

Carmen Copper Corporation
*(A Wholly Owned Subsidiary of Atlas
Consolidated Mining and Development
Corporation)*

Interim Financial Statements
as at June 30, 2016 and December 31, 2015
and the Six Months ended June 30, 2016
and 2015

and

Report on Review of Interim Financial
Statements



REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

The Board of Directors
Carmen Copper Corporation

We have reviewed the accompanying interim statement of financial position of Carmen Copper Corporation (a wholly-owned subsidiary of Atlas Consolidated Mining and Development Corporation) as at June 30, 2016, and the related interim statements of comprehensive income, statements of changes in equity and statements of cash flows for the six months ended June 30, 2016 and 2015, and a summary of significant accounting policies and other explanatory notes to interim financial statements. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these interim financial statements based on our review. The accompanying interim financial statements have been prepared to comply with the reporting covenants under the March 16, 2012 Indenture embodying the terms of the \$300 million bond issue ("Indenture Covenants").

Scope of Review

We conducted our review in accordance with Philippine Standards on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements are not presented fairly, in all material respects, in accordance with Philippine Financial Reporting Standards.

Other Matters

The accompanying interim financial statements have been prepared to comply with the Indenture Covenants. As such, the interim financial statements may not be suitable for another purpose and should be used solely to comply with the Indenture Covenants.

SyCip, Gorres, Velayo & Co.

August 26, 2016
Makati City, Philippines



CARMEN COPPER CORPORATION
INTERIM STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
ASSETS		
Current Assets		
Cash (Note 4)	\$17,585,644	\$9,445,386
Short-term investments (Note 12)	12,999,798	13,000,192
Receivables (Note 5)	18,115,189	11,685,631
Inventories (Note 7)	43,002,807	47,018,014
Prepayments and other current assets (Note 8)	9,380,081	9,880,939
Total Current Assets	101,083,519	91,030,162
Noncurrent Assets		
Property, plant and equipment (Note 9)	742,867,864	741,480,275
Available-for-sale (AFS) financial asset (Note 21)	123,037	123,037
Deferred tax assets - net (Note 15)	27,196,810	23,462,543
Other noncurrent assets (Note 10)	50,914,764	48,802,510
Total Noncurrent Assets	821,102,475	813,868,365
TOTAL ASSETS	\$922,185,994	\$904,898,527
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Note 11)	\$68,415,738	\$116,987,425
Current portion of long-term debt and other interest-bearing liabilities (Note 12)	382,318,446	86,422,054
Derivative liabilities (Note 6)	52,250	52,250
Income tax payable	275,216	–
Total Current Liabilities	451,061,650	203,461,729
Noncurrent Liabilities		
Long-term debt and other interest-bearing liabilities - net of current portion (Note 12)	82,275,173	389,126,014
Liability for mine rehabilitation costs (Note 13)	1,047,784	1,023,639
Retirement benefits liability (Note 20)	6,061,416	6,844,935
Total Noncurrent Liabilities	89,384,373	396,994,588
Total Liabilities	540,446,023	600,456,317
Equity		
Capital stock – ₪1 par value (Note 14)		
Authorized – 3.2 billion shares		
Issued and outstanding – 2.3 billion shares in 2016 and 2.1 billion shares in 2015	52,086,483	47,656,179
Additional paid-in capital (Note 14)	205,012,704	128,371,758
Remeasurement loss on retirement plan	2,431,345	2,431,345
Unrealized loss on AFS financial asset (Note 21)	(398,161)	(398,161)
Cumulative translation adjustment	(59,913)	(59,913)
Retained earnings (Note 14)	122,667,513	126,441,002
Total Equity	381,739,971	304,442,210
TOTAL LIABILITIES AND EQUITY	\$922,185,994	\$904,898,527

See accompanying Notes to Financial Statements.



CARMEN COPPER CORPORATION**INTERIM STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)**

	Six Months Ended June 30	
	2016	2015
REVENUES (Note 6)		
Copper	\$108,689,055	\$103,597,449
Gold	22,067,491	14,312,034
Silver	47,072	43,564
	130,803,618	117,953,047
Less smelting and related charges	13,639,175	14,449,913
	117,164,443	103,503,134
COSTS AND EXPENSES		
Mining and milling costs (Note 16)	95,061,759	93,290,520
General and administrative expenses (Note 17)	11,068,875	12,711,048
Mine products taxes (Note 16)	2,382,741	2,286,518
	108,513,375	108,288,086
OTHER INCOME (CHARGES)		
Finance charges (Notes 11, 12, 13 and 20)	(15,961,021)	(16,081,917)
Foreign exchange gain (loss) - net	(799,676)	4,076,746
Interest income (Notes 4 and 12)	425,672	417,088
Fair value gains on derivatives - net (Note 6)	—	3,041,964
Others - net	679,939	409,183
	(15,655,086)	(8,136,936)
LOSS BEFORE INCOME TAX	(7,004,018)	(12,921,888)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 15)		
Current	503,738	495,017
Deferred	(3,734,267)	(9,513,345)
	(3,230,529)	(9,018,328)
NET LOSS	(3,773,489)	(3,903,560)
OTHER COMPREHENSIVE LOSS		
Item that may be reclassified to profit or loss in subsequent periods:		
Unrealized loss on AFS financial asset	—	(104,138)
	—	(104,138)
TOTAL COMPREHENSIVE LOSS	(\$3,773,489)	(\$4,007,698)

See accompanying Notes to Financial Statements.



CARMEN COPPER CORPORATION**INTERIM STATEMENTS OF CHANGES IN EQUITY****FOR THE SIX MONTHS ENDED June 30, 2016 and 2015****(UNAUDITED)**

	Capital Stock (Note 14)	Additional Paid-in Capital (Note 14)	Remeasurement Gain (Loss) on Retirement Plan (Note 20)	Unrealized Loss on AFS Financial Asset (Note 21)	Cumulative Translation Adjustments	Retained Earnings (Note 14)	Total
Balances at January 1, 2016	\$47,656,179	\$128,371,758	\$2,431,345	(\$398,161)	(\$59,913)	\$126,441,002	\$304,442,210
Net loss for the period	—	—	—	—	—	(3,773,489)	(3,773,489)
Other comprehensive loss on AFS financial asset	—	—	—	—	—	—	—
Total comprehensive loss for the period	—	—	—	—	—	(3,773,489)	(3,773,489)
Additional investment	4,430,304	76,640,946	—	—	—	—	81,071,250
Balances at June 30, 2016	\$52,086,483	\$205,012,704	\$2,431,345	(\$398,161)	(\$59,913)	\$122,667,513	\$381,739,971
Balances at January 1, 2015	\$42,706,185	\$83,821,812	(\$4,176,391)	(\$224,686)	(\$59,913)	\$143,854,062	\$265,921,069
Net loss for the period	—	—	—	—	—	(3,903,560)	(3,903,560)
Other comprehensive loss on AFS financial asset	—	—	—	(104,138)	—	—	(104,138)
Total comprehensive loss for the period	—	—	—	(104,138)	—	(3,903,560)	(4,007,698)
Additional investment	4,949,994	44,549,946	—	—	—	—	49,499,940
Balances at June 30, 2015	\$47,656,179	\$128,371,758	(\$4,176,391)	(\$328,824)	(\$59,913)	\$139,950,502	\$311,413,311

See accompanying Notes to Financial Statements.

