liabilities include trade and other payables (excluding balances payable to government agencies arising from withholding taxes and payroll deduction) (see Note 14).

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 issue costs and any discount or premium on settlement. The EIR amortization is included under finance costs in the consolidated statement of income. Gains and losses are recognized in "Other income (charges)" in the consolidated 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. Otherwise, these are classified as noncurrent liabilities.

The Group's loans and borrowings pertain to loans payable and advances from related parties (see Notes 15 and 18).



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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Financial Liabilities

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

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

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. 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 consolidated 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 consolidated 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 Group maintains a provision for impairment losses on trade and other 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 future write-off is later recovered, the recovery is recognized in the consolidated statement of income.

Offsetting of Financial Instruments

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and the liability simultaneously. The Group 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 Group 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 29.

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



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

Business Combinations using the Acquisition Method

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the Group elects whether to measure the NCI in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. As part of a business combination, the Group assesses whether there are any operating lease contracts of the acquiree that may be onerous that is, where the lease premiums being paid on that contract exceed the current market rate for such lease arrangements. Those mineral reserves, resources and exploration potential that can be reliably measured are recognized separately in the assessment of fair values on acquisition. Other potential reserves, resources and rights, for which fair values cannot be reliably measured, are not recognized separately, but instead are subsumed in goodwill.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition-date fair value, and any resulting gain or loss is recognized in the consolidated statement of income. It is then considered in the determination of goodwill or gain from acquisition.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* is measured at fair value, with changes in fair value recognized either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not re-measured, and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the fair value of the identifiable net assets acquired and liabilities assumed. If the fair value of the identifiable net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the



amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income.

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

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

Inventories

Inventories, which consist of gold and silver bullions, metal in-circuit, ore stockpile, and materials and supplies used in the Group'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 losses and obsolescence.

Prepayments and Other Current Assets

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.

Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.



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 Group 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.

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 and 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 OCI, 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 differences 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 Group transfers, from the revaluation surplus reserve to retained earnings, the amount corresponding to the difference, net of tax, between the depreciation and depletion 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.

The Group'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 reporting end of the reporting period.

Property, plant and equipment are depreciated or depleted from the moment the assets are available for use and after the risks and rewards are transferred to the Group. Depreciation and depletion ceases 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.

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 profit or loss. On disposal of the revalued asset, the relevant revaluation surplus included in the reserve account, is transferred directly to retained earnings.

Fully depreciated property, plant and equipment are retained in the accounts until these are no longer in use. When property, plant and equipment are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

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 Group 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.

Deferred Exploration Costs

Expenditures for mine and oil exploration work prior to drilling are charged to the consolidated statement of income. Deferred exploration costs represent capitalized expenditures related to the acquisition and exploration of mine and 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 Group 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.

Intangible Assets

Intangible assets, which consist of acquired computer software licenses and other licenses, are 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 their estimated useful lives of 3 to 25 years.

Intangible assets of the Group also include franchise cost for the implementation of the solid waste management project.



Other Noncurrent Assets

Other noncurrent assets include noncurrent portion of deferred input VAT, deposits, MRF, national transmission lines, and advances for royalties of the Group. These are carried at historical cost and classified as noncurrent since the Group expects to utilize these assets beyond 12 months from the end of the reporting period.

Impairment of Nonfinancial Assets

Nonfinancial Prepayments and Nonfinancial 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 consolidated statement of income.

Property, Plant and Equipment, Intangible Assets, and Nonfinancial Other Noncurrent Assets

The Group assesses at each reporting date whether there is an indication that property, plant and equipment, intangible assets, and nonfinancial 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 VIU, 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 consolidated 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 consolidated 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, depletion and amortization 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 Group 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 Group'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.

Interest in Joint Arrangements

PFRS defines a joint arrangement as an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

Joint Operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.

In relation to its interests in joint operations, the Company recognizes its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

Provisions

General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. 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 consolidated statement of income. Where the Group 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 consolidated statement of income, net of any reimbursement.

Provision for Mine Rehabilitation and Decommissioning

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of 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. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of 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 consolidated 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 consolidated 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 OCI in the period in which these arise. Remeasurements are not reclassified to profit or loss in subsequent periods. Remeasurements recognized in OCI after the initial adoption of Revised PAS 19 are not closed to any other equity account.

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

This pertains to the amount of cash received as payment for future issuance of stocks. This is classified as an equity instrument when the Group 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 Group 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.

Treasury Shares

Where the Parent Company purchases its own shares (treasury shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity.

Earnings Per Share

Basic

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



Diluted

Diluted earnings per share is calculated by dividing the consolidated net income attributable to ordinary stockholders of the Group 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 Group and the revenue can be reliably measured. The Group 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 upon delivery and once the risks and rewards are transferred to the customer. It is measured based on the metal shipment's value price, which is based on quoted metal prices in the London Bullion Market Association (LBMA), 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 reporting period. Contract terms for the Parent Company's sale of metals (i.e., gold and silver) in bullion provide for volume adjustment based on the final assay to determine the 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 Parent Company.

Interest Income

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

Costs and Expenses

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

Other Income (Charges)

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

When funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. When surplus funds are temporarily invested, the income generated from such temporary investment is deducted from the total capitalized borrowing costs.

When the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period. All other borrowing costs are recognized in the consolidated 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 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 consolidated statement of income on a straight-line basis over the lease terms.

Income Taxes

Current Income Tax

Current income 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 income 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 income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income 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 consolidated statement of income.

Operating Segments

The Group'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 and Chief Executive Officer of the Parent Company who makes strategic decisions.

Foreign Currency-Denominated Transactions

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange at reporting date. Foreign exchange differences between the rate at transaction date and rate at settlement date or reporting date are credited to or charged against current operations.



Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are, however, disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed in the notes to consolidated 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 Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

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.

Determination of the Group's Functional Currency

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

- a. The currency that mainly influences costs and expenses of the Group (this will often be the currency in which costs and expenses are denominated and settled); and
- b. The currency in which funds from financing activities are generated.

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



As at December 31, 2017, the Parent Company assessed that it has control over MORE and ISRI and has accounted for the investments as investments in subsidiaries.

Determination and Classification of a Joint Arrangement

Judgment is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement.

Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. Specifically, the Company considers:

- The structure of the joint arrangement - whether it is structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
 - a. The legal form of the separate vehicle
 - b. The terms of the contractual arrangement
 - c. Other facts and circumstances (when relevant)

This assessment often requires significant judgment, and a different conclusion on joint control and also whether the arrangement is a joint operation or a joint venture, may materially impact the accounting treatment for each assessment.

The Group has assessed that SC 72 is accounted for as joint operations in the Group's financial statements.

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 Group are retained by the lessor and therefore accounts for such lease as operating lease.

Operating Lease - Group as a Lessee

The Group 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 Group has no option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date 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 Group are related to leases of mining and milling equipment, transportation vehicles and others.



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.

The Group has no intention of selling its investments in stocks in the near term. These are being held indefinitely and may be sold in response to liquidity requirements or changes in market condition. The Group has no plan to dispose its AFS financial assets within 12 months from the end of the reporting period. The Group determines the classification at initial recognition and re-evaluates this classification, where allowed and appropriate, at every reporting date.

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 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.

The allowance for doubtful accounts as at December 31, 2017 and 2016 represents the amounts estimated to be uncollectible amounting to ₱1.67 million and ₱1.70 million, respectively. The Group has written off allowance amounting to ₱0.32 million and ₱0.06 million, respectively (see Note 6). Provision for impairment losses on receivable as at December 31, 2017 and 2016 amounted to ₱0.29 million and ₱3.87 million, respectively (see Note 23).

As at December 31, 2017 and 2016, the carrying values of trade and other receivables amounted to ₱622.00 million and ₱194.47 million, respectively (see Note 6).

As at December 31, 2017 and 2016, advances to related parties amounted to ₱2.67 and ₱2.51 million, respectively (see Note 15). No impairment was recognized in 2017, 2016, and 2015.

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.

The Group recorded reversal of provision for inventory losses and obsolescence amounting to ₱60.80 million, nil and ₱12.96 million and provided an additional provision amounting to nil, ₱18.56 million and nil in 2017, 2016 and 2015, respectively (see Notes 7 and 23). As at December 31, 2017 and 2016, the carrying amounts of inventories amounted to ₱743.87 million and ₱773.32 million, respectively, net of allowance for inventory losses and obsolescence amounting to ₱25.35 million and ₱86.15 million as at those dates (see Note 7).

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.

Impairment loss due to write off of input VAT has been recognized in December 31, 2017, 2016 and 2015 amounting to nil, ₱1.76 million and ₱0.75 million, respectively (see Note 23). The aggregate carrying value of nonfinancial prepayments and other current assets amounted to ₱515.57 million and ₱407.51 million as at December 31, 2017 and 2016, respectively, and are included under "Prepayments and other current assets" caption in the consolidated statements of financial position (see Note 8).

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.

Management does not expect carrying amounts of property, plant and equipment as at December 31, 2017 and 2016 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 Group's property, plant and equipment. Changes in fair values and



useful lives of property, plant and equipment are effected in 2015.

There were no changes in the estimated fair values, useful lives and residual values of property, plant and equipment in 2017 and 2016. Remaining property, plant and equipment as at December 31, 2017 and 2016 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, 2017 and 2016 has net book values amounting to ₱6.45 billion and ₱6.32 billion, respectively, while property, plant and equipment at cost as at December 31, 2017 and 2016 amounted to ₱6.11 billion and ₱5.95 billion, respectively (see Note 10). The estimated useful lives are disclosed in Note 2 to the consolidated 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 Useful Lives and Residual Values of Intangible Assets

Estimated useful lives of intangible assets 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 no changes in the estimated useful lives and residual values of intangible assets in 2017 and 2016. Remaining intangible assets as at December 31, 2017 and 2016 are expected to be realized through continued use under the current mining plan with none identified subject for sale or disposal.

Intangible assets as at December 31, 2017 and 2016 has net book values amounting to ₱192.55 million and ₱192.76 million, respectively (see Note 12). The estimated useful lives are disclosed in Note 2 to the consolidated financial statements.

Estimation of Impairment of Nonfinancial Assets, including Property, Plant and Equipment, Intangible Assets, and Other Noncurrent Assets

The Group evaluates whether property, plant and equipment, 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 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 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.

Aggregate net book values of property, plant and equipment, intangible assets and nonfinancial other noncurrent assets amounted to ₱7.16 billion and ₱6.92 billion as at December 31, 2017, and 2016 respectively (see Notes 10, 12 and 13).

These are subjected to impairment testing when impairment indicators are present. No impairment loss was recognized in 2017, 2016 and 2015. Write-off of property, plant and equipment, intangible assets, and other noncurrent assets were recognized in 2017, 2016, and 2015 amounting to nil, ₱4.98 million and ₱6.00 million, respectively (see Note 23).



Assessment of the Recoverability of Deferred Exploration Costs

The application of the Group's accounting policy for deferred exploration 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 ₱2.51 billion and ₱2.31 billion as at December 31, 2017 and 2016, respectively (see Note 11).

