COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	1	3	4	1						

COMPANY NAME

BENGUET CORPORATION AND SUBSIDIARIES

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

7th Floor, Universal Re Building, 106 Paseo de Roxas, 1226 Makati City

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

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
admin@benguetcorp.com	(02) 812-1380	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
16,905	11/09	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Lina G. Fernandez	lfernandez@benguetcorp.com	(02) 812-1380	N/A

CONTACT PERSON's ADDRESS

65 Sikap Street, Mandaluyong 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.*

Consulate General of the Republic of the Philippines
NEW YORK

oreign Service of the Philippines)
onsulate General of the Philippines)
ew York, New York) S.S.
nited States of America)

CERTIFICATE OF AUTHENTICATION

I, **KHRYSTINA P. CORPUZ**, Vice Consul of the Republic of the Philippines, in a for the Consular District of New York, duly commissioned and qualified in the S s of New York, Connecticut, Delaware, Maine, Massachusetts, New Hampshire, N Jersey, Pennsylvania, Rhode Island, and Vermont, do hereby certify that

*** ANDREW CASINO ***

wa the time he/she signed and affixed his/her official seal to the annexed certificate,

NOTARY PUBLIC
STATE OF NEW YORK

and full faith and credit ought to be given to his/her official act.

is Consulate General assumes no responsibility for the contents of the attach document.

WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the Co ate General of the Philippines to be affixed this 6th day of April 2017.

KHRYSTINA P. CORPUZ
Vice Consul

Doc. No. 01414
Service No. **018-021**
Series of 2017
Fee. $25.00

This document is not valid if it is altered in any way whatsoever *
* The validit this certification is for five (5) years, unless specified by the attached document. *

556 Fifth Avenue, New York, NY 10036
Tel. No.: (+1) 212 7641330 / Fax: (+1) 212-3821146
email: newyork.pcg@dfa.gov.ph • www.newyorkpcg.org

BenguetCorp

BUREAU OF INTERNAL REVENUE
RECEIVED
APR 21 2017
EXCISE LT REGULATORY DIVISION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

SECURITIES & EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
Mandaluyong City

The management of Benguet Corporation (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2016, 2015 and 2014, 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 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 Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company'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 Company in accordance with 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.

DANIEL GOMEZ ROMUALDEZ
Chairman of the Board

Signed this 5 day of April, 2017.

ACKNOWLEDGMENT

STATE OF NEW YORK }
New York City } SS.

SUBSCRIBED AND SWORN to before me this 5th day of April, 2017 at New York City, New York, personally appeared DANIEL GOMEZ ROMUALDEZ with his Philippine Passport Number P1741994A expiring on Jan 24, 2022 as identification, known to me to be the person who executed the foregoing document titled Statement of Management's Responsibility for Consolidated Financial Statements and he acknowledged to me that the signature affixed to the document is his true signature, and that such is his own free and voluntary act and lawful deed.

WITNESS MY HAND AND SEAL.

ANDREW CASINO
Notary Public, State of New York
No. 02CA6073875
Qualified in Queens County
Commission Expires April 9, 2018

Notary Public

CERTIFIED ISO 14001:2015 ENVIRONMENTAL MANAGEMENT SYSTEM
ID NO: 9105086003

Universal Re-Building, 106 Paseo de Roxas, 1226 Makati City Philippines
MCPO Box 3488 . Phone: +632.812.1380 . Fax: +632.7520717

BenguetCorp

BUREAU OF INTERNAL REVENUE
RECEIVED
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EXCISE LT REGULATORY DIVISION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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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 Company in accordance with 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.

BENJAMIN PHILIP G. ROMUALDEZ
President & Chief Executive Officer

LINA G. FERNANDEZ
Senior Vice President
Finance, Nickel Marketing & Compliance Officer for Corporate Governance

Signed this ____ day of APR 10 2017**, 2017.**

SUBSCRIBED AND SWORN to before me this _____th day of APR 10 2017**, 2017 at Makati City, affiants exhibited to me their identifications, to wit: Mr. Benjamin Philip G. Romualdez with Social Security System No. 33-5820866-8 and Ms. Lina G. Fernandez with SSS No. 03-75370258, both issued by the Office of the Social Security System, Philippines.**

Doc. No. 204
Page No. 42
Book No. XIX
Series of 2017.

MA. ESMERALDA R. CUNANAN
Notary Public
Until December 31, 2017
Appt. No. M-28 (2016-2017) Attorney's Roll No. 34562
MCLE Compliance No. V-0010463/9-18-2015
PTR No. 5906979/1-3-2017/Makati City
IBP Lifetime Member Roll No. 05413
Ground Level, Dela Rosa Carpark I
Dela Rosa St. Legaspi Village,
Makati City, Philippines

Benguet Corporation and Subsidiaries

Consolidated Financial Statements
as at December 31, 2016 and 2015
and Years Ended December 31, 2016,
2015 and 2014

and

Independent Auditor's Report

SGV

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working world

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Benguet Corporation and Subsidiaries

Opinion

We have audited the consolidated financial statements of Benguet Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, 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, 2016, 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, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 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 period. 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.

Estimation of ore reserves

The estimation of ore reserves involves significant management estimates and assumptions, which includes estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Ore reserves are key inputs to depletion, decommissioning provisions and impairment estimates. As discussed in Note 10 to the consolidated financial statements, the Group's mine and mining properties amounting to ₱794.0 million as at December 31, 2016, are depleted using the units of production method. This matter is significant to our audit because the estimation of ore reserves for mining projects located in Benguet and Zambales, for the entire life of the mines, requires significant estimation from management.

Audit response

We obtained an understanding of management's processes and relevant controls in the estimation of ore reserves. We evaluated the competence, capabilities and objectivity of the internal specialists engaged by the Group to perform an independent assessment of its ore reserves. We reviewed the specialists' report 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. In addition, we tested the ore reserves estimates applied to the relevant areas of the consolidated financial statements including depletion, decommissioning provisions and impairment estimates.

Recoverability of deferred mine exploration costs

The ability of the Group to recover its deferred mine exploration costs would depend on the commercial viability of the ore reserves. As discussed in Note 12 to the consolidated financial statements, the carrying value of the Group's deferred mine exploration costs amounted to ₱616.1 million as at December 31, 2016. The substantial amount of this account, the level of additions during the year and the significant management judgment required in assessing whether there is any indication of impairment are key areas of focus in our audit.

Audit response

We obtained an understanding of the Group's capitalization policy on mine exploration costs and tested whether the policy has been applied consistently. We obtained management's assessment on whether there are impairment indicators affecting the recoverability of deferred mine exploration costs. We inquired into the status of each mine exploration project and management's plans on operations. We reviewed contracts and agreements, and budgets for exploration and development costs. We inspected the licenses, permits and correspondences related to each mine exploration project to determine that the period during which the Group has the right to explore in the specific area has not expired, will not expire in the near future, and will be renewed accordingly. We also inquired about the existing mine areas, which are expected to be abandoned or any exploration activities, that are planned to be discontinued in those areas.

Recoverability of property, plant and equipment

The Group is adversely affected by the continued volatility in gold and nickel prices in the market. In the event that an indicator is identified, the assessment of the recoverable amount of property, plant and equipment requires significant judgment and is based on assumptions. The carrying amounts of the Group's property, plant and equipment related to mining projects as at December 31, 2016 are disclosed in Note 10 to the consolidated financial statements. The assessment of the recoverable amounts of property, plant and equipment related to the Acupan Gold and Sta. Cruz Nickel Projects, which requires estimation and assumptions about future production levels and costs, as well as external inputs such as commodity prices, discount rate, and foreign currency exchange rates, is a key audit matter in our audit.

Audit response

We obtained an understanding of the Group's impairment process and the related controls. We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include the expected life of the mining project, forecasted production levels and cost, contributions to the government based on current regulations, forecasted average commodity prices, discount rates and foreign currency exchange rates. We compared the key assumptions used against the mine life based on the ore reserve reports, production reports from the operations departments, current tax laws, discount rate based on industry weighted average capital cost, forecasted average market price of gold and nickel and foreign currency exchange rates of various financial institutions. We tested the parameters used in the determination of the discount rate against market data.

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, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 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 Audit 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 Jaime F. del Rosario.

SYCIP GORRES VELAYO & CO.

Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-4 (Group A),
May 1, 2016, valid until May 1, 2019
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2015,
March 24, 2015, valid until March 23, 2018
PTR No. 5908689, January 3, 2017, Makati City

March 17, 2017

BENGUET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands, Except Number of Shares)

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱42,587**	₱56,945
Trade and other receivables (Note 5)	**723,061**	807,362
Inventories (Note 6)	**238,171**	136,126
Other current assets (Note 7)	**876,508**	723,156
Total Current Assets	**1,880,327**	1,723,589
Noncurrent Assets		
Property, plant and equipment (Note 10)		
At revalued amount	**2,640,064**	2,639,868
At cost	**1,171,204**	1,301,712
Available-for-sale (AFS) financial assets (Note 9)	**10,766**	11,970
Investment property (Note 11)	**31,915**	209,558
Deferred mine exploration costs (Note 12)	**616,120**	544,020
Deferred tax assets – net (Note 30)	**34,456**	7,783
Other noncurrent assets (Note 13)	**173,744**	219,861
Total Noncurrent Assets	**4,678,269**	4,934,772
TOTAL ASSETS	**₱6,558,596**	₱6,658,361
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Note 14)	**₱705,121**	₱789,165
Trade and other payables (Note 15)	**1,023,440**	857,468
Obligations under finance lease (Note 34)	**2,427**	13,783
Income tax payable	**372**	37
Total Current Liabilities	**1,731,360**	1,660,453
Noncurrent Liabilities		
Loans payable – net of current portion (Note 14)	**–**	2,890
Obligations under finance lease – net of current portion (Note 34)	**–**	2,427
Liability for mine rehabilitation (Note 16)	**95,947**	37,393
Pension liability (Note 29)	**78,609**	76,808
Deferred tax liabilities – net (Note 30)	**666,198**	733,960
Other noncurrent liabilities (Note 17)	**329,374**	330,760
Total Noncurrent Liabilities	**1,170,128**	1,184,238
Total Liabilities	**2,901,488**	2,844,691
Equity		
Capital stock (Note 18)	**616,155**	615,555
Capital surplus (Note 18)	**367,862**	344,106
Retained earnings	**1,888,663**	2,055,314
Other components of equity (Note 18)	**792,444**	806,711
	3,665,124	3,821,686
Treasury shares (Note 18)	**(8,016)**	(8,016)
Total Equity	**3,657,108**	3,813,670
TOTAL LIABILITIES AND EQUITY	**₱6,558,596**	₱6,658,361

See accompanying Notes to Consolidated Financial Statements.

BENGUET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings Per Share)

	Years Ended December 31		
	2016	2015	2014
REVENUES			
Sale of mine products (Note 20)	**₱1,424,426**	₱3,137,452	₱2,861,290
Sale of services (Note 20)	**100,597**	96,303	113,925
Trucking services	**5,564**	16,091	30,138
Rental income and others	**3,657**	7,924	12,265
	1,534,244	3,257,770	3,017,618
COSTS AND OPERATING EXPENSES			
Costs of mine products sold (Note 21)	**(811,235)**	(1,430,396)	(1,428,041)
Costs of services and other sales (Note 22)	**(101,549)**	(144,410)	(276,007)
Selling and general expenses (Note 23)	**(627,624)**	(1,064,027)	(818,794)
Excise taxes and royalty fees (Note 20)	**(67,702)**	(181,105)	(154,867)
	(1,608,110)	(2,819,938)	(2,677,709)
INTEREST EXPENSE (Notes 14 and 34)	**(13,564)**	(37,735)	(86,130)
OTHER EXPENSES – net (Note 26)	**(156,300)**	(102,667)	(142,714)
INCOME (LOSS) BEFORE INCOME TAX	**(243,730)**	297,430	111,065
BENEFIT FROM (PROVISION FOR) INCOME TAX (Note 30)	**76,353**	(96,758)	(13,855)
NET INCOME (LOSS)	**(₱167,377)**	₱200,672	₱97,210
BASIC EARNINGS (LOSS) PER SHARE (Note 31)	**(₱0.27)**	₱0.34	₱0.17
DILUTED EARNINGS (LOSS) PER SHARE (Note 31)	**(₱0.27)**	₱0.34	₱0.17

See accompanying Notes to Consolidated Financial Statements.

BENGUET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2016	2015	2014
NET INCOME (LOSS)	**(₱167,377)**	₱200,672	₱97,210
OTHER COMPREHENSIVE INCOME – NET OF TAX			
Items to be reclassified to profit or loss in subsequent periods:			
Translation adjustment on foreign subsidiaries	**2,226**	1,885	64
Realized gain on disposal of AFS financial asset (Note 9)	**(154)**	–	–
Unrealized gain (loss) on AFS financial assets (Note 9)	**139**	(129)	261
	2,211	1,756	325
Items not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains on pension liability (Note 29)	**4,237**	588	15,805
Revaluation of land (Note 10)	**1,239**	–	872
Revaluation of artworks (Note 10)	–	367	–
	5,476	955	16,677
TOTAL OTHER COMPREHENSIVE INCOME – NET OF TAX	**7,687**	2,711	17,002
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱159,690)**	₱203,383	₱114,212

See accompanying Notes to Consolidated Financial Statements.

BENGUET CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

(Amounts in Thousands)

			Other Components of Equity									
	Capital stock (Note 18)	Capital surplus (Note 18)	Revaluation increment (Note 18)	Deposits for future stock subscriptions (Note 18)	Cost of share-based payment (Notes 18 and 19)	Cumulative translation adjustment on foreign subsidiaries (Note 18)	Remeasurement gain (loss) on pension liability (Note 29)	Unrealized gain (loss) on AFS financial assets (Note 9)	Retained earnings	Revaluation increment of assets held for sale (Note 8)	Treasury shares (Note 18)	Total
Balances at January 1, 2014	**₱532,222**	**₱161,844**	**₱751,830**	**₱162,000**	**₱58,183**	**₱28,950**	**(₱12,201)**	**₱749**	**₱1,704,902**	**₱–**	**(₱8,016)**	**₱3,380,463**
Private placement (Note 18)	54,000	108,000	–	(162,000)	–	–	–	–	–	–	–	–
Stock options vested (Note 19)	–	–	–	–	7,148	–	–	–	–	–	–	7,148
Assets classified as held for sale (Note 8)	–	–	(36,771)	–	–	–	–	–	–	36,771	–	–
Net income	–	–	–	–	–	–	–	–	97,210	–	–	97,210
Other comprehensive income	–	–	872	–	–	64	15,805	261	–	–	–	17,002
Total comprehensive income	–	–	872	–	–	64	15,805	261	97,210	–	–	114,212
Balances at December 31, 2014	**586,222**	**269,844**	**715,931**	**–**	**65,331**	**29,014**	**3,604**	**1,010**	**1,802,112**	**36,771**	**(8,016)**	**3,501,823**
Issuance of stock (Note 18)	29,333	58,667	–	–	–	–	–	–	–	–	–	88,000
Stock options vested (Notes 18 and 19)	–	–	–	–	4,705	–	–	–	–	–	–	4,705
Forfeiture of stock options (Note 18)	–	15,595	–	–	(15,595)	–	–	–	–	–	–	–
Disposal of assets classified as held for sale (Note 8)	–	–	–	–	–	–	–	–	36,771	(36,771)	–	–
Deferred tax liability pertaining to realization of revaluation increment (Note 8)	–	–	–	–	–	–	–	–	15,759	–	–	15,759
Net income	–	–	–	–	–	–	–	–	200,672	–	–	200,672
Other comprehensive income (loss)	–	–	367	–	–	1,885	588	(129)	–	–	–	2,711
Total comprehensive income (loss)	–	–	367	–	–	1,885	588	(129)	200,672	–	–	203,383
Balances at December 31, 2015	**615,555**	**344,106**	**716,298**	**–**	**54,441**	**30,899**	**4,192**	**881**	**2,055,314**	**–**	**(8,016)**	**3,813,670**
Stock options vested (Notes 18 and 19)	–	–	–	–	1,843	–	–	–	–	–	–	1,843
Stock options exercised (Notes 18 and 19)	600	4,184	–	–	(3,717)	–	–	–	–	–	–	1,067
Expiration and forfeiture of stock options (Note 18)	–	19,572	–	–	(19,572)	–	–	–	–	–	–	–
Realized revaluation increment on sale of land (Note 10)	–	–	(508)	–	–	–	–	–	508	–	–	–
Deferred tax liability pertaining to realization of revaluation increment (Note 10)	–	–	–	–	–	–	–	–	218	–	–	218
Net loss	–	–	–	–	–	–	–	–	(167,377)	–	–	(167,377)
Other comprehensive income (loss)	–	–	1,239	–	–	2,226	4,237	(15)	–	–	–	7,687
Total comprehensive income (loss)	–	–	1,239	–	–	2,226	4,237	(15)	(167,377)	–	–	(159,690)
Balances at December 31, 2016	**₱616,155**	**₱367,862**	**₱717,029**	**₱–**	**₱32,995**	**₱33,125**	**₱8,429**	**₱866**	**₱1,888,663**	**₱–**	**(₱8,016)**	**₱3,657,108**

See accompanying Notes to Consolidated Financial Statements.

BENGUET CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**(₱243,730)**	₱297,430	₱111,065
Adjustments for:			
Depreciation and depletion (Note 25)	**159,720**	148,241	117,064
Change in estimate of liability for mine rehabilitation (Notes 16 and 26)	**32,174**	–	–
Loss on sale of investment property (Notes 11 and 26)	**18,040**	–	–
Interest expense (Notes 14 and 34)	**13,564**	37,735	86,130
Net unrealized foreign exchange losses	**10,550**	6,702	2,111
Movements in pension liability	**7,854**	4,630	(2,422)
Stock option expense (Notes 19 and 24)	**1,843**	4,705	7,148
Accretion on the liability for mine rehabilitation (Notes 16 and 26)	**1,128**	1,545	2,401
Loss (gain) on disposal of property, plant and equipment (Notes 10 and 26)	**(674)**	30,278	8,191
Interest income (Notes 4, 13 and 26)	**(629)**	(7,356)	(2,179)
Loss (gain) on disposal of AFS financial assets (Notes 9 and 26)	**(230)**	–	653
Revaluation gain on investment property (Notes 11 and 26)	**–**	(42,865)	–
Operating income (loss) before working capital changes	**(390)**	481,045	330,162
Decrease (increase) in:			
Trade and other receivables	**84,301**	179,741	(7,040)
Inventories	**(102,045)**	(41,240)	201,138
Other current assets	**(153,352)**	87,802	(253,530)
Increase (decrease) in trade and other payables	**165,972**	(528,406)	371,499
Cash flows generated from (used in) operations	**(5,514)**	178,942	642,229
Interest received	**629**	7,356	2,179
Income taxes paid	**(20,856)**	(136,131)	(61,575)
Interest expense paid	**(14,483)**	(29,986)	(86,130)
Net cash flows from (used in) operating activities	**(40,224)**	20,181	496,703
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of:			
Investment property (Note 11)	**191,518**	–	–
AFS financial assets (Note 9)	**25,180**	–	4,040
Property, plant and equipment (Note 10)	**2,279**	75,815	21,079
Additions to:			
Deferred mine exploration costs (Note 12)	**(72,100)**	(32,526)	(22,221)
Property, plant and equipment (Note 10)	**(35,906)**	(56,093)	(148,516)
AFS financial assets (Note 9)	**(23,767)**	(750)	(1,700)
Decrease (increase) in other noncurrent assets	**46,117**	1,530	(57,395)
Net cash flows from (used in) investing activities	**133,321**	(12,024)	(204,713)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Loans payable (Note 14)	**(93,738)**	(319,771)	(922,477)
Obligations under finance lease (Note 34)	**(13,783)**	(12,532)	(11,395)
Proceeds from:			
Employees' exercise of stock options (Note 18)	**1,067**	–	–
Availment of loans (Note 14)	**–**	250,000	201,322
Issuance of stock (Note 18)	**–**	88,000	–
Increase (decrease) in other noncurrent liabilities	**(1,386)**	(126,942)	249,024
Net cash flows used in financing activities	**(107,840)**	(121,245)	(483,526)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(14,743)**	(113,088)	(191,536)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**385**	2,486	668
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**56,945**	167,547	358,415
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱42,587**	₱56,945	₱167,547

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information, Status of Business Operations and Authorization for the Issuance of the Consolidated Financial Statements

Corporate Information

Benguet Corporation (the Parent Company) was incorporated on August 12, 1903, in the Philippines and was listed in the Philippine Stock Exchange (PSE) on January 4, 1950.

On June 18, 1956 and June 19, 2006, the Philippine Securities and Exchange Commission (SEC) approved the extension of its corporate life for another 50 years. The Parent Company is currently engaged in gold, nickel, and other metallic and nonmetallic mineral production, exploration, research and development and natural resource projects. The nature of business of the Parent Company's subsidiaries are summarized in Note 2 to the consolidated financial statements.

The Parent Company's registered office address is 7th Floor, Universal-Re Building, 106 Paseo de Roxas, 1226 Makati City.

Status of Business Operations

Quasi-reorganization

On December 5, 2011, the Philippine SEC approved the application of the Parent Company for quasi-reorganization to wipe out its deficit as at December 31, 2010, setting it off against its capital surplus and revaluation increment as follows:

	Prior to quasi-reorganization	Effect of quasi-reorganization	After quasi-reorganization
Capital surplus	₱1,153,579	(₱1,153,579)	₱–
Revaluation increment	1,561,048	(1,010,848)	550,200
Deficit	(2,164,427)	2,164,427	–

For purposes of dividend declaration, the retained earnings of the Parent Company shall be restricted to the extent of the deficit wiped out by the revaluation increment amounting to ₱1.0 billion until the asset to which the revaluation increment relates is disposed.

