

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

4 0 6 2 1

COMPANY NAME

A P E X M I N I N G C O . , I N C . A N D S U B S
I D I A R I E S

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

3 3 0 4 B W e s t T o w e r , P S E C e n t r e ,
E x c h a n g e R o a d , O r t i g a s C e n t e r ,
P a s i g C i t y

Form Type

A A C F S

Department requiring the report

C R M

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address

rnigrino@apexmining.com

Company's Telephone Number

706-2805

Mobile Number

N/A

No. of Stockholders

2,486

Annual Meeting (Month / Day)

6/29

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Renato N. Migrino

Email Address

rnigrino@apexmining.com

Telephone Number/s

706-2805

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

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

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

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





APEX MINING CO., INC.

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

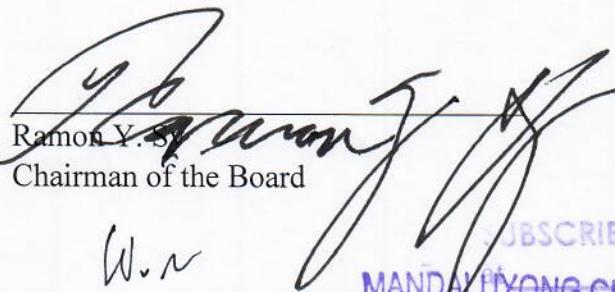
The management of **Apex Mining Co., Inc and Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting 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 misstatement, whether due to fraud or error.

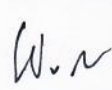
In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the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

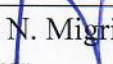
The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

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


Ramon Y. S. Brown
Chairman of the Board



Walter W. Brown
President & Chief Executive Officer


Renato N. Migriño
Treasurer

Signed this April 12, 2019

Doc. : 132
Page : 28
Book : 154
Series of : 019

APR 30, 2019
SUBSCRIBED AND SWORN to before me this ___ day of ___,
Affiant exhibits to me her _____
MANDALUYONG CITY with No. _____ as strong proof of her/his identity.


ATTY. JAMES K. ABUGAN
NOTARY PUBLIC
Appt. No. 0442-19
Until Dec 31, 2020
IBP No. 051567 Sept. 28, 2018
Roll No. 26890 Lifetime
MCLE No. VI-0012875 Until 4/14/2022
TIN No. 116-239-956
PTR No. 9811514/1-3-2019
TIN No. 031-40-90

INDEPENDENT AUDITOR'S REPORT

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

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, 2018 and 2017, 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, 2018, 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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018 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 and Mine Development Costs

As at December 31, 2018, the carrying values of the Group's deferred exploration and mine development costs amounted to ₱2.49 billion and ₱2.36 billion, respectively. The ability of the Group to recover its deferred exploration and mine development 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 amounts involved, and the significant management judgment required in assessing whether there is any indication of impairment.

The Group's disclosures about deferred exploration and mine development costs are included in Notes 11 and 10, respectively, to the consolidated financial statements.

Audit Response

We obtained management's assessment on whether there is any indication that deferred exploration and mine development costs may be impaired. We reviewed the summary of the status of each exploration and development project as at December 31, 2018. We inspected the licenses/permits of each exploration and development project to determine that the period for which the Group has the right 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 and development 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 depletable mine and mining properties and are key inputs to depletion and depreciation. The Group estimates its ore reserves based on information compiled by an external mining engineer relating to the geological data on the size, depth, and shape of the ore body, which requires complex geological and mine engineering judgments to interpret and serves as bases for estimation. The estimation of ore reserves is further based upon assumptions needed for economic evaluation, 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 depletable mine and mining properties, and depletion and depreciation charges.

The Group's depletable mine and mining properties amounting to ₱581.14 million as at December 31, 2018 are amortized using the units of production method. Under the units of production method, costs of mine and mining properties are depleted based on the ratio of the volume of actual ore extracted during the year over the estimated volume of mineable ore reserves. This matter is significant to our audit because the estimation of the mineable ore reserves requires significant estimation from the management.



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

Audit Response

We evaluated the competence, capabilities and objectivity of the external mining engineer who performed the technical assessment of the Group's ore reserves by considering their qualifications, experience and reporting responsibilities. We reviewed the summary of remaining proven and probable ore reserves report of the external mining engineer 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 external mining engineer 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 the ore body. In addition, we tested the ore reserves estimates applied to the relevant areas of the consolidated financial statements including carrying value of the depletable 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, 2018, 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, 2018 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.

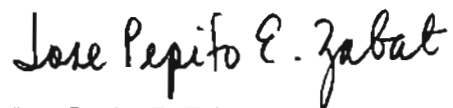


We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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-4 (Group A),

April 26, 2018, valid until April 25, 2021

Tax Identification No. 102-100-830

BIR Accreditation No. 08-001998-60-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 7332636, January 3, 2019, Makati City

April 12, 2019



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

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash (Note 4)	₱537,422,158	₱423,908,113
Trade and other receivables (Note 5)	26,915,965	621,998,486
Inventories (Note 6)	912,542,945	743,868,417
Advances to related parties (Note 16)	2,812,197	2,671,473
Prepayments and other current assets (Note 7)	610,656,579	515,566,086
	2,090,349,844	2,308,012,575
Assets held for sale (Note 8)	361,374,569	—
	2,451,724,413	2,308,012,575
Noncurrent Assets		
Property, plant and equipment (Note 10)	7,283,312,742	6,573,869,693
Deferred exploration costs (Note 11)	2,485,682,590	2,386,313,229
Financial assets measured at fair value through other comprehensive income (FVOCI) (Note 9)	3,202,240	—
Investment in an available-for-sale (AFS) financial asset (Note 9)	—	344,640,000
Investment in an associate (Note 12)	49,028,321	—
Intangible assets (Note 13)	729,507	192,550,574
Other noncurrent assets (Note 14)	247,709,060	301,669,512
Total Noncurrent Assets	10,069,664,460	9,799,043,008
TOTAL ASSETS	₱12,521,388,873	₱12,107,055,583
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 15)	₱1,751,266,647	₱1,292,333,868
Advances from related parties (Note 16)	1,039,512,000	976,012,000
Loans payable - net of noncurrent portion (Note 19)	1,594,313,523	1,423,152,603
Income tax payable	46,908,481	54,121,305
Total Current Liabilities	4,432,000,651	3,745,619,776
Noncurrent Liabilities		
Loans payable - net of current portion (Note 19)	2,294,969,546	2,440,476,190
Provision for retirement benefits (Note 17)	234,551,493	180,719,031
Provision for mine rehabilitation and decommissioning (Note 18)	27,903,597	32,813,580
Deferred income tax liabilities (Note 28)	182,383,528	235,140,538
Total Noncurrent Liabilities	2,739,808,164	2,889,149,339
Total Liabilities	7,171,808,815	6,634,769,115
Equity Attributable to Equity Holders of the Parent Company		
Issued capital stock (Note 20)	6,227,887,491	6,227,887,491
Additional paid-in capital (Note 20)	634,224	634,224
Treasury shares (Notes 20)	(2,081,746,680)	(2,081,746,680)
Revaluation surplus on property, plant and equipment (Note 10)	169,048,344	237,572,339
Remeasurement loss on financial asset at FVOCI (Note 9)	(344,640,000)	—
Remeasurement gain on retirement plan (Note 17)	7,289,357	13,459,116
Currency translation adjustment on foreign subsidiaries	(10,686,105)	566,324
Retained earnings (Note 20)	1,204,874,835	896,313,943
	5,172,661,466	5,294,686,757
Non-controlling Interests (Note 20)	176,918,591	177,599,711
Total Equity	5,349,580,057	5,472,286,468
TOTAL LIABILITIES AND EQUITY	₱12,521,388,872	₱12,107,055,583

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2018	2017	2016
REVENUES			
Gold	₱4,409,328,056	₱3,850,608,747	₱3,264,596,048
Silver	248,914,736	271,579,378	257,454,606
	4,658,242,792	4,122,188,125	3,522,050,654
COST OF PRODUCTION (Note 22)	(3,563,374,082)	(3,189,212,287)	(2,699,036,348)
EXCISE TAXES	(200,257,628)	(83,918,675)	(72,267,752)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 23)	(187,222,974)	(219,649,358)	(225,983,326)
FINANCE COSTS (Note 27)	(234,191,705)	(201,850,279)	(163,352,707)
SHARE IN NET LOSS IN INVESTMENT IN AN ASSOCIATE (Note 12)	(14,471,679)	—	—
OTHER INCOME (CHARGES) - net (Note 24)	(69,978,010)	(7,859,248)	(28,781,663)
INCOME BEFORE INCOME TAX	388,746,714	419,698,278	332,628,858
BENEFIT FROM (PROVISION FOR) INCOME TAX (Note 28)			
Current	(199,503,765)	(100,014,225)	(16,970,058)
Deferred	50,112,828	109,070,602	6,300,453
	(149,390,937)	9,056,377	(10,669,605)
NET INCOME	₱239,355,777	₱428,754,655	₱321,959,253
Net income (loss) attributable to:			
Equity holders of the Parent Company	₱240,036,897	₱427,988,216	₱326,006,282
Non-controlling interests	(681,120)	766,439	(4,047,029)
	₱239,355,777	₱428,754,655	₱321,959,253
BASIC/DILUTED EARNINGS PER SHARE (Note 21)	₱0.04	₱0.08	₱0.06

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		
	2018	2017	2016
NET INCOME	₱239,355,777	₱428,754,655	₱321,959,253
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	(11,252,429)	2,751,968	(1,838,024)
<i>Item that will not be reclassified to profit or loss in subsequent periods</i>			
Remeasurement loss on financial asset at FVOCI (Note 9)	(344,640,000)	—	—
Remeasurement gain (loss) on retirement plan, net of tax (Note 17)	(6,169,759)	21,145,549	19,126,630
	(362,062,188)	23,897,517	17,288,606
TOTAL COMPREHENSIVE INCOME (LOSS)	(122,706,411)	₱452,652,172	₱339,247,859
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	(₱122,025,291)	₱451,885,733	₱343,294,888
Non-controlling interests	(681,120)	766,439	(4,047,029)
	(₱122,706,411)	₱452,652,172	₱339,247,859

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, 2018, 2017, AND 2016**

	Attributable to Equity Holders of the Parent Company								Total
	Capital stock (Note 20)	Additional paid-in capital (Note 20)	Revaluation surplus (Note 10)	Treasury shares (Note 20)	Remeasurement gain (loss) on retirement plan (Note 17)	Currency translation adjustment on foreign subsidiaries	Retained earnings (deficit) (Note 20)	Non-controlling interests (Note 20)	
Balances at December 31, 2015	P6,227,887,491	P3,027,029,976	P283,524,013	(P2,117,737,909)	(P26,813,063)	(P347,620)	(P2,914,720,530)	P180,880,301	P4,659,702,659
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 9)	-	-	(21,460,140)	-	-	-	21,460,140	-	-
Equity restructuring (Note 18)	-	(3,011,088,301)	-	-	-	-	3,011,088,301	-	-
Balances at December 31, 2016	P6,227,887,491	P15,941,675	P262,063,873	(P2,117,737,909)	(P7,686,433)	(P2,185,644)	P443,834,193	P176,833,272	P4,998,950,518



	Attributable to Equity Holders of the Parent Company								Total
	Capital stock (Note 20)	Additional paid-in capital (Note 20)	Revaluation surplus (Note 10)	Treasury shares (Note 20)	Remeasurement gain (loss) on retirement plan (Note 17)	Currency translation adjustment on foreign subsidiaries	Retained earnings (deficit) (Note 20)	Non-controlling interests (Note 20)	
Balances at December 31, 2016	P6,227,887,491	P15,941,675	P262,063,873	(P2,117,737,909)	(P7,686,433)	(P2,185,644)	P443,834,193	P176,833,272	P4,998,950,518
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 9)	-	-	(24,491,534)	-	-	-	24,491,534	-	-
Reissuance of treasury shares (Note 18)	-	-	-	35,991,229	-	-	-	-	35,991,229
Loss on reissuance of treasury shares (Note 18)	-	(15,307,451)	-	-	-	-	-	-	(15,307,451)
Balances at December 31, 2017	P6,227,887,491	P634,224	P237,572,339	(P2,081,746,680)	P13,459,116	P566,324	P896,313,943	P177,599,711	P5,472,286,468



Attributable to Equity Holders of the Parent Company										
	Capital stock (Note 20)	Additional paid-in capital (Note 20)	Revaluation surplus (Note 10)	Treasury shares (Note 20)	Remeasurement loss on financial asset at FVOCI (Note 9)	Remeasurement gain (loss) on retirement plan (Note 17)	Currency translation adjustment on foreign subsidiaries	Retained earnings (deficit) (Note 20)	Non-controlling interests (Note 20)	Total
Balances at December 31, 2017	P6,227,887,491	P634,224	P237,572,339	(P2,081,746,680)	-	P13,459,116	P566,324	P896,313,943	P177,599,711	P5,472,286,468
Net income	-	-	-	-	-	-	-	240,036,897	(681,120)	239,355,777
Other comprehensive income	-	-	-	-	-	(6,169,759)	(11,252,429)	-	-	(17,422,188)
Total comprehensive income	-	-	-	-	-	(6,169,759)	(11,252,429)	240,036,897	(681,120)	221,933,589
Transfer of portion of revaluation surplus realized through depreciation, depletion and disposal, net of tax (Note 10)	-	-	(68,523,995)	-	-	-	-	68,523,995	-	-
Remeasurement loss on financial asset at FVOCI	-	-	-	-	(344,640,000)	-	-	-	-	(344,640,000)
Balances at December 31, 2018	P6,227,887,491	P634,224	P169,048,344	(2,081,746,680)	(344,640,000)	P7,289,357	(10,686,105)	P1,204,874,835	P176,918,591	P5,349,580,057

See accompanying Notes to Consolidated Financial Statements.