CARMEN COPPER CORPORATION
INTERIM STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED June 30, 2016 and 2015
(UNAUDITED)

	Six Months Ended June 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(\$7,004,018)	(\$12,921,888)
Adjustments for:		
Depreciation, depletion and amortization (Note 9)	27,073,069	23,818,609
Finance charges (Notes 11, 12, 13 and 20)	15,961,021	16,081,917
Foreign exchange loss (gain) – net	799,676	(4,076,746)
Retirement benefits costs (Note 20)	514,549	587,509
Interest income (Notes 4 and 12)	(425,672)	(417,088)
Fair value gains on derivatives - net (Note 6)	–	(3,041,964)
Operating income before working capital changes	36,918,625	20,030,349
Decrease (increase) in:		
Receivables	(6,922,575)	(7,898,985)
Inventories	4,015,207	(11,573,760)
Other current assets	272,126	3,938,137
Increase (decrease) in accounts payable and accrued liabilities	(47,253,724)	16,694,122
Decrease in interest-free payables to related parties (Notes 11 and 19)	–	(7,783,422)
Net cash generated from operations	(12,970,341)	13,406,441
Interest paid	(15,916,350)	(16,148,554)
Benefits paid (Note 20)	(1,298,068)	(183,837)
Interest received	25,840	387,870
Net cash flows used in operating activities	(30,158,919)	(2,538,080)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property, plant and equipment (Note 9)	(28,460,658)	(33,678,157)
Increase in other noncurrent assets	(2,112,106)	(2,086,184)
Short-term investments (Note 12)	(2,055,592)	(8,871,147)
Proceeds from termination of short-term investments	–	3,019,192
Net cash flows used in investing activities	(32,628,356)	(41,616,296)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	81,071,250	36,922,956
Payments of long-term debt and other interest-bearing liabilities (Note 12)	(16,642,001)	(30,885,330)
Proceeds from long-term debt and other interest-bearing liabilities (Note 12)	5,638,160	60,333,726
Net cash flows from financing activities	70,067,409	66,371,352
EFFECT OF EXCHANGE RATE CHANGES ON CASH	860,124	(124,216)
NET INCREASE IN CASH	8,140,258	22,092,760
CUMULATIVE TRANSLATION ADJUSTMENTS	–	13,723,961
CASH AT BEGINNING OF PERIOD	9,445,386	18,384,878
CASH AT END OF PERIOD	\$17,585,644	\$54,201,599

See accompanying Notes to Financial Statements.



CARMEN COPPER CORPORATION

NOTES TO INTERIM FINANCIAL STATEMENTS

1. Corporate Information and Authorization for Issue of the Financial Statements

Corporate Information

Carmen Copper Corporation (the Company) is a stock corporation organized under the laws of the Philippines on September 16, 2004, primarily for the exploration, development and production of copper/gold in concentrate. The registered office address of the Company is 5/F Five Ecom Center, Palm Coast Drive, Mall of Asia Complex, Pasay City, Metro Manila. The mine site is located in Lutopan, Toledo, Cebu. The Company is a wholly owned subsidiary of Atlas Consolidated Mining and Development Corporation (ACMDC; the Parent Company). ACMDC is listed in the Philippine Stock Exchange and is a holding company for various mining companies in the Philippines.

On May 5, 2006, ACMDC entered into an Operating Agreement with the Company respecting the terms of the assignment by ACMDC to the Company of operating rights over the Toledo mining complex, and the right to acquire certain fixed assets. The agreement may be terminated by ACMDC upon 30 days prior to written notice. In March 2016 and December 2014, the Board of Directors (BOD) of ACMDC approved the waiver of its entitlement to receive from the Company, pursuant to the Operating Agreement, royalties due from operations (see Note 19).

The Executive Committees of the Parent Company and the Company, during a joint meeting held on February 3, 2015, approved the set off of (i) amounts withdrawn from the collection account of the Company with BDO Unibank, Inc. (BDO) (that was established under the December 2010 Omnibus Loan and Security Agreement (OLSA) between the Company and BDO to fund the debt service reserve account of the Parent Company in respect of the United States Dollar (US\$; \$)-denominated loan facility debt availed by the Parent Company on July 25, 2011, covering the amount of US\$75,000,000 ("BDO Facility") against (ii) fees receivable by the Parent Company from the Company pursuant to the Operating Agreement (the "Netting Arrangement") and (iii) other advances to and from Parent Company. Under the terms of the approval, the Netting Arrangement shall be applied retroactively to cover the relevant balances as at December 31, 2015 (see Note 19).

The Company is registered with the Board of Investments (BOI) on a non-pioneer status as a new producer of copper concentrate. The Company is entitled to avail of the income tax holiday (ITH) incentive, among other incentives, for an initial period of four (4) years from November 2007 to November 2011. The ITH incentive ("ITH Period") was extended to October 31, 2012 by the BOI in June 2011 with the Company's use of the indigenous materials criterion. In 2012, the ITH Period was extended further to October 31, 2013 based on the Company's eligibility under the net foreign exchange earnings criterion pursuant to Art. 39 (a) (1) (ii) of Executive Order (EO) 226, subject to the condition that the Company shall implement programs in line with its Corporate Social Responsibilities (CSR). The amount spent for CSR-based programs amounted to \$334,721 and \$506,424 for the six months ended June 30, 2016 and 2015, respectively (see Note 17).

The Company has a five-year Social Development and Management Program (SDMP) in compliance with Department of Environment and Natural Resources (DENR) Administrative Order 96-40, as amended. The Company has been implementing its SDMP as approved by the Mines and Geosciences Bureau (MGB).