Estimation of Ore Reserves

Ore reserves are estimates of the amount of ore that can be economically extracted from the Group's mine and mining properties and are key inputs to depletion and depreciation. The Group estimates its ore reserves based on information compiled by a competent person relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The estimation of ore reserves is determined based upon assumptions such as operating costs, taxes, royalty, production data, foreign exchange rates, and commodity pricing, along with geological assumptions and judgments made in estimating the size and grade of ore body. Changes in the ore reserve estimates may affect the carrying values of the mine and mining properties, and depletion and depreciation charges. Mine and mining properties, net of accumulated depletion, amounted to ₱2.88 billion and ₱2.80 billion as at December 31, 2017 and 2016, respectively (see Note 10).

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 Group 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 2017, 2016, and 2015 were 17%, 10%, and 22%, respectively. Depletion costs amounted to ₱421.58 million, ₱259.98 million and ₱118.96 million in 2017, 2016 and 2015, respectively. Mine and mining properties, net of accumulated depletion amounting to ₱1.84 billion and ₱1.42 billion, amounted to ₱2.88 billion and ₱2.80 billion as at December 31, 2017 and 2016, respectively (see Note 10).

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. Transactions qualified as business combinations are discussed in Note 4.

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.

No impairment loss was recognized in 2017, 2016 and 2015 as the Group has not identified objective evidence of impairment during these periods. As at December 31, 2017 and 2016, the carrying value of AFS financial assets amounted to ₱344.64 million (see Note 9).

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.

Accretion expense amounted to ₱0.94 million, ₱0.74 million and ₱0.61 million in 2017, 2016 and 2015, respectively (see Note 26). Gain on change of estimate of provision for mine rehabilitation amounted to ₱14.40 million, nil and nil in 2017, 2016 and 2015, respectively. As at December 31, 2017 and 2016, the provision for mine rehabilitation and decommissioning amounted to ₱32.81 million and ₱42.84 million, respectively (see Note 17).

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 ₱43.95 million, ₱38.08 million and ₱38.16 million in 2017, 2016 and 2015, respectively. Provision for retirement benefits amounted to ₱180.72 million and ₱163.68 million as at December 31, 2017 and 2016, respectively. Benefits paid in 2017, 2016 and 2015 amounted to ₱1.84 million, ₱2.91 million and nil, respectively (see Note 16).

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 16.

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 (see Note 30).



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. Currently, the Group recognized deferred tax assets related to retirement benefits and provision for mine rehabilitation amounting to ₱63.03 million. As at December 31, 2017 and 2016, unrecognized deferred income tax assets amounted to ₱0.69 billion and ₱1.18 billion, respectively (see Note 27).

4. Business Combination

Acquisition of ISRI

On June 24, 2015, the deeds of sale covering the acquisition of 98% outstanding ISRI shares were signed and executed. The remaining 2% of the total outstanding capital stock of ISRI was acquired by Parent Company on August 26, 2016, which resulted to the Parent Company owning 100% of ISRI (see Note 1).

The acquisition of ISRI is in line with the Parent Company's plan to actively pursue and develop prospects to help sustain long-term profitability and viability of its operations.

Assets acquired and liabilities assumed

The identifiable assets and liabilities of ISRI as at acquisition date, June 24, 2015, are as follows:

	Fair Value Recognized on Acquisition	Previous Carrying Value in the Subsidiary	Fair Value Increment
Assets			
Cash	₱241,306,860	₱241,306,860	₱—
Trade and other receivables	174,954	174,954	—
Inventories	6,472,882	6,472,882	—
Other current assets	423,411	423,411	—
Property, plant and equipment	49,602,194	49,602,194	—
Deferred exploration costs	550,544,189	222,578,326	327,965,863
Other noncurrent assets	16,312,783	16,312,783	—
	864,837,273	536,871,410	327,965,863
Liabilities			
Trade and other payables	147,627,472	147,627,472	—
Loan payable	147,500,000	147,500,000	—
Deferred tax liability	98,389,759	—	98,389,759
	393,517,231	295,127,472	98,389,759
Total identifiable net assets of ISRI	471,320,042	₱241,743,938	₱229,576,104
Purchase consideration transferred (Note 1)	(422,491,375)		
Gain from acquisition (Note 23)	₱48,828,667		

	2015
Consideration transferred for acquisition	₱272,461,375
Cash of acquired subsidiary	(241,306,860)
Cash outflow on acquisition - ISRI	₱31,154,515



The fair value of the ₱550.54 million deferred exploration costs pertains to the final valuation of Itogon and Suyoc mines. The final valuation was based on its discounted cash flow which involves significant judgments on variables that were reasonably assumed at reporting date. As a result, an increase in carrying amount of exploration assets by ₱327.97 million has been recognized.

In business combinations, the identifiable assets acquired and liabilities assumed are recognized at their fair values at the acquisition date. Deferred income tax liabilities are provided on temporary differences that arise when the tax bases of the identifiable assets acquired and liabilities assumed are not affected by the business combination or are affected differently. As at December 31, 2015, the Group recognized a deferred tax liability of ₱98.39 million due to the increase in the fair value of the exploration assets.

The fair value of the receivables of ISRI amounted to ₱0.17 million. None of the trade and other receivables has been impaired as at June 24, 2015, and it is expected that the full contractual amounts can be collected.

The attributable costs of the issuance of the shares of ₱21.80 million have been charged directly to equity as a reduction in share premium.

The total loss incurred by ISRI amounted to ₱13.64 million from the acquisition date to December 31, 2015. Consolidated net income of the Group had the business combination occurred on January 1, 2015 would be lower by ₱21.69 million.

5. Cash

	2017	2016
Cash on hand	₱2,214,008	₱1,675,330
Cash with banks	421,694,105	235,833,648
	₱423,908,113	₱237,508,978

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

Interest income, net of final tax, arising from cash with banks amounted to ₱6.31 million, ₱5.43 million and ₱5.85 million in 2017, 2016 and 2015, respectively (see Note 23).

The Group has foreign currency-denominated cash amounting to US\$2.09 million and US\$0.23 million as at December 31, 2017 and 2016, respectively (see Note 28).

6. Trade and Other Receivables

	2017	2016
Trade	₱518,851,639	₱99,978,358
Nontrade	77,358,081	71,722,485
Advances to officers and employees	5,122,961	4,334,547
Others	22,332,045	20,135,354
	623,664,726	196,170,744
Less allowance for doubtful accounts	1,666,240	1,702,678
	₱621,998,486	₱194,468,066



Trade receivables are noninterest-bearing and are generally on less than 15 days' terms while nontrade receivables are cash advances that are granted to third parties. These are related to gold delivery agreements entered into by the Group with Heraeus Limited (Heraeus), a refining company based in Hong Kong (see Note 30).

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 Group 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. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for the Group of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. 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 for impairment.

Based on management's assessment of the collectibility of the accounts, the Group recognized allowance for impairment losses on the receivables that are considered individually impaired amounting to ₱1.67 million and ₱1.70 million as at December 31, 2017 and 2016, respectively. The Group wrote off allowance for doubtful accounts amounting to ₱0.32 million and ₱0.06 million, and recognized provision for impairment of receivables amounting to ₱0.29 million and ₱3.87 million in 2017 and 2016, respectively (see Note 23).

The Group has foreign currency-denominated trade and other receivables amounting to US\$14.56 million and US\$2.01 million as at December 31, 2017 and 2016, respectively (see Note 28).

7. Inventories

	2017	2016
Gold and silver bullions - at NRV	₱30,123,701	₱227,894,846
Ore stockpile - at Cost	91,491,503	155,925,348
	121,615,204	383,820,194
Materials and supplies - at NRV	647,604,664	475,651,354
Less allowance for inventory losses and obsolescence	25,351,451	86,151,412
	622,253,213	389,499,942
	₱743,868,417	₱773,320,136

Cost of inventories recognized as part of cost of production amounted to ₱844.30 million, ₱828.14 million and ₱672.58 million in 2017, 2016 and 2015, respectively (see Note 21).

Cost of materials and supplies recognized as part of general and administrative expenses in 2017, 2016 and 2015 amounted to ₱1.27 million, ₱2.59 million and ₱4.82 million, respectively (see Note 22).



The Parent Company recognized ₱6.24 million capitalized depreciation, depletion and amortization on inventories in 2016 (see Note 24).

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

	2017	2016
Beginning balances	₱86,151,412	₱67,594,945
Provision (Note 23)	–	18,556,467
Reversal (Note 23)	(60,799,961)	–
Ending balances	₱25,351,451	₱86,151,412

The Group recognized a reversal of allowance for inventory losses and obsolescence in 2017 amounting to ₱60.80 million, and additional provision amounting to ₱18.56 million in 2016 (see Note 23).

The Group wrote off materials and supplies amounting to nil, ₱1.87 million and ₱0.06 in 2017, 2016 and 2015, respectively (see Note 23).

8. Prepayments and Other Current Assets

	2017	2016
Input VAT	₱315,220,753	₱221,381,012
Advances to suppliers and contractors	124,788,751	70,338,025
Current portion of deferred input VAT	27,518,316	39,182,769
TCCs	19,142,976	30,543,782
Prepayments	10,970,672	15,879,531
CWT	1,776,502	1,776,502
Others	16,148,116	28,409,795
	₱515,566,086	₱407,511,416

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

The Group has written off input VAT amounting to nil, ₱1.76 million and ₱0.75 million in 2017, 2016 and 2015, respectively (see Note 23).

Advances to suppliers and contractors comprise mainly of advance payments made by the Group relating to the 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. Deferred input VAT pertains to input VAT on purchases or importation of capital goods exceeding ₱1.00 million in a calendar month. The current portion pertains to input VAT, which are amortized within 12 months from the end of the reporting period.

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



CWTs pertain to amount withheld by the customers which can be applied against income tax payable provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

Others pertain to deposits made by the Group to non-bank entities including service professionals.

9. AFS Financial Assets

Unquoted AFS financial assets pertain to MORE's investment in a private foreign entity in which the Group holds a 3.92% ownership interest. The AFS financial assets are carried at cost since the shares do not have a quoted market price in an active market and the fair value cannot be measured reliably. As at December 31, 2017, the Group has no intention to dispose its unquoted shares. The aggregate cost of this investment amounted to ₱344.64 million as at December 31, 2017 and 2016. Dividend income in 2017, 2016 and 2015 amounted to nil, nil and ₱1.02 million, respectively (see Note 23).