APEX MINING CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	P388,746,714	P419,698,278	P332,628,858
Adjustments for:			
Depreciation, depletion and amortization (Note 25)	1,095,967,551	934,999,887	651,525,508
Interest and accretion expense (Note 27)	234,191,705	201,850,279	163,352,707
Movement in provision for retirement benefits (Note 17)	45,018,521	33,745,586	35,165,673
Interest income (Note 24)	(1,842,521)	(6,306,664)	(5,426,372)
Unrealized foreign exchange losses (gains)	31,243,226	29,783,103	(1,326,842)
Change of estimate on provision for mine rehabilitation (Note 24)	(5,422,867)	(14,397,827)	-
Loss on write-off of property, plant and equipment (Note 10)	-	9,159,256	4,980,679
Loss (gain) on disposal of equipment	1,831,592	-	(96,026)
Share in net loss of investment in an associate	14,471,679	-	-
Operating income before working capital changes	1,804,205,600	1,608,531,898	1,180,804,185
Decrease (increase) in:			
Trade and other receivables	519,142,768	(427,530,420)	(86,970,733)
Prepayments and other current assets	(68,434,259)	(108,054,670)	71,915,793
Inventories	(99,195,912)	29,451,719	434,490,523
Advances to related parties	(140,724)	(164,211)	(201,113)
Increase (decrease) in:			
Trade and other payables	526,811,675	(187,515,292)	(254,795,366)
Advances from related parties	63,500,000	(2,218,761)	366,180,298
Net cash generated from operations	2,745,889,148	912,500,263	1,711,423,587
Interest paid	(295,672,223)	(176,868,776)	(193,609,793)
Income taxes paid	(206,716,589)	(50,522,431)	(17,713,470)
Interest received	1,842,521	6,306,664	5,426,372
Net cash flows from operating activities	2,245,342,857	691,415,720	1,505,526,696
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of property, plant and equipment (Note 10)	(1,969,750,537)	(1,031,132,894)	(1,429,048,905)
Acquisition of intangible asset (Note 13)	-	-	(18,200)
Acquisition of equity instrument (Note 9)	(3,202,240)	-	-
Increase in:			
Deferred exploration costs (Note 11)	(67,254,292)	(179,733,323)	(47,132,960)
Other noncurrent assets	(59,691,861)	(9,230,769)	(13,114,945)
Proceeds from disposal of property, plant and equipment	8,325,794	2,200,000	220,821
Investment in an associate (Note 12)	(63,500,000)	-	-
Acquisition of a subsidiary (Note 1)	-	-	(3,746,751)
Cash flows used in investing activities	(2,155,073,136)	(1,217,896,986)	(1,492,840,940)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of loans (Note 19)	(960,858,507)	(2,464,045,833)	(360,918,313)
Availment of loans (Note 19)	986,512,783	3,206,007,193	29,000,000
Net cash flows from (used in) financing activities	25,654,276	741,961,360	(331,918,313)
NET INCREASE (DECREASE) IN CASH	115,920,995	215,480,094	(319,232,557)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(2,406,950)	(29,080,959)	13,763,136
CASH AT BEGINNING OF YEAR	423,908,113	237,508,978	550,980,770
CASH AT END OF YEAR (Note 4)	P537,422,158	P423,908,113	P237,508,978

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's shares are listed in the Philippine Stock Exchange (PSE) carrying the trading symbol "APX". It has two wholly-owned subsidiaries, Itogon-Suyoc Resources, Inc. (ISRI) and Monte Oro Resources & Energy, Inc. (MORE). As at December 31, 2018 and 2017, the Parent Company has 2,486 and 2,492 stockholders, respectively, each holding at least 100 shares.

In 2018, the stockholders and board of directors approved the amendment of the Articles of Incorporation for the extension of corporate life by another 50 years before its expiration in 2020.

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

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

Status of Operations

Significant developments in the Parent Company's and its subsidiaries' (collectively referred to as the "Group") operations are as follows:

a. Mining

Maco Mines

The Parent Company's Maco Mine holds valid and subsisting Mineral Production Sharing Agreements (MPSA) No. 225-2005-XI covering 679.02 hectares and MPSA No. 234-2007-XI covering 1,558.50 hectares situated in Maco, Compostella Valley, which have terms of 25 years from the effective date.

ISO Certification

The Maco mine has three certifications:

- ISO 9001:2015 for Quality Management System;
- ISO 14001:2015 for Environmental Management System; and
- OHSAS 18001:2007 for Occupational Health and Safety Assessment Series

granted in March 2018 by Certification International. The scope of the certifications includes exploration underground mining, milling, and recovery of gold and silver using carbon-in-leach process, mine waste and mill trails management, and all support services, valid for three years until March 2021 subject to satisfactory results of annual audits.



Itogon and Suyoc Mines

ISRI, an entity incorporated in the Philippines, is the holder of four (4) Patented Mineral Claims covering the Sangilo Mine in Itogon, Benguet and MPSA No. 152-2000-CAR covering the Suyoc Mine in Makayan, Benguet.

The Sangilo mine is currently under rehabilitation and refurbishment, while the Suyoc Mine is undergoing resource validation.

The Sangilo and Suyoc mines are ISO 14001:2015 certified for environmental management system granted by TUV Rheinland in April 2017 valid until 2020. The scope of the certification for the Sangilo Mine is for exploration, mining and mine processing; while the Suyoc Mine is for mining exploration and project development.

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. BMRC 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. The project is under continued care and maintenance.

Sierra Leone and Uganda Projects

The Gori Hills Project located in the Republic of Sierra Leone in West Africa is owned 90% by MORE through Monte Oro Mining Co., Ltd. (MOMCL) which holds the tenements for the project, and MORE Minerals SL (MMSL), previously engaged in artisanal mining and gold trading.

MORE has an interest in the Gold Mines of Uganda Ltd. (GMU) in the form of advances made to this company. GMU owns significant gold related assets and gold resources in Uganda. GMU and MORE has a Memorandum of Agreement whereby both parties agreed to combine their mineral interests in Africa and work towards creating a mining company that will be listed and marketed to international investors, and to enable GMU raise capital funding through the listing.

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. (NPGPGL) in which the Company has a 3.92% equity interest.



b. Oil and Gas

MORE has a 30% participating interest in Service Contract 72 (SC 72), a service contract for gas located in the West Philippine Sea covering the Sampaguita offshore gas field northwest of Palawan. Forum (GSEC 101) Ltd. (Forum) holds the remaining 70% participating interest and is the operator of the SC.

SC 72 is currently suspended following the declaration of force majeure by the Department of Energy (DOE) in 2014.

c. Solid Waste Management

MORE owns 52% of International Cleanenvironment Systems, Inc. (ICSI) which has a Build-Operate-Transfer Contract with the Philippine government through the Department of Environment and Natural Resources (DENR) to manage, rehabilitate, and introduce ecologically friendly technologies for waste disposal, recycling and energy generation which agreement is yet to be put in operation.

ICSI is a subject of an agreement to sell between MORE and A. Brown Co., Inc. (ABCI) whereby MORE shall sell its 52% ownership in ICSI to ABCI upon fulfilment of certain conditions (see Note 8).

Authorization to issue the Consolidated Financial Statements

The accompanying consolidated financial statements of the Group as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018, were authorized for issuance by the Parent Company's board of directors (BOD) on April 12, 2019.

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

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for property, plant, and equipment, which are carried at revalued amounts, and for financial assets measured at FVOCI. The consolidated financial statements are presented in Philippine peso, which is the Parent Company'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).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2018 and 2017. 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, 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	
			2018	2017
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

(forward)



	Nature of business	Country of incorporation	Effective percentage of ownership	
			2018	2017
CRPI*	Mine exploration and development	Philippines	100.00	100.00
BMRC*	Mine exploration and development	Philippines	40.00	40.00
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

**See Note 8.

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, 2018. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- PFRS 9, *Financial Instruments*

PFRS 9 replaces Philippine Accounting Standards (PAS) 39, *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied PFRS 9 prospectively, with the initial application date of January 1, 2018. The Group has not restated the comparative information, which continue to be reported under PAS 39. There were no material impacts on the comparative balances other than a change in classification and measurement of some receivables and other financial assets. There was no significant impact on hedging as the Group has no hedging transactions as at December 31, 2018.

The effects of adopting PFRS 9 are set out below.

a. Classification and Measurement

Under PFRS 9, there is a change in the classification and measurement requirements relating to financial assets. Previously, there were four categories of financial assets: loans and receivables, fair value through profit or loss (FVTPL), held-to-maturity (HTM), and AFS. Under PFRS 9, financial assets are either classified as at amortized cost, FVTPL, or FVOCI.

For debt instruments, the classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent solely for payments of principal and interest (SPPI) on the principal amount outstanding. A financial asset can only be measured at amortized cost if both of the following are satisfied:

- Business model: the objective of the business model is to hold the financial asset for the collection of the contractual cash flows
- Contractual cash flows: the contractual cash flows under the instrument relate to SPPI



The assessment of the Group's business model was made as of the date of initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognized before January 1, 2018. The assessment of whether contractual cash flows on debt instruments are SPPI was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of PFRS 9 did not have a significant impact on the Group.

Financial Assets

The following are the changes in the classification of the Group's financial assets:

- Cash with banks, trade and other receivables, advances to related parties, mine rehabilitation fund (MRF), and advances to GMU under "Other noncurrent assets", were previously classified as loans and receivables: these were assessed as being held to collect contractual cash flows and give rise to cash flows representing SPPI. These are now classified and measured as debt instruments at amortized cost.
- Equity investment previously classified as AFS financial asset is now measured at FVOCI. In summary, upon the adoption of PFRS 9, the Group had the following required or elected reclassifications as at January 1, 2018:

		PFRS 9 measurement category		
	Amount	FVTPL	Amortized cost	FVOCI
PAS 39 measurement category				
<i>Loans and receivables</i>				
Cash with banks	P421,694,105	P-	P421,694,105	P-
Trade receivables	518,851,639	-	518,851,639	-
Nontrade receivables	77,358,081	-	77,358,081	-
Other receivables	26,497,202	-	26,497,202	-
Advances to related parties	2,671,473	-	2,671,473	-
Advances to GMU	101,113,250	-	101,113,250	-
MRF	23,352,630	-	23,352,630	-
<i>AFS financial asset</i>				
Unquoted equity instrument	344,640,000	-	-	344,640,000
	P1,516,178,380	P-	P1,171,538,380	P344,640,000

Financial Liabilities

The Group has not designated any financial liabilities at FVTPL. There are no changes in classification and measurement for the Group's financial liabilities.

b. Impairment

The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss approach. PFRS 9 requires the Group to recognize an allowance for expected credit losses for all debt instruments not held at FVTPL and contract assets in the scope of PFRS 15.



As all the Group's receivables (not subject to provisional pricing) which the Group measures as at amortized cost are short-term (i.e., less than 12 months) and the Group's credit rating and risk management policies in place, the change to a forward-looking expected credit losses approach did not have a material impact on the amounts recognized in the consolidated financial statements.

c. *Hedge Accounting*

The Group has elected to adopt the new general hedge accounting model in PFRS 9. However, the changes introduced by PFRS 9 relating to hedge accounting have no impact, as the Group has no freestanding derivatives designated under hedge accounting as at December 31, 2018.

- Amendments to PFRS 4, *Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts*
- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 supersedes PAS 18, *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

PFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard to all contracts as at January 1, 2018.

The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under PAS 18 and related Interpretations.

The change did not have a material impact on consolidated revenues. There was no net impact on the consolidated statement of comprehensive income.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*



Future Changes in Accounting Policies

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group 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, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- 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 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.

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 19, *Employee Benefits, Plan Amendment, Curtailment, or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment, or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment, or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment, or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event



- Determine net interest for the remainder of the period after the plan amendment, curtailment, or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in OCI.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

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

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted. Since the Group does not have such long-term interests in its associate and joint venture, the amendments will not have an impact on its consolidated financial statements.

- 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, *Income Taxes*, 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.



This interpretation is not relevant to the Group because there is no uncertainty involved in the tax treatments made by management in connection with the calculation of current and deferred taxes as of December 31, 2018 and 2017.

Annual Improvements to PFRSs 2015-2017 Cycle

- Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, OCI, or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.



Since the Group's current practice is in line with these amendments, the Group does not expect any effect on its consolidated financial statements upon adoption.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, 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. 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 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 statements of income and a second statement beginning with profit or loss and displaying components of OCI in the consolidated statements 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.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purposes of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

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 - Initial Recognition and Subsequent Measurement (prior to adoption of PFRS 9)

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.



Date of Recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial Recognition and Classification of Financial Instruments

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those designated at FVTPL, includes transaction cost.

Upon initial recognition, the Group classifies its financial assets in the following categories: financial assets at FVTPL, loans and receivables, HTM investments, and AFS financial assets. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Financial liabilities, on the other hand, are classified into the following categories: financial liabilities at FVTPL and other financial liabilities, as appropriate. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

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

Subsequent Measurement

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

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate (EIR) method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the EIR and transaction costs. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. These financial assets are included in current assets if maturity is within twelve (12) months from the consolidated statement of financial position date. Otherwise, these are classified as noncurrent assets.

As of December 31, 2017, the Group's cash with banks, trade and other receivables, advances to related parties, MRF, and advances to GMU under "Other noncurrent assets" are included under loans and receivables.