For the period ended December 31, 2015, the Company was unable to maintain certain financial ratios as prescribed by the terms of its long-term loan agreements with Security Bank, Maybank Philippines Inc., Maybank International Labuan branch, Rizal Commercial Banking Corporation (RCBC), United Overseas Bank (UOB) and Standard Chartered Bank (SCB). The Company was able to obtain from the relevant creditors waivers in respect of its compliance with such financial covenant before the close of the reporting period and before the approval of the issuance of this report. For the period ended June 30, 2016, there is no requirement for a test of certain financial ratios as per the terms of its long-term loan agreements, except for the OLSA with the Singapore Branch of SCB for which the Company was able to obtain from SCB a waiver of its compliance with the financial covenant after the close of the reporting period, and before the authorization for the issuance of this report (see Note 12).

Authorization for Issue of the Financial Statements

The financial statements of the Company as at June 30, 2016 and December 31, 2015 and for the six months ended June 30, 2016 and 2015 were authorized for issue by the Company's BOD on August 26, 2016.

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

Basis of Preparation

The accompanying financial statements have been prepared using historical cost basis except for derivative financial instruments and AFS financial asset that have been measured at fair value.

Statement of Compliance

The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Functional and Presentation Currency

Change in Functional Currency and Presentation Currency

The financial statements are presented in US\$. The Company's functional and presentation currency is US\$ beginning January 1, 2015. All values are rounded to the nearest dollar, except when otherwise indicated.

In prior years, the Company determined its functional currency to be Philippine Peso (PHP; ₱). As a result of changes in underlying transactions, event and conditions relevant to the Company, there was a change in the functional currency of the Company from PHP to US\$ as of January 1, 2015. On February 12, 2016, the Company notified the Securities and Exchange Commission (SEC) of the change in functional currency in accordance with SEC Memo Circular No. 1, series of 2006, *Guidelines on the Filing of Functional Currency Financial Statements*. On February 16, 2016, the SEC approved the Company's application for the change in functional currency. Accordingly, effective January 1, 2015, the Company implemented the change in functional currency from PHP to US\$.

In compliance with Philippine Accounting Standards (PAS) 21, *The Effects of Changes in Foreign Exchange Rates*, the effect of the change in functional currency was accounted for prospectively. Balances as of January 1, 2015 were translated using the exchange rate at the date of the change and the resulting translated amounts for nonmonetary items are treated as their historical cost.



Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the financial statements are consistent with the prior year, except for the adoption of the following new and amended PFRS, PAS and Philippine Interpretations which were adopted as at January 1, 2016:

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception* (Amendments)
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 and 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), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are not applicable to the Company since the Company does not have investment entity associates or joint venture.
- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
The amendments will 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 PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. These amendments do not have any impact on the Company's financial statements.
- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests* (Amendments)
The amendments to PFRS 11 require that 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, *Business Combinations*), 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 and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments do not have any impact to the Company.

- PAS 1, *Presentation of Financial Statements - Disclosure Initiative* (Amendments)
The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:
 - That entities shall not reduce the understandability of their financial statements by either obscuring material information within immaterial information; or aggregating material items that have different nature or functions



- That specific line items in the statement of income and other comprehensive income (OCI) 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 OCI 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.

Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates. These amendments do not have any impact to the Company.

- *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 PFRS. 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 OCI. 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 Company is an existing PFRS preparer, this standard does not apply.
- *PAS 16, Property, Plant and Equipment, and PAS 41, Agriculture - Bearer Plants (Amendments)*
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 retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments do not have any impact to the Company as the Company does not have any bearer plants.
- *PAS 16, Property, Plant and Equipment, and PAS 38, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*
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. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments do not have any impact to the Company given that the Company has not used a revenue-based method to depreciate its noncurrent assets.



Annual Improvements to PFRSs (2012-2014 cycle)

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and do not have a material impact on the Company. They include:

- *PFRS 5, Non-current 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.
- *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.
- *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.
- *PAS 19, Employee Benefits - Regional Market Issue Regarding Discount Rate*
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.
- *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).

Effective in January 1, 2018

- *PFRS 9, Financial Instruments*
In July 2014, the International Accounting Standards Board (IASB) issued the final version of International Financial Reporting Standards (IFRS) 9, *Financial Instruments*. The new standard (renamed as 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. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015.

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

In addition, the IASB has issued the following new standards that have not yet been adopted locally by the Financial Reporting Standards Council (FRSC), Board of Accountancy and the Professional Regulation Commission:

- IFRS 15, *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 by the IASB and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 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 IFRS 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 IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

- IFRS 16, *Leases*

On January 13, 2016, the IASB issued its new standard, IFRS 16, *Leases*, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases in 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 IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15, *Revenue from Contracts with Customers*. When adopting IFRS 16, an entity is permitted to use either a full



retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Company is currently assessing the impact of PFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

Effective Date to be Determined

- **Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate***
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the IASB and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the financial statements of the Company.

Summary of Significant Accounting Policies

Presentation of Financial Statements

The Company has elected to present all items of recognized income and expense in a single statement of comprehensive income.

Cash

Cash includes cash on hand and in banks.

Financial Instruments

Date of Recognition

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial Recognition and Classification of Financial Instruments

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those financial assets and liabilities at fair value through profit or loss (FVPL), includes transaction cost.

On initial recognition, the Company classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments and AFS financial assets, as appropriate. Financial liabilities, on the other hand, are classified as financial liability at FVPL and other financial liabilities, as appropriate. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market.

Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at each end of the reporting period.



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

The Company has no HTM investments as at June 30, 2016 and December 31, 2015.

Fair Value Measurement

The Company measures financial instruments, such as, AFS financial asset, derivative assets and liabilities, and long-term debt and other interest-bearing liabilities at fair value at each end of the reporting period. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 22.

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 by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business at each end of the reporting period.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounted cash flow analysis or other valuation models.



For the purpose of fair value disclosures, the Company 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.

“Day 1” Difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss unless it qualifies for the recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the amount of “Day 1” difference.

Subsequent Measurement

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

Financial Assets and Financial Liabilities at FVPL

Financial assets and financial liabilities are classified in this category if acquired principally for the purpose of selling or repurchasing in the near term or upon initial recognition, it is designated by management as at FVPL. Financial assets and financial liabilities at FVPL are designated by management on initial recognition as at FVPL if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis; or (ii) the assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performances are evaluated on a fair value basis in accordance with a documented risk management or investment strategy; or (iii) the financial instrument contains an embedded derivative that would need to be separately recorded. Derivatives, including separated embedded derivatives, are also categorized as held at FVPL, except those derivatives designated and considered as effective hedging instruments. Assets and liabilities classified under this category are carried at fair value in the statement of financial position. Changes in the fair value of such assets are accounted for in profit or loss.

AFS Financial Assets

AFS financial assets include investments in equity and debt securities. Equity investments classified as AFS financial assets are those which are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized in the statement of comprehensive income in the “Net unrealized gain (loss) on AFS financial asset” until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss, or determined to be impaired, at which time the cumulative loss is reclassified to profit or loss and removed from OCI.