10. Property, Plant and Equipment

	2017							
	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	₱212,640,572	₱4,427,625,819	₱545,196,953	₱671,772,843	₱237,644,267	₱4,219,807,946	₱1,026,530,590	₱11,341,218,990
Additions	119,171	295,872,202	6,724,463	–	48,975,164	481,264,897	215,393,882	1,048,349,779
Additional provision for mine rehabilitation and decommissioning (Note 17)	–	–	–	–	–	3,434,310	–	3,434,310
Capitalized borrowing cost	–	–	–	–	–	13,269,725	1,325,660	14,595,385
Reclassifications to (from) construction in-progress	7,221,365	110,576,571	31,965,158	125,915,219	–	–	(275,678,313)	–
Disposals and write-offs	–	(14,535,177)	–	–	(11,036,453)	–	–	(25,571,630)
Balances at end of year	219,981,108	4,819,539,415	583,886,574	797,688,062	275,582,978	4,717,776,878	967,571,819	12,382,026,834
Accumulated depreciation and amortization:								
Balances at beginning of year	127,693,230	2,438,125,795	376,100,395	317,018,222	174,684,040	1,421,099,229	–	4,854,720,911
Depreciation and depletion	9,637,099	385,542,740	29,750,807	64,409,506	24,075,355	421,584,380	–	934,999,887
Disposal and write-offs	–	(12,624,030)	–	–	(9,393,432)	–	–	(22,017,462)
Balances at end of year	137,330,329	2,811,044,505	405,851,202	381,427,728	189,365,963	1,842,683,609	–	5,767,703,336
Allowance for impairment:								
Balances at beginning and end of year	126,037	3,318,744	–	159,229,430	–	–	–	162,674,211
Net book values	₱82,524,742	₱2,005,176,166	₱178,035,372	₱257,030,904	₱86,217,015	₱2,875,093,269	₱967,571,819	₱6,451,649,287



	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:								
Balances at beginning of year	₱199,193,324	₱3,734,966,988	₱468,053,066	₱662,218,009	₱232,475,404	₱3,648,114,896	₱1,391,323,596	₱10,336,345,283
Additions	293,900	259,169,411	32,222,787	–	4,584,089	510,697,451	622,081,267	1,429,048,905
Capitalized borrowing cost (Note 18)	–	–	–	–	–	15,440,324	4,155,455	19,595,779
Capitalized depreciation	–	–	–	–	–	44,139,166	–	44,139,166
Change in estimate of provision for mine rehabilitation and decommissioning (Note 17)	–	–	–	–	–	(1,933,925)	–	(1,933,925)
Reclassifications/transfers	1,213,646	(30,485,421)	(9,273)	(420,581)	2,788,848	3,350,034	(455,228,718)	(478,791,465)
Reclassifications to (from) construction in-progress	11,939,702	468,955,520	44,930,373	9,975,415	–	–	(535,801,010)	–
Disposals and write-offs	–	(4,980,679)	–	–	(2,204,074)	–	–	(7,184,753)
Balances at end of year	212,640,572	4,427,625,819	545,196,953	671,772,843	237,644,267	4,219,807,946	1,026,530,590	11,341,218,990
Accumulated depreciation and amortization:								
Balances at beginning of year	118,796,815	2,096,441,679	355,962,426	275,278,664	160,611,699	1,159,932,448	–	4,167,023,731
Depreciation and depletion	8,715,206	298,799,480	20,137,969	41,865,733	15,157,485	259,977,033	–	644,652,906
Capitalized depreciation	–	44,139,166	–	–	–	–	–	44,139,166
Reclassifications/transfers	181,209	(1,254,530)	–	(126,175)	994,134	1,189,748	–	984,386
Disposal and write-offs	–	–	–	–	(2,079,278)	–	–	(2,079,278)
Balances at end of year	127,693,230	2,438,125,795	376,100,395	317,018,222	174,684,040	1,421,099,229	–	4,854,720,911
Allowance for impairment:								
Balances at beginning and end of year	126,037	3,318,744	–	159,229,430	–	–	–	162,674,211
Net book values	₱84,821,305	₱1,986,181,280	₱169,096,558	₱195,525,191	₱62,960,227	₱2,798,708,717	₱1,026,530,590	₱6,323,823,868



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 than 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 Group recognized a net increase of ₱303.63 million which was directly credited to the revaluation surplus, net of deferred taxes amounting to ₱130.13 million. In addition, the Group 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, 2017 and 2016, respectively.

Movement in revaluation surplus in equity is as follows:

	2017	2016
Balances at beginning of year	₱262,063,873	₱283,524,013
Realized portion through depreciation, net of tax (Note 19)	(24,491,534)	(21,460,140)
Balance at end of year	₱237,572,339	₱262,063,873

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:

	2017							
	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 cost:								
Balances at end of year	₱198,934,045	₱4,742,239,755	₱593,883,215	₱846,259,010	₱378,219,930	₱4,729,914,255	₱942,459,777	₱12,431,909,984
Accumulated depreciation and amortization:								
Balances at end of year	150,846,762	2,990,010,444	419,665,093	462,439,745	291,329,890	1,842,683,609	–	6,156,975,542
Allowance for impairment:								
Balances at beginning and end of year	126,037	3,318,744	–	159,229,430	–	–	–	162,674,211
Net book values	₱47,961,246	₱1,748,910,567	₱174,218,122	₱224,589,835	₱86,890,040	₱2,887,230,646	₱942,459,777	₱6,112,260,231

	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 cost:								
Balances at end of year	₱189,368,571	₱4,297,361,113	₱553,101,334	₱718,823,824	₱332,690,335	₱4,214,257,721	₱1,026,530,590	₱11,332,133,488
Accumulated depreciation and amortization:								
Balances at end of year	140,759,531	2,599,083,702	388,524,677	395,021,783	275,523,449	1,421,099,229	–	5,220,012,371
Allowance for impairment:								
Balances at beginning and end of year	126,037	3,318,744	–	159,229,430	–	–	–	162,674,211
Net book values	₱48,483,003	₱1,694,958,667	₱164,576,657	₱164,572,611	₱57,166,886	₱2,793,158,492	₱1,026,530,590	₱5,949,446,906



The cost of fully depreciated property, plant and equipment that are still being used amounted to ₱3.06 billion and ₱2.99 billion as at December 31, 2017 and 2015, respectively.

Certain items of property, plant and equipment amounting to nil and ₱262.43 million under the mining and milling equipment category, are used as collateral to the various financing agreements entered into by the Parent Company as at December 31, 2017 and 2015, respectively (see Note 18).

The Group capitalized borrowing cost amounting to ₱1.33 million and ₱4.16 million for construction in-progress and ₱13.27 million and ₱15.44 million for mine development in 2017 and 2016, respectively. The rate used to determine the amount of borrowing costs eligible for capitalization was 5.35% and 5.43% in 2017 and 2016, respectively (see Note 18).

2017					
	Mine and mining properties	Mine development cost	Mine rehabilitation asset	Mine rehabilitation asset - PPE	Total
Cost:					
Balances at beginning of year	₱2,553,672,387	₱1,640,835,609	₱23,509,181	₱1,790,769	₱4,219,807,946
Additions	18,062	481,246,835	1,581,860	1,852,450	484,699,207
Capitalized borrowing cost (Note 18)	—	13,269,725	—	—	13,269,725
Balances at end of year	2,553,690,449	2,135,352,169	25,091,041	3,643,219	4,717,776,878
Accumulated depletion:					
Balances at beginning of year	1,395,799,279	—	23,509,181	1,790,769	1,421,099,229
Depletion (Note 24)	421,584,380	—	—	—	421,584,380
Balances at end of year	1,817,383,659	—	23,509,181	1,790,769	1,842,683,609
Net book values	₱736,306,790	₱2,135,352,169	₱1,581,860	₱1,852,450	₱2,875,093,269

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 18)	—	15,440,324	—	—	15,440,324
Capitalized depreciation (Note 24)	—	44,139,166	—	—	44,139,166
Change in estimate (Note 17)	—	—	(374,660)	(1,559,265)	(1,933,925)
Reclassifications/transfers	—	—	—	3,350,034	3,350,034
Reclassification	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/transfer	—	—	—	1,189,748	1,189,748
Depletion (Note 24)	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

As at December 31, 2017 and 2016, the carrying amount of ISRI's ARO asset amounted to ₱3.43 million and nil, respectively.



11. Deferred Exploration Costs

	2017	2016
Balances at beginning of year	₱2,310,047,312	₱2,261,567,072
Additions	195,971,666	47,132,960
Capitalized borrowing cost (Note 18)	2,514,657	1,347,280
	₱2,508,533,635	₱2,310,047,312

Deferred exploration costs consist of expenditures related to the exploration activities covered by the Group'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 ₱2.51 million and ₱1.35 million relating to expenditures for deferred exploration in 2017 and 2016, respectively. The rate used to determine the amount of borrowing costs eligible for capitalization was 5.35% and 5.43% in 2017 and 2016, respectively (see Note 18).

In 2017 and 2016, the Group capitalized depreciation as an addition to deferred exploration costs amounting to ₱18.75 million and nil, respectively.

12. Intangible Assets

	2017		
	Franchise	Computer software	Total
Cost:			
Balances at beginning of year	₱192,202,964	₱41,317,887	₱233,520,851
Transfers	–	(37,073)	(37,073)
Balances at end of year	192,202,964	41,280,814	233,483,778
Accumulated amortization:			
Balances at beginning of year	–	40,756,708	40,756,708
Amortization (Note 24)	142,349	34,147	176,496
Balances at end of year	142,349	40,790,855	40,933,204
Net book values	₱192,060,615	₱489,959	₱192,550,574



	2016		
	Franchise	Computer software	Total
Cost:			
Balances at beginning of year	₱192,202,964	₱41,267,187	₱233,470,151
Additions	—	18,200	18,200
Reclassifications	—	32,500	32,500
Balances at end of year	192,202,964	41,317,887	233,520,851
Accumulated amortization:			
Balances at beginning of year	—	40,110,278	40,110,278
Reclassifications	—	9,749	9,749
Amortization (Note 24)	—	636,681	636,681
Balances at end of year	—	40,756,708	40,756,708
Net book values	₱192,202,964	₱561,179	₱192,764,143

Franchise pertains to ICSI's cost of franchise for the implementation of the Solid Waste Management Project. The subsidiary's management has assessed that the subsidiary can fully recover the cost of the franchise upon commencement of operations based on its financial projections.

Computer software includes workbooks used for exploration activities and accounting process of the Group.

13. Other Noncurrent Assets

	2017	2016
Receivable from Gold Mine of Uganda Ltd. (GMU)	₱101,113,250	₱100,683,000
Advances for acquisition of land	93,530,149	93,530,149
Deferred input VAT - noncurrent	46,167,216	53,664,385
MRF	23,352,630	14,796,724
Deposits	21,168,377	13,845,193
National transmission lines	2,949,236	2,949,236
Advances for royalties	2,084,893	2,084,893
Others	11,303,761	10,885,163
	₱301,669,512	₱292,438,743

Receivable from GMU pertains to \$2,025,000 noninterest-bearing advances.

Advances for acquisition of land pertain to the advance payments for the purchase of land to be used in ICSI's project to construct and operate a sanitary landfill. The advances are covered by Memorandum of Agreements pending transfer of title of the land to ICSI.

As at December 31, 2017 and 2016, the Group 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*.



Deposits, which pertain to security deposits on leases of equipment and office space rentals, will be recovered through application against final billings from lessors.

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

Advances for royalties arose due to the agreement entered into by BMRC which requires the latter to pay in advance the royalties accruing for a particular mining property.

Others pertain to deposits made by the Group to non-bank entities including service professionals.

14. Trade and Other Payables

	2017	2016
Trade	₱604,491,284	₱670,659,805
Nontrade	337,800,261	340,336,435
Accrued expenses	161,533,395	298,523,859
Payables to government agencies	111,823,464	42,381,076
Payables to employees	53,509,233	43,805,286
Retention fees	6,834,804	11,013,674
Others	16,341,427	58,733,310
	₱1,292,333,868	₱1,465,453,445

Trade payables, accrued liabilities and other payables 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 ₱1.93 million and ₱5.03 million was extinguished on 2017 and 2016, respectively (see Note 23).

Nontrade payable includes royalties and surface rights based on the memorandum of agreement with the indigenous peoples of Barangay Masara, Maco, Compostela Valley (see Note 30), and other payables that are incurred outside the Group's trading operations.

The Group extinguished nontrade payable amounting to ₱56.66 million in 2015 (see Note 30).

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

Payables to government agencies are normally remitted to various regulatory bodies within 10 days from the close of taxable month, which include payments for excise taxes and provision for deficiency tax (see Note 30).