AFS Financial Asset

AFS financial asset is a non-derivative financial asset that is designated as AFS or is not classified in any of the three other categories. The Group designates financial instrument as AFS financial asset if it is purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. After initial recognition, AFS financial asset is measured at fair value with unrealized gains or losses being recognized in the consolidated statements of comprehensive income as "Net unrealized gain (loss) on AFS financial asset."



When the investment is disposed of, the cumulative gains or losses previously recorded in equity are recognized in the consolidated statement of income. Interest earned on the investments is reported as interest income using the EIR method. Dividends earned on investments are recognized in the consolidated statements of income as "Dividend income" when the right of payment has been established. The Group considers several factors in making a decision on the eventual disposal of the investment. The major factor of this decision is whether or not the Group will experience inevitable further losses on the investment. These financial assets are classified as noncurrent assets unless the intention is to dispose of such assets within twelve (12) months from the consolidated statements of financial position date.

Other Financial Liabilities

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing 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. Gains and losses are recognized in the consolidated statements of income when the liabilities are derecognized as well as through the amortization process.

As at December 31, 2017, included in other financial liabilities are the Group's accounts payable, accrued liabilities, and loans payable.

Financial Instruments – Initial Recognition and Subsequent Measurement (upon adoption of PFRS 9)

Financial Assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVTPL.

Initial Recognition and Measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'SPPI' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

As at December 31, 2018, the Group has no financial assets at FVTPL.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:



Financial Assets at Amortized Cost (Debt Instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. The details of these conditions are outlined below:

Business Model Assessment

The Group determined the business model at the level that best reflects how it manages its financial assets to achieve business objective.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

The Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI on the amount outstanding. In such cases, the financial assets are required to be measured at FVTPL.

Financial assets at amortized cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include cash with banks, trade and other receivables, advances to related parties, MRF, and advances to GMU under "Other noncurrent assets".

Financial Asset Designated at FVOCI (Equity Instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.



Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

Financial Liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables net of directly attributable transaction costs.

This category includes the Group's accounts payable, accrued liabilities, and loans payable.

Subsequent Measurement

After initial recognition, payables are subsequently measured at amortized cost using the EIR method.

Impairment of Financial Assets (prior to adoption of PFRS 9)

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

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.

Loans and Receivables

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



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 the group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in 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.

AFS Financial Asset

For AFS financial asset, the Group assesses at each consolidated statements of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as AFS financial asset, this would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is "significant" or "prolonged" requires judgment.

The Group treats "significant" generally as 20% or more and "prolonged" as greater than 12 months for quoted equity securities. When there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statements of income is removed from equity and recognized in the consolidated statements of income.

Impairment losses on equity investments are recognized in the consolidated statements of income. Increases in fair value after impairment are recognized directly in the consolidated statements of comprehensive income.

Impairment of Financial Assets (upon adoption of PFRS 9)

The Group recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For other receivables (not subject to provisional pricing) due in less than 12 months, the Group applies the simplified approach in calculating ECLs, as permitted by PFRS 9. Therefore, the Group does not track changes in credit risk, but instead, recognizes a loss allowance based on the financial asset's lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For any other financial assets carried at amortized cost (which are due in more than 12 months), the ECL is based on the 12-month ECL. The 12-month ECL is the proportion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant



increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Derecognition of Financial Assets and Financial Liabilities (prior to and upon adoption of PFRS 9)

Financial Assets

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all 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 or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities

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

Where 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 is recognized in the consolidated statements of income.

Debt Issuance Costs

Debt issuance costs are amortized using EIR method and unamortized debt issuance costs are included in the measurement of the related carrying value of the debt in the consolidated statements of financial position. When the loan is repaid, the related unamortized debt issuance costs at the date of repayment are charged in the consolidated statements 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 30.

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

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

The principal or the most advantageous market must be accessible to 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 units (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, metals 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 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, metals in-circuit, and ore stockpile, containing gold and silver, are stated at lower of cost and NRV.

Gold and silver in bullion pertains to dore, a mixture of gold and silver bullion. Metals in-circuit pertain to ores that were already fed to the mill and have undergone crushing and milling but are still in process for subsequent smelting to produce dore bullion. Ore that have been mined but are still to undergo milling are classified as ore stockpile.

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.

Tax Credit Certificates (TCCs)

TCCs are input VAT that can be utilized as payment for income taxes provided they are approved by the Bureau of Internal Revenue and properly supported by certificates of creditable withholding tax withheld at source subject to the rules in Philippine income taxation. 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' estimated 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 Costs 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.

Depreciation of equipment used in exploration are part of mine exploration costs.

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.



Investment in an Associate

Associates are entities over which the Group is able to exert significant influence. Significant influence is the power to participate in the financial and reporting policy decisions of the investee, but has no control or joint control over those policies.

The consideration made in determining significant influence is similar to those necessary to determine control activities. The Group's investments in an associate is accounted for using the equity method, less any impairment in value, in the consolidated statement of financial position. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date.

The consolidated statement of income reflects the Group's share of the results of operations of the associates. When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associate. The aggregate of the Group's share in profit or loss of an associate is shown in the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interest in the subsidiaries of the associate.

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

Mine rehabilitation costs will be incurred by the Group either while operating, or at the end of the operating life of, the Group's facilities and mine properties. The Group assesses its mine rehabilitation provision at each reporting date. The Group recognizes a rehabilitation provision where it has a legal and constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The nature of these restoration activities includes: dismantling and removing structures; rehabilitating mines and tailings dams; dismantling operating facilities; closing plant and waste sites; and restoring, reclaiming, and revegetating affected areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the mining operation's location.

When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred as a result of the development/construction of the mine. Any rehabilitation obligations that arise through the production of inventory are recognized as part of the related inventory item. Additional disturbances which arise due to further development/construction at the mine are recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. Costs related to restoration of site damage (subsequent to start of commercial production) that is created on an ongoing basis during production are provided for at their net present values and recognized in profit or loss as extraction progresses. Changes in the estimated timing of rehabilitation or changes to the estimated future costs are dealt with prospectively by recognizing an adjustment to the rehabilitation liability and a corresponding adjustment to the asset to which it relates, if the initial estimate was originally recognized as part of an asset measured in accordance with PAS 16, *Property, Plant and Equipment*. Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the statements of income. If the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. For mature mines, if the estimate for the revised mine assets net of rehabilitation provision exceeds the recoverable value, that portion of the increase is charged directly to expense. 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 statement of profit or loss as part of finance costs. For closed sites, changes to estimated costs are recognized immediately in the statement of profit or loss.

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 additional paid-in capital (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.



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 from Mine Products (prior to adoption of PFRS 15)

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 (i.e. gold and silver) is recognized once the risks and rewards on the mine products are transferred to the customer upon delivery. Revenue is measured based on the metals value, which is based on prices quoted in the London Bullion Metal Association (LBMA), and weight and assay.

Revenue from Mine Products (upon adoption of PFRS 15)

The Parent Company sends its unrefined dore to a refiner for processing into marketable metals. While it has possession of the materials, control does not automatically transfer to the refiner, unless the Parent Company elects that the material is for sale to the refiner when a deal confirmation is drawn for the details of the sale (e.g. metal contents and the LBMA prices to be applied), which confirmation is considered as the enforceable contract between them. Control passes to the buyer refiner upon its settlement of the metal credits to the Parent Company, at which point revenue is recognized.

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 the day-to-day operations of the Group. These are 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, 2018, 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 Asset is Held for Sale

In 2018, the Group entered into an agreement to sell its interest in ICSI, a partially-owned subsidiary. The subsidiary is classified as an “asset held for sale”. The Group considered the asset to meet the criteria to be classified as held for sale due to the following reasons:

- The Group's interest in the subsidiary is available for immediate sale and can be sold to a potential buyer in its current condition.
- The Group entered into preliminary negotiations with a potential buyer.
- The BOD expects the negotiations to be finalized and the sale to be completed within the next 12 months from the end of the reporting period.

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 of assets to be used for operations and depletion of capitalized mine development costs and mine and mining properties commences.



Classification of Financial Instruments

The Group classifies financial instruments, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement 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.

Judgments Upon Adoption of PFRS 9

Determining Stage of Impairment

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis. Quantitative criteria may include downgrade in investment grade, defaulted assets, counterparties with objective evidence of impairment.

A significant increase in credit risk is also presumed if a debtor is more than 90 days past due in making a contractual payment. Qualitative criteria may include significant adverse changes in business, financial or economic conditions in which the counterparty operates, actual or expected restructuring.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's investment grade criteria are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month ECL.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Significant Increase in Credit Risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, information obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.



In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default; ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Group has determined that its credit risk on its financial instruments has not significantly increased since origination as of December 31, 2018.

Accounting Estimates and Assumptions

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

Impairment of Loans and Receivables (prior to adoption of PFRS 9)

The Group maintains an allowance for doubtful accounts at a level that management considers adequate to provide for potential uncollectability of its loans and receivables. The Group evaluates specific balances where management has information that certain amounts may not be collectible. In these cases, the Group uses judgment, based on available facts and circumstances, and based on a review of the factors that affect the collectability of the accounts. The review is made by management on a continuing basis to identify accounts to be provided with allowance. The Group did not assess its loans and receivables for collective impairment due to few counterparties that can be specifically identified. Outstanding trade receivables are mainly from the Group's main customer. Other receivables of the Group are not material. The amount of loss is recognized in the consolidated statements of income with a corresponding reduction in the carrying value of the loans and receivables through an allowance account.



Total carrying value of loans and receivables amounted to ₱1.53 billion as at December 31, 2017 (see Note 29). Allowance for impairment on these financial assets amounted to ₱4.16 million as at December 31, 2017 (see Notes 5 and 14).

Provision for ECL on Trade and Other Receivables, Advances to Related Parties, and Advances to GMU (upon adoption of PFRS 9)

The Group uses the general approach model as new impairment requirement of PFRS 9 based on ECL which replace PAS 39 incurred loss model. An assessment of the ECL relating to trade and other receivables, advances to related parties, and advances to GMU under "Other noncurrent asset" is undertaken upon initial recognition and each financial year by examining the financial position of the related party and counter party and the market in which the related party and counter party operate applying the general approach of the ECL impairment model of PFRS 9. The general approach of the ECL impairment model involves exercise of significant judgment. Key areas of judgment include: defining default; determining assumptions to be used in the ECL model such as timing and amounts of expected net recoveries from defaulted accounts; debtor's capacity to pay, and incorporating forward-looking information in calculating ECL.

Total carrying value of trade and other receivables, advances to related parties, and advances to GMU under "Other noncurrent asset" amounted to ₱136.21 million, net of allowance for impairment losses amounting to ₱21.99 million as of December 31, 2018 (see Notes 5, 14, and 16).

Valuation of Financial Instruments

The Group carries certain financial assets and financial liabilities (i.e., derivatives and AFS financial assets) at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (e.g., foreign exchange rates, interest rates, quoted equity prices), the amount of changes in fair value would differ if the Group utilized a different valuation methodology.

Any change in fair value of these financial assets and financial liabilities is recognized in the consolidated statements of income and in the consolidated statements of comprehensive income.

The carrying values and corresponding fair values of financial assets and financial liabilities as well as the manner in which fair values were determined are discussed in Note 30.

Valuation of Financial Asset at FVOCI

The Group carries its equity financial asset at FVOCI. Fair value measurement requires the use of accounting estimates and judgment. At initial recognition, the fair value of unquoted financial assets measured at FVOCI is based on the latest available transaction price. The amount of changes in fair value would differ if the Group utilized a different valuation methodology. Any change in fair value of its financial assets at FVOCI is recognized in the consolidated statements of comprehensive income.

As at December 31, 2018, the Group has net cumulative unrealized loss on financial asset at FVOCI amounting to ₱344.64 million. As at December 31, 2018, the fair value of the Group's financial asset at FVOCI amounted to nil (see Note 9).

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 nil, ₱60.80 million and nil and provided an additional provision amounting to ₱11.26 million, nil and ₱18.56 million in 2018, 2017, and 2016, respectively (see Notes 6 and 24). As at December 31, 2018 and 2017, the carrying amounts of inventories amounted to ₱912.54 million and ₱743.87 million, respectively, net of allowance for inventory losses and obsolescence amounting to ₱36.61 million and ₱25.35 million, respectively, as at those dates (see Note 6).

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, 2018, 2017, and 2016 amounting to ₱1.26 million, nil, and ₱1.76 million, respectively (see Note 24). The aggregate carrying value of nonfinancial prepayments and other current assets amounted to ₱610.66 million and ₱515.57 million as at December 31, 2018 and 2017, respectively, and are included under "Prepayments and other current assets" caption in the consolidated statements of financial position (see Note 7).

Assessment of the Recoverability of Deferred Exploration and Mine Development Costs

The application of the Group's accounting policy for deferred exploration and mine development costs requires judgment in determining whether future economic benefits are likely, either from future exploitation or sale, or where activities have reached a stage that permits a reasonable assessment of the existence of ore resource and/or reserves. The determination of a resource is itself an estimation process that has varying degrees of uncertainty depending on a number of factors, which estimate directly impacts the determination of how much ore reserves could eventually be developed to justify further investment in and 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 and when new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that recovery is unlikely, the amount capitalized is written off in profit or loss in the period when such new information becomes available.

Deferred exploration costs amounted to ₱2.49 billion and ₱2.39 billion as at December 31, 2018 and 2017, respectively (see Note 11). Mine development costs amounted to ₱2.36 billion and ₱2.14 billion as at December 31, 2018 and 2017, respectively (see Note 10).