The Company evaluated its AFS financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management’s intention to do so significantly changes in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances.



Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Company has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the HTM category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the AFS category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate (EIR). Any difference between the new amortized cost and the expected cash flows 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 profit or loss.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently carried at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

As at June 30, 2016 and December 31, 2015, the Company's loans and receivables consist of "Cash", "Short-term investments", "Receivables" and "Others" under "Other noncurrent assets".

Other Financial Liabilities

Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognized in the Company's profit or loss when the liabilities are derecognized as well as through the amortization process.

As at June 30, 2016 and December 31, 2015, other financial liabilities consist of "Accounts payable and accrued liabilities" and "Long-term debt and other interest-bearing liabilities".

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Impairment of Financial Assets

The Company assesses at each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the contracted parties or a group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that



they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows such as changes in arrears or economic conditions that correlate with defaults.

AFS Financial Assets

For AFS financial assets, the Company assesses at each end of the 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 financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is “significant” or “prolonged” requires judgment. The Company treats “significant” generally as 20% or more and “prolonged” as greater than 12 months for quoted equity securities. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized on that investment is removed from OCI and recognized in profit or loss.

Impairment losses on equity investments are not reversed through the profit or loss. Increases in the fair value after impairment are recognized directly in OCI.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original EIR on the reduced carrying amount of the asset and is recorded as part of “Interest income” in profit or loss. If subsequently, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

Loans and Receivables

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

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

In relation to 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 Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.



Derecognition of Financial Assets and Financial Liabilities

Financial Assets

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

- the rights to receive cash flows from the asset have expired; or
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass through” arrangement; or
- the Company 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 Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company’s continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on asset measured at fair value, the extent of the Company’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities

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

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

Derivatives and Hedging

Derivative financial instruments (e.g., currency and commodity derivatives such as forwards, swaps and option contracts to economically hedge exposure to fluctuations in copper prices) are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivatives are accounted for at FVPL, where any gains or losses arising from changes in fair value on derivatives are taken directly to net profit or loss for the year, unless the transaction is designated as effective hedging instrument.



For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability; or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecast transaction; or
- hedges of a net investment in a foreign operation.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair Value Hedges

Fair value hedges are hedges of the Company's exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is re-measured at fair value and gains and losses from both are recognized in profit or loss.

For fair value hedges relating to items carried at amortized cost, the adjustment to carrying value is amortized through profit or loss over the remaining term to maturity. Any adjustment to the carrying amount of a hedged financial instrument for which the EIR method is used is amortized to profit or loss. Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit or loss. The changes in the fair value of the hedging instrument are also recognized in profit or loss. The Company discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Company revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the EIR method is used is amortized to profit or loss.

Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. The Company does not designate its derivative instruments as hedging instruments of a fair value hedge.



Cash Flow Hedges

Cash flow hedges are hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognized directly in OCI, while the ineffective portion is recognized in profit or loss.

Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a nonfinancial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the nonfinancial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognized in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss. The Company does not designate its derivative instruments as hedging instruments of a cash flow hedge.

Embedded Derivatives

An embedded derivative is separated from the host financial or nonfinancial contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized at FVPL.

The Company assesses whether embedded derivatives are required to be separated from host contracts when the Company first becomes a party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL. Changes in fair values are included in profit or loss.

The Company recognized bifurcated derivative assets and liabilities arising from the provisionally-priced commodity sales contracts for copper sales transactions as at June 30, 2016 and December 31, 2015 (see Note 6).

Borrowing Costs

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



When funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. When surplus funds are temporarily invested, the income generated from such temporary investment is deducted from the total capitalized borrowing cost. When the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Inventories

Mine products inventory, which consists of copper concentrates containing copper, gold and silver, and materials and supplies are valued at the lower of cost and net realizable value (NRV).

NRV for mine products is the selling price in the ordinary course of business, less the estimated costs of completion and costs of selling the final product. In the case of materials and supplies, NRV is the value of the inventories when sold at their condition at the end of the reporting period. Cost is determined using the following methods:

Copper Concentrate

The cost of copper concentrate containing copper, gold and silver is determined using the weighted average method.

Materials and Supplies

Materials and supplies significantly consist of consumable bearing and grinding balls, coolant and lubricants for the concentrators, concentrator supplies like floatation reagent to process the extracted ores, spare parts for concentrator machineries, crushers and conveyors, supplies such as diesel and gasoline fuels used by dump trucks and drilling machineries in extracting and transporting the ores and explosives, blasting and accessories for open pit mining. Cost is determined using the weighted average method.

The Company determines the NRV of inventories at each end of the reporting period. If the cost of the inventories exceeds its NRV, the asset is written down to its NRV and impairment loss is recognized in the statement of comprehensive income in the period the impairment incurred. In case the NRV of the inventories increased subsequently, the NRV will increase carrying amount of inventories but only to the extent of the impairment loss previously recognized.

Prepayments and Other Current and Noncurrent Assets

Prepayments and other current assets are composed of deposits and advances to suppliers, and prepaid fees and taxes. Other noncurrent assets are composed of input Value Added Tax (VAT) and others. These are classified as current when it is probable to be realized or consumed within one (1) year from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

Deposit and Advances to Suppliers

Deposit and advances to suppliers are nonfinancial assets arising from payments made by the Company to its suppliers and contractors before goods or services have been received or rendered. These are classified as current since these are expected to be offset against future short-term billings and are recognized in the books at amounts initially paid.

Input VAT

Input VAT represents VAT imposed on the Company by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations. Deferred input VAT



represents input VAT on purchase of capital goods exceeding one million pesos. The related input VAT is recognized over 5 years or the useful life of the capital goods, whichever is shorter. Input VAT is stated at cost less allowance for impairment.

Property, Plant and Equipment

Items of property, plant and equipment, except land, are carried at cost less accumulated depreciation and depletion and any impairment in value. Land is carried at cost less any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes, and any directly attributable costs of bringing the property, plant and equipment to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been placed into operation, such as repairs and maintenance costs, are normally recognized in profit or loss in the period they are incurred.

Expenditures on major maintenance refits or repairs comprise the cost of replacement assets or parts of assets and overhaul cost. Where an asset or part of an asset that was separately depreciated and is now written-off is replaced, and it is probable that future economic benefits associated with the item will flow to the Company through an extended life, expenditure is capitalized. All other day to day maintenance costs are expensed as incurred.