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

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 cash advances by the Group necessary to support its operations.



15. 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, rentals, unsecured non-interest bearing and short-term cash advances for working capital requirements of the Group, which are due and demandable.

Category	Relationship	Year	Volume/ Amount	Outstanding balance	Terms	Conditions
Advances to related parties						
<i>MORE Coal</i>	With common stockholders	2017 2016	₱41,052 ₱69,569	₱1,151,727 ₱1,110,675	Due and demandable cash settled	Unsecured, Unguaranteed
<i>MORE Oil & Gas</i>	With common stockholders	2017 2016	41,053 71,536	568,262 527,209	Due and demandable cash settled	Unsecured
<i>MORE Reedbank</i>	With common stockholders	2017 2016	41,053 69,401	479,526 438,473	Due and demandable cash settled	Unsecured
<i>MORE Minerals</i>	With common stockholders	2017 2016	41,053 69,420	471,958 430,905	Due and demandable cash settled	Unsecured
<i>PMHI</i>	Stockholder	2017 2016	– (78,813)	– –	Due and demandable cash settled	Unsecured
2017			₱164,211	₱2,671,473		
2016			₱201,113	₱2,507,262		

Category	Relationship	Year	Volume/ Amount	Outstanding balance	Terms	Conditions
Advances from related parties						
<i>PMHI</i>	Stockholder	2017 2016	₱– ₱376,012,000	₱976,012,000 ₱976,012,000	Due and demandable cash settled	Unsecured
<i>Other stockholder</i>		2017 2016	(2,218,761) (9,831,702)	– 2,218,761	Due and demandable cash settled	Unsecured
2017			(₱2,218,761)	₱976,012,000		
2016			₱366,180,298	₱978,230,761		

- The Group's advances to related parties are receivables from entities whose directors and officers are common with MORE.
- Advances from PMHI pertain to advances obtained by the Parent Company for its working capital requirements.



Trustee Bank

The Group's retirement fund pertains only to the Parent Company's retirement fund that is being held by a trustee bank. The carrying amounts of the Parent Company's retirement fund amounted to ₱13.17 million and ₱14.57 million, respectively, while the fair values amounted to ₱12.78 million and ₱14.36 million, respectively, as at December 31, 2017 and 2016 (see Note 16).

As at December 31, 2017 and 2016, the retirement fund consists of investments in government bonds, cash and short-term deposits, equity instruments and others which accounts for 93.95% and 74.17%, 8.01% and 26.41%, 11.74% and 10.44% and (13.70%) and (11.02%) respectively, of its composition (see Note 16).

The Parent Company made no contributions to the fund in 2017 and 2016. There were no transactions made between the Parent Company and the retirement fund in both years.

Compensation of Key Management Personnel

The Group considers 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 key management personnel in 2017, 2016 and 2015. The Group paid salaries and other short term benefits to key management personnel amounting to ₱116.04 million, ₱108.57 million and ₱102.40 million in 2017, 2016 and 2015, respectively.

16. Provision for Retirement Benefits

The Group's retirement fund pertains to the Parent Company which 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's statements of comprehensive income and Parent Company's statements of financial position, respectively.

The details of retirement benefits costs follow:

	2017	2016	2015
Current service cost (Note 25)	₱34,302,648	₱30,073,030	₱28,367,218
Interest cost - net (Note 26)	9,645,851	8,002,371	9,789,350
	₱43,948,499	₱38,075,401	₱38,156,568



Changes in defined benefits liability and fair value of plan assets in 2017 and 2016 are as follows:

2017	Defined benefits liability	Fair value of plan assets	Net defined benefit liability
At January 1	₱178,048,505	₱14,364,231	₱163,684,274
Net interest (Note 26)	10,433,642	787,791	9,645,851
Current service cost (Note 25)	34,302,648	—	34,302,648
Benefits paid	(1,841,405)	(1,841,405)	—
Remeasurement of actuarial losses (gains):			
Changes in demographic assumptions	(30,875,320)	—	(30,875,320)
Changes in financial assumptions	3,428,566	—	3,428,566
Remeasurement loss - return on plan assets	—	(533,012)	533,012
	(27,446,754)	(533,012)	(26,913,742)
At December 31	₱193,496,636	₱12,777,605	₱180,719,031

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 26)	8,853,772	851,401	8,002,371
Current service cost (Note 25)	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

Changes in defined benefits cost recognized in other comprehensive income in 2017 and 2016 are as follows:

	2017	2016
At January 1	₱7,686,433	₱26,813,063
Actuarial gains - defined benefit obligation	(27,446,754)	(21,322,300)
Remeasurement loss - plant asset	533,012	2,195,670
Income tax effect	5,768,193	—
At December 31	(₱13,459,116)	₱7,686,433

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

	2017	2016
Cash and short-term deposits	8.01%	26.41%
Debt instruments - government bonds	93.95%	74.17%
Equity instruments	11.74%	10.44%
Others	(13.70%)	(11.02%)
	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:

	2017	2016
Discount rate	5.77%	5.86%
Salary increase rate	5.00%	5.00%
Expected average remaining life	22.0	22.6
	The 2001 CSO	The 2001 CSO
	Table –	Table –
Mortality rate	Generational	Generational
	The Disability	The Disability
	Study,	Study,
	Period 2,	Period 2,
Disability rate	Benefit 5	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)	2017
Discount rates	(7.7%)	₱14,938,390
	8.7%	(16,854,980)
	Increase (decrease)	2016
Discount rates	(10.50%)	₱18,630,168
	12.80%	(22,750,044)
	Increase (decrease)	2017
Salary increase rate	7.7%	₱14,844,845
	(7.0%)	(13,476,062)
	Increase (decrease)	2016
Salary increase rate	12.2%	₱21,730,409
	(10.2%)	(18,199,097)

The latest available actuarial valuation report of the Parent Company was obtained in March 2018 representing information as at December 31, 2017.



Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2017 and 2016:

	2017	2016
Less than one year	₱22,086,041	₱41,668,172
More than one year to five years	96,834,030	54,678,783
More than five years to 10 years	234,414,140	92,513,250
	₱353,334,211	₱188,860,205

17. Provision for Mine Rehabilitation and Decommissioning

	2017	2016
Balance at beginning of year	₱42,837,160	₱44,026,510
Additions	3,434,310	—
Accretion (Note 26)	939,937	744,575
Effect of change in estimate (Note 10)	(14,397,827)	(1,933,925)
Balance at end of year	₱32,813,580	₱42,837,160

The Group 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 Parent Company's FMRDP on its existing MPSAs was approved by the MGB on March 13, 2017. These provisions have been created based on the Parent Company's internal estimates. Assumptions based on the current economic environment have been made, which management believes are reasonable bases upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions.

However, actual costs will ultimately depend upon future market prices for the necessary works required which will reflect market conditions at the relevant time. Furthermore, the timing of the rehabilitation and expenditure of other costs is likely to depend on when the mine ceases to produce at economically viable rates, and the timing that the event for which the other provisions provided for will occur.

In 2017, the effect of change in provision for mine rehabilitation and decommissioning for the Parent Company is recognized in profit and loss since the related ARO asset is fully depleted as at December 31, 2017.

In December 2017, ISRI recognized provision for mine rehabilitation and decommissioning amounting to ₱3.43 million. The future cost of rehabilitating mine sites on a discounted basis on the development of mines. The rehabilitation provision represents the present value of rehabilitation costs relating to mine sites, which are expected to be incurred up to 2039.



18. Loans Payable

	2017	2016
Philippine National Bank	₱3,078,947,993	₱—
Rizal Commercial Banking Corporation (RCBC)	405,000,000	450,000,000
Unionbank of the Philippines (UBP)	379,680,800	397,760,000
Banco de Oro Unibank, Inc. (BDO)	—	2,250,000,000
Atlas Copco Rock Drills (Atlas Copco)	—	23,907,433
	3,863,628,793	3,121,667,433
Less current portion	1,423,152,603	3,121,667,433
Noncurrent portion	₱2,440,476,190	₱—

UBP

The Parent Company has an outstanding US\$7.60 million unsecured promissory note equivalent to ₱379.68 million as at December 31, 2017 with maturity date of March 21, 2018, and two outstanding US\$4.00 million unsecured promissory notes for a total of \$8.00 million equivalent to ₱397.76 million as at December 31, 2016, with maturity dates of January 11 and 22, 2017, respectively. The unsecured promissory notes outstanding in both comparative periods carry an interest rate of 5.00% per annum.

Upon maturity on March 21, 2018, UBP granted the Parent Company rollover of its US\$7.60 million unsecured promissory note with a new maturity date of September 17, 2018 at the same interest rate of 5.00% per annum.

On March 10, 2018, the Parent Company issued another unsecured promissory note for \$0.40 million with maturity date of July 9, 2018 and bearing the same interest rate. Total outstanding unsecured promissory notes as of April 10, 2018 is US\$8.00 million.

RCBC

The Parent Company has outstanding unsecured promissory notes amounting to ₱405.00 million with maturity date of April 16, 2018, and ₱450.00 million with maturity date of January 21, 2017, as at December 31, 2017 and 2016, respectively, both bearing an interest rate of 6.25% per annum.

On February 9, 2018, the Parent Company issued another unsecured promissory note for ₱45.00 million maturing on April 16, 2018 bearing the same interest rate.

Management is confident that it can rollover all of the Parent Company's unsecured promissory notes totaling ₱450.00 million when they fall due on their maturity date.

PNB

PNB granted the Parent Company the following facilities:

- On November 26, 2016, Credit Facilities consisting of Letters of Credit, Trust Receipts (TR) and Settlement Risk Lines totaling ₱500.00 million expiring on July 31, 2017. PNB granted renewal of the Credit Facilities for another year with a new expiry date of July 31, 2018.

As at December 31, 2017, the Parent Company has outstanding unsecured TRs worth ₱203.95 million for its importation of machinery and equipment using the standard credit terms with PNB of 180 days.



- On November 28, 2016, an unsecured 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 2.00% spread, or 5.00%, whichever is higher.

Subject to certain conditions precedent to drawdown such as the execution of the Loan Agreement for the unsecured Term Loan Facility which was signed by the parties on January 10, 2017, on January 27, 2017, the Parent Company drew on the unsecured 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 begun on April 27, 2017 and every quarter thereafter up to January 27, 2020.

- On October 24, 2017, another unsecured Term Loan Facility of up to ₱2.50 billion with tenor of seven years with equal quarterly principal repayment plus interest intended to refinance the Parent Company's short term loans. Interest rates shall be fixed for seven years based on the seven-year PDST plus a 1.25% spread, or 6.00%, whichever is higher.

Subject to certain conditions precedent to drawdown such as the execution of the Loan Agreement for the unsecured Term Loan Facility which was signed by the parties on December 4, 2017, on December 15, 2017, the Parent Company drew on the unsecured Term Loan Facility for the full amount with the interest rate set at 6.45% per annum for the seven-year term. The first principal repayment plus interest will begin on April 27, 2018 and every quarter thereafter up to January 27, 2025.

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 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.

On December 18, 2017, the Parent Company paid the loan with BDO in full, plus interest, and has no outstanding balance as at December 31, 2017. The Parent Company has an outstanding loan of ₱2.25 billion as at December 31, 2016.