On December 11, 2012, the Philippine SEC approved the application of Benguet Management Corporation (BMC), a subsidiary, for quasi-reorganization to reduce its deficit as at December 31, 2011 against its revaluation increment and capital surplus as follows:

	Prior to quasi-reorganization	Effect of quasi-reorganization	After quasi-reorganization
Capital surplus	₱300,000	(₱300,000)	₱–
Deposit for future stock subscription	40,000	(40,000)	–
Revaluation increment	12,019	(12,019)	–
Deficit	(364,830)	312,019	(52,811)

After the quasi-reorganization, the Parent Company made an additional deposit for future stock subscriptions in BMC amounting to ₱160.0 million.

Of the ₱49.7 million retained earnings of BMC as at December 31, 2016, the amount of ₱11.8 million, which represents the remaining revaluation increment that was offset against the deficit, cannot be declared as dividend.

Significant developments in the Parent Company's and its subsidiaries' (collectively, the Group) operations follow:

a. Mining Projects

Acupan Gold Project (AGP)
AGP [formerly Acupan Contract Mining Project] was initially conceived as a community based underground mining project, which started commercial operations in January 2003.

The Parent Company is currently working on exploration and drilling programs to upgrade AGP's capacity. The exploration and geology group completed the design for the surface and underground diamond drilling program for the Phase 1 of the Greater Acupan Project.

The related feasibility study for AGP was approved in 2013 and the Parent Company is still raising the necessary funds to start the execution of the project.

Sta. Cruz Nickel Project (SCNP)
On December 10, 2010, the Parent Company and Benguetcorp Nickel Mines, Inc. (BNMI) entered into a Deed of Exchange, whereby the Parent Company transferred its interest in the nickel laterite mine in Sta. Cruz, Zambales. The transfer covers Mineral Production Sharing Agreement (MPSA) No. 226-2005-III, mine technical data and all related environmental and other permits of the nickel laterite mine. BNMI issued 1.0 billion ordinary shares to the Parent Company, with par value of ₱1 per share, as consideration for the transfer. In line with the Agreement, BNMI applied for an increase in authorized capital stock from 10.0 million shares to 2.0 billion shares, with par value of ₱1 per share. The transfer of the MPSA was approved by the Mines and Geosciences Bureau (MGB) on January 16, 2012.

On February 28, 2011, the Philippine SEC approved the amended Articles of Incorporation of BNMI covering the increase in authorized capital stock from 10.0 million to 2.0 billion shares, with par value of ₱1 per share, increase in number of directors from five to seven.

On June 09, 2014, a suspension order was issued by the Environmental Management Bureau (EMB)-Region III to BNMI. The said order was limited to the transport of ore only, and did not affect the mining operations of BNMI. Upon receipt of the order, BNMI immediately filed a Request for Reconsideration on the ground that the environmental remediation activities ordered by the EMB have already been substantially performed.

On July 24, 2014, BNMI received a suspension order from the MGB-Region III dated July 15, 2014, suspending the extraction of ores and future expansion of mining areas. The suspension order is temporary until BNMI is able to implement systematic mining and clean-up/relocation of ore prefiles to designated stockpile areas.

The receipt of the suspension orders came out at a time when BNMI has slowed down/ceased its mining operation due to onset of the rainy season (from July to October 2014) and is implementing an environmental care and maintenance program for the duration.

On January 14, 2015, BNMI received from the EMB-Region III an order for the temporary lifting of the Cease and Desist Order on its hauling operations, subject to continuing environmental compliance.

On February 20, 2015, an order was received by BNMI from the MGB-Region III for the temporary lifting of the suspension order on the extraction of ores and future expansion of mining areas, subject to compliance of certain environmental requirements and submission of pertinent reports.

On June 15, 2015, a suspension order was issued again by MGB-Region III to BNMI. The suspension order was issued after the validation on BNMI's compliance with the conditions attached to the temporary lifting order issued on February 20, 2015, where it was found that compliance of the four environmental conditions has not yet been completed. The suspension order coincided with the slowdown of mining operation due to onset of rainy season.

On August 24, 2015, MGB-Region III issued a permanent lifting suspension order on the mine hauling operations of BNMI subject to the final compliance of the remaining environmental requirements. As at December 31, 2016, the remaining condition, which is for completion, is the ongoing construction of one mine haul road in Candelaria, Zambales.

On March 11, 2016, BNMI was notified by TUV Rheinland, an independent evaluation and certification service body, that it has been issued ISO 14001:2015, which is an internationally accepted certification and standard for environmental management system. The issuance of the said certification, which is valid until March 10, 2019, makes BNMI fully compliant with the requirement of Department of Environment and Natural Resources (DENR) Department Administrative Order (DAO) 2015-07.

On July 8, 2016, BNMI received from the regional offices of the DENR, MGB, and EMB a joint suspension order, which suspended the mining operations of the SCNP subject to conditions such as the resolution of issues arising from tree-cutting and earth-balling operations, rehabilitation of mined out areas and construction of an exclusive mine haul road, among others.

On October 18, 2016, BNMI received the mining audit report on the SCNP dated October 3, 2016. The report states that BNMI violated several conditions of its Environmental Compliance Certificate and the provisions of several other laws and regulations.

BNMI replied to the DENR that it takes strong exception to the mine audit report particularly on the recommendation to maintain the status quo of the suspension order issued by the DENR on July 7, 2016, on grounds summarized as follows:

- The conduct of the audit was irremediably flawed.
- The transparency and fairness of the audit report is under question because the audit team failed to follow its own protocol.
- Assuming the mine audit report was regularly conducted, it is very apparent that none of the findings of deficiencies therein were serious enough (even if taken collectively) to warrant the imposition or the continuance of the suspension order.
- The recommendation of status quo of the suspension order in the mine audit report will have far-reaching effect on its business, employees and the community.

On October 22, 2016, BNMI filed before the Pampanga Regional Trial Court, a petition for certiorari with injunction to assail the joint suspension order issued by the MGB, EMB and DENR on the SCNP. The resolution of the petition is still pending with the court as of March 17, 2017.

On February 13, 2017, BNMI received from the DENR an order cancelling its MPSA. The cancellation shows that BNMI's operations has impaired the functions of the watershed in the area and was issued on the grounds that BNMI has violated certain provisions of several laws and regulations, majority of which were previously raised in the mine audit report.

On February 22, 2017, BNMI filed a Notice of Appeal before the Office of the President to reverse the cancellation order received. As of March 15, 2017 the Office of the President has not yet responded to the appeal filed by BNMI. BNMI is operating within the Zambales Chromite Mineral Reservation, a mineral reservation which has been excluded from government declared watersheds. BNMI's nickel project is operated outside of any known critical or declared watershed. On March 10, 2017, the Office of the President required the DENR to forward all records of the case to its Office. As at March 17, 2017, BNMI intends to submit to the Office of the President the actual appeal memorandum on March 22, 2017.

Benguet Gold Operations (BGO)
The Parent Company's BGO in Itogon, Benguet, consisting of the Acupan and Kelly underground mines, were suspended in 1992, following the 1991 earthquake, which flooded the said underground mines. In 2004, BGO resumed operations of the AGP. The BGO property also included three tailings ponds with estimated tailings resource of 16.7 million metric tons, with an average of 0.69 gram of gold per ton, and are estimated to contain some 371.0 thousand ounces of gold.

In 2015, the Parent Company suspended its own line of operations as a means of cost reduction while gold prices are still on the low, leaving its production dependent on mining contractors. As at December 31, 2016, the said suspension is still in force.

On March 11, 2016, the Parent Company was notified by TUV Rheinland, an independent evaluation and certification service body, that the BGO has been issued ISO 14001:2015, which is an internationally accepted certification and standard for environmental management system. The issuance of the said certification, which is valid until March 10, 2019, makes BGO fully compliant with the requirement of DENR DAO No. 2015-07.

On October 28, 2016, the Parent Company received from the DENR the mine audit report dated October 21, 2016, which was conducted pursuant to DENR Memorandum Circular No. 2016-01 regarding audit of all operating mines and moratorium on new mining projects recommending the suspension of the Parent Company's mining operations and requires the Parent Company to submit an explanation thereof within seven days from the date of receipt.

On November 1, 2016, the Parent Company submitted an explanation to the DENR stating that there are no legal and factual bases to recommend the suspension of the Parent Company's operations due to the following reasons:

- Based on the mine audit report, there are no significant findings of violations that would warrant the suspension order.
- None of the alleged violations found pose imminent danger or threat to the community that would justify the suspension of operation.
- The deficiencies cited, which are mostly permitting issues or operational concerns, can easily be remediated without need of suspending the Parent Company's operation.

On February 14, 2017, the Parent Company received from DENR a cancellation order dated February 8, 2017 cancelling its authority to undertake mining operations under Patent Claim (PC-ACMP-002-CAR) in Itogon, Benguet for violation of certain provisions of mining and environmental laws, rules and regulations such as the following:

- RA No. 6969, otherwise known as the 'Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990'
- DAO No. 2013-22 or the 'Revised Procedures and Standards for the Management of Hazardous Wastes'
- RA No. 7942, otherwise known as 'The Philippine Mining Act of 1995'
- DAO No. 2010-21 or the 'Revised Implementing Rules and Regulations of RA No. 7942'

On February 22, 2017, the Parent Company filed a Notice of Appeal before the Office of the President, which stayed the execution of the cancellation order. As at March 17, 2017, the Parent Company intends to submit to the Office of the President its Appeal Memorandum on March 22, 2017.

Irisan Lime Project (ILP)
The Parent Company's ILP in Irisan, Baguio is engaged in the production and trading of quicklime. ILP produced 9,411 tons, 7,982 tons and 9,812 tons of quicklime in 2016, 2015 and 2014, respectively. On August 22, 2016, the Mineral Processing Permit (MPP) for the ILP has expired. The Parent Company has applied for its renewal and is currently pending approval as at December 31, 2016.

Benguet Antamok Gold Operation (BAGO)
The Parent Company's BAGO in Itogon, Benguet has been suspended since August 1998. BAGO has an estimated resource of about 12.4 million tons, averaging 3.45 grams of gold per ton, at the end of 1999. Pursuant to DAO No. 2010-04, the Parent Company's Application for Mineral Production Sharing Agreement (APSA) No. 009-Cordillera Administrative Region (CAR) was denied on February 8, 2011. Subsequently, the Parent Company filed an appeal on April 15, 2011 in MGB Central Office.

On November 23, 2016, the Parent Company received from DENR a letter requiring the Parent Company to show cause why its operation should not be suspended and/or mining contract be cancelled in view of the October 2016 tailings spill, which affected the Liang River.

On December 26, 2016, the Parent Company argued that there was no negligence because the incident is due to force majeure and the leak was immediately remediated. The Parent Company also emphasized that it has no existing mining operations in BAGO as it has long been suspended. The BAGO open pit mine and the BAGO underground mine have not operated since 1998 and 1989, respectively. The Parent Company contested that it has been under care and maintenance since then up to the present.

Masinloc Chromite Operation (MCO)
From 1934 to 2007, the Parent Company managed the Coto mines under an operating agreement with its claimowner, Consolidated Mines, Inc. (CMI). With the expiration of the operating agreement last July 8, 2007, the Parent Company has transferred back the operating rights to CMI. As at March 17, 2017, the Parent Company is still engaged in discussion with CMI over the liquidation of assets of MCO.

b. Exploration, Research and Development Projects

Balatoc Tailings Project (BTP)
The Parent Company's Board of Directors (BOD) approved an initial ₱10.0 million research and development fund for the Balatoc Tailings Project (BTP) in Itogon, Benguet for the study on the feasibility of reprocessing 16.7 million tons of tailings resource with an average of 0.69 grams gold per ton and is estimated to contain 371,000 ounces of gold. A core research and development team, together with the Beijing Geological Research Institute of Mining and Metallurgy, has done the analysis toward the preparation and completion of the bankable feasibility study.

On October 21, 2009, the Group appointed ATR Kim Eng Capital Partners, Inc. as financial advisor to raise additional development capital for the BTP.

On the same date, the Parent Company entered into a processing agreement with the Balatoc Gold Resources Corporation (BGRC), a subsidiary, to implement the BTP. The Parent Company has completed the bankable feasibility study of the BTP and engaged external Competent Persons to prepare and review reports as required under the Philippine Mineral Reporting Code modeled after the Joint Ore Reserve Committee of Australia.

On September 2010, the Parent Company signed a Deed of Assignment with BGRC, a subsidiary, to transfer, subject to approval by the DENR, MPP No. 13-2010-Cordillera Administrative Region covering the BTP. The MPP allows reprocessing of the impounded mill tailings from the Acupan mines for recovery of residual gold. In November 2011, the transfer of the MPP was approved by the DENR-MGB.

BGRC signed contracts for the detailed engineering of the project, rehabilitation of the tailings ponds and reinforcement of the silt dam. BGRC continues the activities on expansion and rehabilitation of its penstocks at Tailings Pond Nos. 2 and 3 and earthmoving works on the silt dam at Gold Creek and the Ambalanga River pumping station, and the ridge enhancement works on Tailings Ponds Nos. 2 and 3. The excavated materials from its expansion and rehabilitation activities will be used for the raising of the embankment of Tailings Ponds Nos. 2 and 3 to the level in which the BTP will be able to pump the tailings to a processing plant in Balatoc.

In 2013, BGRC acquired parcels of land where the mill for BTP will be constructed, amounting to ₱12.1 million.

On January 17, 2013, the Parent Company's BOD authorized and approved the deed of exchange between the Parent Company and BGRC covering all of the Parent Company's rights and interest in BTP in exchange of BGRC's shares.

Since 2014, minimal costs were incurred on the BTP because BGRC is largely in the process of obtaining funds for the said project.

Following the expiration of MPP No. 13-2010-CAR, BGRC reconveyed to the Parent Company on March 16, 2016, all rights and interest in BTP, including liabilities to third parties, so that the reprocessing of tailings can be made part of the Acupan operation once more. The reconveyance was approved by the DENR-MGB on May 31, 2016.

Antamok Tailings Project (ATP)
The ATP, which targeted the BAGO mill tailings pond, was conceived as a possible additional resource that could be developed similar to BTP. The BAGO tailings pond, located a few hundred meters downstream from the BAGO open pit mine, contains some 7.64 million tons of tailings produced from the BAGO milling operations. In addition, a considerable tonnage of extraneous materials, estimated at about 1.95 million tons washed from the BAGO pit over the years from the Otek marginal grade material dump and from the numerous illegal miners' workings, found its way into the pond and is now resting on top of the tailings deposit. A preliminary sampling of these extraneous materials showed that these can be considered for exploitation together with the original tailings in the pond. More core drilling, however, may be required to firm up the resource estimate of these impounded materials.

The Parent Company has approved an initial ₱7.5 million research fund for the ATP for the feasibility study on the reprocessing. The Parent Company is conducting a feasibility study on the reprocessing of tailings from the BAGO, which are impounded in the tailings pond downstream of the old BAGO mill. The initial drilling conducted to test the impounded materials indicates a grade of 4.0 grams of gold per ton.

As at December 31, 2016, the Parent Company intends to transfer to BPGC, a wholly-owned subsidiary of the Parent Company through BMC, the planned ATP.

Surigao Coal Prospect (SCP)
Pre-development activities for the SCP were put on hold in 2011 due to DENR Circular Executive Order (EO) 23, series of 2011, which declares a moratorium on the cutting of timber in the natural and residual forests. The City Environment and Natural Resources Office of the Municipality of Lianga denied the Group's request for a tree inventory, which is preparatory to the application for a cutting permit. The decision was reversed in January 2012 after the issuance of a memorandum from the Executive Secretary, which exempted exploration and mining activities from the said EO. The Parent Company is in the process of completing the requirements to secure permits for the development of the project. A preliminary hydrology study was done at the nearby Hubo river's water source to assess if the volume capacity of the river system can support a hydro plant, which will complement the Coal Power Plant Study. In 2012, the Parent Company also participated in the bidding under the Philippine Energy Contracting Round four for coal to possibly secure other prospective coal areas. The result of the bidding is awaiting the decision of the Department of Energy.

As at December 31, 2016, the Parent Company plans to transfer the SCP to Batong Buhay Mineral Resources Corporation (BBMRC) when the said prospect materializes.

Ampucao Copper-Gold Prospect (Ampucao Prospect)
The Ampucao prospect is located inside the contract claims of Pugo Mining Company in the southern part of Benguet's Acupan gold mine. The initial exploration work conducted by the Parent Company's geologists indicates a porphyry copper-gold mineralization hosted in diorite below the 2000 level. Two test holes have been programmed to be drilled within the area, but have been put on-hold pending the resolution of the related APSA, which also covers the BAGO.

Pantingan Copper Gold Prospect (PGP)
The PGP in Balanga, Bataan consists of 1,410 hectares covered by MPSA No. 154-2000-III. The property is under an operating agreement with Option to Purchase, with Balanga Bataan Minerals Corporation, signed in March 1996. Surface mineralization consists of quartz and clay veins, ranging from 0.70 meters to 10 meters wide, with values as much as 1.0 gram of

gold and 9.60 grams of silver. As at December 31, 2016, the PGP is currently in exploration period.

Zamboanga Gold Prospect (ZGP)
The ZGP in R.T. Lim, Zamboanga Sibugay consists of 399.3 hectares of land area and is under an operating agreement with Oreline Mining Corporation (OMC). A drilling program to evaluate the gold potential of the main structure at depth has been put on-hold pending the resolution of the APSA No. IX-015 of OMC. The APSA was denied on May 12, 2010, and the Appeal filed on January 30, 2013, is still pending evaluation by the DENR.

Financial or Technical Assistance Agreement (FTAA) Application
The Parent Company and its subsidiary, Sagittarius Alpha Realty Corporation (SARC), have two pending FTAA applications consisting of land area totaling 72,806,291 hectares. The Parent Company's FTAA application in Ilocos Norte (denominated as AFTA-003-I) is undergoing Free, Prior and Informed consent requirement through the Regional Office of the National Commission on Indigenous Peoples while SARC's FTAA application in Apayao (denominated as AFTA No. 00033-CAR) is pending with the MGB-CAR. Exploration work for the two areas will be undertaken as soon as the applications have been approved by the Philippine government.

c. Water Projects

Baguio City Bulk Water Supply Project (BCBWSP)
On August 16, 2005, the BOD of the Baguio Water District (BWD) issued to the Parent Company a Notice of Award covering the BCBWSP. The Parent Company's proposal is to convert its mined-out 440 Vein Open Pit into a water reservoir with the capability of supplying, at least, 50,000 cubic meters of potable water per day to Baguio City.

On September 7, 2007, the BWD issued Board Resolution Number 30-2007, which resolved to terminate the bulk water supply contract negotiation and to scrap the project. The resolution sited grounds such as the irreconcilable differences of the parties on the contract provisions of parametric formula and rate rebasing, among others. On these issues, the BWD is concerned with the affordability and acceptability of the water tariff to the end-consumers. On the other hand, the Parent Company raised a concern on the delay in implementation and its effect on the viability of the project as justification for the contract provisions. The Parent Company has likewise requested the BWD to conduct a public hearing on these issues, which the BWD has deemed premature. The Parent Company filed a request for reconsideration on September 13, 2007.

On November 29, 2007, the BWD issued a Board Resolution denying the Parent Company's request for reconsideration. The Parent Company has filed a case against BWD, which is now pending at the Regional Trial Court of Baguio City as of March 17, 2017.

Water Rights of Agua de Oro Ventures Corporation (ADOVC)
ADOVC, a wholly-owned subsidiary of BMC, has water rights in various locations in Tuba, Benguet: Kairuz Spring granted on September 12, 2001, Amliang Spring granted on October 17, 2002, and Kias Creek granted on August 13, 2004. As at December 31, 2016 and 2015, the cost and accumulated amortization of water rights amounted to ₱4.6 million.

In 2014, ADOVC was granted permit to use water from Kairuz Spring in Brgy. Irisan, Tuba, Benguet.

d. Land Development Project

Kelly Special Economic Zone (KSEZ)
The Parent Company has approved an initial ₱4.9 million budget for the feasibility study covering the KSEZ and the potential of other real estate properties of the Group. The Parent Company plans to transfer the said properties to BC Property Management, Inc. (BCPMI), a wholly-owned subsidiary of BMC. The capital expenditures related to the implementation of the project will then be infused as equity of the Parent Company in BCPMI.

e. Logistics Services

On March 16, 2016, the BOD of KPLMSC, a subsidiary, authorized and approved the appropriation of its retained earnings amounting to ₱2.5 million for additional working capital requirements, repairs to be done in its port facilities and acquisition of new stockpile area in the ensuing year.

On the same date, Arrow Freight Corporation (AFC), a wholly-owned subsidiary of BMC, declared cash dividends amounting to ₱23.1 million, which is equivalent to ₱11.25 per share.

f. Health Care Services

The Parent Company spun off its Benguet Laboratories (BL) Division on September 19, 2012 through its wholly owned subsidiary, Benguetcorp Laboratories, Inc. (BLI), to undertake the expansion of BL into a distinct operating unit that can raise the necessary development funds and create value for the Group. BLI operates two full-fledged tertiary multi-specialty facilities in Baguio under the trade name Benguet Laboratories. BLI opened another facility under the trade name Med Central in San Fernando City, Pampanga, which started its operations on December 16, 2012. BLI opened branches in Makati City and Taytay, Rizal, which became fully operational in April 2014 and December 2013, respectively.