Depreciation of property, plant and equipment, except mine development costs, is computed using the straight-line method over the estimated useful lives of the assets as follows:

Roadways and bridges	5 - 40 years
Buildings and improvements	5 - 25 years
Machinery and equipment	3 - 10 years

Depreciation, depletion or amortization 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 manner intended by management. Depreciation or depletion 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 recoverable mine reserves, useful lives, and depreciation and depletion methods are reviewed periodically to ensure that the estimated recoverable reserves, periods and methods of depreciation and depletion are consistent with the expected pattern of economic benefits from the items of property, plant and equipment. The asset's useful lives and methods of depreciation are reviewed and adjusted, if appropriate, at each end of the reporting period.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. When assets are sold or retired, the cost and related accumulated depletion and depreciation are removed from the accounts. 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 profit or loss in the year the asset is derecognized.

Mine Development Costs

Mine development costs are stated at cost, which includes cost of construction, property, plant and equipment, borrowing costs and other direct costs. Mine development costs pertain to costs



attributable to current commercial operations and are depleted using the units-of-production method based on estimated recoverable reserves in tonnes.

Mine development costs also include the estimated costs of rehabilitating the mine site, for which the Company is constructively liable. These costs are amortized using the units-of-production method based on the estimated recoverable mine reserves until the Company actually incurs these costs in the future.

Construction In-progress

Construction in-progress includes mine development costs which are not attributable to current commercial operations and are not depleted until such time as the relevant assets are completed and become available for use. Construction in-progress are transferred to the related property, plant and equipment account when the construction or installation and related activities necessary to prepare the property, plant and equipment for their intended use are complete and the property, plant and equipment are ready for service.

Deferred Stripping Costs

Stripping costs incurred in the development of a mine before production commences are capitalized as part of the cost of constructing the mine (under construction in-progress) and subsequently amortized over the estimated life of the mine on a units of production basis. Where a mine operates several open pit that are regarded as separate operations for the purpose of mine planning, stripping costs are accounted for separately by reference to the ore from each separate pit. If, however, the pits are highly integrated for the purpose of the mine planning, the second and subsequent pits are regarded as extensions of the first pit in accounting for stripping costs. In such cases, the initial stripping, (i.e., overburden and other waste removal) of the second and subsequent pits is considered to be production phase stripping relating to the combined operation.

For stripping costs incurred subsequently during the production stage of the operation, the stripping activity cost is accounted as part of the cost of inventory if the benefit from the stripping activity will be realized in the current period. When the benefit is the improved access to ore, the Company shall recognize these costs as stripping activity assets (under mine development costs). The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the deferred stripping cost is carried at its cost less depletion and less impairment losses.

Impairment of Nonfinancial Assets

Inventories

The Company determines the NRV of inventories at each end of the reporting period. If the cost of the inventories exceeds its NRV, the asset is written down to its NRV and impairment loss is recognized in the consolidated statement of comprehensive income in the period the impairment is incurred. In case the NRV of the inventories increased subsequently, the NRV will increase the carrying amount of inventories but only to the extent of the impairment loss previously recognized.

Property, Plant and Equipment

Property, plant and equipment, except land, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit (CGU) is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's CGU's fair value less cost to sell and



value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a large CGU. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value in use is the present value, using a pre-tax discount rate, of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Impairment losses are recognized in the statement of comprehensive income.

Recovery of impairment losses recognized in prior periods is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statement of comprehensive income. However, the increased carrying amount of an asset due to recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depletion, depreciation and amortization) had no impairment loss been recognized for that asset in prior periods.

Other Nonfinancial Assets

The Company provides allowance for impairment losses on other nonfinancial assets when they can no longer be realized. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease other nonfinancial assets.

Provisions

General

Provisions, if any, are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Where the Company expects a provision to be reimbursed, reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement.

Liability for Mine Rehabilitation

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the



consolidated statement of comprehensive income under “Finance charges”. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and liability for mine rehabilitation cost, respectively, when they occur. The liability is reviewed on an annual basis for changes to obligations or legislation or discount rates that affect change in cost estimates or life of operations. The cost of the related asset is adjusted for changes in the liability resulting from changes in the estimated cash flows or discount rate, and the adjusted cost of the asset is depleted prospectively.

When rehabilitation is conducted progressively over the life of the operation, rather than at the time of closure, liability is made for the estimated outstanding continuous rehabilitation work at each end of the reporting period and the cost is charged to the consolidated statement of comprehensive income.

The ultimate cost of mine rehabilitation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience. The expected timing of expenditure can also change, for example in response to changes in ore reserves or production rates. As a result, there could be significant adjustments to the liability for mine rehabilitation cost, which would affect future financial results.

Foreign Currency-denominated Transactions

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the rate of exchange at the end of the reporting period. Foreign currency gains or losses are recognized in the profit or loss.

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 Company’s net investment of a 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 arising on translation of nonmonetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in 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).

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 and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.



A reassessment is made after inception of the lease only if one of the following applies:

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

Operating Leases

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) or (d) above, and at the date of renewal or extension period for scenario (b). Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in the Company's profit or loss on a straight-line basis over the lease term. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized.

Operating Lease - Company as a Lessor

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased assets and are recognized over the lease term on the same basis as rental income.

Operating Lease - Company as a Lessee

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

Income Taxes

Current Income Tax

Current income tax assets and current income tax liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as of the end of the reporting period

Deferred Tax

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amount for financial reporting purpose.

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

Deferred tax liabilities are recognized for all taxable temporary differences. The carrying amount of deferred tax assets are reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the



deferred tax assets to be utilized before their reversal or expiration. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period 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 assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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.

Capital Stock and Additional Paid-in Capital (APIC)

The Company has issued capital stock that is classified as equity. Incremental costs directly attributable to the issue of new capital stock are shown in the statement of changes in equity as a deduction, net of tax, from the proceeds. The excess of proceeds from issuance of shares over the par value of shares are credited to APIC.

Retained Earnings

The amount included in retained earnings includes profits (loss) attributable to the Company's equity holders and dividends on capital stock. Dividends on capital stock are recognized as a liability under "Dividends payable" and deducted from equity when they are approved by the Company's stockholders and the BOD. Dividends for the year that are approved after the end of the reporting period are dealt with as an event after the end of the reporting period.

Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions. Retained earnings may be appropriated for any plant expansion, investments and funding of certain reserve accounts to be established pursuant to the requirements of the lenders in accordance with the agreement. When the appropriation is no longer needed, it is reversed.

When retained earnings account has a debit balance, it is called "Deficit". A deficit is not an asset but a deduction from equity.

OCI

OCI comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in the profit or loss for the year in accordance with PFRS.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable taking into account contractually defined terms of payment and excluding discounts, rebates and other sales taxes or duties. The Company assesses whether it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognized.