Equipment Financing

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

Atlas Copco

In June 2013, the Parent Company entered into Purchase Agreements with Atlas Copco for the acquisition of mining-related machinery and equipment. The Parent Company also signed Supplier Credit Arrangements with Customer Finance AB, which makes available to the Parent 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 Parent 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, 2017 and 2016, respectively (see Note 10).



The Parent Company has an outstanding balance to Atlas Copco of nil and \$0.48 million equivalent to nil and ₱23.91 million, respectively, as at December 31, 2017 and 2016, respectively.

Sandvik Mining

In June 2013, the Parent 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 Parent 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.

In 2016, the Parent Company paid the full amount of the loan and terminated their financing agreements with Sandvik.

The Group's availment and payment of loans and equipment financing as at December 31, 2017 and 2016 are as follows:

	2017		2016	
	Availment	Payment	Availment	Payment
BDO	₱—	₱2,250,000,000	₱—	₱—
PNB	3,206,007,193	125,000,000	—	—
RCBC	—	45,000,000	29,000,000	29,000,000
Atlas Copco	—	23,907,433	—	74,152,388
UBP	—	20,138,400	—	—
BPI	—	—	—	147,500,000
Sandvik Mining	—	—	—	109,291,679
Planters Bank	—	—	—	974,246
	₱3,206,007,193	₱2,464,045,833	₱29,000,000	₱360,918,313

Interest expenses incurred in 2017 and 2016 in relation to the availed loans are as follows:

	2017	2016
BDO	₱127,584,355	₱122,959,375
PNB	32,005,330	—
RCBC	26,563,784	26,067,040
UBP	20,634,397	19,307,191
PMHI	586,667	—
Sandvik Mining	—	2,356,490
Atlas Copco	—	3,548,021
BPI	—	235,288
	207,374,533	174,473,405
Capitalized borrowing costs (Notes 10 and 11)	17,110,042	20,943,059
Interest on loans payable (Note 26)	₱190,264,491	₱153,530,346



The Company capitalized borrowing costs amounting to ₱17.11 million and ₱20.94 million relating to expenditures for deferred exploration cost, mine development and construction in-progress in 2017 and 2016, respectively. The rate used to determine the amount of borrowing costs eligible for capitalization was 5.35% and 5.43% in 2017 and 2016, respectively (see Notes 10 and 11).

All loan covenants are complied with as at December 31, 2017.

19. Equity

Capital stock

The Parent 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, 2017.

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

	2017		2016	
	Shares	Amount	Shares	Amount
Issued and subscribed shares at beginning and end of year	6,227,887,491	₱6,227,887,491	6,227,887,491	₱6,227,887,491
Less treasury shares	(555,132,448)	(2,081,746,680)	(564,730,109)	(2,117,737,909)
Outstanding shares at end of year	5,672,755,043	₱4,146,140,811	5,663,157,382	₱4,110,149,582

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

- On January 12, 2015, the Parent Company's application for the increase in its authorized capital stock was duly approved by the Philippine SEC.
- On February 3, 2015, the Parent 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.
- On March 12, 2015, the Parent 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.
- On June 24, 2015, MORE used the shares of the Parent Company it (MORE) held for the following Parent Company 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).
- On August 26, 2016, the Parent 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 Parent Company.
- On December 21, 2017, the Parent Company has entered into an agreement with ICTSI Ltd. (ICTSI) where the former will transfer to the latter 9,597,661 shares of the Parent Company held by MORE. In return, the Parent Company shall receive a consideration with a fair value of ₱17.18 million as at date of transaction. As a result, the Group recognized a loss on reissuance of treasury shares amounting to ₱15.31 million. The said loss is deducted against APIC.



APIC

Movements in the APIC are as follows:

	2017	2016
Balance at beginning of year	₱15,941,675	₱3,027,029,976
Loss on reissuance of treasury shares	(15,307,451)	–
Equity restructuring (Note 1)	–	(3,011,088,301)
Balance at end of year	₱634,224	₱15,941,675

Retained earnings

Movements in the retained earnings are as follows:

	2017	2016
Balance at beginning of year	₱443,834,193	(₱2,914,720,530)
Equity restructuring	–	3,011,088,301
Net income attributable to the equity holders of the Parent Company	427,988,216	326,006,282
Realization of revaluation surplus (Note 10)	24,491,534	21,460,140
Balance at end of year	₱896,313,943	₱443,834,193

The APIC of ₱15.94 million as at December 31, 2016 decreased to ₱0.63 million as at December 31, 2017, and the retained earnings of ₱443.83 million as at December 31, 2016 was increased to ₱896.32 million positive retained earnings as at December 31, 2017.

NCI

NCI consists of the following:

	2017	2016
NCI on net assets of:		
ICSI	₱202,637,330	₱201,870,891
Minas	(22,949,969)	(22,949,969)
MMSL	(2,789,401)	(2,789,401)
MOMCL	701,751	701,751
	₱177,599,711	₱176,833,272

The summarized financial information of ICSI (material NCI) is provided below:

Statements of comprehensive income for the years ended December 31, 2017 and 2016:

	2017	2016
General and administrative expenses	₱2,453,820	₱11,813,598
Other income	4,050,567	4,484,982
Loss (income) before tax	(1,596,747)	7,328,616
Provision for income tax	–	–
Net loss (income)	(₱1,596,747)	₱7,328,616
Attributable to:		
Equity holders of the Parent Company	(₱830,308)	₱3,810,881
Non-controlling interests	(766,439)	3,517,735



Statements of financial position as at December 31, 2017 and 2016:

	2017	2016
Current assets	₱230,017,896	₱135,458,321
Noncurrent assets	192,416,189	285,733,113
Current liabilities	(559,516)	(627,078)
Noncurrent liabilities	(1,012,495)	(1,012,495)
Total equity	₱420,862,074	₱419,551,861
Attributable to:		
Equity holders of the Parent Company	₱218,224,745	₱217,680,970
Non-controlling interests	202,637,329	201,870,891

Statements of cash flows as at December 31, 2017 and 2016 show a decrease in cash and cash equivalents of ₱2.66 million and ₱72.01 million, respectively, all from operating activities.

20. Basic/Diluted Earnings Per Share

Basic earnings per share is calculated by dividing the net earnings attributable to stockholders of the Parent Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Parent Company and held as treasury shares. Estimation of earnings per share for the three years ended December 31, 2017, 2016 and 2015 when there were no potentially dilutive common shares during the respective periods are as follows:

	2017	2016	2015
Net income attributable to the equity holders of the Parent Company	₱427,988,216	₱326,006,282	₱78,402,528
Weighted average number of common shares for basic and diluted earnings per share	5,663,157,382	5,663,157,382	5,236,524,773
Basic and diluted earnings per share	₱0.08	₱0.06	₱0.01

21. Cost of Production

	2017	2016	2015
Depreciation, depletion and amortization (Note 24)	₱933,256,874	₱632,235,533	₱290,917,457
Materials and supplies (Note 7)	844,304,552	828,138,203	672,578,194
Personnel costs (Note 25)	555,778,501	509,649,984	455,491,924
Utilities	269,580,486	248,138,874	190,836,451
Contracted services	248,556,076	232,647,814	159,743,036
Taxes and licenses	62,271,793	44,854,540	39,941,450
Marketing	61,966,849	32,589,515	23,957,772
Royalties to indigenous people (IP) (Note 30)	42,942,894	35,220,506	24,300,973
Community development expenses (forward)	41,418,799	22,854,015	15,336,632



	2017	2016	2015
Surface rights to IP (Note 30)	₱41,242,217	₱35,220,506	₱24,300,973
Rent (Note 30)	14,362,548	14,040,301	50,378,367
Professional fees	11,902,883	17,115,680	16,972,581
Others	61,627,815	46,330,877	49,275,908
	₱3,189,212,287	₱2,699,036,348	₱2,014,031,718

Consolidated costs of production pertains to the Parent Company's cost of production.

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

The amounts were distributed as follows:

	2017	2016	2015
Mining	₱870,016,159	₱860,819,520	₱668,619,602
Milling	566,988,949	532,733,500	444,645,939
Compliance	247,217,445	182,920,256	173,141,210
Mine overhead	1,504,989,734	1,122,563,072	727,624,967
	₱3,189,212,287	₱2,699,036,348	₱2,014,031,718

22. General and Administrative Expenses

	2017	2016	2015
Personnel costs (Note 25)	₱119,536,441	₱106,003,858	₱98,012,110
Taxes, licenses and permits	38,024,541	23,969,712	9,802,249
Professional fees	17,777,814	26,398,281	13,165,257
Repairs and maintenance	7,087,662	5,013,796	2,191,519
Rent (Note 30)	6,122,452	5,619,790	8,138,672
Transportation and accommodation	5,178,866	7,777,075	6,893,920
Insurance	2,660,165	1,761,911	1,673,862
Depreciation and amortization (Note 24)	1,743,013	19,289,975	6,813,847
Materials and supplies (Note 7)	1,273,044	2,588,374	4,816,814
Utilities	990,069	1,123,930	1,949,563
Representation and entertainment	581,367	7,536,904	7,953,333
Others	18,673,924	18,899,720	25,617,716
	₱219,649,358	₱225,983,326	₱187,028,862

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



23. Other Income (Charges) – net

	2017	2016	2015
Provision for tax assessments (Note 30)	(P86,130,793)	P–	P–
Reversal of (provision for) inventory losses and obsolescence (Note 7)	60,799,961	(18,556,467)	12,955,801
Loss on write-off of:			
Property, plant and equipment (Note 10)	(9,159,256)	(4,980,679)	–
Inventories (Note 7)	–	(1,867,310)	(59,692)
Input VAT (Note 8)	–	(1,759,915)	(750,678)
Other noncurrent assets (Note 13)	–	–	(6,000,000)
Interest income (Note 5)	6,306,664	5,426,372	5,850,334
Foreign exchange gains (losses) - net	4,112,428	(8,144,987)	(75,557,157)
Gain on debt extinguishment (Note 14)	1,926,097	5,029,875	56,655,246
Provision for impairment losses on receivables (Note 6)	(294,996)	(3,870,160)	–
Dividend income (Note 9)	–	–	1,024,931
Gain from acquisition (Note 4)	–	–	48,828,667
Miscellaneous	14,580,647	(58,392)	(19,886,892)
	(P7,859,248)	(P28,781,663)	P23,060,560

24. Depreciation, Depletion and Amortization

	2017	2016	2015
Property, plant and equipment (Note 10)	P934,823,391	P644,652,906	P296,996,657
Inventory (Note 7)	–	6,235,921	–
Intangible asset (Note 12)	176,496	636,681	734,647
	P934,999,887	P651,525,508	P297,731,304

The amounts were distributed as follows:

	2017	2016	2015
Cost of production (Note 21)	P933,256,874	P632,235,533	P290,917,457
General and administrative expenses (Note 22)	1,743,013	19,289,975	6,813,847
	P934,999,887	P651,525,508	P297,731,304

In 2017 and 2016, the Parent Company capitalized depreciation, depletion and amortization costs amounting to nil and nil as part of inventories and P40.75 million and P44.14 million as part of deferred exploration and mine development costs in 2017 and 2016, respectively.

The Parent Company recognized P6.24 million of the prior year capitalized depreciation, depletion and amortization on inventories in 2016 (see Note 7).