On a regular meeting of the BOD of BLI on January 27, 2016, the President informed the BOD that pending securing a license from the Department of Health and Philhealth accreditation, management has decided to suspend the operations of the oncology branch in Makati City. As at December 31, 2016, the internal suspension is still in force.

Updates in the Philippine Mining Industry
On February 2, 2017, the Secretary of the DENR ordered the closure and suspension of several mines in the country for alleged environmental violations noted during the industry-wide audit carried on since July 2016. The said audit is in line with the issuance of DENR Memorandum Order No. 2016-01 mandating a comprehensive review of all operating mines and mines under suspended and/or care and maintenance status, and a moratorium on the acceptance, processing and/or approval of mining applications and/or new mining projects for all metallic and non-metallic minerals. On February 14, 2017, the Secretary of the DENR announced the cancellation of a total of 75 MPSAs considered to be situated in watersheds.

In light of concerns expressed by various industry stakeholders, the Mineral Industry Coordinating Council (MICC), issued a resolution on February 9, 2017, which called for the review of the audit conducted on mining companies, and the closure and suspension orders by the DENR Secretary. This mandate of the MICC covers all mining contracts in the Philippines, although the review will start with mining companies affected by the closure order. The multi-stakeholder review shall be based on the guidelines and parameters set forth in mining contracts and in other pertinent laws, and will advise the DENR on the performance of existing mining operations in consultation with

local government units. Five technical review teams (TRT) will conduct the review over a three-month period starting in March 2017. The TRTs will check the compliance of affected mining companies with applicable agreements, and laws and regulations taking into account the technical, legal, social, environmental and economic aspects of their mining operations. The results of the review will be submitted to the multi-stakeholder Technical Working Group (TWG) of the MICC. The TWG will verify the results before the final presentation to the MICC. The MICC will then present the findings and submit its recommendations to the Office of the President, which shall make the final decision on the DENR's closure and suspension orders.

Authorization for the Issuance of the Consolidated Financial Statements
The accompanying consolidated financial statements of the Group as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, were authorized for issuance by the BOD on March 17, 2017.

2. Basis of Preparation and Summary of Significant Accounting Policies

Basis of Preparation
The consolidated financial statements of the Group have been prepared in compliance with the Philippine Financial Reporting Standards (PFRSs) as issued by the Financial Reporting Standards Council (FRSC).

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for land and artworks, which have been measured at revalued amounts, and AFS financial assets and investment property, which have been measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Group's functional currency under PFRSs. All values are rounded to the nearest thousands (₱000), except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional consolidated statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the financial statements.

Basis of Consolidation and Group Information
As at December 31, 2016 and 2015, the consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

	Nature of business	Country of incorporation	Effective percentage of ownership
Berec Land Resources Inc. (BLRI)	Exploration and development	Philippines	100.00
KPLMSC	Logistics	Philippines	100.00
KPLMSC's Subsidiaries:			
Calhorr 1 Marine Services Corporation*	Logistics	Philippines	100.00
Calhorr 2 Marine Services Incorporation*	Logistics	Philippines	100.00
BNMI	Exploration and development	Philippines	100.00
BMC	Foundry	Philippines	100.00

(Forward)

	Nature of business	Country of incorporation	Effective percentage of ownership
BMC's Subsidiaries:			
AFC	Logistics	Philippines	100.00
Benguetrade, Inc. (BTI)**	Trading	Philippines	100.00
BMC Forestry Corporation (BFC)	Real estate	Philippines	100.00
ADOVC*	Selling of treated and untreated water	Philippines	100.00
Benguet-Pantukan Gold Corporation (BPGC)*	Exploration and development	Philippines	100.00
BCPMI*	Management services	Philippines	100.00
Media Management Corporation (MMC)**	Management services	Philippines	100.00
BenguetCorp International Limited (BIL)**	Holding company	Hong Kong	100.00
BIL Subsidiaries:			
Benguet USA, Inc.**	Exploration and development	United States of America	100.00
Benguet Canada Limited**	Exploration and development	Canada	100.00
Pillars of Exemplary Consultants, Inc. (PECI)*	Professional services	Philippines	100.00
SARC*	Real estate holding	Philippines	100.00
SARC's Subsidiary:			
BGRC*	Exploration and development	Philippines	100.00
BBMRC*	Exploration and development	Philippines	100.00
Ifaratoc Mineral Resources Corporation (IMRC)*	Exploration and development	Philippines	100.00
Acupan Gold Mines Incorporation*	Exploration and development	Philippines	100.00
BLI	Health services	Philippines	100.00

* *Preoperating*
** *Nonoperating*

Control is achieved when the Group 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 Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group 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 Group gains control until the date the Group 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. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group'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 loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets, liabilities and other components of equity while any gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The financial statements of the subsidiaries are prepared for the same accounting period as the Parent Company using uniform accounting policies.

Changes in Accounting Policies

The Group applied for the first time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2016. Adoption of these pronouncements did not have a significant impact on the Group's financial position or performance unless otherwise indicated.

- Amendments to PFRS 10, *Consolidated Financial Statements*, PFRS 12, *Disclosure of Interests in Other Entities*, and Philippine Accounting Standard (PAS) 28, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*

  These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value. They also clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture) to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries when applying the equity method.

  These amendments are not applicable to the Group since none of the entities within the Group is an investment entity nor does the Group have investment entity associates or joint ventures.

- Amendments to PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*

  The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

  These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

- PFRS 14, *Regulatory Deferral Accounts*

  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRSs. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

  Since the Group is an existing PFRS preparer, this standard would not apply.

- Amendments to PAS 1, *Presentation of Financial Statements – Disclosure Initiative*

  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRSs. They clarify the following:
  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
  - That specific line items in the statement of income and other comprehensive income and the statement of financial position may be disaggregated
  - That entities have flexibility as to the order in which they present the notes to financial statements
  - That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  These amendments do not have any significant impact on the Group's consolidated financial statements.

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

  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.
  These amendments are applied prospectively and do not have any impact on the Group, given that the Group has not used a revenue-based method to depreciate or amortize its property, plant and equipment and intangible assets.

- Amendments to PAS 16 and PAS 41, *Agriculture – Bearer Plants*

  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The

amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

The amendments are applied retrospectively and do not have any impact on the Group as the Group does not have any bearer plants.

- Amendments to PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements*

  The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRSs and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively.

  These amendments do not have any impact on the Group's consolidated financial statements.

- Annual Improvements to PFRSs 2012–2014 Cycle

  - Amendment to PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*

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

  - Amendment to PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*

    PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

  - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

    This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- Amendment to PAS 19, *Employee Benefits – Discount Rate: Regional Market Issue*

  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- Amendment to PAS 34, *Interim Financial Reporting – Disclosure of Information 'Elsewhere in the Interim Financial Report'*

  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Standards issued but not yet effective

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

Effective January 1, 2017

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

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

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

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

  Application of amendments may result in additional disclosures in the 2017 consolidated financial statements of the Group.

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

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

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

Effective January 1, 2018

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

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

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

  The Group is assessing the potential effect of the amendments on its consolidated financial statements.

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

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021. The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

  The amendments are not applicable to the Group since none of its activities are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*

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

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of adopting this standard.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of adopting this standard.

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

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

  The Group is currently assessing the impact of these amendments on its consolidated financial statements.

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

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

The Group is currently assessing the impact of these amendments on its consolidated financial statements.

- Philippine Interpretation based on International Financial Reporting Interpretations Committee 22, *Foreign Currency Transactions and Advance Consideration*

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

Effective January 1, 2019

- PFRS 16, *Leases*

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of adopting this standard.

Deferred Effectivity

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

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business,

however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed 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 Policies

Presentation of Consolidated Financial Statements
The Group has elected to present all items of recognized income and expense in two statements: a consolidated statement of income and a consolidated statement of comprehensive income.

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 as 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 twelve 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 twelve 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 and Cash Equivalents
Cash consists of cash on hand and in banks. Cash in banks earns interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term investment rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and are subject to an insignificant risk of changes in value.

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

Initial Recognition and Measurement
Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

Financial instruments are recognized initially at fair value. Except for financial assets at Fair Value through Profit or Loss (FVPL), the initial measurement of financial assets includes transaction costs. In case of loans and borrowings and payables, net of directly attributable transaction costs.

Financial assets are classified as either financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and AFS financial assets or derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

Financial liabilities are classified as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification at initial recognition and, where allowed and appropriate, re-evaluates such designation at the end of each reporting period.

The Group's financial instruments are in the nature of loans and receivables, AFS financial assets, loans and borrowings, and payables. As at December 31, 2016 and 2015, the Group has no financial instruments classified as financial assets at FVPL and HTM investments, financial liabilities at FVPL and derivatives designated as hedging instruments in an effective hedge.

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

Loans and Receivables
This category is the most relevant to the Group. Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, receivables are measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The EIR amortization, if any, is included in the other expenses – net caption in the consolidated statement of income. The losses arising from impairment of receivables, if any, are recognized as Provision for impairment loss under selling and general expenses in the consolidated statement of income. The level of allowance for impairment losses is evaluated by management on the basis of factors that affect the collectability of accounts (see accounting policy on Impairment of Financial Assets).

This accounting policy applies to trade receivables, receivables from lessees of bunkhouses and loan receivable under trade and other receivables.

AFS Financial Assets
AFS financial assets include equity investments. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses arising from the fair valuation of AFS financial assets being reported as unrealized gain (loss) on AFS financial assets under other components of equity of the consolidated statement of financial position until the investment is derecognized. These are also reported as OCI in the consolidated statement of comprehensive income. Interest earned while holding AFS financial assets is reported as interest income using the EIR method. Any dividend earned on holding AFS financial assets is recognized in the consolidated statement of income when the right of payment has been established.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for a foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of income.

When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the consolidated statement of income. Where the Group holds more than one investment in the same security, the disposal is deemed on a first-in, first-out basis.

Included in this category are equity investments in publicly listed and private companies other than subsidiaries. These are shown as a separate line item in the consolidated statement of financial position.

Loans and borrowings
Issued financial instruments or their components, which are not designated as at FVPL are classified as loans and borrowings, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.
Loans and borrowings are initially recorded at fair value less directly attributable transaction costs. After initial measurement, other financial liabilities are measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral part of the EIR. Effects of restatement of foreign currency-denominated liabilities, if any, are recognized in the foreign currency exchange gains (losses) under other expenses – net in the consolidated statement of income.

This accounting policy relates to the Group's loans payable and obligations under finance lease.

Payables
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations (e.g., accounts payable, accrued liabilities). Payables are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

This accounting policy applies to the Group's trade and nontrade payables and accrued expenses under trade and other payables, and equity of claim owners on contract operations under other noncurrent liabilities.

Derecognition of Financial Instruments
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 the risks and rewards of the asset, but has transferred control of the asset

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or assumed, is recognized in the consolidated statement of income.

Impairment of Financial Assets
The Group assesses, at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), 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 debtors or a group of debtors 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 observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortized Cost
For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Evidence of impairment may include indications that the borrower is experiencing significant difficulty, default or delinquency in payments, the probability that they will enter bankruptcy, or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. In relation to trade, nontrade, advances to officers and employees, advances to contractors, Employee Stock Ownership Incentive Plan (ESOIP), receivables from lessees of bunkhouses, and loan receivable under 'Trade and other receivables', a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as customer type, past dues status and term.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The amount of the loss shall be recognized in consolidated statement of income.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The financial assets, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. 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 had there been no impairment.

AFS Financial Assets
For AFS financial assets, the Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

In case of equity investments classified as AFS, this would include a significant or prolonged decline in the fair value of the investments below its cost. Significant is evaluated against the original cost of the investment and prolonged against the period in which the fair value has been below its original cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost. The Group treats significant generally as 20% or more of the original cost of investment, and prolonged as greater than 12 months.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of income.

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in consolidated statement of income, is transferred from equity to the consolidated statement of income as part of the provision for impairment losses account under selling and general expenses. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

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 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 for a similar financial asset.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle the liability simultaneously, 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 the fair values of financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed and further details as to how they are measured are provided in the following notes:

• Disclosures on significant judgments and estimates	Note 3
• AFS financial assets	Note 9
• Land	Note 10
• Artworks	Note 10
• Investment property	Note 11

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 best economic 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.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Inventories
Inventories are valued at the lower of cost or net realizable value (NRV).

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Materials and supplies	–	at purchase price less purchase discount, returns and rebates on a first-in, first-out method
Gold bullions or buttons	–	at cost on a moving average production method
Beneficiated nickel ore	–	at cost on a moving average production method during the year exceeding a determined cut-off grade
Subdivision lots	–	at land costs, amounts paid to contractors for costs incurred in the development and improvement of the properties (planning and design costs, cost of site preparation, professional fees, property taxes, construction overheads and other related costs).

NRV for materials and supplies represents the current replacement cost. NRV for subdivision lots for sale is the estimated selling price in the ordinary course of business less costs of completion and estimated costs necessary to make the sale. NRV of gold bullions or buttons and beneficiated nickel ore is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Deferred Mine Exploration Costs
Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:
- Researching and analyzing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

License costs paid in connection with a right to explore in an existing exploration area are capitalized and amortized over the term of the permit.

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to profit or loss as incurred, unless the Group concludes that a future economic benefit is more likely than not to be realized. These costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalized, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Expenditure on exploration and evaluation is accounted for in accordance with the area of interest method. Exploration and evaluation expenditure is capitalized provided the rights to tenure of the area of interest is current and either: the exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, then, any fulfillment exploration and evaluation expenditure is reclassified as mine properties and mine development costs included as part of property, plant and equipment. Prior to reclassification, exploration and evaluation expenditure is assessed for impairment.

When a project is abandoned, the related deferred mine exploration costs are written off. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

Other Current Assets

Other current assets include various prepayments, creditable withholding taxes (CWTs) and excess input Value-Added Tax (VAT) and deferred input VAT.

VAT

Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is recognized as an asset and will be offset against the Group's output VAT. Input VAT arising from zero-rated sales can be recovered as tax credits against future tax liabilities of the Group upon approval by the Philippine Bureau of Internal Revenue and/or the Philippine Bureau of Customs, as applicable. Input VAT is stated at its estimated NRV.

Output VAT represents indirect taxes passed on to the Group's customers resulting from sale of goods and services and other income, as applicable.

Deferred input VAT arises from the Company's unsettled purchases of services and purchases of capital assets exceeding the threshold of the BIR.

CWT

CWTs are amounts withheld from income of the Group subject to expanded withholding taxes. CWTs can be utilized as payments for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules of Philippine income taxation. CWTs are stated at the estimated NRV.

Prepaid Expenses

Prepaid expenses pertain to advance payments for insurance, rent, other services and tax credit certificates (TCC) granted by the BIR to the Group. These are stated at the estimated NRV.

Assets Classified as Held for Sale

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale

in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment, once classified as held for sale, are not depreciated or amortized.

Property, Plant and Equipment

Property, plant and equipment, except land and artworks, are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, depletion and amortization and accumulated impairment in value. Such cost includes the cost of replacing part of such property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

When significant parts of property, plant and equipment are to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of income as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Construction in progress (CIP) is recorded at cost. This includes costs of construction and other direct costs. CIP is not depreciated until such time that the relevant asset is completed, transferred to the appropriate account and put into operational use.

Land is carried at revalued amount less any impairment in value. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

Artworks, which the Group holds for aesthetic purposes, are also stated at revalued amount less any impairment in value. The initial cost of artworks includes purchase consideration, the fair value in the case of vested assets, and those costs that are directly attributable to bringing the asset to its location and condition necessary for its intended purpose.

The increment from valuation of land and artworks, net of deferred tax liability, resulting from the revaluation of land is credited to revaluation increment under the other components of equity caption included in the equity section in the consolidated statement of financial position. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in the consolidated statement of income, the increase is recognized in profit or loss. A revaluation deficit is recognized in the consolidated statement of income, except to the extent that it offsets an existing surplus on the same asset recognized in the revaluation increment. Upon derecognition of the revalued property, the relevant portion of the revaluation increment realized in respect of previous valuations is released from the revaluation increment directly to retained earnings.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

Category	Number of years
Port facilities	25
Land improvements	3–25
Buildings	5–20
Machinery, tools and equipment	2–15

Depreciation of an item of property, plant and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the matter intended by management. Depreciation, depletion and amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5 and the date the asset is derecognized.

The estimated useful lives, residual values and depreciation method are reviewed periodically to ensure these are consistent with the expected pattern of economic benefits from items of property, plant and equipment. The useful lives and residual values are reviewed at the end of each reporting period and adjusted prospectively, if appropriate.

Fully depreciated assets are retained in the accounts until these are no longer in use. No further depreciation is charged to current operation for these items.

The carrying values of property, plant, and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

Mine and Mining Properties
Capitalized expenditure is assessed for impairment and is transferred from deferred exploration costs to mine development costs 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).

After transfer of the deferred exploration costs, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized in mine development costs. Development expenditure is net of proceeds from the sale of ore extracted during the development phase to the extent that it is considered integral to the development of the mine. Any costs incurred in testing the assets to determine if they are functioning as intended, are capitalized, net of any proceeds received from selling any product produced while testing. If these proceeds exceed the cost of testing, any excess is recognized in the consolidated statement of income.

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

When the Group has already achieved commercial levels of production, mine development 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.
The carrying value of mine and mining properties represents total expenditures incurred to date on the area of interest, less accumulated depletion and any impairment.

When a mine construction project moves into the production phase, the capitalization of certain mine construction costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions, improvements or new developments, underground mine development or mineable reserve development.

Mine and mining properties are subject to depletion, which is computed using the units-of production method based on the economically recoverable reserves. Mine and mining properties include the initial estimate of provision for mine rehabilitation and decommissioning, for which the Group is constructively liable.

Investment Property
Investment property pertain to properties, which are held to earn rentals or for capital appreciation that is held to earn rentals or for capital appreciation or both. Property held under a lease is classified as investment property when it is held to earn rentals or for capital appreciation or both, rather than for sale in the ordinary course of business or for use in production or administrative functions.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment property is recognized in the consolidated statement of income in the period in which these arise. Fair values are determined based on an annual revaluation performed by an accredited external independent appraiser.

Investment property is derecognized either when these have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of investment property is recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. Transfers between investment property and owner occupied property do not change the carrying amount of the investment property transferred and they do not change the cost of the property.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of a project of the Group, which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. Borrowing costs consist of interest on borrowed funds used to finance the construction of the asset and other financing costs that the Group incurs in connection with the borrowing of funds. The capitalization of the borrowing cost as part of the cost of the asset commences when the expenditures and borrowing costs are being incurred during the construction and related activities necessary to prepare the asset for its

intended use are in progress and ceases when substantially all the activities necessary to prepare the asset for its intended use are complete. Capitalized borrowing costs are based on the applicable borrowing rate agreed in the agreement.

Other Noncurrent Assets
Other noncurrent assets include prepayments, advances and various restricted bank deposits for the settlement of environmental obligations. These are initially recognized at cost and are carried at NRV.

Impairment of Nonfinancial Assets
Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Disclosures on significant judgments and estimates — Note 3
- Nonfinancial receivables — Note 5
- Inventories — Note 6
- Other current assets — Note 7
- Property, plant and equipment — Note 10
- Investment property — Note 11
- Deferred mine exploration costs — Note 12
- Nonfinancial other noncurrent assets — Note 13

The Group assesses, at the end of each reporting period, whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable value 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. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the consolidated statement of income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation.

For assets (except goodwill), an assessment is made at each end of the reporting period to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's

recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, depletion or amortization, had no impairment loss been recognized for that 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.

Deferred Mine Exploration Costs
The Group assesses whether facts and circumstances suggest that the carrying amount of deferred mine exploration costs may exceed its recoverable amount. Below are some of the facts and circumstances, which the Group considers in determining whether there is impairment on deferred mine exploration costs:

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area, and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the deferred mine exploration costs is unlikely to be recovered in full from successful development or by sale

Full provision is made for the impairment unless it is probable that such costs are expected to be recouped through successful exploration and development of the area of interest, or alternatively, by its sale. If the project does not prove to be viable or is abandoned, all revocable cost associated with the project and the related impairment provisions are written off.

Recovery of impairment losses recognized in prior years is recorded if, and 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. The recovery is recorded in the consolidated statement of income.

<u>Provisions</u>
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. When the Group expects some or all of the provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when 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 interest expense in the consolidated statement of income.

Liability for Mine Rehabilitation
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 re-vegetating 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 or 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 that arise due to further development or construction at the mine are recognized as additions or charges to the corresponding assets and rehabilitation liability when these 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.

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 consolidated statement 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. If, for mature mines, the estimate for the revised mine assets net of rehabilitation provisions 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 consolidated statement of income as part of interest expense.

For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of income.

Rehabilitation trust funds committed for use in satisfying environmental obligations are included in other noncurrent assets in the consolidated statement of financial position.

Capital Stock and Capital Surplus
Common and preferred shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds. The excess of proceeds from issuance of shares over the par value of shares less any incremental costs directly attributable to the issuance, net of tax, is credited to capital surplus.

Other Components of Equity
The 'Other components of equity' caption in the consolidated statement of financial position consists of:

- Revaluation increment
- Cost of share-based payment
- Cumulative translation adjustment on foreign subsidiaries
- Remeasurement gain (loss) on pension liability
- Unrealized gain (loss) on AFS financial assets

Deposits for Future Stock Subscriptions
Deposits for future stock subscriptions represent advance payments of stockholders for subscriptions of shares to be issued in the future but for which the Group has no sufficient unissued authorized capital stock.

In instances where the Group does not have sufficient unissued authorized capital stock, the following elements should be present as of the reporting date in order for the deposits for future subscriptions to qualify as equity:

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

Otherwise, these are recognized as noncurrent liabilities.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policies 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.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders. Appropriated retained earnings represent that portion, which has been restricted and, therefore, not available for dividend declaration.