Copper, Gold and Silver Concentrate Sales

Contract terms for the Company's sale of copper, gold and silver in concentrate allow for a sales value adjustment based on price adjustment and final assay results of the metal concentrate by the customer to determine the content. Recognition of sales revenue for the commodities is based on determined metal in concentrate and the London Metal Exchange (LME) quoted prices, net of smelting and related charges.

The terms of metal in concentrate sales contracts with third parties contain provisional pricing arrangements whereby the selling price for metal in concentrate is based on prevailing LME spot prices on a specified future date after shipment to the customer (the "Quotation Period"; QP). Adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement. The period between provisional invoicing and final settlement can be between one (1) to six (6) months. Provisional shipment of 90% for copper, gold and silver based on provisional prices is collected upon shipment, while the remaining 10% for copper is collected upon the determination of the final shipment value on final weight and assays for metal content and prices during the QP less deduction for smelting charges.

The provisionally priced sales of metal in concentrate contain an embedded derivative, which is required to be separated from the host contract for accounting purposes. The host contract is the sale of metals in concentrate while the embedded derivative is the forward contract for which the provisional sale is subsequently adjusted. The embedded derivative, which does not qualify for hedge accounting, is recognized at fair value, with subsequent changes in the fair value recognized in profit or loss until final settlement, and presented as "Gain (loss) on derivatives" under "Other income or charges". Changes in fair value over the QP and up until final settlement are estimated by reference to forward market prices for copper, gold and silver.

Magnetite Sales

Revenue from magnetite sales is recognized when the significant risks and rewards of ownership have transferred to the buyer, and selling prices are known or can be reasonably estimated, usually upon delivery.

Interest Income

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

Others

Revenue is recognized in the statement of comprehensive income as they are earned.

Costs and Expenses

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

Employee Benefits

The net defined retirement benefits liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.



Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. Remeasurements recognized in OCI after the initial adoption of Revised PAS 19 are not closed to any other equity account.

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

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination Benefit

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee Leave Entitlement

Employee entitlements to annual leave are recognized as a liability when the services are rendered by the employees. The undiscounted liability for leave expected to be settled wholly within



twelve (12) months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Dividend Distribution

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

Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments. For management purposes, the Company is organized into business units based on their products and services, and has one (1) operating segment.

The Company operates in one geographical segment, being the location of its current mining activities.

Contingencies

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

Events After the End of the Reporting Period

Events after the end of the reporting period that provide additional information about the Company's financial position at the end of the reporting period (adjusting events) are reflected in the financial statements. Events after the end of the reporting period that are not adjusting events are disclosed when material.

3. Significant Accounting Judgments, Estimates and Assumptions

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

Accounting assumptions, estimates and judgments 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.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements.



Determination of Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the United States dollar. The United States dollar is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences sales prices and sales market for copper, gold and silver. It is also the currency that majority of the Company's costs and expenses (labor, material and other costs of providing goods and services) are denominated and settled.

Bill and Hold Sales

The Company recognized sale on deliveries classified as bill and hold when there is transfer of risk and reward from the Company to the buyer due to the following:

- it is probable that delivery will be made;
- the item is on hand, identified and ready for delivery to the buyer at the time the sale is recognized;
- the buyer specifically acknowledges the deferred delivery instructions; and
- the usual payment terms apply.

Bill and hold sales for the six months ended June 30, 2016 and 2015 amounted to \$3,452,027 and \$16,195,866, respectively.

Classification of Financial Instruments

The Company exercises judgment in classifying financial instruments in accordance with PAS 39. The Company classifies financial instruments, or its components, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Company's statement of financial position.

Financial assets are classified into the following categories:

- Financial assets at FVPL
- AFS financial asset
- Loans and receivables

Financial liabilities, on the other hand, are classified into the following categories:

- Financial liabilities at FVPL
- Other financial liabilities

Production Start Date

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

- the level of capital expenditure compared to construction cost estimates;
- completion of a reasonable period of testing of the mine plant and equipment;
- ability to produce metal in saleable form; and
- ability to sustain ongoing production of metal.



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

Units-of-production Depreciation/Depletion

Estimated recoverable reserves are used in determining the depreciation/depletion of mine specific assets. This results in a depreciation/depletion charge proportional to the depletion of the anticipated remaining mine life. Each item's life, which is assessed annually, has regard to both physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. The calculations require the use of estimates of future capital expenditure. The Company uses the tonnes of ore produced as the basis for depletion/depreciation. Any change in estimates is accounted for prospectively. Average depletion rate used for the first six months ended June 30, 2016 and 2015 are 0.20% and 1.11%, respectively.

Operating Lease Commitments - Company as a Lessee

The Company has entered into leases of office, commercial spaces and land. The Company has determined that all significant risks and rewards of ownership of these spaces remain with the lessors due to the following:

- a. The ownership of the asset does not transfer at the end of the lease term;
- b. The Company has no option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- c. The lease term is not for the major part of the economic life of the asset even if title is not transferred; and
- d. At the inception of the lease, the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased asset.

Operating Lease Commitments - Company as a Lessor

The Company has entered into property and equipment leases. The Company has determined that it retains all the significant risks and rewards of ownership of these properties which are being leased as operating leases.

Estimates and Assumptions

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

Estimating Fair Value of Financial Assets and Financial Liabilities

PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of accounting judgment and estimates. While significant components of fair value measurement are determined using verifiable objective evidence (e.g., foreign exchange rates, interest rates, and volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and financial liabilities would directly affect net income (see Note 22).

Estimating Allowance for Impairment Losses of Loans and Receivables

The Company assesses on a regular basis if there is objective evidence of impairment of loans and receivables. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's



original EIR. The determination of impairment requires the Company to estimate the future cash flows based on certain assumptions as well as to use judgment in selecting an appropriate rate in discounting. In addition, the Company considers factors such as the Company's length of relationship with the customers and the customers' current credit status to determine the amount of allowance that will be recorded in the receivables account. The Company uses specific impairment on its loans and receivables. The Company did not assess its loans and receivables for collective impairment due to few counterparties which can be specifically identified. The amount of loss is recognized in the profit or loss with a corresponding reduction in the carrying value of the loans and receivables through an allowance account. These reserves are re-evaluated and adjusted as additional information becomes available.

The Company did not recognize provision for impairment loss on loans and receivables for the six months ended June 30, 2016 and 2015. The carrying value of loans and receivables amounted to \$49,845,715 and \$34,511,015 as at June 30, 2016 and December 31, 2015, respectively (see Note 21).