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, 2018 and 2017 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 estimated useful lives of property, plant and equipment were effected in 2015. There were no changes in the estimated fair values, useful lives and residual values of property, plant and equipment in 2018 and 2017. Remaining property, plant and equipment as at December 31, 2018 and 2017 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, 2018 and 2017 has net book values amounting to ₱7.28 billion and ₱6.57 billion, respectively, while property, plant and equipment at cost as at December 31, 2018 and 2017 amounted to ₱6.76 billion and ₱6.11 billion, respectively (see Note 10). The estimated useful lives are disclosed in Note 2 to the consolidated financial statements. There were no changes in the estimated useful lives of property, plant, and equipment in 2018 and 2017.

Estimation of Ore Reserves

Ore reserves are estimates of the amount of ore that can be economically extracted from the Group's depletable mine and mining properties and are key inputs to depletion and depreciation. The Group estimates its ore reserves based on information compiled by an external mining engineer relating to the geological data on the size, depth, and shape of the ore body, which requires complex geological and mine engineering judgments to interpret and serves as bases for estimation. The estimation of ore reserves is further based upon assumptions needed for economic evaluation, 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 the ore body. Changes in the ore reserve estimates may affect the carrying values of the depletable mine and mining properties, and depletion and depreciation charges.

Depletable mine and mining properties, net of accumulated depletion, amounted to ₱581.14 million and ₱739.74 million as at December 31, 2018 and 2017, respectively (see Note 10).

Estimation of Depletion Rate

Depletion rates used to amortize depletable mine and mining properties are annually assessed based on the 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 an external mining engineer.

Depletion rates used to amortize depletable mine and mining properties in 2018, 2017, and 2016 were 18%, 17%, and 10%, respectively. Depletion costs amounted to ₱532.21 million, ₱421.58 million, and ₱259.98 million in 2018, 2017, and 2016, respectively. Depletable mine and mining properties, net of accumulated depletion amounting to ₱2.37 billion and ₱1.84 billion, amounted to ₱581.14 million and ₱739.74 million as at December 31, 2018 and 2017, respectively (see Note 10).

Estimation of Impairment of Nonfinancial Assets, including Property, Plant and Equipment (except Mine Development Costs), Intangible Assets, and Other Noncurrent Assets

The Group evaluates whether property, plant and equipment (except mine development costs), intangible assets, and nonfinancial other noncurrent assets have suffered any impairment either annually or when circumstances indicate that related carrying amounts are no longer recoverable. The recoverable amounts of these assets have been determined based on either VIU or fair value, if said information is readily available. Estimation of VIU requires the use of estimates on cost projections, non-proprietary club shares, 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 (except mine development costs), intangible assets and nonfinancial other noncurrent assets amounted to ₱5.05 billion and ₱4.79 billion as at December 31, 2018, and 2017 respectively (see Notes 10, 13, and 14).



These are subjected to impairment testing when impairment indicators are present. No impairment loss was recognized in 2018, 2017 and 2016 as no impairment indicators were identified during these years. Write-off of property, plant and equipment, intangible assets, and other noncurrent assets were recognized amounting to nil, ₱9.16 million, and ₱4.98 million in 2018, 2017, and in 2016, respectively (see Note 24).

Estimation of Provision for 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 ₱46.68 million, ₱43.95 million and ₱38.08 million in 2018, 2017 and 2016, respectively. Provision for retirement benefits amounted to ₱234.55 million and ₱180.72 million as at December 31, 2018 and 2017, respectively. Benefits paid in 2018, 2017 and 2016 amounted to ₱1.66 million, ₱1.84 million and ₱2.91 million, respectively (see Note 17).

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 17.

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 ₱1.40 million, ₱0.94 million and ₱0.74 million in 2018, 2017 and 2016, respectively (see Note 27). Change of estimate of provision for mine rehabilitation amounted to ₱6.30 million, ₱14.40 million and nil in 2018, 2017 and 2016, respectively (see Note 18). As at December 31, 2018 and 2017, the provision for mine rehabilitation and decommissioning amounted to ₱27.90 million and ₱32.81 million, respectively (see Note 18).

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 31).



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.

As at December 31, 2018 and 2017, the Group recognized deferred tax assets related to retirement benefits and provision for mine rehabilitation amounting to ₱77.91 million and ₱63.03 million, respectively. As at December 31, 2018 and 2017, unrecognized deferred income tax assets amounted to ₱693.15 million and ₱685.36 million, respectively (see Note 28).

4. Cash

	2018	2017
Cash on hand	₱2,571,006	₱2,214,008
Cash with banks	534,851,152	421,694,105
	₱537,422,158	₱423,908,113

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

Interest income, net of final tax, arising from cash with banks amounted to ₱1.84 million, ₱6.31 million and ₱5.43 million in 2018, 2017 and 2016, respectively.

The Group has foreign currency-denominated cash amounting to US\$0.67 million and US\$2.09 million as at December 31, 2018 and 2017, respectively (see Note 29).

5. Trade and Other Receivables

	2018	2017
Trade	₱3,137,757	₱518,851,639
Nontrade	–	77,358,081
Advances to officers and employees	11,590,753	5,122,961
Others	34,177,283	26,497,202
	48,905,793	627,829,883
Less allowance for doubtful accounts	21,989,828	5,831,397
	₱26,915,965	₱621,998,486

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 29).

In 2018, nontrade receivables in the books of MORE were reclassified as asset held for sale after MORE agreed to sell its 52% ownership in ICSI to ABCI (see Note 8).

The Group has foreign currency-denominated trade and other receivables amounting to US\$0.06 million and US\$14.56 million as at December 31, 2018 and 2017, respectively (see Note 29).



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 following table is a rollforward analysis of the allowance for doubtful accounts recognized on other receivables:

	2018	2017
January 1	₱5,831,397	₱5,572,838
Provision for impairment (see Note 24)	16,158,431	294,996
Write-off during the year	—	(36,437)
December 31	₱21,989,828	₱5,831,397

6. Inventories

	2018	2017
Gold and silver bullions - at cost	₱117,615,902	₱30,123,701
Metals in-circuit - at cost	109,078,906	—
Ore stockpile - at NRV	87,844,988	91,491,503
	314,539,796	121,615,204
Materials and supplies - at NRV	634,611,263	647,604,664
Less allowance for inventory losses and obsolescence	36,608,114	25,351,451
	598,003,149	622,253,213
	₱912,542,945	₱743,868,417

Cost of inventories recognized as part of cost of production amounted to ₱1.03 billion, ₱844.30 million and ₱828.14 million in 2018, 2017, and 2016, respectively (see Note 22).

Cost of materials and supplies recognized as part of general and administrative expenses in 2018, 2017, and 2016 amounted to ₱2.60 million, ₱1.27 million and ₱2.59 million, respectively (see Note 23).

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

	2018	2017
Beginning balances	₱25,351,451	₱86,151,412
Provision (Note 24)	11,256,663	—
Reversal (Note 24)	—	(60,799,961)
Ending balances	₱36,608,114	₱25,351,451



The Group wrote off materials and supplies amounting to nil, nil and ₱1.87 million in 2018, 2017 and 2016, respectively (see Note 24).

7. Prepayments and Other Current Assets

	2018	2017
Input VAT	₱369,885,315	₱315,220,753
Advances to suppliers and contractors	164,511,523	124,788,751
Current portion of deferred input VAT	36,259,969	27,518,316
Prepayments	12,750,594	10,970,672
CWT	1,776,502	1,776,502
TCCs	–	19,142,976
Others	25,472,675	16,148,116
	₱610,656,578	₱515,566,086

Input VAT represents VAT imposed on the Group by its suppliers for the acquisition of goods and services, which the Group applies either for conversion to TCC or for cash refund by regulatory agencies. TCCs were previously recognized input VAT that have already been converted to TCCs but which were not yet utilized in payment for the Group's tax obligations.

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 noninterest-bearing and will be realized through offsetting against future billings from suppliers and contractors.

Input VAT on purchases or importation of capital goods exceeding ₱1.00 million are deferred for amortization over a period of five (5) years pursuant to tax regulations. The portion for amortization within 12 months from the end of the reporting period is referred to as the current portion of deferred input vat.

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

CWTs pertains 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 and deferred charges incurred that is integral to the rehabilitation and refurbishment of the Sangilo mine.



8. Assets Held for Sale

Assets held for sale, which pertain to the net assets of ICSI, amounted to ₱361.37 million as at December 31, 2018. On August 28, 2018, MORE and ABCI entered into an agreement to sell where MORE shall sell its 52% ownership in ICSI to ABCI for ₱566.0 million payable within 12 months. As at April 12, 2019, ABCI has not made payment yet to MORE.

Major classes of assets and liabilities are composed of the following:

Cash and cash in bank	₱47,994
Nontrade receivable	75,939,753
Other current assets	213,225
Advances for the acquisition of land	93,530,149
Intangible asset	192,202,964
Trade payables	(559,516)
	<u>₱361,374,569</u>

9. Financial asset at FVOCI/AFS financial asset

Financial asset at FVOCI/AFS financial asset pertains to MORE's investment in National Prosperity Gold Production Group Ltd. (NPGPGL) and ISRI's corporate membership share in Baguio Country Club.

NPGPGL is a private entity in Myanmar, in which the Group holds a 3.92% ownership interest costing ₱344.64 million as at December 31, 2018 and 2017. The AFS financial asset was carried at cost as at December 31, 2017 since the shares did not have a quoted market price in an active market and the fair value cannot be measured reliably. In 2018, the Group recognized remeasurement loss on the financial asset at FVOCI amounting to ₱344.64 million, thus as December 31, 2018, the fair value of the financial asset at FVOCI amounted to nil. No dividend was recognized by MORE from NPGPGL in 2018 and 2017.

ISRI's one (1) corporate membership share of Baguio Country Club is an equity instrument with quoted market price, which is carried at fair market value as at the end of the financial reporting period, which amounted to ₱3.20 million as at December 31, 2018.



10. Property, Plant and Equipment

	2018							
	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	₱219,981,108	₱4,819,539,415	₱583,886,574	₱797,688,062	₱275,582,978	₱4,717,776,878	₱1,089,792,225	₱12,504,247,240
Additions	4,284,484	719,180,688	1,034,205	3,552,645	58,339,696	597,428,782	571,203,585	1,955,024,085
Additional provision for mine rehabilitation and decommissioning (Note 33)	—	—	—	—	—	(875,723)	—	(875,723)
Capitalized borrowing cost (Note 19)	—	—	—	—	—	—	15,602,176	15,602,176
Reclassifications/transfers	(19,648,181)	(858,644,810)	(23,334,792)	63,002,534	(1,380,124)	—	—	(840,005,373)
Reclassifications to (from) construction in-progress	—	(36,549,287)	—	—	—	—	36,549,287	—
Disposals and write-offs	—	(8,720,716)	—	—	(17,777,972)	—	—	(26,498,688)
Balances at end of year	204,617,411	4,634,805,290	561,585,987	864,243,241	314,764,578	5,314,329,937	1,713,147,273	13,607,493,717
Accumulated depreciation and amortization:								
Balances at beginning 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
Depreciation and depletion	15,591,689	528,707,161	58,545,436	68,959,337	39,772,058	532,212,023	—	1,243,787,704
Reclassifications/transfers	(18,480,365)	(796,062,106)	(41,001,596)	41,803,821	(20,500,887)	—	—	(834,241,133)
Disposal and write-offs	—	(3,717,275)	—	—	(12,025,868)	—	—	(15,743,143)
Balances at end of year	134,441,653	2,539,972,285	423,395,042	492,190,886	196,611,266	2,374,895,632	—	6,161,506,764
Allowance for impairment:								
Balances at beginning and end of year	126,037	3,318,744	—	159,229,430	—	—	—	162,674,211
Net book values	₱70,049,721	₱2,091,514,261	₱138,190,945	₱212,822,925	₱118,153,312	₱2,939,434,305	₱1,713,147,273	₱7,283,312,742



	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	P212,640,572	P4,427,625,819	P545,196,953	P671,772,843	P237,644,267	P4,219,807,946	P1,026,530,590	P11,341,218,990
Additions	119,171	295,872,202	6,724,463	—	48,975,164	481,264,897	337,614,288	1,170,570,185
Additional provision for mine rehabilitation and decommissioning (Note 33)	—	—	—	—	—	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	1,089,792,225	12,504,247,240
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	P82,524,742	P2,005,176,166	P178,035,372	P257,030,904	P86,217,015	P2,875,093,269	P1,089,792,225	P6,573,869,693



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, management assessed that the current use of the Group on the Parent Company's buildings and improvements, mining and milling equipment, power equipment, roads bridges and land improvements and exploration equipment and others, which amounted to ₱2.40 billion, is their highest and best use.

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 were no impairment indicators identified.

Construction in-progress consists mainly of expenditures and other construction projects at different stages of completion as at December 31, 2018 and 2017, respectively.

Movement in revaluation surplus in equity is as follows:

	2018	2017
Balances at beginning of year	₱237,572,339	₱262,063,873
Realized portion through depreciation, net of tax (Note 20)	(68,523,995)	(24,491,534)
Balance at end of year	₱169,048,344	₱237,572,339

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:

2018								
	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	P203,218,528	P5,416,150,440	P594,917,420	P849,811,655	P418,781,654	P5,326,467,314	P1,404,352,260	P14,213,699,271
Accumulated depreciation and amortization:								
Balances at end of year	159,039,817	3,459,016,551	468,707,741	530,081,225	307,251,399	2,368,796,189	—	7,292,892,922
Allowance for impairment:								
Balances at beginning and end of year	126,037	3,318,744	—	159,229,430	—	—	—	162,674,211
Net book values	P44,052,674	P1,953,815,145	P126,209,679	P160,501,000	P111,530,255	P2,957,671,125	P1,404,352,260	P6,758,132,138

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	P198,934,045	P4,742,239,755	P593,883,215	P846,259,010	P378,219,930	P4,729,914,255	P942,459,777	P12,431,909,987
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	—	6,156,975,543
Allowance for impairment:								
Balances at beginning and end of year	126,037	3,318,744	—	159,229,430	—	—	—	162,674,211
Net book values	P47,961,246	P1,748,910,567	P174,218,122	P224,589,835	P86,890,040	P2,887,230,646	P942,459,777	P6,112,260,233



The cost of fully depreciated property, plant and equipment that are still being used amounted to ₱1.10 billion and ₱3.06 billion as at December 31, 2018 and 2017, respectively.