Appropriation of retained earnings is the allocation of a portion of the Group's retained earnings for a specific purpose. Costs and losses cannot be charged for such appropriations. The reasons for appropriations may include legal or contractual restrictions, existence of possible or expected loss, expansion projects, and protection of working capital position.

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

Treasury Shares
Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in capital surplus under the equity section of the consolidated statement of financial position.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. 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.

Sale of Mine Products
Revenue is recognized when the significant risks and rewards of ownership have transferred to the buyer, which is normally at the time of shipment, and the selling prices are known or can be reasonably estimated.

Sale of Services
Revenue is recognized when the outcome of a transaction involving the rendering of services can be estimated reliably.

Trucking Services
Revenue is recognized when services are rendered and can be reasonably estimated.

Rental Income and Others
Included under this caption are rental income, sale of real estate, sale of goods, interest and other income.

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of income due to its operating nature.

Revenue from the sale of real estate, which pertains to the sale of subdivision lots, is recognized on an installment basis and when the collectibility of the sales price is reasonably assured.

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods and the amount of revenue can be measured reliably. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as AFS, interest income is recorded using the EIR. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in other expenses – net in the consolidated statement of income.

Other income not directly related to the Group's normal operations is recognized when the earnings process is virtually complete. These are classified under other expense – net in the consolidated statement of income.

Cost and Expense Recognition

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are generally recognized when these arise following the accrual basis of accounting.

Cost of Mine Products Sold

Cost of mine products sold is incurred in the normal course of business and is recognized when incurred. It comprises mainly of materials and supplies, outside services, contractor fees, depreciation, depletion and amortization, personnel expenses, power and utilities and others, which are recognized as expenses in the period when the mine products are delivered.

Cost of Services and Other Sales

Cost of services and other sales incurred in the normal course of business are recognized when the services are rendered, the goods are delivered or the earnings process is virtually complete.

Included under this caption is the cost of real estate sold. Cost of real estate sold is recognized when the significant risks and rewards over the subdivision lots have been transferred to the buyer. This includes land cost, costs of site preparation, professional fees for legal services, property transfer taxes, and other related costs. The cost of real estate sold recognized in profit or loss on disposal is determined with reference to the specific costs incurred on the subdivision lot and an allocation of any non-specific costs based on the relative size of the subdivision lot.

Selling and General Expenses

Selling and general expenses pertain to costs associated in the marketing and general administration of the day-to-day operations of the Group. These are generally recognized when incurred.

Excise Taxes and Royalty Fees

Excise taxes and royalty fees pertain to the taxes paid or accrued by the Group arising from the production of gold and nickel ore. These taxes and royalties are recognized once revenue from the sale of the related mine product is recognized.

Leases

Determination of Whether an Arrangement Contains a Lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of the specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A reassessment is made after the inception on 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 the 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 date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) and (d) and at the date of renewal or extension period for scenario (b).

Group as a Lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in the consolidated statement of income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as operating expenses in the consolidated statement of income on a straight-line basis over the lease term.

Group as a Lessor
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

Pension and other post-employment benefits
The Parent Company and AFC have separate, noncontributory, defined benefit pension plans, covering all permanent, regular and full-time employees.

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, 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 plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains or losses, the effect of the ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in the net interest on the net defined benefit liability), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which these occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past services costs are recognized in profit or loss on the earlier of:
- The date of the plan amendment or curtailment, and
- The date that the Group recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under costs of mine products sold, costs of services and selling and general expenses in the consolidated statement of income:
- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

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 they 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.

Share-based Payment Transactions
Employees (including senior executives) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, in employee benefits expense.

The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit and loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits.

No expense is recognized for awards that do not ultimately vest, except for equity settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense computed based on the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the Group or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

When the terms of an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Where an equity-settled award expires or is cancelled, its cost is transferred to additional paid-in capital.

Forfeitures revise the expense to reflect the best available estimate of the number of equity instruments expected to vest.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Foreign Currencies

The Group's consolidated financial statements are presented in Philippine peso, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation.

Transactions and Balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of foreign operation. These are recognized in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss on translation of non-monetary items measured at fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

Foreign Subsidiaries

On consolidation, the assets and liabilities of foreign operations are translated into Philippine peso at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the average exchange rates for the year. The exchange differences arising on the translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in the consolidated statement of income.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The income tax rates and income tax laws used to compute the amount are those that are enacted or substantively enacted as of the end of the reporting period in the country where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income.

Deferred Tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (tax loss)
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available, against which the temporary differences can be utilized

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced 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 tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

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

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

Earnings Per Share (EPS)
Basic EPS amount is calculated by dividing net income for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year.

Diluted EPS amount is calculated by dividing the net profit attributable to ordinary equity holders of the Parent Company (after deducting interest on the convertible cumulative preference shares) by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalization, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively. If these changes occur after the reporting period but before the financial statements are authorized for issue, the per share calculations for those and any prior period financial statements presented shall be based on the new number of shares. The fact that per share calculations reflect such changes in the number of shares shall be disclosed. In addition, basic and diluted earnings per share of all periods presented shall be adjusted for the effects of errors and adjustments resulting from changes in accounting policies accounted for retrospectively.

OCI
OCI comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized 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, inventories and property, plant and equipment, net of allowances and provisions.

Segment liabilities include all operating liabilities and consist principally of trade and other payables, accrued expenses and bank loans. Segment assets and liabilities do not include deferred taxes.

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.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed 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 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 end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed when material.

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRSs requires the Group to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the accompanying disclosures, and the disclosure of contingent liabilities. 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. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties include capital management, financial risk management and policies and sensitivity analyses disclosures (see Note 33).

Judgments
In the process of applying the Group's accounting policies, management has made following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Going Concern
Management has made an assessment on the Group's ability to continue as a going concern and is satisfied that it has the resources to continue business for the foreseeable future.

Determining Functional Currency
The Parent Company, based on the relevant economic substance of the underlying circumstances, has determined the functional currency of each entity under the Group to be the Philippine peso. It is the currency of the primary economic environment in which the Group primarily operates.

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 leases. Further, management assessed that the Group's finance lease transfers substantially all the risks and rewards incidental to ownership to the Group and therefore accounts for such as finance lease.

Assessment Whether a Noncurrent Asset is Held for Sale
In 2014, the AFC's BOD announced its decision to dispose a property, which includes a building and a parcel of land and, therefore classified such as 'assets classified as held for sale'. The BOD considered that the assets met the criteria to be classified as held for sale due to the following reasons:

- The property is available for immediate sale and can be sold to a potential buyer in its current condition.
- AFC had a plan to sell the assets and had entered into preliminary negotiations with a potential buyer. Should negotiations with the party not lead to a sale, a number of potential buyers who signified intent of buying the property have been identified.
- 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.

For more details on assets held for sale, refer to Note 8.

Assessing 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 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 34).

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year, are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may changes due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when these occur.

Estimating Ore Reserves
Ore reserves estimates are, to a large extent, based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies. The Group estimates its ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The Group also makes estimates and assumptions regarding a number of economic and technical factors affecting ore reserves estimates, such as production rates, grades, foreign exchange rates, production and transport costs, and commodity prices.

These geological, economic and technical estimates and assumptions may change in the future in ways, which can affect the quality and quantity of the ore reserves. The Group reviews and updates estimates as required, but at least annually, to reflect actual production, new exploration data or developments and changes in other assumptions or parameters. These estimates will change from time to time to reflect mining activities, analyses of new engineering and geological data, changes in ore reserve and mineral resource holdings, modifications of mining plans or methods, changes in nickel or gold prices or production costs, and other factors.

Changes in the ore reserves estimates may impact the carrying values of property, plant and equipment, provision for mine rehabilitation and decommissioning, recognition of deferred income tax assets and depreciation and depletion charges.

Assessing Recoverability of Deferred Mine Exploration Costs
The Group reviews the recoverability of deferred mine exploration costs when events or changes in circumstances indicate that the carrying amount of deferred mine exploration costs may exceed its estimated recoverable amount. The Group considers the following factors, among others, in its assessment:

- Status of each mine exploration project and plans on exploration and evaluation activities
- Validity of the licenses, permits and correspondences related to each mine exploration project
- Plans to abandon existing mine areas and plans to discontinue exploration activities
- Availability of information suggesting that the recovery of expenditure is unlikely

As at December 31, 2016 and 2015, deferred mine exploration costs amounted to ₱616,120 and ₱544,020, respectively (see Note 12). No impairment loss was recognized in 2016, 2015 and 2014.

Estimating Recoverability of Property, Plant and Equipment
The Group assesses impairment on property, plant and equipment whenever events or changes in circumstances indicate that the carrying amount of the property, plant and equipment may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results
- Significant changes in the manner of use of the acquired assets or the strategy for overall business, and
- Significant negative industry or economic trends

In determining the present value of estimated future cash flows expected to be generated from the continued use of the property, plant and equipment, the Group is required to make estimates and assumptions such as commodity prices, discount rates and foreign currency exchange rates, which can materially affect the consolidated financial statements. Commodity prices and foreign exchange rates are based on forecasts of various financial institutions while the discount rate is based on industry weighted average cost of capital.

An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, property, plant and equipment are grouped at the lowest levels for which there are separately identifiable cash flows. An impairment loss is recognized and charged to earnings if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows. The Group did not recognize any impairment loss in 2016, 2015 and 2014 on property, plant and equipment.

As at December 31, 2016 and 2015, property, plant and equipment (at revalued amount and at cost) amounted to ₱3,811,268 and ₱3,941,580, respectively (see Note 10).

Estimating Allowance for Impairment Losses on Trade and Other Receivables
The Group evaluates specific accounts where the Group has information that certain customers are unable to meet their financial obligations. Factors, such as the Group's length of relationship with the customers and the customer's current credit status, are considered to ascertain the amount of reserves that will be recorded in the receivables account. In addition to specific allowances against individually significant accounts, the Group also makes a collective impairment assessment against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as any past collection experiences, the current economic conditions, and average age of the group of receivables. Allowance is re-evaluated and adjusted as additional information is received. Provision for impairment loss on trade and other receivables amounting to ₱9,735, ₱122, and ₱1,623 were recognized in 2016, 2015 and 2014, respectively (see Notes 5 and 23). As at December 31, 2016 and 2015, the carrying value of trade and other receivables amounted to ₱723,061 and ₱807,362, respectively, net of allowance for impairment losses of ₱113,667 and ₱104,526 as at December 31, 2016 and 2015, respectively (see Note 5).

Estimating Allowance for Inventory Obsolescence
The Group maintains allowance for inventory losses 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. As at December 31, 2016 and 2015, the carrying value of inventories amounted to ₱238,171 and ₱136,126, respectively (see Note 6).

Assessing Impairment of Other Current Assets and Other Noncurrent Assets
The Group provides allowance for impairment losses on other current assets and other noncurrent assets when these can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for probable loss would increase recorded expenses and decrease other current and noncurrent assets. No provision for impairment loss on other current assets and other noncurrent assets was recognized in 2016 and 2015. The total carrying value of other current assets and other noncurrent assets amounted to ₱1,050,252 and ₱943,017 as at December 31, 2016 and 2015, respectively (see Notes 7 and 13).

Determining the Fair Value of Land
The appraised value of land is based on a valuation by an independent appraiser firm conducted on March 15, 2013, which management believes, holds recognized and relevant professional qualification and has recent experience in the location and category of the land being valued. The appraiser firm used the market data approach in determining the appraised value of land. As at December 31, 2016 and 2015, the appraised value of land amounted to ₱2,623,583 and ₱2,623,387, respectively (see Note 10).

Determining the Fair Value of Investment Property
The Group carries investment property at fair value. The Group engaged an independent valuation specialist to determine fair value as at December 31, 2016 and 2015. The appraised value of investment property amounted to ₱31,915 and ₱209,558 as at December 31, 2016 and 2015, respectively (see Note 11).

Estimating Liability for Mine Rehabilitation
The Group estimates the costs of mine rehabilitation based on previous experience in rehabilitating fully mined areas in sections of the mine site. These costs are adjusted for inflation factor based on the average annual inflation rate as of adoption date or re-evaluation of the asset dismantlement, removal or restoration costs. Such adjusted costs are then measured at present value using the market interest rate for a comparable instrument adjusted for the Group's credit standing. While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's liability for mine rehabilitation. The change in estimate for mine rehabilitation asset included under property, plant and equipment amounted to ₱25,252 and (₱14,665) as at December 31, 2016 and 2015, respectively. Liability for mine rehabilitation amounted to ₱95,947 and ₱37,393 as at December 31, 2016 and 2015, respectively (see Note 16).

Estimating Cost of Share-Based Payment
The Parent Company's Nonqualified Stock Option Plan grants qualified participants the right to purchase common shares of the Parent Company at a grant price. The ESOIP recognizes the services received from the eligible employees and an equivalent adjustment to the equity account over the vesting period. The Parent Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 19. While management believes that the estimates and assumptions used are reasonable and appropriate, significant differences in actual experience or significant changes in the estimates and assumptions may materially affect the stock compensation costs charged to operations. Cost of share-based payment amounted to ₱32,995 and ₱54,441 as at December 31, 2016 and 2015, respectively (see Notes 18 and 19).

Estimating Pension Benefits
The cost of defined benefit pension and other post-employment benefits as well as the present value of the pension obligation 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 pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at the end of each reporting period. Net pension liability of the Parent Company amounted to ₱74,922 and ₱70,851 as at December 31, 2016 and 2015, respectively (see Note 29). Net pension liability of AFC amounted to ₱3,687 and ₱5,957 as at December 31, 2016 and 2015, respectively (see Note 29).

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 obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Further details about the assumptions used are provided in Note 29.

Assessing Realizability of Deferred Tax Assets
The Group reviews the carrying amounts of deferred tax assets at each end of the reporting period and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group recognized net deferred tax assets amounting to ₱34,456 and ₱7,783 as at December 31, 2016 and 2015, respectively. The Group has unused NOLCO, MCIT and deductible temporary differences amounting to ₱353,367 and ₱313,204, respectively, as at December 31, 2016 and 2015 for which deferred tax assets were not recognized as it is not probable that sufficient future taxable profits will be available against which the benefit of the deferred tax assets can be utilized (see Note 30).

4. Cash and Cash Equivalents

	2016	2015
Cash on hand and in banks	**₱42,539**	₱56,897
Short-term deposits	**48**	48
	₱42,587	₱56,945

Cash in banks earns interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term investment rates. Interest income from cash and cash equivalents amounted to ₱0.3 million, ₱6.8 million and ₱1.9 million in 2016, 2015 and 2014, respectively (see Note 26).

Cash in banks denominated in United States Dollar (US$) as at December 31, 2016 and 2015, amounted to ₱6.4 million (US$128,828) and ₱0.3 million (US$6,212), respectively (see Note 33).

5. Trade and Other Receivables

	2016	2015
Trade	**₱176,181**	₱231,516
Nontrade	**439,333**	427,005
Advances to officers and employees	**66,304**	79,288
ESOIP (Note 27)	**58,416**	58,416
Loan receivable	**49,763**	49,763
Receivables from lessees of bunkhouses	**35,704**	35,797
Others	**11,027**	30,103
	836,728	911,888
Less allowance for impairment losses	**113,667**	104,526
	₱723,061	₱807,362

Trade receivables and receivables from lessees of bunkhouses are non-interest bearing and are generally collectible within a period of one year. Advances to officers and employees are non-interest bearing and are subject to liquidation.

Nontrade receivables pertains to advances made to suppliers by the Group relating to materials and supplies necessary in the Group's operation. These are non-interest bearing and will be realized through offsetting against future billings from suppliers.

Other receivables are comprised of various receivable items from different debtors of the Group, while advances to officers and employees pertain to cash advances made to officers and employees and are used in the operations of the Group.

Most of the receivables of the Group consist of individually significant accounts and are therefore subject to specific impairment assessment. Based on the impairment assessment performed, the Group recognized allowance for impairment loss amounting to ₱113.7 million and ₱104.5 million as at December 31, 2016 and 2015, respectively, covering the said receivables, which are considered as individually impaired.

Receivables, which are not individually significant and individually significant receivables for which no specific impairment assessment was made, were subjected to collective assessment. The Group recognized provision for impairment loss on trade and other receivables amounting to ₱9.7 million, ₱0.1 million, and ₱1.6 million in 2016, 2015 and 2014, respectively (see Note 23).

In 2016 and 2015, the Group has written off nontrade and other receivables amounting to ₱0.6 million and ₱1.0 million, respectively, which were already provided with allowance for impairment loss, as such were assessed to be impaired.

In 2016 and 2015, the Group has directly written off nontrade and other receivables amounting to ₱23.4 million and ₱28.2 million, respectively, resulting in losses for the same amounts (see Note 26).

Movements of allowance for impairment loss are as follows:

	2016						
	Trade receivables	**Nontrade receivables**	**Advances to officers and employees**	**ESOIP**	**Receivables from lessees of bunkhouses**	**Others**	**Total**
Balances at beginning of year	**₱3,168**	**₱12,322**	**₱2,116**	**₱58,416**	**₱27,328**	**₱1,176**	**₱104,526**
Provisions (Note 23)	**1,951**	**–**	**33**	**–**	**7,751**	**–**	**9,735**
Write-off	**(4)**	**(590)**	**–**	**–**	**–**	**–**	**(594)**
Balances at end of year	**₱5,115**	**₱11,732**	**₱2,149**	**₱58,416**	**₱35,079**	**₱1,176**	**₱113,667**

	2015						
	Trade receivables	Nontrade receivables	Advances to officers and employees	ESOIP	Receivables from lessees of bunkhouses	Others	Total
Balances at beginning of year	₱3,168	₱13,302	₱2,061	₱58,416	₱27,328	₱1,176	₱105,451
Provisions (Note 23)	–	67	55	–	–	–	122
Write-off	–	(1,047)	–	–	–	–	(1,047)
Balances at end of year	₱3,168	₱12,322	₱2,116	₱58,416	₱27,328	₱1,176	₱104,526

Except for those impaired accounts, the Group assessed trade and other receivables as collectible and in good standing.

Loan Receivable

On March 3, 2010, MMC granted an unsecured loan facility to a third party amounting to ₱135.0 million with an interest rate of 9% per annum. Outstanding loans receivable, including accrued interest, amounted to ₱49.8 million as at December 31, 2016 and 2015.

6. Inventories

	2016	2015
Beneficiated nickel ore – at cost	**₱205,012**	₱101,359
Materials and supplies – at NRV	**27,316**	28,301
Subdivision lots – at cost	**5,843**	6,466
	₱238,171	₱136,126

Movements in subdivision lots are as follows:

	2016	2015
Balances at beginning of year	**₱6,466**	₱9,506
Sales (recognized as cost of real estate sales; Note 22)	**(623)**	(3,040)
Balances at end of year	**₱5,843**	₱6,466

As at December 31, 2016 and 2015, the NRV of the Group's beneficiated nickel ore and subdivision lots is higher than the related cost.

The amount of beneficiated nickel ore inventory recognized as expense, included in the costs of mine products sold in the consolidated statements of income, amounted to ₱314.9 million, ₱819.6 million, and ₱434.3 million in 2016, 2015 and 2014, respectively.

The aggregate cost of beneficiated nickel ore inventory that increased (decreased) cost of mine products sold amounted to (₱103.7 million), (₱36.5 million) and ₱156.3 million in 2016, 2015 and 2014, respectively (see Note 21).

The cost of materials and supplies, which are carried in the books at NRV, amounted to ₱318.4 million and ₱322.5 million as at December 31, 2016 and 2015, respectively.

Movements of allowance for impairment loss on materials and supplies are as follows:

	2016	2015
Balances at beginning of year	**₱294,154**	₱294,266
Write-off	**(3,099)**	(112)
Balances at end of year	**₱291,055**	₱294,154

Materials and supplies amounting to ₱3.1 million and ₱0.1 million, which were already provided with allowance for impairment loss, were written off in 2016 and 2015 as the Group assessed that such can no longer be used.

Materials and supplies charged to current operations amounted to ₱151.3 million, ₱248.7 million and ₱307.9 million in 2016, 2015 and 2014, respectively (see Notes 21, 22 and 23). There are no purchase commitments related to inventories or inventories pledged as security for liabilities as at December 31, 2016 and 2015.

7. Other Current Assets

	2016	2015
Input VAT - net	**₱395,017**	₱389,923
Prepaid expenses	**193,564**	97,739
CWT	**184,718**	154,446
Deferred input VAT	**87,967**	70,929
Advances to contractors	**50,952**	42,762
Others	**6,237**	9,304
	918,455	765,103
Less allowance for impairment loss on advances to contractors	**41,947**	41,947
	₱876,508	₱723,156

Prepaid expenses include tax credit certificates (TCC), which can be utilized as payment for income taxes. These also include prepayments for insurance, rent and other services.

The BIR disallowed input VAT claims filed for TCC by BNMI and KPLMSC totaling ₱16.7 million, ₱78.9 million and ₱10.7 million in 2016, 2015 and 2014, respectively (see Note 26).

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

Allowance for impairment losses on advances to contractors amounting to ₱41.9 million was recognized as at December 31, 2016 and 2015, as the Group believes that such advances may no longer be realized.

Others include security deposits, which pertain to deposits to satisfy lease obligations of the Group. These are refundable at the end of the related lease term.

8. Assets Classified as Held for Sale

In 2014, AFC's BOD announced its decision to dispose AFC's property, which includes a building and a parcel of land, in Valenzuela City and classified such property as held for sale. Before classification as held for sale, the said property is part of property, plant and equipment carried at revalued amount.