25. Personnel Costs

	2017	2016	2015
Salaries and wages	₱419,138,961	₱442,331,866	₱463,602,423
Other employee benefits	221,873,333	143,248,946	61,534,393
Retirement benefits cost (Note 16)	34,302,648	30,073,030	28,367,218
	₱675,314,942	₱615,653,842	₱553,504,034

The amounts were distributed as follows:

	2017	2016	2015
Cost of production (Note 21)	₱555,778,501	₱509,649,984	₱455,491,924
General and administrative expenses (Note 22)	119,536,441	106,003,858	98,012,110
	₱675,314,942	₱615,653,842	₱553,504,034

26. Finance Costs

	2017	2016	2015
Interest on loans payable (Note 18)	₱190,264,491	₱153,530,346	₱136,080,161
Net interest cost on retirement benefits (Note 16)	9,645,851	8,002,371	9,789,350
Accretion expense (Note 17)	939,937	744,575	614,139
Others - net	1,000,000	1,075,415	122,032
	₱201,850,279	₱163,352,707	₱146,605,682

27. Income Tax

The Group's benefit from (provision for) income tax in 2017, 2016 and 2015 are presented below. Provision for current income tax in 2017 pertain to RCIT, while in 2016 and 2015 pertains to MCIT.

	2017	2016	2015
Current	(₱100,014,225)	(₱16,970,058)	(₱11,496,325)
Deferred	109,070,602	6,300,453	25,997,364
	₱9,056,377	(₱10,669,605)	₱14,501,039

Reconciliation between the benefit from (provision for) income tax computed at the statutory income tax rate and the benefit from (provision for) deferred income tax as shown in the consolidated statements of comprehensive income follows:

	2017	2016	2015
Changes in unrecognized deferred income tax assets	₱136,169,032	₱106,684,572	₱26,642,316
Benefit from (provision for) income tax computed at statutory income tax rate (forward)	(125,909,483)	(99,788,657)	(17,066,904)



	2017	2016	2015
Add (deduct) tax effects of:			
Nondeductible expenses	(P8,251,593)	(P14,517,335)	(P10,231,369)
Nontaxable income	6,618,721	—	14,665,505
Interest income subjected to final tax	504,607	289,175	576,838
Expired MCIT	(74,907)	(3,337,360)	(85,347)
Benefit from (provision for) income tax	P9,056,377	(P10,669,605)	P14,501,039

Details of deductible temporary differences, unused tax credit and NOLCO as at December 31, 2017 and 2016 are as follows:

	2017	2016
NOLCO	P248,612,691	P642,798,220
Allowance for impairment losses on:		
Property, plant and equipment	166,839,367	162,674,211
Inventory losses and obsolescence	25,351,451	86,151,412
Receivables	1,765,700	1,702,678
Unrealized foreign exchange losses	114,945,024	45,514,785
Provision for tax cases	74,474,414	—
Allowance for deferred exploration cost	51,986,479	—
MCIT	282,709	35,280,664
Provision for retirement benefits	—	163,684,274
Provision for mine rehabilitation and decommissioning	—	42,837,160
Others	971,964	971,966
	P685,229,799	P1,181,615,370

Realization of the future tax benefits related to the deferred income tax assets is dependent on many factors including the Group'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 Group's management has considered these factors in not recognizing deferred income tax assets for these temporary differences and unused tax losses and credits.

The Group's deferred income tax liabilities as at December 31, 2017 and 2016 pertain to the following:

	2017	2016
Deferred income tax liabilities:		
Fair value increment on deferred exploration cost	P186,155,338	P186,155,338
Revaluation surplus on property, plant and equipment	101,816,716	112,313,089
Unrealized foreign exchange gains	10,197,974	3,122,779
Asset retirement obligation - asset	—	1,985,616
Deferred income tax assets:		
Provision for retirement benefits	(54,215,709)	—
Provision for mine rehabilitation and decommissioning cost	(8,813,781)	—
	P235,140,538	P303,576,822



The Group 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
2015	2018	₱96,079,878	₱11,496,325
2016	2019	223,718,464	17,104,304
2017	2020	86,231,890	256,746
		₱729,030,110	₱35,537,410

The movements of NOLCO are as follows:

	2017	2016
Balance at beginning of the year	₱642,798,220	₱983,680,462
Additions	86,231,890	223,718,464
Expirations	(119,106,602)	(77,203,854)
Application	(203,767,602)	(487,396,852)
Balance at end of the year	₱406,155,906	₱642,798,220

The movements of the Group's MCIT are as follows:

	2017	2016
Balance at beginning of the year	₱35,280,664	₱21,513,720
Additions	256,746	17,104,304
Expirations	(74,907)	(3,337,360)
Application	(34,866,125)	—
Balance at end of the year	₱596,378	₱35,280,664

The Group did not avail of the Optional Standard Deduction in 2017 and 2016.

The movements of the Group's NOLCO per subsidiary are as follows:

	Parent	MORE	CRPI	BMRC	ISRI	Total
Balance at beginning of year	₱203,767,602	₱89,719,966	₱62,823,411	₱6,005,989	₱122,938,037	₱485,255,005
Additions	—	6,642,612	53,962,737	612,806	25,013,735	86,231,890
Expirations	—	(46,819,163)	(19,777,577)	(3,281,913)	(49,227,949)	(119,106,602)
Application	(203,767,602)	—	—	—	—	(203,767,602)
Balance at end of year	₱—	₱49,543,415	₱97,008,571	₱3,336,882	₱98,723,823	₱248,612,691

The movements of the Group's MCIT per subsidiary are as follows:

	Parent	MORE	CRPI	BMRC	ISRI	Total
Balance at beginning of year	₱34,866,125	₱99,926	₱943	₱—	₱—	₱34,966,994
Additions	—	256,746	—	—	—	256,746
Expirations	—	(74,907)	—	—	—	(74,907)
Applications	(34,866,125)	—	—	—	—	(34,866,125)
Balance at end of year	₱—	₱281,765	₱943	₱—	₱—	₱282,708



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

Financial Risk Management Objectives and Policies

The Group's financial instruments consist mainly of cash and cash equivalents, receivables, trade and other payables, which arise directly from its operations, advances to and from stockholders and related parties, AFS financial assets and loans payable. The main purpose of these financial instruments is to raise funds and maintain continuity of funding and financial flexibility for the Group.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, 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 Group 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 Parent Company's gold and silver bullion are considered a highly traded commodity that have readily available markets.

The maximum exposure to credit risk of the Group's financial assets (cash in banks, cash equivalents, trade receivables and other receivables, and AFS financial assets) is equal to the carrying amounts of the financial assets, as at December 31, 2017 and 2016.

Aging analysis of the Group's financial assets classified as loans and receivables and AFS financial assets as at December 31, 2017 and 2016 are as follows:

	December 31, 2017					
	Total	Neither past due nor impaired	Past due but not impaired			Impaired
			1-30 Days	31-60 Days	Over 60 Days	
Cash with banks	₱421,694,105	₱421,694,105	₱—	₱—	₱—	₱—
Trade and other receivables						
Trade	518,851,639	518,851,639	—	—	—	—
Nontrade	77,358,081	77,358,081	—	—	—	—
Advances to officers and employees	5,122,961	3,456,721	—	—	—	1,666,240
Others	138,591,222	132,553,163	—	—	6,038,059	—
Advances to related parties	2,671,473	2,671,473	—	—	—	—
Deposit classified under "Prepayments and other current assets"	7,911,550	7,911,550	—	—	—	—
MRF classified under "Other noncurrent assets"	23,352,630	23,352,630	—	—	—	—
AFS financial assets	344,640,000	344,640,000	—	—	—	—
	₱1,540,193,661	₱1,532,489,362	₱—	₱—	₱6,038,059	₱1,666,240



December 31, 2016						
	Total	Neither past due nor impaired	Past due but not impaired			Impaired
			1-30 Days	31-60 Days	Over 60 Days	
Cash with banks	₱235,833,648	₱235,833,648	₱—	₱—	₱—	₱—
Trade and other receivables						
Trade	99,978,358	99,978,358	—	—	—	—
Nontrade	71,722,485	71,722,485	—	—	—	—
Advances to officers and employees	4,334,547	2,631,869	—	—	—	1,702,678
Others	20,135,354	18,087,416	—	—	2,047,938	—
Advances to related parties	2,507,262	2,507,262	—	—	—	—
Deposit classified under “Prepayments and other current assets”	7,163,478	7,163,478	—	—	—	—
MRF classified under “Other noncurrent assets”	14,796,724	14,796,724	—	—	—	—
AFS financial assets	344,640,000	344,640,000	—	—	—	—
	₱801,111,856	₱797,361,240	₱—	₱—	₱2,047,938	₱1,702,678

The credit quality of financial assets is managed by the Group 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 Group has assessed the credit quality of the following financial assets that are neither past due nor impaired:

- Cash with banks and mine rehabilitation funds were assessed as high grade since these are deposited in reputable banks, which have a low probability of insolvency.
- Trade and other receivables, advances to related parties and deposits were assessed as high grade since these have a high probability of collection and currently have no history of default.
- AFS financial assets are equity instruments classified as high grade since these instruments are from companies with good financial capacity, financial conditions and operates in an industry which has potential growth. Management assesses the quality of its unquoted equity instruments as standard grade.

Liquidity Risk

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

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



The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments and financial assets used to manage liquidity risk as at December 31, 2017 and 2016.

2017	On demand	Less than three months	Three to 12 months	More than 12 months	Total
Trade and other payables					
Trade	₱448,070,482	₱—	₱—	₱—	₱448,070,482
Nontrade	70,114,538	—	—	—	70,114,538
Accrued expenses	91,418,857	—	—	—	91,418,857
Retention fees	6,834,804	—	—	—	6,834,804
Payables to employees	26,259,088	—	27,250,145	—	53,509,233
Others	172,762,229	—	—	—	172,762,229
Advances from related parties	976,012,000	—	—	—	976,012,000
Loans payable	—	—	1,423,152,603	—	1,423,152,603
	₱1,791,471,998	₱—	₱1,450,402,748	₱—	₱3,241,874,746

2017	On demand	Less than three months	Three to 12 months	More than 12 months	Impaired	Total
Cash in banks	₱421,694,105	₱—	₱—	₱—	₱—	₱421,694,105
Trade and other receivables						
Trade	518,851,639	—	—	—	—	518,851,639
Nontrade	77,358,081	—	—	—	—	77,358,081
Advances to officers and employees	3,456,721	—	—	—	1,666,240	5,122,961
Others	138,591,222	—	—	—	—	138,591,222
Advances to related parties	2,671,473	—	—	—	—	2,671,473
Deposit classified under “Prepayments and other current assets”	—	—	7,911,550	—	—	7,911,550
Mine rehabilitation funds classified under “Other noncurrent assets”	—	—	—	23,352,630	—	23,352,630
AFS financial assets	—	—	—	344,640,000	—	344,640,000
	₱1,162,623,241	₱—	₱7,911,550	₱367,992,630	₱1,666,240	₱1,540,193,661

2016	On demand	Less than three months	Three to 12 months	More than 12 months	Total
Trade and other payables					
Trade	₱233,582,688	₱105,793,447	₱329,658,212	₱1,625,458	₱670,659,805
Nontrade	64,217,285	—	—	276,119,150	340,336,435
Accrued expenses	186,791,291	43,574,424	57,878,223	10,279,921	298,523,859
Payables to employees	24,338,527	—	19,466,759	—	43,805,286
Retention fees	11,013,674	—	—	—	11,013,674
Others	58,733,310	—	—	—	58,733,310
Advances from related parties	978,230,761	—	—	—	978,230,761
Loans payable	23,907,433	2,647,760,000	450,000,000	—	3,121,667,433
	₱1,580,814,969	₱2,797,127,871	₱857,003,194	₱288,024,529	₱5,522,970,563



2016	On demand	Less than three months	Three to 12 months	More than 12 months	Impaired	Total
Cash in banks	₱235,833,648	₱—	₱—	₱—	₱—	₱235,833,648
Trade and other receivables						
Trade	99,978,358	—	—	—	—	99,978,358
Nontrade	71,722,485	—	—	—	—	71,722,485
Advances to officers and employees	2,631,869	—	—	—	1,702,678	4,334,547
Others	20,135,354	—	—	—	—	20,135,354
Advances to related parties	2,507,262	—	—	—	—	2,507,262
Deposit classified under “Prepayments and other current assets”	—	—	7,163,478	—	—	7,163,478
Mine rehabilitation funds classified under “Other noncurrent assets”	—	—	—	14,796,724	—	14,796,724
AFS financial assets	—	—	—	344,640,000	—	344,640,000
	₱432,808,976	₱—	₱7,163,478	₱359,436,724	₱1,702,678	₱801,111,856

Foreign Currency Risk

The Group 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 Group’s functional currency.