The Group capitalized borrowing cost amounting to ₱15.60 million and ₱1.33 million for construction in-progress and nil and ₱13.27 million for mine development costs in 2018 and 2017, respectively. The rate used to determine the amount of borrowing costs eligible for capitalization was 6.47% and 5.35% in 2018 and 2017, respectively (see Note 19).

Breakdown of mine and mining properties and mine development cost is shown below:

	2018				
	Depletable		Total	Mine development cost	
	Mine and mining properties	Mine rehabilitation assets			Total
Cost:					
Balances at beginning of year	₱2,553,690,449	₱28,734,260	₱2,582,424,709	₱2,135,352,169	₱4,717,776,878
Additions	374,487,827	-	374,487,827	222,940,955	597,428,782
Change in estimate	-	(875,723)	(875,723)	-	(875,723)
Balances at end of year	2,928,178,276	27,858,537	2,956,036,813	2,358,293,124	5,314,329,937
Accumulated depletion:					
Balances at beginning of year	1,817,383,659	25,299,950	1,842,683,609	-	1,842,683,609
Depletion (Note 23)	532,212,023	-	532,212,023	-	532,212,023
Balances at end of year	2,349,595,682	25,299,950	2,374,895,632	-	2,374,895,632
Net book values	₱578,582,594	₱2,558,587	₱581,141,181	₱2,358,293,124	₱2,939,434,305

	2017				
	Depletable		Total	Mine development cost	
	Mine and mining properties	Mine rehabilitation assets			Total
Cost:					
Balances at beginning of year	₱2,553,672,387	₱25,299,950	₱2,578,972,337	₱1,640,835,609	₱4,219,807,946
Additions	18,062	3,434,310	3,452,372	481,246,835	484,699,207
Capitalized borrowing cost (Note 17)	-	-	-	13,269,725	13,269,725
Balances at end of year	2,553,690,449	28,734,260	2,582,424,709	2,135,352,169	4,717,776,878
Accumulated depletion:					
Balances at beginning of year	1,395,799,279	25,299,950	1,421,099,229	-	1,421,099,229
Depletion (Note 23)	421,584,380	-	421,584,380	-	421,584,380
Balances at end of year	1,817,383,659	25,299,950	1,842,683,609	-	1,842,683,609
Net book values	₱736,306,790	₱3,434,310	₱739,741,100	₱2,135,352,169	₱2,875,093,269

The carrying amount of the Parent Company's asset retirement obligation (ARO) pertaining to mine rehabilitation assets have been fully depreciated as at December 31, 2018 and 2017.

As at December 31, 2018 and 2017, the carrying amount of ISRI's ARO amounted to ₱2.56 million and ₱3.43 million, respectively.



11. Deferred Exploration Costs

	2018	2017
Balances at beginning of year	₱2,386,313,229	₱2,310,047,312
Additions	260,831,925	195,971,666
Capitalized revenue	(161,462,564)	(122,220,406)
Capitalized borrowing cost (Note 19)	–	2,514,657
	₱2,485,682,590	₱2,386,313,229

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. 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 nil and ₱2.51 million relating to expenditures for deferred exploration in 2018 and 2017, respectively. The rate used to determine the amount of borrowing costs eligible for capitalization was nil and 5.35% in 2018 and 2017, respectively (see Note 19).

In 2018 and 2017, the Group capitalized depreciation as an addition to deferred exploration costs amounting to ₱32.12 million and ₱18.75 million, respectively.

12. Investment in an associate

Investment in an associate amounted to ₱49.03 million and nil as at December 31, 2018 and 2017, respectively. Investment in an associate represents the subscription by MORE of 250,000,000 shares or 25% interest in MORE Electric and Power Corporation (MEPC) amounting to ₱63.50 million giving the former a significant influence over the latter. MEPC is a corporation established under the laws of the Philippines to distribute power in Iloilo City, a legislative franchise for which was acquired under Republic Act No. 11212 promulgated on March 6, 2019.

Summarized financial information of the associate as at December 31, 2018 is presented below:

	2018
Income	₱1,042,090
Expenses	(58,928,807)
Loss before income taxes	(57,886,717)
Income tax expense	–
Net loss for the period	(₱57,886,717)
Current assets	₱2,011,184,625
Noncurrent assets	3,557,362
Current liabilities	(1,072,628,703)
Equity	(₱942,113,284)



The Group's share in net loss of MEPC amounted to ₱14.47 million in 2018.

As at December 31, 2018, the reconciliation of the carrying amount of the investment in an associate is as follows:

Equity	₱942,113,284
Proportion of the Group's i	25%
	235,528,321
Subscription payable	186,500,000
Investment in an associate	₱49,028,321

13. Intangible Assets

	2018		
	Franchise	Computer software	Total
Cost:			
Balances at beginning of year	₱192,202,964	₱41,280,814	₱233,483,778
Additions/Transfers	–	10,827,669	10,827,669
Reclassifications (Note 8)	(192,202,964)	–	(192,202,964)
Balances at end of year	–	52,108,483	52,108,483
Accumulated amortization:			
Balances at beginning of year	142,349	40,790,855	40,933,204
Reclassifications	(142,349)	10,505,382	10,363,033
Amortization (Note 25)	–	82,739	82,739
Balances at end of year	–	51,378,976	51,378,976
Net book values	₱–	₱729,507	₱729,507

	2017		
	Franchise	Computer software	Total
Cost:			
Balances at beginning of year	₱192,202,964	₱41,317,887	₱233,520,851
Additions/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 25)	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

Franchise pertains to ICSI's cost of franchise for the implementation of the Solid Waste Management Project which was reclassified as assets held for sale in 2018 (see Note 8).

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



14. Other Noncurrent Assets

	2018	2017
Advances to Gold Mines of Uganda Ltd. (GMU)	₱106,479,500	₱101,113,250
Deferred input VAT - noncurrent	72,820,450	46,167,216
MRF	24,956,028	23,352,630
Deposits	20,034,882	21,168,377
National transmission lines	10,053,357	2,949,236
Advances for royalties	2,084,893	2,084,893
Advances for acquisition of land (Note 8)	–	93,530,149
Others	11,279,950	11,303,761
	₱247,709,060	₱301,669,512

Advances to GMU pertains to US\$2.03 million noninterest-bearing advances.

As at December 31, 2018 and 2017, the Group maintains MRFs 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 Mines and Geosciences Bureau (MGB). The funds are restricted for withdrawal unless approved by MGB. The funds are only 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.

Deposits pertain to security deposits for the use of the leases of equipment and office space rentals, which are recoverable through application against final billings from lessors.

National transmission lines pertain to the national transmission line of the Maco mine.

Advances for royalties arose due to the agreement entered into by BMRC which required the latter to pay in advance the royalties accruing for the Paracale Gold Project.

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 over the land to ICSI. In 2018, these advances were reclassified as assets held for sale (see Note 8).

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



15. Trade and Other Payables

	2018	2017
Trade	₱760,548,775	₱448,070,482
Nontrade	492,354,945	337,800,261
Accrued expenses	222,927,173	161,533,395
Accrued employee benefits	54,887,733	53,509,233
Payables to government agencies	44,019,560	111,823,464
Retention payable	13,613,614	6,834,804
Others	162,914,847	172,762,229
	₱1,751,266,647	₱1,292,333,868

Trade payables, accrued liabilities, and other payables are noninterest-bearing. Trade payables are payable on demand while accrued liabilities are generally settled in 30 to 60 days terms.

Nontrade payables include payables for royalties and surface rights to the indigenous people in the Parent Company's Maco mine tenements (see Note 31), and other payables that are incurred outside the Group's operations.

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

Accrued employee benefits pertain to accrued leave and other benefits that are monetized to employees, and unclaimed salaries and wages.

Payables to government agencies include accruals for excise taxes due from the Parent Company's Maco mine operations.

Retention payable pertain to withheld amounts from billings for services availed or product purchases pending the completion of certain specified conditions.

Other payables pertain to short-term cash advances by the Group necessary to support its operations.

16. 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 and subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, voting power that gives them significant influence over the Group, its key management personnel, directors and officers, and key management personnel. 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 on the legal form.



Transactions with related parties in the normal course of business are as follows:

Category	Relationship	Year	Volume/ Amount	Outstanding balance	Terms	Conditions
Cash advances to:						
MORE Coal	With common stockholders	2018	₱34,866	₱1,186,593	Due and demandable	Unsecured, Unguaranteed
		2017	₱41,052	₱1,151,727		
MORE Oil & Gas	With common stockholders	2018	34,864	603,126	Due and demandable	Unsecured
		2017	41,053	568,262		
MORE Reedbank	With common stockholders	2018	34,864	514,390	Due and demandable	Unsecured
		2017	41,053	479,526		
MORE Electric and Power Corp. (formerly MORE Minerals Corporation)	With common stockholders	2018	36,130	508,088	Due and demandable	Unsecured
		2017	41,053	471,958		
2018			₱140,724	₱2,812,197		
2017			₱164,211	₱2,671,473		

Category	Relationship	Year	Volume/ Amount	Outstanding balance	Terms	Conditions
Cash advances from:						
MORE	Subsidiary	2018	(₱8,725,318)	₱1,288,926,440	Due and demandable	Unsecured
		2017	15,393,217	1,297,651,758		
PMHI	Stockholder	2018	63,500,000	1,039,512,000	Due and demandable	Unsecured
		2017	—	976,012,000		
2018			₱54,774,682	₱2,328,438,440		
2017			₱15,393,217	₱2,273,663,758		

- Advances from MORE pertain to funds obtained by the Parent Company for its working capital requirements.
- 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 ₱13.65 million and ₱13.17 million, respectively, while the fair values amounted to ₱12.59 million and ₱12.78 million, respectively, as at December 31, 2018 and 2017 (see Note 17).

As at December 31, 2018 and 2017, the retirement fund consists of investments in government bonds, cash and short-term deposits, equity instruments and others which accounts for 94.42% and 93.95%, 13.20% and 8.01%, 11.91% and 11.74%, and (19.53%) and (13.70%) respectively, of its composition.

The Parent Company made no contributions to the fund in 2018 and 2017. There were no transactions made between the Parent Company and the retirement fund in both years.



Compensation of Key Management Personnel

The Group considers all employees holding executive positions up to the Chairman of the Board as key management personnel. There were no stock options or other long-term benefits granted to key management personnel in 2018, 2017, and 2016. The Group paid salaries and other short-term benefits to key management personnel amounting to ₱124.00 million, ₱111.60 million, and ₱108.57 million in 2018, 2017, and 2016, respectively.

17. 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:

	2018	2017	2016
Current service cost (Note 26)	₱36,251,065	₱34,302,648	₱30,073,030
Interest cost - net (Note 27)	10,427,488	9,645,851	8,002,371
	₱46,678,553	₱43,948,499	₱38,075,401

	Defined benefits liability	Fair value of plan assets	Net defined benefit liability
2018			
At January 1	₱193,496,636	₱12,777,605	₱180,719,031
Net interest (Note 27)	11,164,756	737,268	10,427,488
Current service cost (Note 26)	36,251,065	—	36,251,065
Benefits paid	(1,660,032)	—	(1,660,032)
Remeasurement of actuarial losses (gains):			
Experience	49,674,974	—	49,674,974
Changes in financial assumptions	(41,785,735)	—	(41,785,735)
Remeasurement loss - return on plan assets	—	(924,702)	924,702
	7,889,239	(924,702)	8,813,941
At December 31	₱247,141,664	₱12,590,171	₱234,551,493



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 27)	10,433,642	787,791	9,645,851
Current service cost (Note 26)	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

Changes in defined benefits cost recognized in OCI in 2018 and 2017 are as follows:

	2018	2017
At January 1	(₱13,459,116)	₱7,686,433
Actuarial gains - defined benefit obligation	7,889,239	(27,446,754)
Remeasurement loss - plant asset	924,702	533,012
Income tax effect	(2,644,182)	5,768,193
At December 31	(₱7,289,357)	(₱13,459,116)

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

	2018	2017
Cash and short-term deposits	13.20%	8.01%
Debt instruments - government bonds	94.42%	93.95%
Equity instruments	11.91%	11.74%
Others	(19.53%)	(13.70%)
	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:

	2018	2017
Discount rate	7.70%	5.77%
Salary increase rate	5.00%	5.00%
Expected average remaining life	21.9	22.0
Mortality rate	The 2001 CSO Table – Generational The Disability Study, Period 2, Benefit 5	The 2001 CSO Table – Generational The Disability Study, Period 2, Benefit 5
Disability rate		



The sensitivity analyses based on reasonably possible changes in significant assumptions used in determining the retirement benefits liability as at the end of the reporting period, assuming all other assumptions were held constant, are shown below:

	Increase (decrease)	2018
Discount rates	(7.4%)	(P18,300,748)
	8.3%	P20,488,402
	Increase (decrease)	2017
Discount rates	(7.7%)	P14,938,390
	8.7%	(P16,854,980)
	Increase (decrease)	2018
Salary increase rate	(7.7%)	(P18,915,090)
	8.4%	P20,836,504
	Increase (decrease)	2017
Salary increase rate	7.7%	P14,844,845
	(7.0%)	(P13,476,062)

The latest available actuarial valuation report of the Parent Company was obtained in March 2019 representing information as at December 31, 2018.