The assets classified as held for sale in 2014, with revalued amount of ₱53.5 million and original cost of ₱1.0 million, were subsequently sold on January 21, 2015 for ₱59.3 million, resulting in a gain of ₱5.7 million. The related revaluation increment and deferred tax liability amounting to ₱36.8 million and ₱15.8 million, respectively, were transferred to retained earnings as a result of the disposal.

9. AFS Financial Assets

	2016	2015
UITF	**₱9,436**	₱10,790
Quoted shares	**759**	609
Unquoted shares	**571**	571
	₱10,766	₱11,970

Movements in AFS financial assets are as follows:

	2016	2015
Balances at beginning of year	**₱11,970**	₱11,423
Additions	**23,767**	750
Disposals	**(25,170)**	–
Change in fair value of AFS financial assets	**199**	(203)
Balances at end of year	**₱10,766**	₱11,970

The unrealized gain representing the change in fair value of these financial assets, net of deferred tax liability, amounting to ₱0.9 million as at December 31, 2016 and 2015 is shown as part of the other components of equity in the consolidated statements of financial position and in the consolidated statements of changes in equity (see Note 18). The fluctuations in value of these investments are also reported as part of other comprehensive income (loss) in the consolidated statements of comprehensive income.

Movements in unrealized gain on AFS financial assets, net of deferred tax, recognized as a separate component of equity are as follows (see Note 18):

	2016	2015
Balances at beginning of year	**₱881**	₱1,010
Realized gain on sale of AFS financial asset	**(154)**	–
Unrealized gain (loss) on fair value change	**139**	(129)
Balances at end of year	**₱866**	₱881

Unquoted shares pertain to shares of stock that are not traded in an active market. These investments are carried at cost, less any impairment in value, since these investments do not have quoted market prices in an active market and their fair values cannot be reliably measured.

As at December 31, 2016, the Group has no intention to dispose its AFS financial assets.

There was no sale of AFS financial asset in 2015.

In 2016 and 2014, the Group sold AFS financial assets with cost amounting to ₱25.0 million and ₱4.7 million, respectively. Proceeds from these disposals amounted to ₱25.2 million and ₱4.0 million, respectively, resulting in realized gain amounting to ₱0.2 million in 2016 and realized loss amounting to ₱0.7 million in 2014 (see Note 26).

10. Property, Plant and Equipment

a. Property, plant and equipment – at revalued amount

The Group's property, plant and equipment items carried at revalued amounts are as follows:

	2016	2015
Land	**₱2,623,583**	₱2,623,387
Artworks	**16,481**	16,481
	₱2,640,064	₱2,639,868

i. Land - at revalued amount

	2016		
	Cost	**Revaluation increment**	**Total**
Balances at beginning of year	**₱40,334**	**₱2,583,053**	**₱2,623,387**
Change in fair value	**–**	**1,770**	**1,770**
Disposal	**(848)**	**(726)**	**(1,574)**
Balances at end of year	**₱39,486**	**₱2,584,097**	**₱2,623,583**

	2015		
	Cost	Revaluation increment	Total
Balances at beginning of year	₱40,334	₱2,583,466	₱2,623,800
Disposal	–	(413)	(413)
Balances at end of year	₱40,334	₱2,583,053	₱2,623,387

Increase in the revaluation increment on land amounted to ₱1.2 million, net of deferred tax liability of ₱0.6 million in 2016. There was no increase in revaluation increment in 2015.

ii. Artworks - at revalued amount

	2016		
	Cost	**Revaluation increment**	**Total**
Balances at beginning and end of year	**₱896**	**₱15,585**	**₱16,481**

	2015		
	Cost	Revaluation increment	Total
Balances at beginning of year	₱896	₱15,062	₱15,958
Change in fair value	–	523	523
Balances at end of year	₱896	₱15,585	₱16,481

The Group adopted the revaluation model and engaged independent firms of appraisers to determine the fair value of its land and artworks classified under property, plant and equipment in the consolidated statements of financial position. The appraisers determined the fair value of the Group's land based on its market value as at February 23, 2013, and of the Group's artworks as at October 19, 2015. The assigned values were estimated using the sales comparison approach, which considers the sales of similar or substitute properties and their related market values, and establishes value estimates through processes involving comparisons. Management has assessed that the difference of the fair values at the time of latest valuation and at December 31, 2016 is not significant and as such, therefore, no appraisal was performed in 2016.

In 2015, the Group recognized revaluation increment on artworks amounting to ₱0.3 million, net of deferred tax liability of ₱0.2 million.

b. Property, Plant and Equipment – at cost

2016

	Land improvements	Buildings	Machinery, tools and equipment	Mine and mining properties	Port facilities	CIP	Total
Cost:							
Beginning balance	**₱105,553**	**₱339,394**	**₱1,593,093**	**₱1,565,715**	**₱100,533**	**₱130,863**	**₱3,835,151**
Additions	**211**	**1,014**	**15,010**	**11,087**	**104**	**8,480**	**35,906**
Disposals	**(51)**	**–**	**(55)**	**–**	**–**	**–**	**(106)**
Change in estimate of the liability for mine rehabilitation (Note 16)	**–**	**–**	**–**	**25,252**	**–**	**–**	**25,252**
Reclassifications	**–**	**(7,182)**	**7,182**	**–**	**–**	**–**	**–**
Reclassifications to investment property (Note 11)	**(31,915)**	**–**	**–**	**–**	**–**	**–**	**(31,915)**
Retirements	**–**	**(6,393)**	**–**	**–**	**–**	**–**	**(6,393)**
Ending balance	**73,798**	**326,833**	**1,615,230**	**1,602,054**	**100,637**	**139,343**	**3,857,895**
Accumulated depreciation and depletion:							
Beginning balance	**61,323**	**293,009**	**1,383,996**	**784,581**	**10,530**	**–**	**2,533,439**
Depreciation and depletion (Note 25)	**1,817**	**11,966**	**118,279**	**23,469**	**4,189**	**–**	**159,720**
Disposals	**(51)**	**–**	**(24)**	**–**	**–**	**–**	**(75)**
Retirements	**–**	**(6,393)**	**–**	**–**	**–**	**–**	**(6,393)**
Ending balance	**63,089**	**298,582**	**1,502,251**	**808,050**	**14,719**	**–**	**2,686,691**
Net book values	**₱10,709**	**₱28,251**	**₱112,979**	**₱794,004**	**₱85,918**	**₱139,343**	**₱1,171,204**

2015

	Land improvements	Buildings	Machinery, tools and equipment	Mine and mining properties	Port facilities	CIP	Total
Cost:							
Beginning balance	₱125,300	₱333,658	₱1,572,529	₱1,504,551	₱100,533	₱197,353	₱3,833,924
Additions	–	2,079	27,310	13,167	–	13,537	56,093
Disposals	(19,747)	–	(28,312)	–	–	(49,091)	(97,150)
Retirement	–	–	(3,271)	–	–	–	(3,271)
Change in estimate of the liability for mine rehabilitation (Note 16)	–	–	–	(14,665)	–	–	(14,665)
Reclassifications	–	3,657	24,837	1,610	–	(30,936)	(832)
Reclassifications from deferred mine exploration costs (Note 12)	–	–	–	61,052	–	–	61,052
Ending balance	105,553	339,394	1,593,093	1,565,715	100,533	130,863	3,835,151
Accumulated depreciation and depletion:							
Beginning balance	74,181	284,373	1,315,201	751,442	6,344	–	2,431,541
Depreciation and depletion (Note 25)	1,963	9,468	99,485	33,139	4,186	–	148,241
Disposals	(14,821)	–	(27,419)	–	–	–	(42,240)
Retirement	–	–	(3,271)	–	–	–	(3,271)
Reclassifications	–	(832)	–	–	–	–	(832)
Ending balance	61,323	293,009	1,383,996	784,581	10,530	–	2,533,439
Net book values	₱44,230	₱46,385	₱209,097	₱781,134	₱90,003	₱130,863	₱1,301,712

Certain items of property, plant and equipment totaling to ₱35.4 million are used as collateral for the Philippine Export-Import Credit Facility (PhilExim) loan of the Group. In 2015, the loan was fully settled releasing the mortgages over the said property, plant and equipment items (see Note 14).

Proceeds totaling to ₱2.3 million, ₱75.8 million and ₱21.1 million in 2016, 2015 and 2014, respectively, from the disposal of property, plant and equipment items resulted in net gain of ₱0.7 million in 2016, and net losses of ₱30.3 million and ₱8.2 million in 2015 and 2014, respectively (see Note 26).

In 2016, the Group has retired a fully depreciated building with a cost and accumulated depreciation of ₱6.4 million. Accordingly, no gain or loss was recognized pertaining to the said retirement.

In 2016, the Group has reclassified a land improvement from property, plant and equipment to investment property amounting to ₱31.9 million due to the change in use, evidenced by the ending of owner-occupation. This property is being held by the Group for capital appreciation (see Note 11).

The cost of fully depreciated property, plant and equipment still being used in the Group's operations amounted to ₱1.2 billion as at December 31, 2016 and 2015.

Movements in mine and mining properties in 2016 and 2015 are as follows:

	2016			
	Mine and mining properties	Mine development costs	Mine rehabilitation asset	Total
Cost:				
Balances at beginning of year	₱1,234,484	₱242,493	₱88,738	₱1,565,715
Additions	–	11,087	–	11,087
Change in estimate of the liability for mine rehabilitation (Note 16)	–	–	25,252	25,252
Reclassifications from mine development costs to mine and mining properties	253,580	(253,580)	–	–
Balances at end of year	1,488,064	–	113,990	1,602,054
Accumulated depletion:				
Balances at beginning of year	758,802	–	25,779	784,581
Depletion (Note 25)	22,060	–	1,409	23,469
Balances at end of year	780,862	–	27,188	808,050
Net book values	₱707,202	₱–	₱86,802	₱794,004

	2015			
	Mine and mining properties	Mine development costs	Mine rehabilitation asset	Total
Cost:				
Balances at beginning of year	₱1,157,899	₱243,249	₱103,403	₱1,504,551
Additions	13,167	–	–	13,167
Change in estimate of the liability for mine rehabilitation (Note 16)	–	–	(14,665)	(14,665)
Reclassifications	1,610	–	–	1,610
Reclassifications from mine development costs to mine and mining properties	756	(756)	–	–
Reclassifications from deferred mine exploration costs (Note 12)	61,052	–	–	61,052
Balances at end of year	1,234,484	242,493	88,738	1,565,715
Accumulated depletion:				
Balances at beginning of year	729,137	–	22,305	751,442
Depletion (Note 25)	29,665	–	3,474	33,139
Balances at end of year	758,802	–	25,779	784,581
Net book values	₱475,682	₱242,493	₱62,959	₱781,134

11. Investment Property

	2016	2015
Balances at beginning of year	**₱209,558**	₱166,693
Reclassification from property, plant and equipment (Note 10)	**31,915**	–
Disposals	**(209,558)**	–
Revaluation (Note 26)	**–**	42,865
Balances at end of year	**₱31,915**	₱209,558

Investment property consists of land located in Cabuyao, Laguna with a net total land area of 47,626.7 square meters and a cost of ₱39.4 million.

On September 18, 2015, the Group engaged an independent firm of appraisers to assess the fair market value of the investment property. The valuation was performed in accordance with the Philippine Valuation Standards. The value of the land was estimated by using the sales comparison approach. The fair value based on the appraisal report is estimated at ₱4,400 per square meter, or a total value of ₱209.6 million for the 47,626.7-square meter subject land area.

On July 8, 2016, the Group sold the investment property with a carrying value of ₱209.6 million for ₱191.5 million, resulting in a loss on sale of ₱18.0 million (see Note 26).

The reclassification from property, plant and equipment pertains to the change in use of a property from being an owner-occupied property to an investment property that is held for long-term capital appreciation.

The Group recognized unrealized gain amounting to nil in 2016 and 2014, and ₱42.9 million in 2015 from the revaluation of its investment property (see Note 26).

12. Deferred Mine Exploration Costs

Movements in deferred mine exploration costs are as follows:

	2016	2015
Balances at beginning of year	**₱544,020**	₱572,546
Additions	**72,100**	32,526
Reclassifications to mine and mining properties (Note 10)	**–**	(61,052)
Balances at end of year	**₱616,120**	₱544,020

Additions pertain to drilling, hauling, and other ongoing exploration and evaluation activities of the Group.

The Parent Company is currently working on exploration and drilling programs to upgrade AGP's capacity.

BNMI currently conducts confirmatory exploration drilling activities in Area 1, which commenced in the third quarter of 2015. The said drilling activities are intended to confirm the remaining resource potential of the said area.

Depreciation capitalized as part of deferred mine exploration costs amounted to nil in 2016 and 2015 and ₱3.6 million in 2014 (see Note 25).

13. Other Noncurrent Assets

	2016	2015
Advances to contractors and suppliers	**₱108,470**	₱146,485
MRF	**51,893**	53,199
Prepaid rent	**6,303**	11,928
Advance royalties	**4,983**	4,983
Others	**2,095**	3,266
	₱173,744	₱219,861

Advances to contractors and suppliers pertain to prepayments of the Group to its contractors and suppliers for exploration and other related activities and projects.

MRF pertains to accounts opened with local banks in compliance with the requirements of DAO No. 2010-21, otherwise known as The Revised Implementing Rules and Regulations of the Philippine Mining Act of 1995. The MRF shall be used for physical and social rehabilitation of areas and communities affected by the mine operations, and for research in the social, technical and preventive aspects of the mine's rehabilitation. The funds earn interest at the respective bank deposit rates. Interest income earned from MRF amounted to ₱0.3 million, ₱0.6 million and ₱0.3 million in 2016, 2015 and 2014, respectively (see Note 26).

Prepaid rent represents the noncurrent portion of advance rentals made by the Group for various lease obligations.

On May 23, 1995, the Group entered into a Royalty Agreement with an Option to Purchase (Agreement) with Pantukan Mineral Corporation (PMC). Under this Agreement, the Group is allowed to perform exploration, development and mining activities over the mining properties of PMC, located in Pantukan, Davao del Norte and Davao Oriental. The Group shoulders all the costs of such activities. PMC is entitled to royalty calculated on the bases as specified in the Agreement.

Others pertain to various assets of the Group, which are individually insignificant and are expected to be realized beyond 12 months after the reporting period.

14. Loans Payable

	2016	2015
Unsecured loans	**₱185,000**	₱185,000
Accrued interest and penalties	**237,819**	240,241
Secured loans	**176,595**	253,292
Others	**105,707**	113,522
	705,121	792,055
Less noncurrent portion	–	2,890
Current portion	**₱705,121**	₱789,165

a. Unsecured loans

In 2015, BNMI obtained an interest bearing loan from Trans Middle East Phils. Equities, Inc. amounting to ₱250.0 million at 4.25% per annum. During the same year, the Company paid ₱75.0 million, applied to the ₱10.0 million interest and the outstanding principal balance, after which the parties agreed that the loan becomes due and demandable, and non-interest bearing. Outstanding principal amount of the loan amounted to ₱185.0 million as at December 31, 2016.

b. Secured loans

The Parent Company has various loans, which are being renegotiated and are undergoing restructuring. Nominal interest rates vary from floating rate of 91-day Philippine PhP T-bill rate for peso loans and 3-month London Interbank Offered Rate (LIBOR) foreign loans, plus a margin of 3.5% for secured loans. Remaining balance related to these loans amounted to ₱123.7 million and ₱121.6 million as at December 31, 2016 and 2015, respectively.

The Parent Company has a revolving secured promissory note from a local bank to finance its working capital requirements. This loan facility has an outstanding balance of ₱52.9 million and ₱106.7 million as at December 31, 2016 and 2015, respectively.

Other secured loans

- The Group's secured bank loans include BLRI's five-year credit facility from PhilExim amounting to ₱150.0 million subject to interest of 11.25% per annum and is subject to annual re-pricing. The balance amounting to ₱25.0 million as at December 31, 2015 has been repaid in full in 2016.

c. Others

Nickel Off-take Agreements
On August 24, 2011, BNMI signed a tri-partite off-take agreement with the Parent Company and a Chinese trading company, for the sale of nickel ore. In accordance with the agreement, the Chinese trading company shall extend a loan of US$6.0 million to the Parent Company. BNMI will deliver and sell 1.8 million tons of 1.8% grade nickel ore over a period of 36 months at 0.6 million tons per 12 months, to start six months after signing of the agreement. The Chinese trading company will deduct US$3.33 per ton from the selling price of the nickel ore to be treated as repayment of the loan to the Parent Company.

As at December 31, 2016 and 2015, the remaining advances amounted to $2.1 million (₱105.7 million) and $2.4 million (₱113.5 million), respectively.

Total proceeds from these loans amounted to nil and ₱250.0 million in 2016 and 2015, respectively.

Total principal payments for these loans amounted to ₱93.7 million and ₱319.8 million in 2016 and 2015, respectively.

Accrued interest and penalties represent cumulative interest and default charges as at December 31, 2016 and 2015. Total interest related to loans payable amounted to ₱13.4 million, ₱35.4 million and ₱82.8 million in 2016, 2015 and 2014, respectively.

In 2016 and 2015, the Group has been compliant with the covenants, warranties and requirements of its long-term debts.

15. Trade and Other Payables

	2016	2015
Trade	**₱606,544**	₱477,125
Statutory payables	**112,456**	135,602
Customer advances	**108,470**	52,771
Nontrade	**61,020**	31,483
Output VAT	**52,028**	83,357
Accrued expenses:		
Professional fees and contracted services	**23,818**	18,819
Power and utilities	**15,739**	20,032
Others	**20,554**	21,499
Payables to officers and employees	**10,649**	9,510
Excise taxes and royalties	**–**	5,048
Others	**12,162**	2,222
	₱1,023,440	₱857,468

Trade payables include import and local purchases of equipment, inventories and various parts and supplies used in the operations of the Group. These are non-interest bearing and are normally settled in 60 to 90 days' terms.

Statutory payables include taxes withheld, which are normally remitted within 10 days from the close of each month.

Customer advances pertain to cash advances from BNMI's customers, which can be settled through future nickel ore shipments to the said customers (see Note 17).

Nontrade payables represent other operating expenses that are payable to various suppliers and contractors and regulatory agencies.

Payables to officers and employees include unclaimed wages, accrued vacation and sick leave credits and accrued payroll, which are payable within 30 days.

Excise taxes and royalties pertain to taxes payable by the Group for its legal obligation arising from the production of mine products.

Others represent individually insignificant payables operating and administrative expenses.

16. Liability for Mine Rehabilitation

	2016	2015
Balances at beginning of year	**₱37,393**	₱50,513
Change in estimate:		
Recognized as adjustment to the mine rehabilitation asset (Note 10)	**25,252**	(14,665)
Recognized in profit or loss (Note 26)	**32,174**	–
Accretion (Note 26)	**1,128**	1,545
Balances at end of year	**₱95,947**	₱37,393

This provision is based on the Group's estimates. Assumptions based on the current economic environment have been made, which management believes are reasonable bases upon which to estimate the future liability.

The final rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes and changes inflation rates (3.94% in 2016 and 4.10% in 2015) and changes in discount rates (4.44% in 2016 and 2015).

These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for mine rehabilitation. As a result, there could be significant adjustments to the provision established that could affect future financial results.

The provision at the end of each reporting period represents management best estimate of the present value of the future rehabilitation cost required. This estimate is reviewed regularly to take into account any material changes in the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required, which will reflect market conditions at the relevant time. The timing of rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. This, in turn, will depend upon future ore prices, which are inherently uncertain.

17. Other Noncurrent Liabilities

	2016	2015
Customer advances	**₱247,678**	₱247,959
Equity of claimowners in contract operations	**49,136**	49,136
Deposit for future stock subscriptions	**32,000**	32,000
Others	**560**	1,665
	₱329,374	₱330,760

Customer advances of BNMI may be settled through future nickel ore shipments to its customers. The current portion of the said advances is presented as part of trade and other payables (see Note 15). On September 18, 2013 and April 11, 2014, BNMI entered into off-take agreements with a Korean trading company for a total amount of US$8.0 million in exchange for future shipments. The advances under the said offtake agreement are non-interest bearing and will be settled through deductions from the selling price of every shipment. As at December 31, 2016, the first off-take agreement amounting to US$2.0 million is fully paid and only the April 11, 2014 off-take agreement amounting to US$6.0 million is outstanding.

Equity of claimowners in contract operations pertain to the outstanding liability of the Parent Company to Consolidated Mines, Inc. Discussions on the said liability that should be settled are still on-going as at December 31, 2016.

As at December 31, 2016 and 2015, deposit for future stock subscriptions received by BLI from Almega Management and Investment, Inc. amounted to ₱32.0 million. The related increase in authorized capital stock of BLI has been approved by BLI's BOD and majority of its stockholders on March 24, 2014. As at March 17, 2017, the application with and the approval by the Philippine SEC of the increase in authorized capital stock are still pending.

Others pertain to payables of the Group not expected to be paid within 12 months after the reporting period.