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

The Group foreign currency-denominated financial instruments as at December 31, 2017 and 2016 are as follows:

	2017		2016	
	US\$	Php	US\$	Php
Financial Assets				
Cash	\$2,093,515	₱104,529,192	\$232,494	₱11,559,602
Trade receivables	14,561,321	727,046,754	2,010,828	99,978,368
	16,654,836	831,575,946	2,243,322	111,537,970
Financial Liabilities				
Trade payables	3,744,514	186,963,584	3,081,942	153,234,156
Loans payable	7,600,000	379,468,000	8,480,841	421,667,415
	11,344,514	566,431,584	11,562,783	574,901,571
Net financial liability	\$5,310,322	₱265,144,362	(\$9,319,461)	(₱463,363,601)

As at December 31, 2017 and 2016, the exchange rate based on the Philippine Dealing and Exchange Corporation of the Philippine peso to US\$1.00 was ₱49.93 and ₱49.72, respectively.



The sensitivity to a reasonable possible change in the US\$ exchange rate, with all other variables held constant, of the Group's income before income tax (due to changes in fair value of monetary assets and liabilities) as at December 31, 2017 and 2016 are as follows:

		Change in foreign exchange rates	Effect in income before tax
US\$	2017	₱0.62	(₱3,292,400)
		(0.63)	3,345,503
	2016	₱0.98	(₱9,133,072)
		(0.74)	6,896,401

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

Commodity Price Risk

The Group is exposed to the risk of fluctuations in prevailing market commodity prices on the mineral products it produces. The Group'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 Group.

Assuming all other variables remain constant, the impact of the change in metal prices is relative to the consolidated financial statements, for 2017 and 2016 as follows:

	Change in gold metal price	Effect on income before tax
2017	Increase by 11%	₱423,566,962
	Decrease by 11%	(₱423,566,962)
2016	Increase by 10%	₱306,872,023
	Decrease by 10%	(₱306,872,023)

Capital Management

The primary objective of the Group'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 Group'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 Group to continuously benefit from tax and other incentives provided by its registration with BOI. Moreover, the Group 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 stockholder.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2017 and 2016.



The Group considers the following as its core economic capital:

	2017	2016
Issued capital stock	₱6,227,887,491	₱6,227,887,491
APIC	634,224	15,941,675
Treasury shares	(2,081,746,680)	(2,117,737,909)
	₱4,146,775,035	₱4,126,091,257

The Group has no externally imposed capital requirements.

29. Fair Value Measurements

AFS Financial Assets

The fair value of unquoted AFS equity investments cannot be reliably measured and accordingly measured at cost, net of impairment.

Property, Plant and Equipment

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

	Date of Valuation	Total	Fair Value Measurement		
			Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>Property, plant and equipment</i> (Note 10)	2017	₱6,451,649,287	₱—	₱—	₱6,451,649,287
	2016	₱6,323,823,868	₱—	₱—	₱6,323,823,868

Cash, Trade and Other Receivables, Advances to Related Parties, Deposits under “Prepayment and Other Current Assets”, MRF, Trade and Other Payables, Accrued Liabilities, Payable to Employees, Retention Fees, Advances from Stockholder

The carrying amounts of these financial instruments approximate their fair value due to the short-term nature and maturity.

Loans Payable

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

The Group 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 2017 and 2016.



30. Significant Agreements and Contingencies

Parent Company

a. Agreement with Indigenous Cultural Communities (ICC) and National Commission on Indigenous Peoples (NCIP) pursuant to Republic Act 8371

On June 16, 2004, the Parent 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 Parent Company with regard to providing scholarships, health and welfare programs, payment for surface rights and for royalties to the ICCs. The payment for surface rights is at 1% percent of the gross production of the Parent Company derived from mining activities within the area of claims. The payment for royalty is based on 1% of gross income.

On December 13, 2012, Maco Ancestral Domain, Inc. (MADCI) versus Apex Mining Co., Inc. denominated as NCIP Case No. R-XI-0037-12 was filed by MADCI and is still pending as at December 31, 2017 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)*

In 2017, 2016 and 2015 royalties to IP recognized under “Cost of Production” amounted to ₱42.94 million, ₱35.22 million and ₱24.30 million, respectively (see Note 21).

In 2017, 2016 and 2015 surface rights to IP recognized under “Cost of Production” amounted to ₱41.24 million, ₱35.22 million and ₱24.30 million, respectively (see Note 21).

b. 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 Group’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 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 recommended to the DENR the lifting of DENR Memorandum Order No. 2011-01 on the suspension of acceptance of all types of mining applications. Effective March 18, 2013, the MGB has started accepting mining applications for EPs and Financial Technical Agreement Assistance 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.



c. Tax Assessment

On May 11, 2016, the Parent 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 Parent 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 10, 2018, the Parent Company has not received any reply from the BIR with regard to its MR.

On November 27, 2017, the Parent Company received a formal demand letter after investigation of BIR to pay deficiency income tax amounting to ₱53.47 million.

On November 6, 2017, the Parent Company paid ₱10.52 million as partial payment of tax deficiencies for the taxable year 2012. On February 26, 2018, the Parent Company paid ₱53.47 million as full settlement of its taxable year 2012 tax deficiencies.

The Parent Company recorded a provision for possible tax payment with an aggregate amount of ₱74.47 million in 2017 which is included under "Trade and other payables" caption in the consolidated statements of financial position (see Note 14).

d. Operating Lease Agreement

The Parent 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 ₱14.36 million, ₱14.04 million and ₱50.38 million in 2017, 2016 and 2015, respectively (see Note 21).

e. Refining and Transportation Agreement with Heraeus

On January 1, 2017, the Parent 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 based on quoted metal prices in LBMA of gold and silver.

MORE

a. Heads of Agreement with Forum (GSEC 101) Ltd.

In 2007, MORE entered into a Heads of Agreement with Forum (GSEC 101) Ltd. to execute a joint operating agreement (JOA) on GSEC 101 upon the DOE's consent to the assignment, transfer and conveyance of 30% participating interest in the exploration contract which has since then been converted to SC 72. The Heads of Agreement provides that MORE shall pay 30% of all costs and expenses (on an accrual basis) of the joint operations under the JOA.



b. Operating Lease Agreement

MORE entered into a lease agreement for its office for a period of three years, subject to renewal upon mutual agreement with the lessor. This agreement expired on May 31, 2016. Monthly rent amounted to ₱212,312 subject to an annual escalation rate at 5% to begin on the second year of the term. The lease contract provides for payment of security deposit and advance rental. Rent expense incurred amounted to ₱6.12 million, ₱5.62 million and ₱8.14 million in 2017, 2016 and 2015, respectively (see Note 22).

31. Operating Segments

The Group is organized into business units on their products and activities and has three reportable business segments: the mining, oil and gas, and solid waste management segment. The operating businesses are organized and managed separately through the Parent Company and its subsidiaries according to the nature of the products provided, with each segment representing a strategic business unit that offers different products to different markets.

Net income (loss) for the year is measured consistent with consolidated net income (loss) in the consolidated 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.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on core and net income (loss) for the year, EBITDA, exploration results, or project potential, among others.

EBITDA is not a uniform or legally defined financial measure. EBITDA, however, is presented because the Group believes it is an important measure of performance and liquidity. The Group relies primarily on the results determined in accordance with PFRS and uses EBITDA only as supplementary information.

Management evaluates its computation of EBITDA to exclude the effects of non-recurring items. Management believes that this computation of EBITDA is more useful in making decisions about resource allocation and performance assessment of its reportable segments.

The following tables present revenue and profit and certain asset and liability information regarding the Group's business segments.

	2017				
	Mining	Oil and gas	Solid waste management	Eliminations	Total
Revenue					
External customer	₱4,122,188,125	₱—	₱—	₱—	₱4,122,188,125
Inter-segment	—	—	—	—	—
Consolidated revenue	₱4,122,188,125	₱—	₱—	₱—	₱4,122,188,125
Results					
EBITDA	₱1,476,119,228	(₱34,257,112)	(₱2,453,820)	₱—	₱1,439,408,296
Interest income (expense)					
- net	(209,259,492)	2,418,709	4,050,567	—	(202,790,216)
Income tax expense	6,317,920	2,738,457	—	—	9,056,377
Depreciation and depletion	(915,366,663)	(879,920)	—	—	(916,246,583)
Non-recurring items	63,757,146	146,884	—	—	63,904,030
Consolidated net income (loss)	₱421,568,139	(₱29,832,982)	₱1,596,747	₱—	₱393,331,904

(forward)



2017					
	Mining	Oil and gas	Solid waste management	Eliminations	Total
Consolidated total assets	₱7,378,380,281	₱4,536,259,113	₱192,416,189	₱-	₱12,107,055,583
Consolidated total liabilities	₱6,569,582,105	₱1,572,011	₱63,614,999	₱-	₱6,634,769,115
2016					
	Mining	Oil and gas	Solid waste management	Eliminations	Total
Revenue					
External customer	₱3,522,050,654	₱-	₱-	₱-	₱3,522,050,654
Inter-segment	-	-	-	-	-
Consolidated revenue	₱3,522,050,654	₱-	₱-	₱-	₱3,522,050,654
Results					
EBITDA	₱1,185,364,916	₱2,737,418	(₱11,813,598)	₱-	₱1,176,288,736
Interest income (expense)					
- net	(167,913,129)	75,440	4,484,982	-	(163,352,707)
Income tax expense	(7,547,929)	(3,121,676)	-	-	(10,669,605)
Depreciation and depletion	(650,617,479)	(908,029)	-	-	(651,525,508)
Non-recurring items	(18,360,928)	(10,420,735)	-	-	(28,781,663)
Consolidated net income (loss)	₱340,925,451	(₱11,637,582)	(₱7,328,616)	₱-	₱321,959,253
Consolidated total assets	₱5,500,601,905	₱5,157,236,585	₱421,191,434	₱-	₱11,079,029,924
Consolidated total liabilities	₱6,010,209,001	₱1,639,573	₱68,230,832	₱-	₱6,080,079,406

The total revenue from an external customer, attributable to the Philippines, which is the Group's country of domicile, amounted to ₱4.12 billion and ₱3.52 billion as at December 31, 2017 and 2016, respectively arising from the sale of gold and silver bullion.