The maturities of the undiscounted benefit payments as at December 31, 2018 and 2017 are shown below:

	2018	2017
Less than one year	P27,704,850	P22,086,041
More than one year to five years	66,797,081	96,834,030
More than five years to 10 years	351,814,354	234,414,140
	P446,316,285	P353,334,211

18. Provision for Mine Rehabilitation and Decommissioning

The Parent Company and ISRI's full provision for the future costs of rehabilitating the Maco and Sangilo mine are as follows:

	2018	2017
Balance at beginning of year	P32,813,580	P42,837,160
Additions	-	3,434,310
Accretion (Note 27)	1,388,607	939,937
Effect of change in estimate (Notes 10 and 24)	(6,298,590)	(14,397,827)
Balance at end of year	P27,903,597	P32,813,580



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.

Actual costs will, however, 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.

The effect of change in estimate for mine rehabilitation and decommissioning for the Parent Company in 2018 and 2017 is recognized in profit and loss since the related ARO asset is fully depleted as at December 31, 2017, while the effect for ISRI in 2018 was credited against mine and mining properties.

As at December 31, 2018 and 2017, ISRI's provision for mine rehabilitation and decommissioning amounted to ₱2.75 million and ₱3.43 million, respectively, represents the present value of rehabilitation costs relating to the Sangilo mine, which is expected to be incurred up to 2039.

19. Loans Payable

	2018	2017
Philippine National Bank (PNB)	₱2,818,779,069	₱3,078,947,993
Rizal Commercial Banking Corporation (RCBC)	650,000,000	405,000,000
Union Bank of the Philippines (UBP)	420,504,000	379,680,800
	3,889,283,069	3,863,628,793
Less current portion	1,594,313,523	1,423,152,603
Noncurrent portion	₱2,294,969,546	₱2,440,476,190

UBP

The Parent Company has an outstanding US\$8.00 unsecured promissory note equivalent to ₱420.64 million as at December 31, 2018 with maturity date of March 21, 2019, and has an outstanding US\$7.60 million unsecured promissory note equivalent to ₱379.68 million as at December 31, 2017, respectively. The unsecured promissory notes outstanding in both comparative periods carry an interest rate of 5.50% per annum.

On January 4, 2019, the Parent Company was granted to rollover its unsecured promissory note for US\$0.40 million with maturity date of July 3, 2019 and bearing the interest rate of 5.50%.

On March 15, 2019, UBP granted the Parent Company a rollover of the US\$7.60 million unsecured promissory note with a new maturity date of September 11, 2019 at the same interest rate of 5.75% per annum. Total outstanding unsecured promissory notes as of April 8, 2019 is US\$8.00 million.



RCBC

The Parent Company has outstanding unsecured promissory notes amounting to ₱650.00 million with various maturity dates (₱450.00 million maturing on April 11, 2019 and ₱200.00 million maturing on March 20, 2019), carrying an interest rate of 8.75% per annum, and ₱405.00 million with maturity date of April 16, 2018, carrying 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.

PNB

PNB has 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, 2019.

As at December 31, 2018, the Parent Company has outstanding unsecured TRs worth ₱335.3 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, fixed at 5.45% per annum.

- 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 to refinance the Parent Company's short-term loans.

The Loan Agreement for this Term Loan Facility was signed by the parties on December 4, 2017, and on December 15, 2017, the Parent Company drew the full amount with the interest rate set at 6.45% per annum.

- On November 23, 2018, PNB granted ISRI a Term Loan Facility of up to ₱550 million with tenor of five years with equal quarterly principal repayment to finance ISRI's 200-tonne per day development program.

The Loan Agreement for this facility was signed by the parties on November 23, 2018, and on November 27, 2018, ISRI drew the initial amount of ₱300 million with the interest rate set at 9.75% per annum with principal repayment to begin on July 27, 2020 and every quarter thereafter up to October 27, 2023.

Banco de Oro Unibank, Inc. (BDO)

On March 20, 2015, BDO granted a one-year, short term ₱2.25 billion loan to the Parent Company for cash requirements and capital expenditures, at the interest rate of 5.50% per annum. This loan was renewed until its full payment on December 18, 2017.

Atlas Copco

In 2017, the Parent Company settled in full the balance of its loan payable to Atlas Copco amounting to ₱23.91 million in relation to equipment financing for mining related machinery and equipment acquired in prior years.



The Group's availment and payment of loans and equipment financing as at December 31, 2018 and 2017 are as follows:

	2018		2017	
	Availment	Payment	Availment	Payment
PNB	₱700,689,583	₱960,858,507	₱3,206,007,193	₱125,000,000
RCBC	245,000,000	-	-	45,000,000
UBP	40,823,200	-	-	20,138,400
BDO	-	-	-	2,250,000,000
Atlas Copco	-	-	-	23,907,433
	₱986,512,783	₱960,858,507	₱3,206,007,193	₱2,464,045,833

Interest expenses incurred in 2018 and 2017 in relation to the availed loans are as follows:

	2018	2017
PNB	₱185,666,595	32,005,330
RCBC	30,391,319	26,563,784
UBP	21,919,872	20,634,397
BDO	-	₱127,584,355
PMHI	-	586,667
	237,977,786	207,374,533
Capitalized borrowing costs (Notes 10 and 11)	(15,602,176)	(17,110,042)
Interest on loans payable (Note 27)	₱222,375,610	₱190,264,491

The Company capitalized borrowing costs amounting to ₱15.60 million related to construction in-progress and ₱17.11 million related to expenditures for deferred exploration cost, mine development costs, and construction in-progress in 2018 and 2017. The rate used to determine the amount of borrowing costs eligible for capitalization was 6.47% and 5.35% in 2018 and 2017, respectively (see Notes 9 and 10).

All loan covenants are complied with as at December 31, 2018 and 2017.

20. 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, 2018.

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

	2018		2017	
	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
Treasury shares	(555,132,448)	(2,081,746,680)	(555,132,448)	(2,081,746,680)
Outstanding shares at end of year	5,672,755,043	₱4,146,140,811	5,672,755,043	₱4,146,140,811

On December 21, 2017, the Parent Company entered into an agreement with ICTSI Ltd. (ICTSI) where the former transferred to the latter 9,597,661 shares of the Parent Company held by MORE. In return, the Parent Company received assets 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 was deducted against APIC in 2017.

APIC

Movements in the APIC are as follows:

	2018	2017
Balance at beginning of year	₱634,224	₱15,941,675
Loss on reissuance of treasury shares	—	(15,307,451)
Balance at end of year	₱634,224	₱634,224

Retained earnings

Movements in the retained earnings are as follows:

	2018	2017
Balance at beginning of year	₱896,313,943	₱443,834,193
Net income attributable to the equity holders of the Parent Company	240,036,897	427,988,216
Realization of revaluation surplus (Note 10)	68,523,995	24,491,534
Balance at end of year	₱1,204,874,835	₱896,313,943

NCI

NCI consists of the following:

	2018	2017
NCI on net assets of:		
ICSI	₱201,956,209	₱202,637,330
Minas	(22,949,969)	(22,949,969)
MMSL	(2,789,401)	(2,789,401)
MOMCL	701,752	701,751
	₱176,918,591	₱177,599,711

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

Statements of comprehensive income for the years ended December 31, 2018 and 2017:

	2018	2017
General and administrative expenses	₱1,874,021	₱2,453,820
Other income	—	4,050,567
Loss (income) before tax	1,874,021	(1,596,747)
Provision for income tax	—	—
Net loss (income)	₱1,874,021	(₱1,596,747)
Attributable to:		
Equity holders of the Parent Company	₱974,491	(₱830,308)
Non-controlling interests	899,530	(766,439)



Statements of financial position as at December 31, 2018 and 2017:

	2018	2017
Current assets	₱230,017,896	₱230,017,896
Noncurrent assets	192,416,189	192,416,189
Current liabilities	(559,516)	(559,516)
Noncurrent liabilities	–	(1,012,495)
Total equity	₱421,874,569	₱420,862,074
Attributable to:		
Equity holders of the Parent Company	₱219,374,776	₱218,224,745
Non-controlling interests	202,499,793	202,637,329

In 2018, assets and liabilities of ICSI are reclassified as held for sale after MORE agreed to sell its 52% ownership in ICSI to ABCI (see Note 8).

21. 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, 2018, 2017 and 2016 when there were no potentially dilutive common shares during the respective periods are as follows:

	2018	2017	2016
Net income attributable to the equity holders of the Parent Company	₱240,036,897	₱427,988,216	₱326,006,282
Weighted average number of common shares for basic and diluted earnings per share	5,663,157,382	5,663,157,382	5,663,157,382
Basic and diluted earnings per share	₱0.04	₱0.08	₱0.06

22. Cost of Production

Consolidated costs of production pertaining to the Parent Company's cost of production are as follows:

	2018	2017	2016
Depreciation, depletion and amortization (Note 25)	₱1,095,352,798	₱933,256,874	₱632,235,533
Materials and supplies (Note 6)	1,034,178,385	844,304,552	828,138,203
Personnel costs (Note 26)	590,515,041	555,778,501	509,649,984
Contracted services	309,660,273	248,556,076	232,647,814
Utilities	248,121,341	269,580,486	248,138,874
Taxes and licenses	64,338,613	62,271,793	44,854,540
Royalties to indigenous people (IP) (Note 31)	46,272,767	42,942,894	35,220,506
Surface rights to IP (Note 31)	44,671,592	41,242,217	32,589,515

(Forward)



	2018	2017	2016
Bullion refining and transportation charges	₱42,393,095	₱61,966,849	₱32,589,515
Community development expenses	36,316,121	41,418,799	22,854,015
Professional fees	9,274,202	11,902,883	17,115,680
Rent (Note 31)	7,917,299	14,362,548	14,040,301
Others	34,362,555	61,627,815	46,330,877
	₱3,563,374,082	₱3,189,212,287	₱2,699,036,348

Other costs of production include costs of assay testing and contracted labor.

The amounts were distributed as follows:

	2018	2017	2016
Mining	₱1,027,096,762	₱870,016,159	₱860,819,520
Milling	580,980,117	566,988,949	532,733,500
Compliance	245,050,097	247,217,445	182,920,256
Mine overhead	1,710,247,106	1,504,989,734	1,122,563,072
	₱3,563,374,082	₱3,189,212,287	₱2,699,036,348

23. General and Administrative Expenses

	2018	2017	2016
Personnel costs (Note 26)	₱114,242,609	₱119,536,441	₱106,003,858
Taxes, licenses and permits	20,115,216	38,024,541	23,969,712
Professional fees	11,969,427	17,777,814	26,398,281
Rent	7,319,552	6,122,452	5,619,790
Insurance	4,130,498	2,660,165	1,761,911
Transportation and accommodation	3,108,665	5,178,866	7,777,075
Materials and supplies (Note 6)	2,597,255	1,273,044	2,588,374
Representation and entertainment	2,588,162	581,367	7,536,904
Utilities	1,340,868	990,069	1,123,930
Repairs and maintenance	855,025	7,087,662	5,013,796
Depreciation and amortization (Note 25)	614,753	1,743,013	19,289,975
Others	18,340,944	18,673,924	18,899,720
	₱187,222,974	₱219,649,358	₱225,983,326

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



24. Other Income (Charges) - net

	2018	2017	2016
Foreign exchange gains (losses) - net	(P18,403,489)	P4,112,428	(P8,144,987)
Provision for impairment losses on receivables (Note 5)	(16,158,431)	(294,996)	(3,870,160)
Reversal of (provision for) inventory losses and obsolescence (Note 6)	(11,256,662)	60,799,961	(18,556,467)
Gain on change of estimate on provision for mine rehab and decommissioning (Note 18)	5,422,867	14,397,827	-
Interest income (Note 4)	1,842,521	6,306,664	5,426,372
Loss on write-off of:			
Input VAT	(1,257,952)	-	(1,759,915)
Property, plant and equipment (Note 10)	-	-	(4,980,679)
Inventories (Note 6)	-	-	(1,867,310)
Provision for tax assessments	-	(86,130,793)	-
Miscellaneous	(30,166,864)	(7,050,339)	4,971,483
	(P69,978,010)	(P7,859,248)	(P28,781,663)

25. Depreciation, Depletion and Amortization

	2018	2017	2016
Property, plant and equipment	P1,095,884,812	P934,823,391	P644,652,906
Inventory (Note 6)	-	-	6,235,921
Intangible asset (Note 13)	82,739	176,496	636,681
	P1,095,967,551	P934,999,887	P651,525,508

The amounts were distributed as follows:

	2018	2017	2016
Cost of production (Note 22)	P1,095,352,798	P933,256,874	P632,235,533
General and administrative expenses (Note 23)	614,753	1,743,013	19,289,975
	P1,095,967,551	P934,999,887	P651,525,508

The Parent Company capitalized depreciation, depletion, and amortization costs amounting to P46.78 million and P40.75 million as part of deferred exploration and mine development costs in 2018 and 2017, respectively.



26. Personnel Costs

	2018	2017	2016
Salaries and wages	₱402,068,925	₱419,138,961	₱442,331,866
Other employee benefits	266,437,660	221,873,333	143,248,946
Retirement benefits cost (Note 17)	36,251,065	34,302,648	30,073,030
	<u>₱704,757,650</u>	<u>₱675,314,942</u>	<u>₱615,653,842</u>

The amounts were distributed as follows:

	2018	2017	2016
Cost of production (Note 22)	₱590,515,041	₱555,778,501	₱509,649,984
General and administrative expenses (Note 23)	114,242,609	119,536,441	106,003,858
	<u>₱704,757,650</u>	<u>₱675,314,942</u>	<u>₱615,653,842</u>

27. Finance Costs

	2018	2017	2016
Interest on loans payable (Note 19)	₱222,375,610	₱190,264,491	₱153,530,346
Net interest cost on retirement benefits (Note 17)	10,427,488	9,645,851	8,002,371
Accretion expense (Note 18)	1,388,607	939,937	744,575
Others - net	—	1,000,000	1,075,415
	<u>₱234,191,705</u>	<u>₱201,850,279</u>	<u>₱163,352,707</u>

28. Income Tax

The Group's benefit from (provision for) income tax in 2018, 2017 and 2016 are presented below. Provision for current income tax in 2018 and 2017 pertain to RCIT, while 2016 pertains to MCIT.