Estimating Decline in Value of Mine Products Inventory

The NRV of mine products inventory is the estimated fair value less cost of selling final product in the ordinary course of business. The selling price estimation of mine products inventory is based on the LME, which also represents an active market for the product. The Company concurrently uses the prices as agreed with MRI Trading AG (MRI), Philippine Associated Smelting and Refining Corporation (PASAR), Samsung C & T Hongkong Ltd., Louis Dreyfus Commodities, Metals Suisse SA, Yanggu Xiangguang and Cliveden Trading, AG and the weight and assay for metal content in estimating the fair value less cost to sell of mine products inventory. Any changes in the assay for metal content of the mine products inventory is accounted for and adjusted accordingly.

As at June 30, 2016 and December 31, 2015, the cost of mine products inventory is lower than its NRV. No allowance for decline in value of mine products inventory was recognized as at June 30, 2016 and December 31, 2015. Mine products inventory amounted to \$4,011,291 and \$4,592,296 as at June 30, 2016 and December 31, 2015, respectively (see Note 7).

Estimating Allowance for Obsolescence of Materials and Supplies Inventory

The Company provides allowance for materials and supplies inventory whenever utility of inventories becomes lower than cost due to damage, inventory losses, physical deterioration, obsolescence, changes in price levels or other causes. Materials and supplies inventory, at lower of cost and NRV, amounted to \$38,991,516 and \$42,425,718 as at June 30, 2016 and December 31, 2015, respectively (see Note 7). The Company recognized allowance for obsolescence of materials and supplies inventory amounting to \$424,825 as at June 30, 2016 and December 31, 2015 (see Note 7).

Estimating Useful Lives of Property, Plant and Equipment except Land

The useful lives of property, plant and equipment are estimated based on the period over which these assets are expected to be used. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. Any reduction in the estimated useful lives of property, plant and equipment would increase the Company's recorded costs and expenses and decrease noncurrent assets. There was no change in the estimated useful lives of items of property, plant



and equipment in 2016 and 2015. Net book values of property, plant and equipment as at June 30, 2016 and December 31, 2015 amounted to \$742,867,864 and \$741,480,275, respectively (see Note 9). Depreciation and depletion expense recognized for the six months ended June 30, 2016 and 2015 amounted to \$27,031,590 and \$23,871,968, respectively (see Notes 16 and 17).

Estimating Impairment of Property, Plant and Equipment

PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the value of property, plant and equipment, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, further requires the Company to make estimates and assumptions that can materially affect the Company's financial statements. Future events could cause the Company to conclude that the property, plant and equipment are impaired. Any resulting impairment loss could have a material adverse effect on the Company's financial condition and results of operations. The Company did not recognize provision for fixed asset write-down on specific machinery and equipment for the six months ended June 30, 2016 and 2015.

Estimating Recoverability of Mine Development Costs

Mineral property acquisition costs are capitalized until the viability of the mineral interest is determined. Exploration, evaluation and pre-feasibility costs are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case, subsequent exploration costs and the costs incurred to develop a property are capitalized. The Company reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. Mine development costs amounted to \$503,601,401 and \$333,421,222 as at June 30, 2016 and December 31, 2015, respectively (see Note 9).

Estimating Impairment of AFS Financial Asset

The Company treats AFS financial assets as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Company treats "significant" generally as 20% or more and "prolonged" as greater than 12 months for quoted equity securities. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted securities. AFS financial asset amounted to \$123,037 as at June 30, 2016 and December 31, 2015 (see Note 21 and 22).

Estimating Impairment of Input VAT

The Company assesses on a regular basis if there is objective evidence of impairment of input VAT. The amount of impairment loss is measured as the difference between the carrying amount and the estimated recoverable amount. The recognition of impairment requires the Company to assess the status of its application for refund and tax credit certificates with government agencies. Input VAT as at June 30, 2016 and December 31, 2015, net of accumulated allowance for impairment losses of \$2,897,669, amounted to \$49,739,164 and \$48,386,673, respectively (see Note 10). There were no recognized allowance for impairment losses on input VAT for the six months ended June 30, 2016 and 2015.

Estimating Impairment of Other Nonfinancial Assets

The Company determines whether its nonfinancial assets are impaired at least on an annual basis. This requires an estimation of recoverable amount, which is the higher of an asset's or CGU's fair value less cost to sell and value-in-use. Estimating the value-in-use requires the Company to



make an estimate of the expected future cash flows from the CGU and to choose an appropriate discount rate in order to calculate the present value of those cash flows. Estimating the fair value less cost to sell is based on the information available to reflect the amount that the Company could obtain as of the reporting period. 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. In determining this amount, the Company considers the outcome of recent transactions for similar assets within the same industry.

Estimating Fair Values of Debt Instruments and Derivatives

The fair values of debt instruments and derivatives that are not quoted in active markets are determined using valuation techniques such as discounted cash flow analysis and standard option pricing models. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are reviewed before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values of financial instruments.

Estimating Retirement Benefits Costs

The cost of defined benefit retirement as well as the present value of the retirement liability is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future retirement increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit retirement liability are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period. The retirement benefits liability as at June 30, 2016 and December 31, 2015 amounted to \$6,061,416 and \$6,844,935, respectively (see Note 20).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit retirement liability.

Further details about the assumptions used are provided in Note 20.

Estimating Liability for Mine Rehabilitation Cost

The ultimate cost of mine rehabilitation and decommissioning is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience. The expected timing of expenditure can also change, for example in response to changes in ore reserves or production rates. As a result, there could be significant adjustments to the liability for mine rehabilitation cost, which would affect future financial results. The liability for mine rehabilitation cost is based on estimated future costs using information available at the reporting period. To the extent the actual costs differ from these estimates, adjustments will be recorded and the profit or loss may be effected. As at June 30, 2016 and December 31, 2015, liability for mine rehabilitation cost amounted to \$1,047,784 and \$1,023,639, respectively (see Note 13).

Measurement of Mine Products Sales

Mine products sales are provisionally priced such that these are not settled until predetermined future dates based on market prices at that time. Revenue on these sales are initially recognized based on shipment values calculated using the provisional metals prices, shipment weights and



assays for metal content less smelting and related charges. The final shipment values are subsequently determined based on final weights and assays for metal content and prices during the applicable quotation period. Total mine products sales, net of smelting and related charges, amounted to \$117,164,443 and \$103,503,134 for the six months ended June 30, 2016 and 2015, respectively.

Estimating Realizability of Deferred Tax Assets

The Company reviews the carrying amounts of deferred tax assets at each reporting period and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized. As at June 30, 2016 and December 31, 2015, deferred tax assets amounting to \$27,196,810 and \$23,462,543, respectively, was recognized as management believes that sufficient future taxable profits will be available against which benefits of deferred tax assets can be utilized (see Note 15).