18. Equity

Capital Stock

	2016		2015	
	No. of shares	**Amount**	No. of shares	Amount
Authorized				
Convertible Preferred				
Class A – ₱3.43 par value	**19,652,912**	**₱67,500**	19,652,912	₱67,500
Common Class A – ₱1 par value in 2016 and ₱3 par value in 2015	**430,380,000**	**430,380**	143,460,000	430,380
Common Class B – ₱1 par value in 2016 and ₱3 par value in 2015	**286,920,000**	**286,920**	95,640,000	286,920
	736,952,912	**784,800**	258,752,912	784,800
Issued				
Convertible Preferred Class "A"	**217,061**	**745**	217,061	745
Common Class "A"	**370,557,255**	**370,557**	123,399,085	370,197
Common Class "B"	**244,853,697**	**244,853**	81,537,899	244,613
Total shares issued and subscribed	**615,628,013**	**616,155**	205,154,045	615,555

(Forward)

	2016		2015	
	No. of shares	**Amount**	No. of shares	Amount
Treasury Shares				
Convertible Preferred Class "A"	**–**	**₱–**	–	₱–
Common Class "A"	**310,794**	**7,158**	103,598	7,158
Common Class "B"	**37,275**	**858**	12,425	858
Total treasury shares	**348,069**	**8,016**	116,023	8,016
Outstanding				
Convertible Preferred Class "A"	**217,061**	**745**	217,061	745
Common Class "A"	**370,246,461**	**363,399**	123,295,487	363,039
Common Class "B"	**244,816,422**	**243,995**	81,525,474	243,755
Total outstanding shares	**615,279,944**	**₱608,139**	205,038,022	₱607,539

The two classes of common shares of the Group are identical in all respects, except that ownership of Common Class A is restricted to Philippine nationals.

The convertible preferred shares are limited to Philippine nationals and convertible into Common Class A shares at a conversion premium for 2017 of ₱5.94 per share. Each preferred share is convertible into 9.4875 Common Class A shares. The convertible preferred shares are also entitled to have one vote for each full share of Common Class A stock into which such share of convertible preferred stock is, at any stockholders' meeting, then convertible. It does not enjoy the same dividend right as the two classes of common stock but is entitled to a fixed cumulative dividend of 8% a year if there is surplus profit and when declared by the BOD.

On May 4, 2012, the Parent Company entered into a Stock Subscription Agreement with RYM Business Management Corporation (RBMC) for the subscription of 7.9 million Class A common shares and 5.3 million Class B common shares of the Parent Company pursuant to the Memorandum of Agreement (MOA) dated April 7, 2010 and the Addendum to the MOA dated September 17, 2010. The total subscription price for the aforementioned Class A and Class B shares amounting to ₱180.0 million was received on May 31, 2012. On February 18, 2013, the Parent Company issued a total of 7.9 million Common Class A and 5.3 million Common Class B shares to RBMC pursuant to the terms and conditions of the MOA on Private Placement dated April 7, 2010, Addendum to the MOA dated September 17, 2010, Stock Subscription Agreement dated May 4, 2012 and Letter of Agreement dated December 14, 2012 between the Parent Company and RBMC.

On August 23, 2013, the Parent Company's BOD approved the private placement of RBMC. RBMC is willing to infuse additional capital up to ₱250.0 million in exchange for Class A and B shares at the average price of the last five trading days from August 5 to 15, 2013. The first part of the placement calls for subscription by RBMC to 18.0 million common shares, which are the remaining available unissued shares of the Parent Company, in the amount of ₱162.0 million. The remainder of the placement will follow after the Parent Company has increased its Authorized Capital Stock.

On March 20, 2014, the Parent Company issued a total of 7.2 million Class A and 10.8 million Class B common shares pursuant to the terms and conditions of the MOA on Private Placement dated August 23, 2013 and Stock Subscription Agreement dated September 23, 2013 between the Parent Company and RBMC.

On March 28, 2014, the BOD approved the increase in the Parent Company's authorized capital stock from ₱600.0 million (consisting of 120.0 million Common Class A shares and 80.0 million Common Class B shares, both having par value of ₱3.00 each) to ₱717.3 million (consisting of 143.5 million Common Class A shares and 95.6 million Common Class B shares, both having par

value of ₱3.00 each). After the amendment, the total authorized capital stock of the Parent Company has increased from ₱667.5 million to 784.8 million. The application for the increase was approved by the stockholders during the annual meeting held last May 28, 2014.

On February 9, 2015, RBMC paid the full subscription price of ₱88.0 million related to the MOA on Private Placement dated August 23, 2013, representing the second tranche of the private placement in the Parent Company. The private placement covers 9,777,777 shares representing 5,866,697 Common Class A shares and 3,911,080 Class B shares. On April 28, 2016, the PSE approved the listing of the said shares.

On March 27, 2015, the BOD approved amendments on the Articles of Incorporation of the Parent Company, which include the change in the par value of both Common Class A and Class B shares from ₱3.00 to ₱1.00 per share, and the creation of a new class of redeemable non-retirable Common Class B shares, with par value of 1 per share. During the annual stockholders' meeting on May 28, 2015, the said amendments were approved by a majority vote of the Parent Company's stockholders and by the SEC on July 29, 2016.

On September 28, 2015, the Philippine SEC approved the application of the increase in the Parent Company's authorized capital stock from ₱600.0 million to ₱717.3 million.

On July 29, 2016, the Philippine SEC approved the amendment to the Article Seventh of the Amended Articles of Incorporation and Article 1, Section 1 of the Amended By-Laws of the Parent Company, which changed the par value of its Common Class A and Common Class B shares from ₱3.00 to ₱1.00 per share and increased the number of common shares by threefold. The reduction in par value essentially resulted in a stock split.

The following are the movements in the number of issued shares of the Parent Company:

2016

	Convertible Preferred Class A	**Common Class A**	**Common Class B**
Issued shares at beginning of year	**217,061**	**123,399,085**	**81,537,899**
Effect of increase in number of common shares and reduction in par value	**–**	**246,798,170**	**163,075,798**
Exercise of stock options	**–**	**360,000**	**240,000**
Issued shares at end of year	**217,061**	**370,557,255**	**244,853,697**

2015

	Convertible Preferred Class A	Common Class A	Common Class B
Issued shares at beginning of year	217,061	117,532,388	77,626,819
Private placement	–	5,866,697	3,911,080
Issued shares at end of year	217,061	123,399,085	81,537,899

All issuances of capital stock made in 2016 and 2015 were exempted from the registration requirements of Securities Regulation Code (SRC) Rule 10.1 and 10.2.

Below is the Parent Company's track record of registration of securities under the Philippine SEC:

Date of Registration (SEC Approval)	Description	Number of shares	Par value per share	Total amount (in 000's)
June 18, 1956	Capital upon registration:			
	Common shares	18,000,000	₱1.00	₱18,000
November 25, 1960	Increase in number and par value of common shares:			
	Common shares	20,000,000	2.00	40,000
November 9, 1964	Increase in par value of common shares:			
	Common shares	20,000,000	3.00	60,000
October 22, 1968	Increase in number of common shares and introduction of preferred shares:			
	Common shares	50,000,000	3.00	150,000
	Preferred shares	6,000,000	5.00	30,000
March 12, 1974	Split of common share into two classes and change in number and par value and addition of conversion feature to the preferred shares:			
	Common class A	30,000,000	3.00	90,000
	Common class B	20,000,000	3.00	60,000
	Convertible preferred shares	19,652,912	3.43	67,500
July 27, 1989	Increase in number of common shares			
	Common class A	120,000,000	3.00	360,000
	Common class B	80,000,000	3.00	240,000
	Convertible preferred shares	19,652,912	3.43	67,500
September 28, 2015	Increase in number of common shares			
	Common class A	143,460,000	3.00	430,380
	Common class B	95,640,000	3.00	286,920
	Convertible preferred shares	19,652,912	3.43	67,500
July 29, 2016	Increase in number of common shares and reduction in par value			
	Common class A	430,380,000	1.00	430,380
	Common class B	286,920,000	1.00	286,920
	Convertible preferred shares	19,652,912	3.43	67,500
As at December 31, 2016:				
	Common class A	**430,380,000**	**₱1.00**	**₱430,380**
	Common class B	**286,920,000**	**₱1.00**	**₱286,920**
	Convertible preferred shares	**19,652,912**	**₱3.43**	**₱67,500**

As at December 31, 2016, 2015 and 2014, the Parent Company has 16,905, 16,891, and 16,925 stockholders, respectively.

Other Components of Equity

	2016	2015
Revaluation increment – net of deferred tax	**₱717,029**	₱716,298
Cumulative translation adjustments of foreign subsidiaries – net of deferred tax	**33,125**	30,899
Cost of share-based payment (Note 19)	**32,995**	54,441
Remeasurement gain on retirement obligation – net of deferred tax (Note 29)	**8,429**	4,192
Unrealized gain on AFS financial assets - net of deferred tax (Note 9)	**866**	881
	₱792,444	₱806,711

As at December 31, 2016 and 2015, the Parent Company has 0.3 million and 0.1 million shares, respectively, held in treasury amounting to ₱8.0 million at ₱23 per share.

Movements in cost of share-based payment are as follows:

	2016	2015
Balances at beginning of year	**₱54,441**	₱65,331
Stock options expired during the year	**(14,328)**	–
Stock options forfeited during the year	**(5,244)**	(15,595)
Stock options exercised during the year	**(3,717)**	–
Stock options vested during the year	**1,843**	4,705
Balances at end of year	**₱32,995**	₱54,441

Capital Surplus

	2016	2015
Balances at beginning of year	**₱344,106**	₱269,844
Expiration of stock options	**14,328**	–
Forfeiture of stock options	**5,244**	15,595
Employees' exercise of stock options	**4,184**	–
Private placement	**–**	58,667
Balances at end of year	**₱367,862**	₱344,106

19. Stock Option Plan

Under the 1975 Nonqualified Stock Option Plan (Plan), as amended, 9.9 million shares of the unissued common stock of the Parent Company have been reserved for stock options to selected managers, directors and consultants of the Parent Company. The option price is payable on exercise date and should not be less than the fair market value of the shares quoted on the date of the grant. The Plan, valid up to May 31, 1998, allows a maximum of 632,500 shares to be available to any one optionee. On May 26, 1998, the BOD and the stockholders approved the extension of the Plan until May 31, 2003, which was extended further on December 18, 2002 with the BOD and the stockholders' approval until May 31, 2008. On December 18, 2007, the BOD and the stockholders approved a further extension of the Plan until May 31, 2013.

On March 23, 2012, the BOD and the stockholders approved the proposed amendments to the existing Amended Stock Option Plan and to extend the termination date of the existing Plan for five years or until May 31, 2018.

As per amendments, there will be an increase in the maximum award per employee from 200,000 shares over the life of the plan to 500,000 shares per grant and an increase in the shares reserved for issuance under the Plan from the total of 9,906,661 to 22,000,000.

Options granted to Filipino optionees are exercisable in the form of 60% Common Class A and 40% Common Class B shares. Options for Common Class B shares may be exercised only if Common Class A shares had been previously or simultaneously exercised so as to maintain a minimum 60:40 ratio of Common Class A to Common Class B shares.

The options under the Plan are non-transferable and are exercisable to the extent of 30% after one year from the date of grant, 60% after two years from the date of grant, and 100% after three years from the date of grant. No option is exercisable after 10 years from the date of grant.

On July 29, 2016, the Philippine SEC approved the decrease in the par value of the Parent Company's Common Class A and Common Class B shares from ₱3.00 to ₱1.00 per share, which increased the number of common shares by threefold (see Note 18).

Unexercised share options per grant are as follows:

		Unexercised share options as at January 1, 2016	Expirations in 2016	Effect of stock split in July 2016	Exercised in 2016	Forfeitures in 2016	Unexercised share options as at December 31, 2016
Class A	– April 2006 Grant	536,880	(536,880)	–	–	–	–
	– May 2011 Grant	991,199	–	1,982,398	–	(489,600)	2,483,997
	– September 2012 Grant	372,000	–	744,000	(360,000)	(90,000)	666,000
	– May 2014 Grant	360,000	–	720,000	–	–	1,080,000
Class B	– April 2006 Grant	1,310,400	(1,310,400)	–	–	–	–
	– May 2011 Grant	660,915	–	1,321,830	–	(326,400)	1,656,345
	– September 2012 Grant	248,000	–	496,000	(240,000)	(60,000)	444,000
	– May 2014 Grant	240,000	–	480,000	–	–	720,000
	Total	**4,719,394**	**(1,847,280)**	**5,744,228**	**(600,000)**	**(966,000)**	**7,050,342**

On April 6, 2016, all of the share options awarded on April 6, 2006 have expired.

On August 31, 2016, the Parent Company's BOD approved the following amendments to the Plan due to the effect of the share split on July 29, 2016:

- change in the exercise price of outstanding options
- change in the maximum number of shares per grant from 500,000 to 1,500,000
- repricing of the unexercised share options brought about by the low turn-out in the availment of the grant due to high exercise price compared to market price. The repricing was based on the closing price on August 18, 2016 of Class A and Class B common shares amounting to ₱2.25 and ₱2.55, respectively, less 25% discount pursuant to the provisions of the amended stock option plan of the Parent Company.

The exercise prices of outstanding options in 2016, which consider the effect of the stock split and the change in exercise prices, are as follows:

	At grant date	After effect of stock split	As modified
Class A – May 2011 Grant	₱16.50	₱5.50	₱1.69
– September 2012 Grant	17.96	5.99	1.69
– May 2014 Grant	7.13	2.38	1.69
Class B – May 2011 Grant	17.50	5.83	1.91
– September 2012 Grant	17.63	5.88	1.91
– May 2014 Grant	7.13	2.38	1.91

	2016	2015
Average exercise price per share	**₱1.78**	₱18.20
Shares available for future option grants	**31,633,698**	13,075,514

The change in exercise price of outstanding options is treated as a modification of the Plan terms, which resulted in an additional expense, measured as at the date of modification, for the increase in the total fair value of the outstanding share options. The table below shows the increase in fair value due to the change in the exercise price of each grant:

	Fair value after change in exercise price	Fair value before change in exercise price	Increase in fair value
Class A – May 2011 Grant	₱2,718	₱2,462	₱256
– September 2012 Grant	792	763	29
– May 2014 Grant	781	775	6
Class B – May 2011 Grant	2,075	1,920	155
– September 2012 Grant	604	587	17
– May 2014 Grant	593	591	2
Total	**₱7,563**	**₱7,098**	**₱465**

Stock option expense relating to the Plan recognized in 2016, 2015 and 2014 amounted to ₱1.8 million, ₱4.7 million and ₱7.1 million, respectively (see Note 24). Of the ₱1.8 million stock option expense recognized in 2016, ₱0.5 million pertains to additional expense recognized as a result of the increase in fair value of share options due to the change in exercise price. The breakdown of the total stock option expense recognized on each grant in 2016 is as follows:

	Stock option expense of original grant	Increase in fair value	Total stock option expense
Class A – May 2011 Grant	₱–	₱256	₱256
– September 2012 Grant	–	29	29
– May 2014 Grant	817	6	823
Class B – May 2011 Grant	–	155	155
– September 2012 Grant	–	17	17
– May 2014 Grant	561	2	563
Total	**₱1,378**	**₱465**	**₱1,843**

A summary of the number of shares under the Plan is shown below:

	2016	2015
Outstanding at beginning of year	**4,719,394**	4,924,194
Expiration	**(1,847,280)**	–
Change in the maximum number of shares per grant	**5,744,228**	–
Exercised during the year (Note 18)	**(600,000)**	–
Forfeiture	**(966,000)**	(204,800)
Outstanding at end of year	**7,050,342**	4,719,394
Exercisable at end of year	**6,330,342**	4,479,394

The Parent Company used the binomial options pricing model to determine the fair value of the stock options.

The following assumptions were used to determine the fair value of the stock options:

	Share price	Exercise price	Expected volatility	Option life	Expected dividends	Risk-free interest rate
May 3, 2011 Grant	16.5	16.5	91.20%	10 years	0.00%	6.46%
	17.5	17.5	155.57%	10 years	0.00%	6.46%
Sep 9, 2012 Grant	23.95	17.96	57.35%	10 years	0.00%	4.80%
	23.5	17.63	65.53%	10 years	0.00%	4.80%
May 26, 2014 Grant	9.5	7.13	77.28%	10 years	0.00%	3.90%
	9.5	7.13	84.29%	10 years	0.00%	3.90%

The expected volatility measured at the standard deviation of expected share price returns was based on the analysis of share prices for the past 365 days. The cost of share-based payment amounted to ₱33.0 million and ₱54.4 million as at December 31, 2016 and 2015, respectively (see Note 18).

20. Sale of Mine Products and Sale of Services

Sale of mine products is broken down as follows:

	2016	2015	2014
Nickel	**₱810,149**	₱2,390,520	₱1,983,208
Gold	**540,791**	679,019	795,846
Lime	**72,024**	64,791	75,945
Silver	**1,462**	3,122	6,291
	₱1,424,426	₱3,137,452	₱2,861,290

Sale of mine products includes sales of nickel, gold, silver and lime, which are subject to 2% excise tax based on gross revenues.

As a requirement under DAO No. 2010-21, 'The Mining Act Implementing Rules and Regulations', BNMI pays royalty to the MGB for every shipment of nickel ore equivalent to 5% of the peso equivalent of the nickel ore shipped since the SCNP is within a Mineral Reservation.

Excise taxes and royalty fees related to the sale of mine products amounted to ₱67.7 million, ₱181.1 million and ₱154.9 million in 2016, 2015 and 2014, respectively.

Sale of services is broken down as follows:

	2016	2015	2014
Health care	**₱78,223**	₱68,956	₱39,970
Trucking and logistics	**22,374**	27,347	73,955
	₱100,597	₱96,303	₱113,925

21. Costs of Mine Products Sold

	2016	2015	2014
Outside services	**₱406,137**	₱735,788	₱646,882
Contractor fees	**164,056**	248,440	212,768
Materials and supplies (Note 6)	**117,744**	184,746	133,978
Depreciation and depletion (Note 25)	**68,013**	80,824	55,521
Personnel expenses (Note 24)	**62,320**	101,481	104,512
Power, rent and utilities	**32,631**	47,596	49,906
Contractor labor	**26,326**	24,891	25,719
Repairs and maintenance	**21,451**	29,914	28,766
Smelting, refining and marketing	**6,160**	9,993	8,636
Travel and transportation	**109**	811	2,532
Taxes and licenses	**55**	174	97
Others	**9,886**	2,263	2,468
	914,888	1,466,921	1,271,785
Net change in beneficiated nickel ore (Note 6)	**(103,653)**	(36,525)	156,256
	₱811,235	₱1,430,396	₱1,428,041

Outside services pertain to the amounts paid to contractors and consultants involved in the mining operations of the Group.

Other expenses consist of various direct charges to cost of mine products, which are individually insignificant.

22. Costs of Services and Other Sales

	2016	2015	2014
Personnel expenses (Note 24)	**₱29,264**	₱35,595	₱36,814
Professional fees	**20,647**	9,842	8,249
Depreciation and depletion (Note 25)	**16,098**	34,013	30,746
Materials and supplies (Note 6)	**13,105**	22,185	144,743
Rent	**10,778**	17,000	33,851
Travel and transportation	**6,523**	11,200	8,402
Retainers and consultancy fees	**2,541**	6,274	3,227
Repairs and maintenance	**659**	863	1,061
Cost of real estate sales (Note 6)	**623**	3,040	1,092
Taxes and licenses	**–**	867	831
Outside services	**–**	–	5,056
Power consumption	**–**	–	377
Others	**1,311**	3,531	1,558
	₱101,549	₱144,410	₱276,007

Others consist of various direct charges, which are individually insignificant.

23. Selling and General Expenses

	2016	2015	2014
Personnel expenses (Note 24)	**₱134,123**	₱189,359	₱215,243
Outside services	**99,153**	163,930	216,282
Depreciation and depletion (Note 25)	**75,609**	33,404	30,797
Community development programs	**61,556**	64,193	10,874
Rent	**51,345**	251,749	159,225
Taxes and licenses	**35,359**	36,647	21,609
Repairs and maintenance	**30,215**	53,832	20,211
Contract labor	**27,371**	63,382	34,639
Materials and supplies (Note 6)	**20,430**	41,791	29,195
Representation	**16,048**	35,687	16,826
Transportation and travel	**15,624**	19,267	15,410
Communication, light and power	**11,821**	12,220	13,287
Professional fees	**11,494**	45,586	10,234
Provision for impairment loss on receivables (Note 5)	**9,735**	122	1,623
Wharfage fees	**6,687**	14,265	10,118
Freight and handling	**3,013**	4,800	2,345
Insurance	**2,644**	7,690	7,876
Others	**15,397**	26,103	3,000
	₱627,624	₱1,064,027	₱818,794

Others consist of various administrative expenses, which are individually insignificant.

24. Personnel Expenses

	2016	2015	2014
Salaries and wages	**₱187,104**	₱238,571	₱287,466
Benefits and allowances	**21,790**	70,375	44,569
Pension expense (Note 29)	**14,970**	12,784	17,386
Stock option expense (Note 19)	**1,843**	4,705	7,148
	₱225,707	₱326,435	₱356,569

Total personnel expenses were distributed as follows:

	2016	2015	2014
Selling and general expenses (Note 23)	**₱134,123**	₱189,359	₱215,243
Cost of mine products sold (Note 21)	**62,320**	101,481	104,512
Cost of services and other sales (Note 22)	**29,264**	35,595	36,814
	₱225,707	₱326,435	₱356,569

25. **Depreciation and Depletion**

Total depreciation and depletion is composed of the following (see Note 10):

	2016	2015	2014
Depreciation	**₱136,251**	₱115,102	₱117,539
Depletion	**23,469**	33,139	3,128
	₱159,720	₱148,241	₱120,667

Depreciation and depletion are broken down as follows:

	2016	2015	2014
Cost of mine products sold (Note 21)	**₱68,013**	₱80,824	₱55,521
Selling and general expenses (Note 23)	**75,609**	33,404	30,797
Cost of services and other sales (Note 22)	**16,098**	34,013	30,746
Capitalized as part of deferred mine exploration costs (Note 12)	**–**	–	3,603
	₱159,720	₱148,241	₱120,667

26. **Other Expenses** – net

	2016	2015	2014
Change in estimate of provision for mine rehabilitation (Note 16)	**(₱32,174)**	₱–	₱–
Write-off of receivables (Note 5)	**(23,354)**	(28,242)	–
Penalties	**(21,432)**	–	–
Foreign currency exchange losses - net	**(18,696)**	(6,843)	(9,495)
Loss on sale of investment property - net (Note 11)	**(18,040)**	–	–
Loss on disallowed input VAT (Note 7)	**(16,674)**	(78,858)	(10,716)
Retrenchment pay	**(10,530)**	–	–
Provision for impairment loss on input tax (Note 7)	**(7,508)**	–	–
Despatch (demurrage)	**(1,860)**	4,191	(96,179)
Accretion on the liability for mine rehabilitation (Note 16)	**(1,128)**	(1,545)	(2,401)
Gain (loss) on sale of property, plant and equipment - net (Note 10)	**674**	(30,278)	(8,191)
Interest income (Notes 4 and 13)	**629**	7,356	2,179
Gain (loss) on disposal of AFS financial assets (Note 9)	**230**	–	(653)
Gain on revaluation of investment property (Note 11)	**–**	42,865	–
Others - net	**(6,437)**	(11,313)	(17,258)
	(₱156,300)	(₱102,667)	(₱142,714)

Penalties include charges for late payment of amounts owing to various government agencies.