32. Supplemental Disclosure to Statements of Cash Flows

Non-cash financing activities pertain to availment and payment of loans.

The following table summarizes the changes in liabilities from financing activities in 2017.

	January 1, 2017	Availments	Payments	December 31, 2017
Current Liabilities:				
Bank loans	₱3,121,667,433	₱765,531,003	(₱2,464,045,833)	₱1,423,152,603
Noncurrent Liabilities:				
Bank loans	-	2,440,476,190	-	2,440,476,190
	₱3,121,667,433	₱3,206,007,193	(₱2,464,045,833)	₱3,863,628,793



The Group had the following non-cash investing and financing activities in 2017 and 2016, which were considered in the preparation of the consolidated statements of cash flows as follows:

	2017	2016	2015
<i>Investing activities:</i>			
Non-cash purchase of property, plant and equipment through reissuance of treasury shares (Note 19)	₱17,179,530	₱—	₱—
Addition (reduction) to property, plant and equipment pertaining to capitalized mine rehabilitation cost (Note 10)	3,434,310	(1,933,925)	—
<i>Financing activity:</i>			
Issuance of shares for acquisition of ISRI (Note 19)	₱—	₱—	₱200,000,000



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 consolidated financial statements of Apex Mining Co., Inc. and its subsidiaries as at December 31, 2017 and 2016, and for each of the three years in the period ended December 31, 2017, included in this Form 17-A, and have issued our report thereon dated April 10, 2018. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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. 08-001998-60-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 6621350, January 9, 2018, Makati City

April 10, 2018



APEX MINING COMPANY INC. AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2017

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Statement of Management's Responsibility for Financial Statements

Independent Auditor's Report

Consolidated Statements of Financial Position

Consolidated Statements of Comprehensive Income

Consolidated Statements of Cash Flows

Consolidated Statements of Changes in Equity

Notes to Consolidated Financial Statements

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Independent Auditor's Report on Supplementary Schedules

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Schedule II - Schedule Showing Financial Soundness

Schedule III - A Map Showing the Relationship between the Parent Company and its Subsidiaries

Schedule IV - Schedule of Effective Standards and Interpretations

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Schedule A: Financial Assets*

Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)*

Schedule C: Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

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Schedule E: Long-term debt

Schedule F: Indebtedness to Related Parties (Long-Term Loans from Related Companies)*

Schedule G: Guarantees of Securities of Other Issuers*

Schedule H: Capital Stock

*These schedules, which are required by SRC Rule 68, have been omitted because they are either not required, not applicable or the information required to be presented is included/shown in the related consolidated financial statements or in the notes thereto.



SCHEDULE I
RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2017

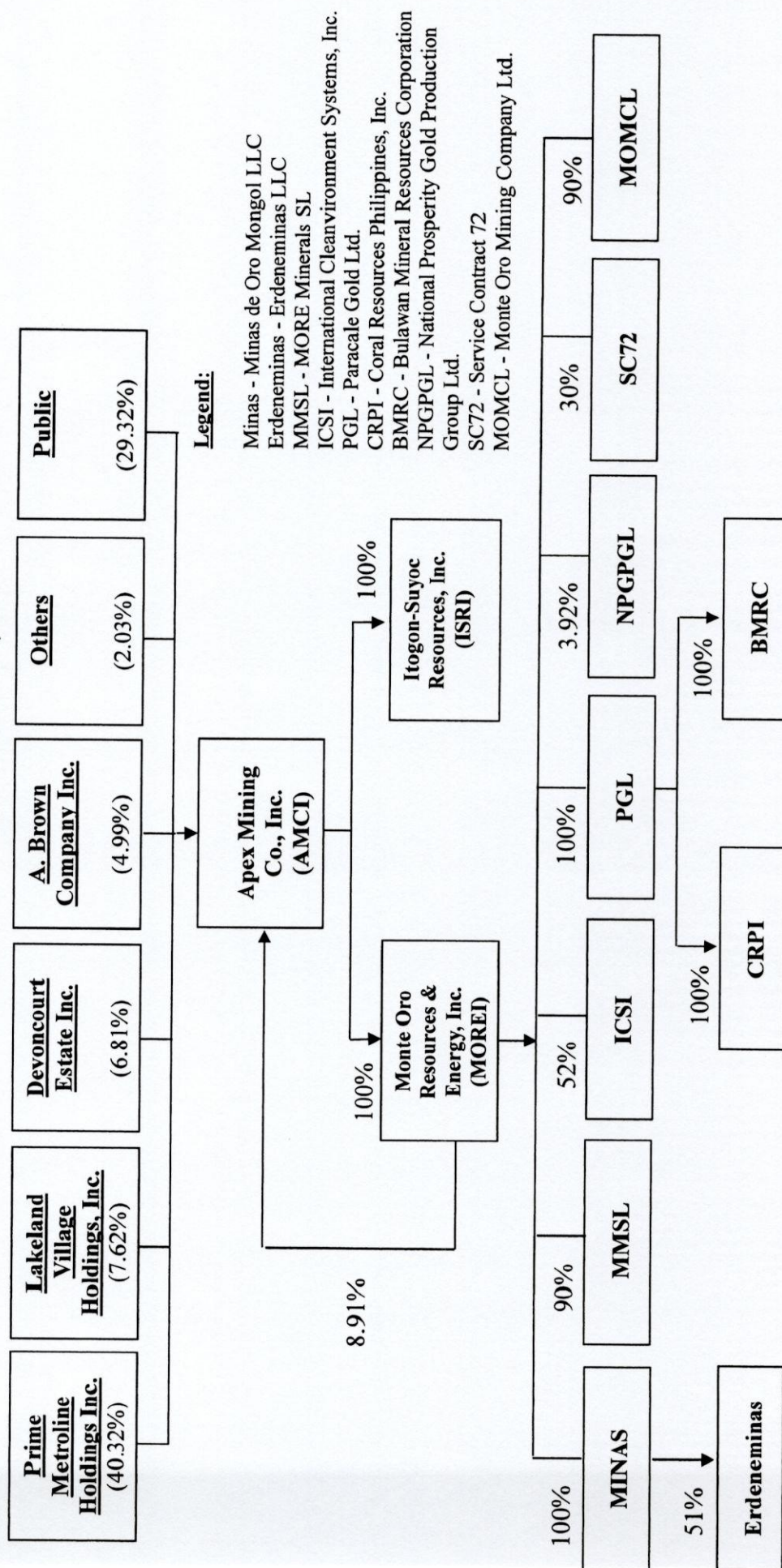
APEX MINING COMPANY INC. AND SUBSIDIARIES
3304B West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City
(Amounts in Thousands)

Unappropriated Retained Earnings, <i>as of December 31, 2016, as reflected in audited financial statements</i>		(P443,834)
Prior year unrealized foreign exchange gain, (except those attributed to cash and cash equivalents)		<u>(15,090)</u>
Unappropriated Retained Earnings, <i>as adjusted to available for dividend distribution, beginning</i>		(458,924)
Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings	P427,988	
Less: Non-actual/unrealized income net of tax	—	
Equity in net income of associate/joint venture	—	
Unrealized foreign exchange gain (loss) - net (except those attributable to cash)	(33,568)	
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	<u>394,420</u>	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	24,492	
Adjustment due to deviation from PFRS/GAAP – loss	—	
Loss on fair value adjustment of investment property (after tax)	—	
Subtotal	<u>24,492</u>	
Net income actually incurred during the period	418,912	
Add (Less):		
Dividend declarations during the period	—	
Additional paid-in capital	15,307	
Appropriations of retained earnings	—	
Reversals of appropriations	—	
Effects of change in accounting policy	—	
Treasury shares	(35,991)	
Equity Restructuring	—	
Subtotal	<u>(20,684)</u>	398,228
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND		<u><u>(P60,696)</u></u>

SCHEDULE II
APEX MINING COMPANY INC. AND SUBSIDIARIES
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2017

	2017	2016
<u>Profitability Ratios:</u>		
Return on assets	3.54%	2.94%
Return on equity	7.82%	6.52%
Gross profit margin	22.63%	23.37%
<u>Liquidity Ratio:</u>		
Current ratio	0.62:1	0.29:1
<u>Financial Leverage Ratios:</u>		
Asset to equity ratio	2.21:1	2.22:1
Debt to equity ratio	1.21:1	1.22:1
Debt service coverage ratio (DSCR)	2.07:1	3.58:1

SCHEDULE III
APEX MINING COMPANY INC. AND SUBSIDIARIES
A MAP SHOWING THE RELATIONSHIP BETWEEN THE PARENT COMPANY
AND ITS SUBSIDIARIES
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2017



SCHEDULE IV
APEX MINING COMPANY INC. AND SUBSIDIARIES
TABULAR SCHEDULE OF ALL EFFECTIVE STANDARDS AND
INTERPRETATIONS PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2017		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	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2017		Adopted	Not Adopted	Not Applicable
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			✓
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2017		Adopted	Not Adopted	Not Applicable
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
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			✓
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 V
APEX MINING COMPANY INC. AND SUBSIDIARIES
SCHEDULE A
FINANCIAL ASSETS
December 31, 2017
(Amounts in Thousands, Except Number of Shares)

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received and accrued
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NOT APPLICABLE

APEX MINING COMPANY INC. AND SUBSIDIARIES

SCHEDULE B

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

December 31, 2017

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
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NOT APPLICABLE

APEX MINING COMPANY INC. AND SUBSIDIARIES
SCHEDULE C
AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING CONSOLIDATION
December 31, 2017
(Amounts in Thousands)

Name and Designation of Debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
MOREI	₱1,282,529	₱47,523	₱-	₱-	₱1,330,052	₱-	₱1,330,052
ISR I	257,058	92,041	-	-	349,099	-	349,099
CRPI	49,156	14,402	-	-	63,558	-	63,558
BMRC	300	-	-	-	300	-	300
	₱1,589,043	₱153,966	₱-	₱-	₱1,743,009	₱-	₱1,743,009

APEX MINING COMPANY INC. AND SUBSIDIARIES

SCHEDULE D

INTANGIBLE ASSETS - OTHER ASSETS

December 31, 2017

(Amounts in Thousands)

Description	Beginning balance	Additions at Cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Intangible Assets	₱192,764	₱-	(₱176)	₱-	(₱37)	₱192,551
Deferred Exploration Costs	2,310,047	198,486	-	-	-	2,508,533
	₱2,502,811	₱198,486	(₱176)	₱-	(₱37)	₱2,701,084

APEX MINING COMPANY INC. AND SUBSIDIARIES

SCHEDULE E

LONG TERM DEBT

December 31, 2017

(Amounts in Thousands)

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt"	Amount shown caption "Long- term Debt"
Term Loan Facility	₱3,000,000 ¹	₱434,523	₱2,440,476

Note:

- On November 28, 2016, an unsecured 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 2.00% spread, or 5.00%, whichever is higher. On October 24, 2017, another unsecured Term Loan Facility of up to ₱2.50 billion with tenor of seven years with equal quarterly principal repayment plus interest intended to refinance the Parent Company's short term loans. Interest rates shall be fixed for seven years based on the seven-year PDST plus a 1.25% spread, or 6.00%, whichever is higher.

APEX MINING COMPANY INC. AND SUBSIDIARIES

SCHEDULE H

CAPITAL STOCK

December 31, 2017

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 options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common	12,800,000,000	5,672,755,043	-	555,132,448	125,997,330	5,546,757,713