	2018	2017	2016
Current	(₱199,503,765)	(₱100,014,225)	(₱16,970,058)
Deferred	50,112,828	109,070,602	6,300,453
	<u>(₱149,390,937)</u>	<u>₱9,056,377</u>	<u>(₱10,669,605)</u>

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:

	2018	2017	2016
Benefit from (provision for) income tax computed at statutory income tax rate	(₱116,624,014)	(₱125,909,483)	(₱99,788,657)
Changes in unrecognized deferred income tax assets	(8,846,012)	136,169,032	106,684,572

(Forward)



	2018	2017	2016
Add (deduct) tax effects of:			
Expired NOLCO	(P6,735,444)	P-	P-
Nondeductible expenses	(17,714,299)	(8,251,593)	(14,517,335)
Nontaxable income	-	6,618,721	-
Interest income subjected to final tax	552,555	504,607	289,175
Expired MCIT	(23,723)	(74,907)	(3,337,360)
Benefit from (provision for) income tax	(P149,390,937)	P9,056,377	(P10,669,605)

Details of deductible temporary differences, MCIT, and NOLCO as at December 31, 2018 and 2017 for which the Group has not recognized deferred income tax assets are as follows:

	2018	2017
NOLCO	P220,495,223	P248,803,872
Allowance for impairment losses on:		
Property, plant and equipment	162,674,211	162,674,211
Inventory losses and obsolescence	36,608,113	25,351,451
Receivables	40,647,176	5,871,397
Unrealized foreign exchange losses	180,427,332	114,945,024
Provision for tax cases	-	74,474,414
Allowance for deferred exploration cost	51,986,479	51,986,479
MCIT	310,040	282,709
Others	-	971,964
	P693,148,574	P685,361,521

The Group has recognized deferred income tax liabilities and assets as at December 31, 2018 and 2017 on the following:

	2018	2017
Deferred income tax liabilities:		
Revaluation surplus on property, plant and equipment	P72,449,290	P101,816,716
Fair value increment on deferred exploration cost	186,155,338	186,155,338
Unrealized foreign exchange gains	1,691,875	10,197,974
Deferred income tax assets:		
Provision for retirement benefits	(70,365,448)	(54,215,709)
Provision for mine rehabilitation and decommissioning cost	(7,547,527)	(8,813,781)
	P182,383,528	P235,140,538



Except for the Parent Company whose NOLCO and MCIT were fully applied in 2017, 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
2016	2019	₱68,950,849	₱2,239
2017	2020	86,423,072	256,746
2018	2020	65,121,302	51,055
		₱220,495,223	₱310,040

The movements of NOLCO are as follows:

	2018	2017
Balance at beginning of the year	₱248,803,872	₱485,255,005
Additions	65,121,302	86,231,890
Expirations	(93,429,951)	(118,915,421)
Application	~	(203,767,602)
Balance at end of the year	₱220,495,223	₱248,803,872

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

	2018	2017
Balance at beginning of the year	₱282,709	₱35,280,664
Additions	51,054	256,746
Expirations	(23,723)	(74,907)
Application	-	(35,179,794)
Balance at end of the year	₱310,040	₱282,709

The Group did not avail of the Optional Standard Deduction in 2018 and 2017.

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

	Parent	MORE	CRPI	BMRC	ISRI	Total
Balance at beginning of year	₱-	₱49,543,415	₱97,008,570	₱3,336,882	₱98,915,005	₱248,803,872
Additions	-	-	13,147,792	848,690	51,124,820	65,121,302
Expirations	-	(28,813,650)	(27,584,830)	(1,688,285)	(35,343,186)	(93,429,951)
Balance at end of year	₱-	₱20,729,765	₱82,571,532	₱2,497,287	₱114,696,639	₱220,495,223

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

	Parent	MORE	CRPI	BMRC	ISRI	Total
Balance at beginning of year	₱-	₱281,766	₱943	₱-	₱-	₱282,709
Additions	-	51,054	-	-	-	51,054
Expirations	-	(23,723)	-	-	-	(23,723)
Balance at end of year	₱-	₱309,097	₱943	₱-	₱-	₱310,040



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. The new tax law did not have any significant impact on the financial statement balances as of the reporting date except for the increase in excise tax on metallic minerals from two percent (2%) to four percent (4%) based on the actual market value of the Parent Company's gross output.

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

Financial Risk Management Objectives and Policies

The Group's financial instruments consist mainly of cash with banks, receivables, trade and other payables, which arise directly from its operations, advances to and from stockholders and related parties, MRF, financial asset at FVOCI, advances to GMU, 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 trade and other 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, trade and other receivables, advances to related parties, MRF, and AFS financial assets) is equal to the carrying amounts of the financial assets, as at December 31, 2018 and 2017.



Aging analysis of the Group's financial assets classified as loans and receivables and financial assets measured at FVOCI at December 31, 2018 and 2017 are as follows:

	December 31, 2018					
	Total	Neither past due nor impaired	Past due but not impaired			Impaired
			1-30 Days	31-60 Days	Over 60 Days	
Cash with banks	P534,851,152	P534,851,152	P-	P-	P-	P-
Trade and other receivables						
Trade	3,137,757	3,137,757	-	-	-	-
Others	34,177,283	12,187,455	-	-	-	21,989,828
Advances to related parties	2,812,197	2,812,197	-	-	-	-
Advances to GMU	106,479,500	106,479,500	-	-	-	-
MRF classified under "Other noncurrent assets"	24,956,028	24,956,028	-	-	-	-
Financial asset measured at FVOCI	3,202,240	3,202,240	-	-	-	-
	P709,616,157	P687,626,329	P-	P-	P-	P21,989,828

	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	P421,694,105	P421,694,105	P-	P-	P-	P-
Trade and other receivables						
Trade	518,851,639	518,851,639	-	-	-	-
Nontrade	77,358,081	77,358,081	-	-	-	-
Others	37,477,972	31,439,913	-	-	6,038,059	-
Advances to related parties	2,671,473	2,671,473	-	-	-	-
Advances to GMU	101,113,250	101,113,250	-	-	-	-
MRF classified under "Other noncurrent assets"	23,352,630	23,352,630	-	-	-	-
Financial asset measured at AFS	344,640,000	344,640,000	-	-	-	-
	P1,527,159,150	P1,521,121,091	P-	P-	P6,038,059	P-

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 MRF 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 were, and advances to GMU assessed as high grade since these have a high probability of collection and currently have no history of default.
- AFS financial asset/financial asset at FVOCI is equity instruments classified as substandard 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, 2018 and 2017.

2018	On demand	Less than three months	Three to 12 months	More than 12 months	Total
Trade and other payables					
Trade	P760,548,775	P-	P-	P-	P760,548,775
Nontrade	91,027,702	-	-	-	91,027,702
Accrued expenses	131,899,471	-	-	-	131,899,471
Retention fees	13,613,614	-	-	-	13,613,614
Payables to employees	29,710,349	-	25,177,384	-	54,887,733
Others	162,914,847	-	-	-	162,914,847
Advances from related parties	1,039,512,000	-	-	-	1,039,512,000
Loans payable	1,654,313,523	130,952,381	1,463,361,142	640,656,023	3,889,283,069
	P3,883,540,281	P130,952,381	P1,488,538,526	P640,656,023	P6,143,687,211

2018	On demand	Less than three months	Three to 12 months	More than 12 months	Impaired	Total
Cash in banks	P534,851,152	P-	P-	P-	P-	P534,851,152
Trade and other receivables						
Trade	3,137,757	-	-	-	-	3,137,757
Others	34,177,283	-	-	-	-	34,177,283
Advances to related parties	2,812,197	-	-	-	-	2,812,197
Advances to GMU	106,479,500	-	-	-	-	106,479,500
MRF classified under "Other noncurrent assets"	-	-	-	24,956,028	-	24,956,028
Financial asset measured at FVOCI	3,202,240	-	-	-	-	3,202,240
	P684,660,129	P-	P-	P24,956,028	P-	P709,616,157



2017	On demand	Less than three months	Three to 12 months	More than 12 months	Total
Trade and other payables					
Trade	P448,070,482	P-	P-	P-	P448,070,482
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	130,952,381	303,571,429	2,005,952,380	3,863,628,793
	P3,214,624,601	P130,952,381	P330,821,574	P2,005,952,380	P5,682,350,936

2017	On demand	Less than three months	Three to 12 months	More than 12 months	Impaired	Total
Cash in banks	P421,694,105	P-	P-	P-	P-	P421,694,105
Trade and other receivables						
Trade	518,851,639	-	-	-	-	518,851,639
Nontrade	77,358,081	-	-	-	-	77,358,081
Others	37,477,972	-	-	-	-	37,477,972
Advances to related parties	2,671,473	-	-	-	-	2,671,473
MRF classified under "Other noncurrent assets"	-	-	-	23,352,630	-	23,352,630
AFS financial assets	-	-	-	344,640,000	-	344,640,000
	P1,058,053,270	P-	P-	P367,992,630	P-	P1,426,045,900

Foreign Currency Risk

The Group is exposed to currency risk arising from the effect of fluctuations in foreign currency exchange rates on commercial transactions and recognized assets and liabilities that 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, 2018 and 2017 are as follows:

	2018		2017	
	US\$	Php	US\$	Php
Financial Assets				
Cash	\$670,405	P35,249,894	\$2,093,515	P104,529,192
Trade receivables	59,929	3,151,061	14,561,321	727,046,754
	730,334	38,400,955	16,654,836	831,575,946
Financial Liabilities				
Trade payables	4,041,531	212,503,670	3,744,514	186,963,584
Loans payable	8,000,000	420,640,000	7,600,000	379,468,000
	12,041,531	633,143,670	11,344,514	566,431,584
Net financial assets (liabilities)	(\$11,311,197)	(P594,742,715)	\$5,310,322	P265,144,362

As at December 31, 2018 and 2017, the exchange rate based on the Philippine Dealing and Exchange Corporation of the Philippine peso to US\$1.00 was P52.58 and P49.93, 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, 2018 and 2017 are as follows:

		Change in foreign exchange rates	Effect in income before tax
US\$	2018	₱1.19 (1.09)	₱13,460,324 (12,329,205)
	2017	₱0.62 (0.63)	(₱3,292,400) 3,345,503

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 gold and silver 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, depending on the price trend which may indicate to be 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 2018 and 2017 as follows:

	Change in gold metal price	Effect on income before tax
2018	Increase by 9%	₱396,839,525
	Decrease by 9%	(₱396,839,525)
2017	Increase by 11%	₱423,566,962
	Decrease by 11%	(₱423,566,962)

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 shares, requisites for actual listing and trading of additional shares, if any, and required minimum debt to base equity ratio for the Group's loan covenants. Capital pertains to equity, excluding reserve from revaluation of property, plant and equipment, and advances from related parties.

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, 2018 and 2017.



The Group considers the following as its core economic capital:

	2018	2017
Issued capital stock	₱6,227,887,491	₱6,227,887,491
APIC	634,224	634,224
Treasury shares	(2,081,746,680)	(2,081,746,680)
	<u>₱4,146,775,035</u>	<u>₱4,146,775,035</u>

The Group has no externally imposed capital requirements.

30. Fair Value Measurements

AFS Financial Assets/Financial Asset at FVOCI

The quoted equity instruments designated at FVOCI/AFS financial assets as at December 31, 2018 and 2017 are classified under Level 3 of the fair value hierarchy since these are based on quoted market prices. Unquoted equity instruments are classified under Level 3 of the fair value hierarchy since these are based on significant unobservable inputs.

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 (Note 10)</i>	2018	₱6,999,629,772	₱-	₱-	₱6,999,629,772
	2017	₱6,451,649,287	₱-	₱-	₱6,451,649,287

Cash, Trade and Other Receivables, Advances to Related Parties, MRF, Advances to GMU, 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 2018 and 2017.



31. Significant Agreements, Provisions 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 ICC of Maco, Compostela Valley and the 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 the Maco mine. 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, a member of the ICC, joined by Sumpaw ng Inangsabong Mansaka, Inc. (SIMI) as intervenor, and Mantakadong Mansaka Indigenous Peoples Ancestral Domain, Inc. (MMIPADMA) as complainant-intervenor, also members of the ICC.

On December 5, 2018, the NCIP ruled its lack of jurisdiction on the case but encouraged the parties to pursue and clarify their interests in the regular court. On February 27, 2019, MADCI and MMIPADMA reorganized to form a new group named Mansaka Ancestral Domain Management of Maco Incorporated.

In 2018, 2017 and 2016 royalties to IP recognized under "Cost of Production" amounted to ₱46.27 million, ₱42.94 million and ₱35.22 million, respectively (see Note 22).

In 2018, 2017 and 2016 surface rights to IP recognized under "Cost of Production" amounted to ₱44.67 million, ₱41.24 million and ₱35.22 million, respectively (see Note 22).

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. *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 ₱7.91 million, ₱14.36 million and ₱14.04 million in 2018, 2017 and 2016, respectively (see Note 22).

d. *Refining and Transportation Agreement with Heraeus*

On September 1, 2018, the Parent Company renewed its Refining and Transportation Agreement, covering its gold and silver bullion production with Heraeus.