Others consist of various income and expenses, which are not directly related to the operations of the Group.

27. ESOIP

The ESOIP, as approved by the stockholders in 1986, allows employees of the Parent Company to buy up to 6,000,000 shares of the Common Class A shares of the Parent Company at either of two prices. If the shares are acquired by the Parent Company from a seller or are treasury shares, these can be bought at acquisition cost. If the shares are sourced from the authorized but unissued shares of the Parent Company, these can be bought at the average closing price quoted in the PSE on the last day that such shares were traded prior to the start of the purchase period. Payment for the shares purchased shall be advanced by the Parent Company on behalf of the employees and repaid through salary deduction without interest. The shares acquired by employees under the ESOIP may be subjected to a holding period from the date of purchase.

In January 1990, the BOD approved the Employees Stock Purchase Plan, which allows the employees of the Parent Company (but excluding directors of the Parent Company) to buy, basically under similar terms and conditions as that of the ESOIP, 2,000,000 shares of the Common Class A shares of the Parent Company.

The balance of the employees stock ownership pursuant to the said plan shown as part of the trade and other receivables in the consolidated statements of financial position amounted to ₱58.4 million as at December 31, 2016 and 2015 and was provided an allowance for the same amount (see Note 5).

28. Related Party Disclosures

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

Compensation of Key Management Personnel of the Group

The Group considered all senior officers as key management personnel. Below are the details of compensation of the Group's key management personnel.

	2016	2015	2014
Salaries	**₱73,226**	₱73,317	₱86,188
Employee benefits	**7,588**	8,632	10,560
	₱80,814	₱81,949	₱96,748

Employee benefits include net pension expense and stock compensation expense.

All intercompany transactions are eliminated at the consolidated level. Items eliminated are separately disclosed in a schedule in accordance with Philippine SEC requirements under SRC Rule 68, as Amended (2011).

29. Pension Benefits Plans

The Parent Company has a funded, noncontributory pension benefit plan, while AFC has an unfunded noncontributory pension benefit plan covering substantially all of their regular employees. The benefits are based on a certain percentage of the final monthly basic salary for every year of credited service of the employees. The defined pension benefit obligation is determined using the projected unit credit method.

The following tables summarize the components of net pension benefit in the consolidated statements of income and fund status, and the amounts recognized in the consolidated statements of financial position.

Net pension expense

	2016	2015	2014
Parent Company			
Current service cost	**₱10,381**	₱8,913	₱12,319
Net interest cost	**3,536**	2,810	3,565
	13,917	11,723	15,884
AFC			
Current service cost	**749**	781	1,053
Net interest cost	**304**	280	449
	1,053	1,061	1,502
Net pension expense	**₱14,970**	₱12,784	₱17,386

Pension liability as at December 31, 2016 and 2015

	2016			2015		
	Parent Company	**AFC**	**Total**	Parent Company	AFC	Total
Present value of defined benefit obligation	**₱79,891**	**₱3,687**	**₱83,578**	₱75,794	₱5,957	₱81,751
Fair value of plan assets	**(4,969)**	**–**	**(4,969)**	(4,943)	–	(4,943)
Pension liability	**₱74,922**	**₱3,687**	**₱78,609**	₱70,851	₱5,957	₱76,808

Reconciliation of other comprehensive income:

	2016			2015		
	Parent Company	**AFC**	**Total** (Note 18)	Parent Company	AFC	Total (Note 18)
Balances at beginning of year	**(₱5,948)**	**₱1,756**	**(₱4,192)**	(₱6,095)	₱2,491	(₱3,604)
Loss (gain) on remeasurement of pension liability	**(3,441)**	**(796)**	**(4,237)**	147	(735)	(588)
Balances at end of year	**(₱9,389)**	**₱960**	**(₱8,429)**	(₱5,948)	₱1,756	(₱4,192)

Changes in the present value of defined benefits obligation follow:

	2016			2015		
	Parent Company	**AFC**	**Total**	Parent Company	AFC	Total
Balances at beginning of year	**₱75,794**	**₱5,957**	**₱81,751**	₱71,983	₱5,945	₱77,928
Interest cost	**3,783**	**304**	**4,087**	3,016	781	3,797
Current service cost	**10,381**	**749**	**11,130**	8,913	280	9,193
Actuarial losses (gains)	**(5,137)**	**(1,137)**	**(6,274)**	36	(1,049)	(1,013)
Benefits paid	**(4,930)**	**(2,186)**	**(7,116)**	(8,154)	–	(8,154)
Balances at end of year	**₱79,891**	**₱3,687**	**₱83,578**	₱75,794	₱5,957	₱81,751

Breakdown of actuarial gains (losses) on defined benefits obligation follows:

	2016			2015		
	Parent Company	**AFC**	**Total**	Parent Company	AFC	Total
Change in financial assumptions	**₱898**	**(₱46)**	**₱852**	₱5,168	₱187	₱5,355
Experience adjustments	**4,239**	**1,183**	**5,422**	(4,614)	862	(3,752)
Return on plan assets (excluding amounts included in net interest expense)	–	–	–	(590)	–	(590)
	₱5,137	**₱1,137**	**₱6,274**	(₱36)	₱1,049	₱1,013

Fair value of plan assets of the Parent Company follows:

	2016	2015
Balances at beginning of year	**₱4,943**	₱4,911
Asset return in net interest cost	**247**	206
Remeasurement	**(221)**	(174)
Balances at end of year	**₱4,969**	₱4,943

The plan assets of the Parent Company comprised mostly of cash in bank as at December 31, 2016 and 2015.

	2016	2015
Cash in bank	**96.17%**	96.20%
Investment in shares	**1.93%**	2.03%
Fixed income securities	**1.90%**	1.77%
	100.00%	100.00%

The Parent Company's plan assets are being managed by trustee banks. The retirement fund includes time deposits, shares of stocks, which are traded in the PSE, and unquoted shares of stocks. The Parent Company has no transactions with its retirement fund and the retirement fund has no investments in shares of stocks of the Parent Company.

In 2016 and 2015, the Parent Company directly paid pension benefits amounting to ₱4.9 million and ₱8.2 million, which resulted in a net movement in pension liability of ₱1.8 million and ₱3.6 million, respectively.

The Parent Company expects to contribute ₱22.5 million to the defined benefits retirement plan in 2017.

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

	Expected benefit payments	
Plan Year	Parent Company	AFC
Less than 1 year	₱1,669	₱78
More than 1 year to 5 years	66,833	2,075
More than 5 years to 10 years	47,540	2,035
More than 10 years to 15 years	26,687	518
More than 15 years to 20 years	47,174	7,174
More than 20 years	459,151	11,815

The overall expected rate of return on assets is determined based on the market prices prevailing on the date applicable to the period over which the obligation is to be settled.

The principal assumptions used in determining the pension liability of the Group's plans are shown below.

	Parent Company		AFC	
	2016	2015	**2016**	2015
Discount rate	**5.14%**	4.99%	**4.97%**	5.10%
Salary increase rate	**5.00%**	5.00%	**11.00%**	11.00%

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

Parent Company

		December 31, 2016
	Increase (decrease)	**Present value of the defined benefit obligation**
Discount rates	**6.14% (+1.00%)**	**₱69,443**
	5.14% actual	**74,922**
	4.14% (-1.00%)	**81,341**
Salary increase rate	**6.00% (+1.00%)**	**₱80,936**
	5.00% actual	**74,922**
	4.00% (-1.00%)	**69,686**

		December 31, 2015
	Increase (decrease)	Present value of the defined benefit obligation
Discount rates	5.99% (+1.00%)	₱64,426
	4.99% actual	70,853
	3.99% (-1.00%)	89,081
Salary increase rate	6.00% (+1.00%)	₱88,232
	5.00% actual	70,853
	4.00% (-1.00%)	64,935

AFC

	Increase (decrease)	December 31, 2016 Present value of the defined benefit obligation
Discount rates	**5.97% (+1.00%)**	**₱3,362**
	4.97% (actual)	**3,688**
	3.97% (-1.00%)	**4,075**
Salary increase rate	**12% (+1.00%)**	**₱4,034**
	11% (actual)	**3,688**
	10% (-1.00%)	**3,388**

	Increase (decrease)	December 31, 2015 Present value of the defined benefit obligation
Discount rates	6.10% (+1.00%)	₱5,464
	5.10% actual	5,996
	4.71% (-1.00%)	6,554
Salary increase rate	12.00% (+1.00%)	₱6,492
	11.00% actual	5,996
	10.00% (-1.00%)	5,503

30. Income Taxes

The provision for (benefit from) current and deferred tax in 2016, 2015 and 2014 include the following:

	2016	2015	2014
RCIT	**₱10,240**	₱136,211	₱68,181
MCIT	**10,951**	61	12,054
Benefit from deferred taxes	**(97,544)**	(39,514)	(66,380)
	(₱76,353)	₱96,758	₱13,855

The components of the Group's deferred tax assets and liabilities are as follows:

	Deferred tax assets – net		Deferred tax liabilities – net	
	2016	2015	**2016**	2015
Deferred tax assets on:				
NOLCO	**₱13,961**	₱–	**₱–**	₱–
MCIT	**10,457**	–	**–**	–
Unrealized foreign exchange loss	**4,539**	1,282	**–**	–
Depletion of asset retirement obligation	**2,404**	2,312	**–**	–
Accrued pension liability	**2,228**	2,568	**26,501**	23,805
Accumulated accretion on liability for mine rehabilitation	**1,270**	1,026	**–**	–
Allowance for inventory loss, impairment loss and others	**1,250**	1,305	**128,452**	126,593
Straight-line amortization of accrued rent	**439**	430	**–**	–
	36,548	8,923	**154,953**	150,398

(Forward)

	Deferred tax assets – net		Deferred tax liabilities – net	
	2016	2015	**2016**	2015
Deferred tax liabilities on:				
Remeasurement gain on retirement liability	**(₱1,122)**	(₱781)	**(₱4,024)**	(₱2,549)
Unrealized foreign exchange gain	**(756)**	(28)	**(96)**	(435)
Revaluation increment on land	**(214)**	(331)	**(776,390)**	(826,997)
Cumulative translation adjustment of foreign subsidiaries	**–**	–	**(14,196)**	(13,244)
Capitalized interest	**–**	–	**(11,593)**	(26,308)
Revaluation increment on property, plant and equipment	**–**	–	**(10,009)**	(10,009)
Revaluation increment on artworks	**–**	–	**(4,676)**	(4,676)
Unrealized gain of AFS financial assets	**–**	–	**(167)**	(140)
	(2,092)	(1,140)	**(821,151)**	(884,358)
Net deferred tax assets (liabilities)	**₱34,456**	₱7,783	**(₱666,198)**	(₱733,960)

The Group has deductible temporary differences, unused NOLCO and MCIT, for which no deferred tax assets were recognized as management believes that it is not probable that sufficient future taxable profit will be available against which the benefit of the deferred tax assets can be utilized. These are as follows:

	2016	2015	2014
NOLCO	**₱206,114**	₱177,818	₱161,088
Accumulated accretion on liability for mine rehabilitation	**53,954**	21,466	20,880
Share-based payment	**32,995**	54,442	65,331
Allowance for inventory loss, impairment loss and others	**24,537**	24,762	23,257
Accumulated depletion on asset retirement obligation	**18,368**	18,072	15,976
Accrued expenses	**8,733**	8,718	8,002
Unrealized foreign exchange losses	**7,723**	7,579	2,723
MCIT	**600**	168	30,629
Straight-line amortization of accrued rent	**343**	179	–
	₱353,367	₱313,204	₱327,886

As at December 31, 2016, the Group has NOLCO and MCIT that can be claimed against future taxable income and income tax due, respectively, as follows:

Movements of NOLCO follow:

	2016	2015	2014
Balances at beginning of year	**₱177,818**	₱161,528	₱69,049
Additions	**116,354**	77,604	94,237
Application	**–**	(34,537)	–
Expirations	**(41,521)**	(26,777)	(1,758)
Balances at end of year	**₱252,651**	₱177,818	₱161,528

Movements of MCIT follow:

	2016	2015	2014
Balances at beginning of year	**₱168**	₱30,629	₱19,336
Additions	**10,951**	61	12,054
Application	**–**	(30,273)	–
Expirations	**(62)**	(249)	(761)
Balances at end of year	**₱11,057**	₱168	₱30,629

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

Year incurred	Year of expiration	NOLCO	MCIT
2014	2017	₱58,693	₱45
2015	2018	77,604	61
2016	2019	116,354	10,951
		₱252,651	₱11,057

The reconciliation of pretax income (loss) computed at the statutory income tax rate to provision for (benefit from) income tax shown in the consolidated statements of income is as follows:

	2016	2015	2014
Pretax income (loss) computed at statutory rate	**(₱73,119)**	₱89,229	₱33,320
Nontaxable income	**(54,541)**	(3,219)	–
Nondeductible expenses	**19,594**	60,790	20,298
Expiration of NOLCO	**12,456**	8,033	527
Changes in unrecognized deferred tax assets and others	**12,351**	(25,727)	(39,636)
Forfeiture and expiry of stock options	**6,987**	–	–
Interest income subject to final tax	**(81)**	(2,075)	(654)
Application of MCIT	**–**	(30,273)	–
	(₱76,353)	₱96,758	₱13,855

31. Basic/Diluted EPS

Basic EPS is calculated by dividing the profit attributable to equity holders of the Parent Company by the weighted average number of common shares on issue during the year, excluding any ordinary shares purchased by the Parent Company and held as treasury shares.

In computing for the 2016 diluted EPS, the Parent Company did not consider the effect of stock options outstanding and convertible preferred shares since these are anti-dilutive. However, the convertible preferred shares were considered in computing for the 2015 and 2014 diluted EPS, whereas the stock options outstanding (excluding those granted in 2006 and 2011, which are anti-dilutive) were considered in computing for the 2014 diluted EPS.

	2016	2015	2014
Net income (loss)	**(₱167,377)**	₱200,672	₱97,210

Number of shares for computation of EPS as a result of stock split:

	2016	2015 (As restated)	2014 (As restated)
Basic EPS			
Weighted average common shares issued	**615,010,952**	595,255,398	567,477,621
Less: treasury shares	**348,069**	348,069	348,069
Weighted average common shares outstanding	**614,662,883**	594,907,329	567,129,552
Diluted EPS			
Weighted average common shares issued	**615,010,952**	595,255,398	567,477,621
Less: treasury shares	**348,069**	348,069	348,069
	614,662,883	594,907,329	567,129,552
Stock options	–	–	277,581
Convertible preferred shares	–	2,059,365	2,059,365
Weighted average common shares outstanding	**614,662,883**	596,966,694	569,466,498
Basic EPS	**(₱0.27)**	₱0.34	₱0.17
Diluted earnings per share	**(₱0.27)**	₱0.34	₱0.17

On July 29, 2016, the Philippine SEC approved the decrease in the par value of the Parent Company's Common Class A and Common Class B shares from ₱3.00 to ₱1.00 per share, which increased the number of common shares by threefold (see Note 18).

The reconciliation of the number of weighted average common shares outstanding in 2015 and 2014 after the effect of the stock split on July 29, 2016 is as follows:

	2015	2014
Basic EPS		
Weighted average common shares issued	198,418,466	189,159,207
Less: treasury shares	116,023	116,023
Weighted average common shares outstanding before the stock split	198,302,443	189,043,184
Effect of the stock split	396,604,886	378,086,368
Weighted average common shares outstanding after the stock split	594,907,329	567,129,552
Diluted EPS		
Weighted average common shares issued	198,418,466	189,159,207
Less: treasury shares	116,023	116,023
	198,302,443	189,043,184
Stock options	–	92,527
Convertible preferred shares	686,455	686,455
Weighted average common shares outstanding before the stock split	198,988,898	189,822,166
Effect of the stock split	397,977,796	379,644,332
Weighted average common shares outstanding after the stock split	596,966,694	569,466,498

32. Segment Information

PFRS 8, *Operating Segments*, requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker.

For management purposes, the Group's operating segments are determined to be business segments as the risks and rates of return are affected predominantly by differences in the products produced and services rendered.

The mining segment is engaged in exploration, nickel and gold mining operations. The real estate segment is engaged in the sale of subdivision lots. The logistics segment is engaged in logistics services to the supply-chain requirements of various industries. The other segments are engaged in research, development, health services and water projects.

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 operating income or loss and is measured consistently with income or loss before income tax as reported in the consolidated financial statements.

Business Segments

The following tables present revenue and profit and certain asset and liability information regarding the Group's business segments in 2016, 2015 and 2014:

2016

	Mining	Real estate	Logistics	Others	Total	Eliminations	Consolidated
Revenue							
External customers	**₱1,424,426**	**₱3,657**	**₱27,938**	**₱78,223**	**₱1,534,244**	**₱–**	**₱1,534,244**
Interest income	**210**	**376**	**4**	**39**	**629**	**–**	**629**
Inter-segment	**–**	**–**	**401,939**	**–**	**401,939**	**(401,939)**	**–**
Other income	**217,861**	**233**	**678**	**23,143**	**241,915**	**(203,121)**	**38,794**
	1,642,497	**4,266**	**430,559**	**101,405**	**2,178,727**	**(605,060)**	**1,573,667**
Cost and Expenses							
Interest expense	**13,197**	**–**	**27**	**340**	**13,564**	**–**	**13,564**
Direct costs	**762,543**	**623**	**400,075**	**44,827**	**1,208,068**	**(379,395)**	**828,673**
Selling and general expenses	**694,758**	**1,750**	**23,379**	**42,565**	**762,452**	**(210,437)**	**552,015**
Accretion expense	**1,127**	**–**	**–**	**–**	**1,127**	**–**	**1,127**
Impairment losses	**7,508**	**–**	**–**	**–**	**7,508**	**–**	**7,508**
Depreciation, depletion and amortization	**179,242**	**–**	**8,174**	**38,019**	**225,435**	**(65,715)**	**159,720**
Excise taxes and royalty fees	**67,702**	**–**	**–**	**–**	**67,702**	**–**	**67,702**
Other expenses	**169,000**	**–**	**48**	**18,040**	**187,088**	**–**	**187,088**
	1,895,077	**2,373**	**431,703**	**143,791**	**2,472,944**	**(655,547)**	**1,817,397**
Provision for (benefit from) income tax	**(25,929)**	**495**	**(374)**	**(50,545)**	**(76,353)**	**–**	**(76,353)**
Net income (loss)	**(₱226,651)**	**₱1,398**	**(₱770)**	**₱8,159**	**(₱217,864)**	**₱50,487**	**(₱167,377)**
Operating assets	**₱9,444,988**	**₱88,710**	**₱768,794**	**₱800,348**	**₱11,102,840**	**(₱4,578,699)**	**₱6,524,141**
Operating liabilities	**(₱2,776,969)**	**(₱60,079)**	**(₱507,670)**	**(₱473,443)**	**(₱3,818,161)**	**₱1,582,871**	**(₱2,235,290)**
Other disclosure:							
Capital expenditure	**₱103,119**	**₱–**	**₱3,817**	**₱1,070**	**₱108,006**	**₱–**	**₱108,006**

2015

	Mining	Real estate	Logistics	Others	Total	Eliminations	Consolidated
Revenue							
External customers	₱3,137,452	₱7,924	₱43,438	₱68,956	₱3,257,770	₱–	₱3,257,770
Interest income	6,900	422	23	11	7,356	–	7,356
Inter-segment	–	–	822,920	20,406	843,326	(843,326)	–
Other income	296,688	76	5,709	44,050	346,523	(310,340)	36,183
	3,441,040	8,422	872,090	133,423	4,454,975	(1,153,666)	3,301,309

(Forward)

	Mining	Real estate	Logistics	Others	Total	Eliminations	Consolidated
Cost and Expenses							
Interest expense	₱32,397	₱–	₱578	₱4,760	₱37,735	₱–	₱37,735
Direct costs	1,420,788	3,040	790,636	50,520	2,264,984	(805,015)	1,459,969
Selling and general expenses	1,315,210	3,041	25,352	37,676	1,381,279	(350,656)	1,030,623
Accretion expense	1,546	–	–	–	1,546	–	1,546
Impairment loss	107,700	–	–	–	107,700	–	107,700
Depreciation, depletion and amortization	181,238	–	8,906	33,252	223,396	(75,155)	148,241
Excise taxes and royalty fees	181,105	–	–	–	181,105	–	181,105
Other expenses	4,190	–	32,745	25	36,960	–	36,960
	3,244,174	6,081	858,217	126,233	4,234,705	(1,230,826)	3,003,879
Provision for income tax	68,717	282	15,088	12,671	96,758	–	96,758
Net income (loss)	₱128,149	₱2,059	(₱1,215)	(₱5,481)	₱123,512	₱77,160	₱200,672
Operating assets	₱6,719,776	₱87,137	₱910,276	₱3,695,179	₱11,412,368	(₱4,761,790)	₱6,650,578
Operating liabilities	(₱1,875,784)	(₱59,851)	(₱814,137)	(₱1,827,326)	(₱4,577,098)	₱1,740,190	(₱2,836,908)
Other disclosure:							
Capital expenditure	₱52,435	₱13,345	₱12,213	₱10,626	₱88,619	₱–	₱88,619

2014

	Mining	Real estate	Logistics	Others	Total	Eliminations	Consolidated
Revenue							
External customers	₱2,884,572	₱4,477	₱110,368	₱18,201	₱3,017,618	₱–	₱3,017,618
Interest income	1,581	475	112	11	2,179	–	2,179
Inter-segment	–	–	635,648	104,823	740,471	(740,471)	–
Other income	253,900	113	9,905	2,911	266,829	(211,722)	55,107
	3,140,053	5,065	756,033	125,946	4,027,097	(952,193)	3,074,904
Cost and Expenses							
Interest expense	84,845	–	1,279	6	86,130	–	86,130
Direct costs	1,116,833	1,092	684,827	98,897	1,901,649	(283,868)	1,617,781
Selling and general expenses	1,313,316	3,625	19,713	37,465	1,374,119	(650,780)	723,339
Accretion expense	2,401	–	–	–	2,401	–	2,401
Impairment losses	10,481	–	–	–	10,481	–	10,481
Depreciation, depletion and amortization	169,234	124	8,651	5,722	183,731	(66,667)	117,064
Excise taxes and royalty fees	154,867	–	–	–	154,867	–	154,867
Other expenses	238,365	639	4,128	8,644	251,776	–	251,776
	3,090,342	5,480	718,598	150,734	3,965,154	(1,001,315)	2,963,839
Provision for income tax	4,585	670	6,735	1,865	13,855	–	13,855
Net income (loss)	₱45,126	(₱1,085)	₱30,700	(₱26,653)	₱48,088	₱49,122	₱97,210
Operating assets	₱9,955,678	₱47,606	₱725,314	₱676,470	₱11,405,068	(₱4,276,836)	₱7,128,232
Operating liabilities	(₱3,991,674)	(₱47,625)	(₱438,242)	(₱327,751)	(₱4,805,292)	₱1,178,883	(₱3,626,409)
Other disclosure:							
Capital expenditure	₱96,781	₱21,429	₱16,383	₱36,144	₱170,737	₱–	₱170,737

Capital expenditures consist of additions to property, plant and equipment and deferred mine exploration costs.

33. Financial Risk Management Objectives and Policies

The Group's principal financial instruments pertain to unsecured and secured bank loans. The main purpose of these financial instruments is to fund the Group's operations. The Group has other financial instruments such as cash and cash equivalents, trade receivables, receivable from lessees of bunkhouses, and loans receivable under trade and other receivables, trade and accrued expenses under trade and other payables and obligations under finance lease, which arise directly from its operations. Other financial assets include AFS financial assets.

The significant risks arising from the Group's financial instruments are liquidity risk, credit risk, interest rate risk and foreign currency risk. The BOD reviews and agrees policies for managing each of these risks and these are summarized below.

Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial liabilities. The Group's objective is to maintain a balance between continuity of funding in order to continuously operate and support its exploration activities. The Group considers its available funds and liquidity in managing its immediate financial requirements.

As at December 31, 2016 and 2015, cash and cash equivalents may be withdrawn anytime while quoted AFS financial assets may be converted to cash by selling them during the normal trading hours in any business day.

The tables below summarize the aging analysis of the Group's financial assets and the maturity profile of the Group's financial liabilities as at December 31, 2016 and 2015.

2016	On demand	0-90 days	More than 90 days	More than one year	Total
Cash and cash equivalents					
Cash on hand	₱776	₱–	₱–	₱–	₱776
Cash in banks	41,763	–	–	–	41,763
Short-term deposits	48	–	–	–	48
Trade and other receivables					
Trade	158,797	993	11,276	–	171,066
Receivables from lessees of bunkhouses	–		625	–	625
Loan receivable	–	–	49,763	–	49,763
AFS financial assets					
UITF	–	–	–	9,436	9,436
Quoted shares	–	–	–	759	759
Unquoted shares	–	–	–	571	571
Total	₱201,384	₱993	₱61,664	₱10,766	₱274,807

2016	On demand	0-90 days	More than 90 days	More than one year	Total
Loans payable	₱475,709	₱–	₱229,412	₱–	₱705,121
Trade and other payables					
Trade	398,709	–	207,835	–	606,544
Nontrade	36,902	–	24,118	–	61,020
Accrued expenses	39,557	–	20,554	–	60,111
Other noncurrent liabilities					
Equity of claimowner in contract operations	–	–	–	49,136	49,136
Total	₱950,877	₱–	₱481,919	₱49,136	₱1,481,932

2015	On demand	0-90 days	More than 90 days	More than one year	Total
Cash and cash equivalents					
Cash on hand	₱698	₱–	₱–	₱–	₱698
Cash in bank	56,199	–	–	–	56,199
Short-term deposits	48	–	–	–	48
Trade and other receivables					
Trade	212,243	1,303	14,802	–	228,348
Receivables from lessees of bunkhouses	–	–	8,469	–	8,469
Loan receivable	–	–	49,763	–	49,763
AFS financial assets					
UITF	–	–	–	10,790	10,790
Quoted shares	–	–	–	609	609
Unquoted shares	–	–	–	571	571
Total	₱269,188	₱1,303	₱73,034	₱11,970	₱355,495

2015	On Demand	0-90 days	More than 90 days	More than one year	Total
Loans payable	₱396,879	₱–	₱392,286	₱2,890	₱792,055
Trade and other payables					
Trade	308,980	–	168,145	–	477,125
Nontrade	15,611	–	15,872	–	31,483
Accrued expenses	41,351	–	18,999	–	60,350
Other noncurrent liabilities					
Equity of claimowner in contract operations	–	–	–	49,136	49,136
Total	₱762,821	₱–	₱595,302	₱52,026	₱1,410,149

Credit Risk

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

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

With respect to credit risk arising from other financial assets of the Group, which comprise of cash and cash equivalents, trade receivables, receivables from lessees of bunkhouses and loans receivable under trade and other receivables, and AFS financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognized third parties, there is no requirement for collateral.

The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position. The maximum exposure is shown at gross amount, before the effect of mitigation through the use of master netting and collateral agreements.

	2016	2015
Cash and cash equivalents		
Cash in banks	**₱41,763**	₱56,199
Short-term deposits	**48**	48
Trade and other receivables		
Trade	**176,181**	231,516
Receivables from lessees of bunkhouses	**35,704**	35,797
Loan receivable	**49,763**	49,763
AFS financial assets		
UITF	**9,436**	10,790
Quoted shares	**759**	609
Unquoted shares	**571**	571
	₱314,225	₱385,293

The table below shows the credit quality by class of financial assets based on the Group's rating:

	Neither past due nor impaired				
2016	**High-grade**	**Standard-grade**	**Past due but not impaired**	**Impaired**	**Total**
Cash and cash equivalents					
Cash in banks	**₱41,763**	**₱–**	**₱–**	**₱–**	**₱41,763**
Short-term deposits	**48**	**–**	**–**	**–**	**48**
Trade and other receivables					
Trade	**56,182**	**66,527**	**48,357**	**5,115**	**176,181**
Receivables from lessees of bunkhouses	**–**		**625**	**35,079**	**35,704**
Loan receivable	**–**	**49,763**	**–**	**–**	**49,763**
AFS financial assets					
UITF	**9,436**	**–**	**–**	**–**	**9,436**
Quoted shares	**759**	**–**	**–**	**–**	**759**
Unquoted shares	**–**	**571**	**–**	**–**	**571**
Total credit risk exposure	**₱108,188**	**₱116,861**	**₱48,982**	**₱40,194**	**₱314,225**

	Neither past due nor impaired				
2015	High-grade	Standard-grade	Past due but not impaired	Impaired	Total
Cash and cash equivalents					
Cash in banks	₱56,199	₱–	₱–	₱–	₱56,199
Short-term deposits	48	–	–	–	48
Trade and other receivables					
Trade	144,104	54,010	30,234	3,168	231,516
Receivables from lessees of bunkhouses	–	–	9,594	26,203	35,797
Loan receivable	–	49,763	–	–	49,763
AFS financial assets					
UITF	10,790	–	–	–	10,790
Quoted shares	609	–	–	–	609
Unquoted shares	–	571	–	–	571
Total credit risk exposure	₱211,750	₱104,344	₱39,828	₱29,371	₱385,293

The Group has assessed the credit quality of the following financial assets:

a. Cash and cash equivalents are assessed as high-grade since these are deposited in reputable banks, which have a low probability of default.
b. Trade receivables, which pertain mainly to receivables from sale of nickel ore, were assessed as high-grade. Included in trade receivables are receivables from sales of services, some of which were assessed as other than high-grade. These were assessed based on past collection experience and the debtors' ability to pay.
c. UITF and quoted AFS financial assets were assessed as high-grade since these are instruments from companies with good financial condition and are operating in an industry, which has potential growth.
d. Other financial assets such as receivables from lessees of bunkhouses, loans receivables and unquoted shares were assessed as standard-grade, based on past collection experience and debtors' ability to pay.

Market Risks

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates primarily to the Group's long-term debt obligations with floating interest rates.

As at December 31, 2016 and 2015, the Group's exposure to the risk for changes in market interest rate relates primarily to its secured bank loans and unsecured bank loans with floating interest rates. The Group regularly monitors its interest due to exposure from interest rates movements.

The Group's secured and unsecured loans payable are both payable on demand while other loans payable are payable within 3 years. Nominal interest rates vary from floating rate of 91-day Philippine PhP T-bill rate for peso loans and 3-month LIBOR foreign loans, plus a margin of 2.5% for unsecured loans and 3.5% for secured loans.

The following table sets forth, for the years indicated, the impact of changes of interest rate on the consolidated statements of income:

2016	**Change in interest rates (in basis points)**	**Sensitivity of pretax income**
PHP	**+100**	**(₱3,435)**
PHP	**-100**	**3,435**
US$	**+100**	**(3,615)**
US$	**-100**	**3,615**

2015	Change in interest rates (in basis points)	Sensitivity of pretax income
PHP	+100	(₱4,604)
PHP	-100	4,604
US$	+100	(2,756)
US$	-100	2,756

There is no other impact on the Group's equity other than those already affecting the consolidated statement of income. Based on the historical movement of the interest rates, management believes that the reasonably possible change for the next quarter would result in an increase (decrease) of 100 basis points for US$ LIBOR and PhP T-bill.

Foreign Currency Risk
Foreign currency risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial performance and cash flows. The Group has transactional currency exposures. Such exposure arises from the sale of gold and nickel ore and the purchase of certain goods and services denominated in US$. All sales of gold and nickel ore are denominated in US$. Dollar conversion of metal sales to Philippine peso is based on the prevailing exchange rate at the time of sale.

The Group's policy is to maintain foreign currency exposure within acceptable limits. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits for an institution engaged in the type of business in which the Group is involved. The Group did not seek to hedge the exposure on the change in foreign exchange rates between the US$ and the Philippine peso. The Group believes that active currency hedging would not provide long-term benefits to stockholders.

The Group's foreign currency-denominated monetary assets and liabilities as at December 31, 2016 and 2015 follow:

	2016		2015	
	US$	**Peso equivalent**	US$	Peso equivalent
Financial Assets				
Cash in banks	**$129**	**₱6,414**	$6	₱292
Trade receivables under trade and other receivables	**828**	**41,168**	1,999	94,093
Total monetary assets	**957**	**47,582**	2,005	94,385
Financial Liabilities				
Secured bank loans	**777**	**38,632**	777	36,566
Total monetary liabilities	**777**	**38,632**	777	36,566
Net asset position	**$180**	**₱8,950**	$1,228	₱57,819

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

The sensitivity to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Group's income before income tax as at December 31, 2016 and 2015 is as follows:

2016	**Change in foreign exchange rate**	**Sensitivity of pretax income**
	Strengthens by ₱0.65	**(₱117)**
	Weakens by ₱0.48	**86**

2015	Change in foreign exchange rate	Sensitivity of pretax income
	Strengthens by ₱0.55	(₱675)
	Weakens by ₱0.23	282

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

Equity Price Risk
Equity price risk is the risk to earnings or capital arising from changes in stock exchange indices relating to its quoted equity securities. The Group's exposure to equity price risk relates primarily to its AFS financial assets in quoted shares.

The Group's policy is to maintain its risk to an acceptable level. Movement of share prices is monitored regularly to determine impact on the consolidated statement of financial position.

Management believes that its exposure to equity price risk is not material to the consolidated financial statements as a whole; thus, disclosure of equity price risk analysis was deemed unnecessary.

Fair Values of Financial Instruments
Fair value is defined as the amount at which a financial instrument can be exchanged in an orderly transaction between market participants at the measurement date.

Set out below is a comparison by category and class of carrying amounts and estimated fair values of the Group's significant financial assets and liabilities as at December 31, 2016 and 2015:

	Carrying amounts		Fair values	
	2016	2015	**2016**	2015
Financial Assets:				
AFS financial assets:				
UITF	**₱9,436**	₱10,790	**₱9,436**	₱10,790
Quoted	**759**	609	**759**	609
Unquoted	**571**	571	**571**	571
Financial Liabilities:				
Loans payable	**₱707,549**	₱792,055	**₱707,549**	₱792,055

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash and Cash Equivalents, trade receivables and receivable from lessees of bunkhouses under Trade and Other Receivables, trade and accrued expenses under Trade and Other Payables, and equity of claimowner in contract operations under Other Noncurrent Liabilities
The fair values of these instruments approximate their carrying amounts as of reporting date due to the short-term nature.

Loan Receivable
The fair value of loans receivable approximate their carrying amounts as of reporting date due to the short-term nature. Loans receivable carry interest at 9% per annum and are due and demandable.

AFS Financial Assets
The fair value of investments that are actively traded in organized markets is determined by reference to quoted market bid prices at the close of business on reporting date. The fair value of unquoted AFS equity investments cannot be reliably measured and accordingly measured at cost, net of impairment.

As at December 31, 2016 and 2015, the Group had UITF and quoted AFS financial assets amounting to ₱10.2 million and ₱11.4 million, respectively, carried at fair value in the consolidated statement of financial position. The quoted AFS financial assets are classified under Level 1 of the fair value hierarchy since these are based on quoted market prices or binding dealer price quotations. The Group has no financial instruments measured at fair value under Levels 2 and 3 of fair value hierarchy. There were no transfers between levels in 2016 and 2015.

Loans Payable
Where the repricing of the variable-rate interest bearing loan is frequent (i.e., three-month repricing), the carrying value approximates the fair value. The fair value of other loans payable is determined by discounting the principal using the 3-month LIBOR rate of 0.58% plus credit spread of 5.42%.

Capital Management
The Group maintains a capital base to cover risks inherent in the business. The primary objective of the Group's capital management is to optimize the use and earnings potential of the Group's resources, ensuring that the Group complies with externally imposed capital requirements, if any, and considering changes in economic conditions and the risk characteristics of the Group's activities.

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 obtain additional advances from stockholders or issue new shares. No changes were made in the objectives, policies or processes in 2016, 2015 and 2014. The Group monitors capital using the parent company financial statements. As at December 31, 2016 and 2015, the Group has met its capital management objectives.

The following table summarizes the total capital considered by the Group:

	2016	2015
Capital stock	**₱616,155**	₱615,555
Capital surplus	**367,862**	344,106
Retained earnings	**1,888,663**	2,055,314
Other components of equity	**792,444**	806,711
Treasury shares	**(8,016)**	(8,016)
	₱3,657,108	₱3,813,670

Further, the Group monitors capital using debt to equity ratio, which is total liabilities divided by total equity. Debt to equity ratios of the Group as at December 31, 2016 and 2015 are as follows:

	2016	2015
Total liabilities (a)	**₱2,901,488**	₱2,844,691
Total equity (b)	**3,657,108**	3,813,670
Debt-to-equity ratio (a/b)	**0.79:1**	0.75:1

34. Leases, Agreements, Contingencies and Other Matters

Lease Agreements

Operating Leases
The Group leases its office spaces up to June 30, 2020 and parcels of land on which its mine site offices are located for varying periods. These leases are renewable upon mutual agreement with the lessors. Total rental expense on these leases amounted to ₱12.5 million, ₱11.8 million and ₱4.1 million in 2016, 2015 and 2014, respectively. Future minimum lease payments for the said operating leases are as follows:

	2016	2015
Lease payments due in:		
Less than one year	**₱8,615**	₱12,147
Between one and five years	**13,226**	20,708
More than five years	**5,064**	5,095
Future minimum lease payments	**₱26,905**	₱37,950

Finance Lease
In 2012, the Parent Company entered into a lease agreement with a leasing and finance company to finance the purchase of an item of property and equipment. Future minimum lease payments under the said finance lease and with the present value of the net minimum lease payments are as follows:

	2016	2015
Lease payments due in:		
Less than one year	**₱2,456**	₱14,738
Between one and five years	**–**	2,456
Future minimum lease payments	**2,456**	17,194
Less amount representing interest	**29**	984
Present value of future minimum lease payments	**2,427**	16,210
Less current portion	**2,427**	13,783
Noncurrent portion	**₱–**	₱2,427

Principal payments made amounted to ₱13.8 million, ₱12.5 million and ₱11.4 million in 2016, 2015 and 2014, respectively.

Interest expense recognized on the above finance lease obligations amounted to ₱0.2 million, ₱2.3 million and ₱3.3 million in 2016, 2015 and 2014, respectively.

Agreements and Contingencies

a. The Parent Company and certain subsidiaries are contingently liable for liabilities arising from lawsuits or claims (mostly labor, civil, mines administrative and ports related cases) filed by third parties, which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements.

b. On December 6, 2010, the Parent Company and BLRI signed an agreement for the management of the operation of the AGP. Under the management contract, BLRI will provide the necessary technical and financial assistance to expand the production capacity of AGP to 300 tons per day in exchange for a management fee based on 25% of the net operating profit

of AGP. BLRI also leases its equipment to the AGP mining operations. However, due to the significant decline in average gold price from 2011 to 2014, the management rate was reduced to 15% effective January 2014. On December 31, 2015, the Parent Company and BLRI mutually agreed to pre-terminate the management contract and release each other from any and all responsibilities thereunder.

c. In 2011, the Parent Company signed a 20-year power supply agreement with Therma Luzon, Inc. (TLI), a wholly-owned subsidiary of Aboitiz Power Corporation, to supply power to its current and future mining operations in Itogon, Benguet. The contract provides for a payment discount of 0.5% on its monthly billing if the Parent Company pays TLI on or before the 15th of the payment month.

d. On August 8, 2011, the Parent Company signed a Marketing Agreement to be the exclusive marketing agent of BNMI for its nickel ore sales. Through this arrangement, BNMI signed on August 24, 2011, a tri-partite off-take agreement with the Parent Company and a Chinese trading company for the sale of nickel ore. In accordance with the agreement, the Chinese trading company shall extend an advance of US$6.0 million to the Parent Company. BNMI will deliver and sell 1.8 million tons of 1.8% grade laterite nickel ore to the Chinese trading company over a period of 36 months at 0.6 million tons per 12 months, to start six months after signing of the agreement. The Chinese trading company will deduct US$3.33 per ton from the selling price of the nickel ore to be treated as repayment of the advance to the Parent Company. The advance bears an interest of 6% per annum to be computed on the unpaid balance based on the number of days that lapsed from signing of the agreement. The interest will also be deducted from the selling price of the nickel ore on each delivery date. As at December 31, 2016, the marketing agreement between the Parent Company and BNMI still holds as intended by both parties.

e. On September 18, 2013, BNMI entered into an off-take agreement with a Korean trading company, for the sale of nickel ore. In accordance with the agreement, the Korean trading company extended advances of US$2.0 million to BNMI in exchange for 10 future shipments. The advances are non-interest bearing and an amount of US$0.2 million will be deducted from the selling price of every shipment. On April 11, 2014, BNMI entered into another off-take agreement with the same Korean trading company. In conformity with the contract, the Korean trading Company extended advances totaling to US$6.0 million to BNMI in exchange for future shipments and is to be applied as follows; US$5.3 million as first advance payment to BNMI and the remaining US$0.7 million is to be paid to a technical service provider of Korean trading company pursuant to a separate contract between the Korean trading company and the technical service provider. The first advance payment shall be deducted at a rate of US$0.3 million from each shipment until the full amount is fully offset or paid to Korean trading company. As at December 31, 2016, the first off-take agreement amounting to US$2.0 million is fully paid and only the April 11, 2014 off-take agreement amounting to US$6.0 million is outstanding.

f. BNMI and KPLMSC agreed to enter into a non-exclusive port use agreement for an initial term of 10 years starting on June 1, 2012. BNMI shall pay KPLMSC on a per wet metric ton of nickel ore loaded based on the final draft survey, and shall be due five days after completion of every shipment.

g. In 2013, the Parent Company changed the terms of its agreement with mine contractors in the AGP from ore-sharing to metal sharing. Based on the new agreement, ore mined by contractors will all be milled and sold by the Parent Company to Bangko Sentral ng Pilipinas, the proceeds of which are shared between the Parent Company and its contractors.