Under the agreement, should the Parent Company elect to sell the refined gold and silver to Heraeus, the Parent Company may request for settlement of the payable metals initially at ninety-five percent (95%) of their provisional values with the remaining balance to be paid after determination of the final metal contents less charges for refining and transportation.

The prices for all sales are based on quoted metal prices in LBMA for gold and silver.

e. *Provisions and Contingencies*

The Group is involved in certain legal, contractual and regulatory matters that require the recognition of provisions for related probable claims against the Group. The management and the Group's legal counsel reassess their estimates on an annual basis to consider new relevant information. The disclosure of additional details beyond the present disclosures may seriously prejudice the Group's position and negotiation strategies with respect to these matters. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*, only a general description is provided.

MORE

Heads of Agreement with Forum

In 2007, MORE entered into a Heads of Agreement with Forum to execute a joint operating agreement (JOA) on GSEC 101 upon the DOE's consent to the assignment, transfer and conveyance to MORE of 30% participating interest in GSEC 101 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.

On October 5, 2015, the DOE approved the assignment, transfer and conveyance, of the 30% participating interest in SC 72 to MORE. Consequently, MORE and Forum as parties constituting the consortium, have embarked on the finalization of the on-going JOA on SC 72.



32. 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.

	2018				
	Mining	Oil and gas	Solid waste management	Eliminations	Total
Revenue					
External customer	P4,658,242,792	P-	P-	P-	P4,658,242,792
Inter-segment	-	-	-	-	-
Consolidated revenue	P4,658,242,792	P-	P-	P-	P4,658,242,792
Results					
EBITDA	P1,616,860,040	(P6,953,555)	P-	P-	P1,609,906,485
Interest income (expense)					
- net	(232,516,201)	2,403,417	-	-	(230,112,784)
Income tax expense	(147,775,584)	(1,680,920)	-	-	(149,456,504)
Depreciation and depletion	(1,095,967,551)	-	-	-	(1,095,967,551)
Non-recurring items	126,970,264	(4,806,834)	-	-	122,163,430
Consolidated net income (loss)	P267,570,968	(P11,037,892)	P-	P-	P256,533,076
Consolidated total assets	P7,804,800,056	P4,308,488,875	P422,434,085	P-	P12,535,723,016
Consolidated total liabilities	P7,040,418,862	P127,193,193	P1,572,011	P-	P7,169,184,066



	2017				
	Mining	Oil and gas	Solid waste management	Eliminations	Total
Revenue					
External customer	P4,122,188,125	P-	P-	P-	P4,122,188,125
Inter-segment	-	-	-	-	-
Consolidated revenue	P4,122,188,125	P-	P-	P-	P4,122,188,125
Results					
EBITDA	P1,476,119,228	(P34,257,112)	(P2,453,820)	P-	P1,439,408,296
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)	P421,568,139	(P29,832,982)	P1,596,747	P-	P393,331,904
Consolidated total assets	P7,378,380,281	P4,536,259,113	P192,416,189	P-	P12,107,055,583
Consolidated total liabilities	P6,569,582,105	P1,572,011	P63,614,999	P-	P6,634,769,115

The total revenue from an external customer, attributable to the Philippines, which is the Group's country of domicile, amounted to P4.66 billion and P4.12 billion as at December 31, 2018 and 2017, respectively arising from the sale of gold and silver bullion.

33. 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 2018.

	January 1, 2018	Availments	Payments	December 31, 2018
Current Liabilities:				
Bank loans	P1,423,152,603	P686,512,783	(P960,858,507)	P1,148,806,879
Noncurrent Liabilities:				
Bank loans	2,440,476,190	300,000,000	-	2,740,476,190
	P3,863,628,793	P986,512,783	(P960,858,507)	P3,889,283,069

The Group had non-cash investing and financing activities in 2018, 2017, and 2016, which were considered in the preparation of the consolidated statements of cash flows, as follows:

	2018	2017	2016
Investing activities:			
Non-cash purchase of property, plant and equipment through reissuance of treasury shares	P-	P17,179,530	P-
Addition (reduction) to property, plant and equipment pertaining to capitalized mine rehabilitation cost (Note 10)	(875,723)	3,434,310	(1,933,925)





Building a better
working world

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

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

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

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, 2018 and 2017, and for each of the three years in the period ended December 31, 2018, included in this Form 17-A, and have issued our report thereon dated March 29, 2019. 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-4 (Group A),

April 26, 2018, valid until April 25, 2021

Tax Identification No. 102-100-830

BIR Accreditation No. 08-001998-60-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 7332636, January 3, 2019, Makati City

April 12, 2019



APEX MINING COMPANY INC. AND SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY
SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2018

Consolidated Financial Statements:

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

Supplementary Schedules:

Independent Auditor's Report on Supplementary Schedules

Schedule I - Reconciliation of Retained Earnings Available for Declaration

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

Schedule V - Supplementary Schedules Required under Annex 68-E

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

Schedule D: Intangible Assets - Other Assets

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, 2018

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, 2017, as reflected in audited financial statements</i>	(P896,314)
Prior year unrealized foreign exchange gain, (except those attributed to cash and cash equivalents)	<u>(33,568)</u>
Unappropriated Retained Earnings, <i>as adjusted to available for dividend distribution, beginning</i>	(929,882)
Add: Net income actually earned/realized during the period	
Net income during the period closed to Retained Earnings	P240,037
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)	19,991
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>260,028</u>
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	68,524
Adjustment due to deviation from PFRS/GAAP – loss	—
Loss on fair value adjustment of investment property (after tax)	—
Subtotal	<u>68,524</u>
Net income actually incurred during the period	328,552
Add (Less):	
Dividend declarations during the period	—
Additional paid-in capital	—
Appropriations of retained earnings	—
Reversals of appropriations	—
Effects of change in accounting policy	—
Treasury shares	—
Equity Restructuring	—
Subtotal	<u>328,552</u>
TOTAL RETAINED EARNINGS, END	
AVAILABLE FOR DIVIDEND	<u><u>(P601,330)</u></u>

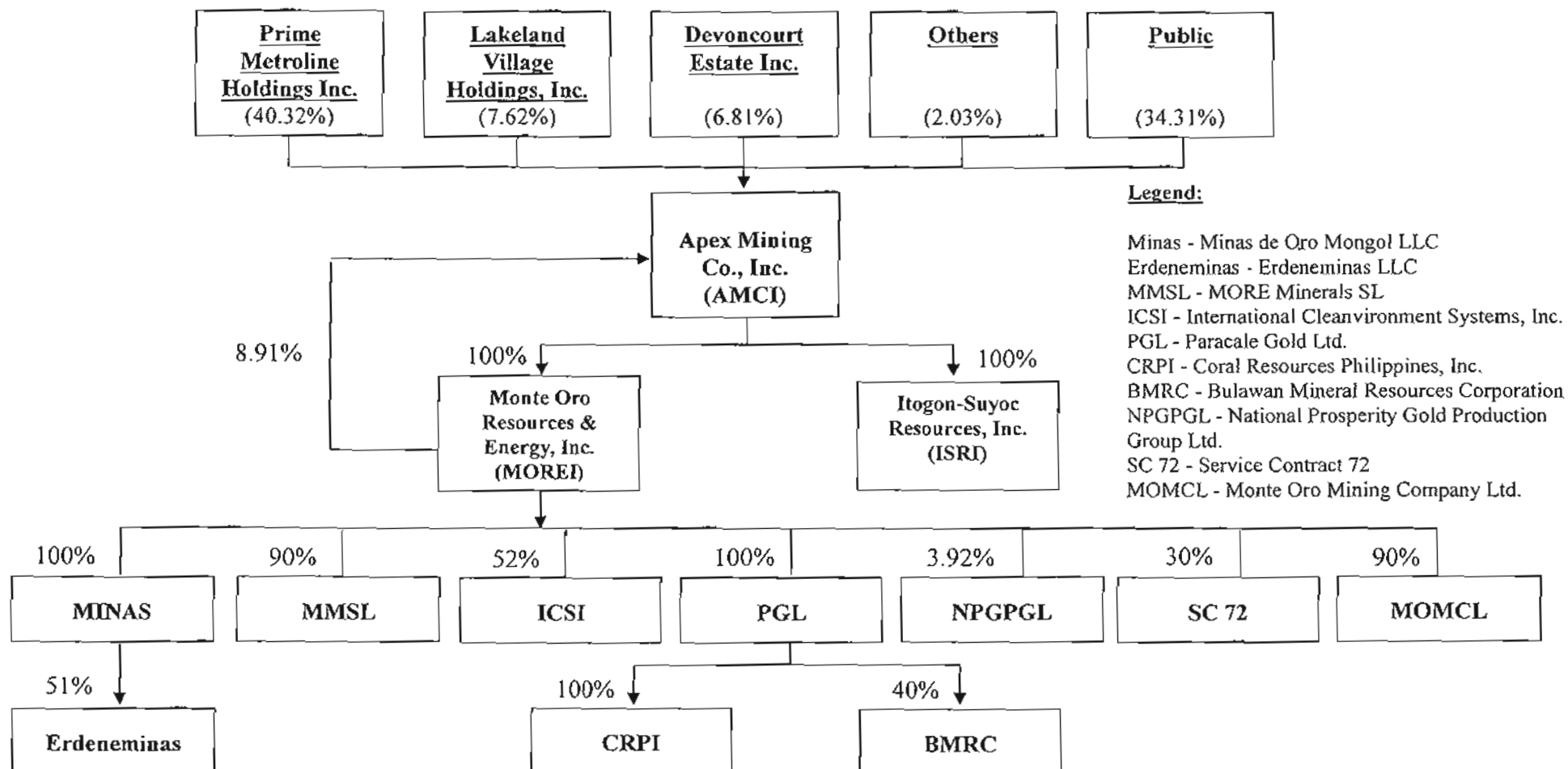


SCHEDULE II
APEX MINING COMPANY INC. AND SUBSIDIARIES
SCHEDULE SHOWING FINANCIAL SOUNDNESS
PURSUANT TO SRC RULE 68, AS AMENDED
DECEMBER 31, 2018

	2018	2017
<u>Profitability Ratios:</u>		
Return on assets	1.91%	3.54%
Return on equity	4.47%	7.82%
Gross profit margin	23.50%	22.63%
<u>Liquidity Ratio:</u>		
Current ratio	0.55:1	0.62:1
<u>Financial Leverage Ratios:</u>		
Asset to equity ratio	2.34:1	2.21:1
Debt to equity ratio	1.34:1	1.21:1
Debt service coverage ratio (DSCR)	1.73:1	2.07:1



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, 2018



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, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		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	First-time Adoption of Philippine Financial Reporting Standards			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with 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 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
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 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 19	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	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: 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			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 40, Transfers of Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation IFRIC-1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease	✓		
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies	✓		
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration			✓
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance—No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases—Incentives			✓
Philippine Interpretation SIC-25	Income Taxes—Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets—Web Site Costs			✓



SCHEDULE V
APEX MINING COMPANY INC. AND SUBSIDIARIES
SCHEDULE A
FINANCIAL ASSETS
December 31, 2018
(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
<div style="border: 1px solid black; padding: 5px; display: inline-block;">NOT APPLICABLE</div>			



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, 2018

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

NOT APPLICABLE



APEX MINING COMPANY INC. AND SUBSIDIARIES
SCHEDULE C
AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING CONSOLIDATION
December 31, 2018
(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	₱1,330,052	₱—	₱37,465	₱—	₱1,292,587	₱—	₱1,292,587
ISRI	349,099	94,142	—	—	443,241	—	443,241
CRPI	63,558	13,020	—	—	76,578	—	76,578
BMRC	300	—	—	—	300	—	300
	₱1,743,009	₱107,162	₱37,465	₱—	₱1,812,706	₱—	₱1,812,706



APEX MINING COMPANY INC. AND SUBSIDIARIES
SCHEDULE D
INTANGIBLE ASSETS - OTHER ASSETS
December 31, 2018
(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	₱192,551	₱3,202	(₱83)	₱—	(₱191,738)	₱3,932
Deferred Exploration Costs	2,508,533	260,832	—	—	—	2,769,365
	₱2,701,084	₱264,034	(₱83)	₱—	(₱191,738)	₱2,773,297



APEX MINING COMPANY INC. AND SUBSIDIARIES
SCHEDULE E
LONG TERM DEBT
December 31, 2018
(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	₱300,000 ¹	₱--	₱300,000

Note:

1. On November 23, 2018, PNB granted ISRI a Term Loan Facility of up to ₱550 million with tenor of five years with equal quarterly principal repayment to finance ISRI's 200-tonne per day development program.

The Loan Agreement for this facility was signed by the parties on November 23, 2018, and on November 27, 2018, ISRI drew the initial amount of ₱300 million with the interest rate set at 9.75% per annum with principal repayment to begin on July 27, 2020 and every quarter thereafter up to October 27, 2023.



APEX MINING COMPANY INC. AND SUBSIDIARIES
SCHEDULE F
INDEBTEDNESS TO RELATED PARTIES (LONG - TERM LOANS FROM RELATED COMPANIES)
December 31, 2018

Name of the Related Party

Balance at beginning of period

Balance at end of period

NOT APPLICABLE



APEX MINING COMPANY INC. AND SUBSIDIARIES
SCHEDULE G
GUARANTEES OF SECURITIES OF OTHER ISSUERS
December 31, 2018

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

NOT APPLICABLE



APEX MINING COMPANY INC. AND SUBSIDIARIES
SCHEDULE H
CAPITAL STOCK
December 31, 2018

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	125,997,331	5,546,757,712