Estimating Mineral Reserves and Resources

Mineral reserves and resources estimates for development projects are, to a large extent, based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of costs based upon anticipated tonnage and grades of ores to be mined and processed, the configuration of the ore body, expected recovery rates from the ore, estimated operating costs, estimated climatic conditions and other factors. Proven reserves estimates are attributed to future development projects only when there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. All proven reserve estimates are subject to revision, either upward or downward, based on new information, such as from block grading and production activities or from changes in economic factors, including product prices, contract terms or development plans.

Reserve estimates for undeveloped or partially developed areas are subject to greater uncertainty over their future life than estimates of reserves for areas that are substantially developed and depleted. As an area goes into production, the amount of proven reserves will be subject to future revision once additional information becomes available. As those areas are further developed, new information may lead to revisions.

Provisions and Contingencies

The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Company's defense in these matters and is based upon an analysis of potential results. The Company is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Company's management and legal counsel believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements. Accordingly, no provision for probable losses arising from contingencies was recognized by the Company for the six months ended June 30, 2016 and 2015 (see Note 24).

4. **Cash**

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Cash on hand	\$30,516	\$36,031
Cash in banks	17,555,128	9,409,355
	\$17,585,644	\$9,445,386



Cash in banks earn interest at respective bank deposit rates. Interest income earned from cash in banks amounted to \$25,840 and \$25,116 for the six months ended June 30, 2016 and 2015.

The Company has peso-denominated cash amounting to ₱287,408,685 and ₱211,006,665 as at June 30, 2016 and December 31, 2015, respectively (see Note 21). The Company also has Japanese Yen (JPY)-denominated cash amounting to JPY435,575 and JPY1,066,421 as at June 30, 2016 and December 31, 2015, respectively (see Note 21).

5. Receivables

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Trade (see Note 6)	\$11,252,217	\$8,196,437
Related parties (see Note 19)	3,075,013	—
Interest (see Note 12)	2,693,982	2,261,732
Nontrade	916,092	990,612
Advances to officers and employees	177,885	236,850
	\$18,115,189	\$11,685,631

Trade receivables arise from its shipments of copper concentrate to customers under several agreements (see Note 6). Trade receivables are noninterest-bearing and are normally settled on terms ranging from 15 to 30 days. Interest receivable pertains to earned interest from short-term investments which are still outstanding as at the reporting date. Nontrade receivables comprise mainly of receivables from related parties, contractors and suppliers. Advances to officers and employees pertain to the unliquidated advances used in the Company's operations and are collectible on demand.

6. Pricing Agreements, Hedging and Derivative Financial Instruments

Hedging Objectives

The Company applies a mix of pricing agreements, natural hedges, and both freestanding and embedded derivatives in managing risks such as commodity price, foreign exchange and interest rate risks. In 2016 and 2015, the Company has freestanding commodity option agreements, while embedded derivatives include provisional pricing in shipment contracts. The Company has not designated any of these derivatives as accounting hedges. The Company has accounted for its derivatives at fair value and any changes in the fair value is recognized in profit or loss.

Pricing Agreements

MRI, Cliveden, Samsung C&T, Trafigura, Louis Dreyfus, Yanggu Xiangguang and PASAR

In the normal course of selling its copper concentrate, the Company entered into (i) several contracts of purchase with MRI ("MRI Contract") in 2016 and prior years, (ii) several contracts of purchase with PASAR ("PASAR Contract") in 2016, (iii) one contract of purchase with Yanggu Xiangguang ("Xiang-Guang Contract") in 2016, (iv) several contracts of purchase with Cliveden ("Cliveden Contract") in 2015, (v) one (1) contract of purchase with Samsung C&T ("Samsung C&T Contract"), Trafigura ("Trafigura Contract"), and Louis Dreyfus ("Louis Dreyfus Contract") in 2015 whereby it agreed to sell a fixed volume of copper concentrate based on LME prices (as



published in the Metal Bulletin) and as averaged over the QP as defined in the MRI Contract, Cliveden Contract, Samsung C&T Contract, Trafigura Contract, Louis Dreyfus Contract, Xiang-Guang Contract and PASAR Contract.

The quality and quantity of the copper concentrate sold is determined through a sampling weight and assay analysis by an appointed independent surveyor. Under the Copper Contracts, the Company and MRI or Cliveden or Samsung or Trafigura or Louis Dreyfus or Xiangguang or PASAR have the option to price-fix in advance of the QP the payable copper contents of the concentrate to be delivered, subject to adjustments during the QP. If the option to price-fix prior to the QP is exercised, (i) the fixed price and the volume to which the fixed price applies will be confirmed in writing by the parties, and (ii) with respect to sales of copper concentrate to MRI, an addendum to the MRI Contract will be executed to confirm the actual volume of the copper shipped based on the fixed price.

On April 14, 2014, the Company executed an addendum to its January 2014 Offtake Agreement with MRI (the “2014 Offtake Contract”) to confirm, among others, (i) the increase in the quantity of MRI’s copper concentrate offtake allotment by 80,000 dry metric tons (DMT) (the “Additional Offtake”), and (ii) the deposit of US\$30,000,000 with respect to the Additional Offtake. On December 1, 2014, the Company executed another addendum to the 2014 Offtake Contract to provide for the terms of the additional deposit of US\$30,000,000 in respect to the Additional Offtake (see Note 11).

On January 7, 2015, the Company executed an addendum to its January 2014 Offtake Contract with MRI to confirm, among others, (i) the increase in the quantity of MRI’s copper concentrate offtake allotment by another 50,000 dry metric tons (DMT) (the “Additional Offtake-2”), and (ii) the deposit of \$30,000,000 with respect to the Additional Offtake-2 (see Note 11).

Freestanding Derivatives

Provisional Pricing

Based on the Company’s pricing agreements with MRI, Cliveden, Samsung, Trafigura, Louis Dreyfus, Xiangguang and PASAR, the copper sales will be provisionally priced at shipment subject to price and quantity adjustment after the QP. Under the Copper Contracts, the Company with the consent of MRI, Cliveden, Samsung, Trafigura, Louis Dreyfus, Xiangguang and PASAR can price fix the copper shipments before the QP. Copper sales that were not subject to price fixing are assessed as having embedded derivatives that are not clearly and closely related, and once the commodities have been delivered, it must be bifurcated on the delivery date or once the shipment is considered sold (in case of bill and hold sales). The Company recognized an unrealized loss and gain on the related derivative liabilities and assets amounting to \$52,250 and \$1,186, respectively, on its deliveries in the six months of 2016 and unrealized loss on the related derivative liabilities amounting to \$1,699,671 on its deliveries in the first six months of 2015.

Prepayment Option

Bonds Payable

On March 16, 2012, the Company completed the issuance of US\$-denominated fixed-rate notes representing US\$300,000,000 of the Company’s senior unsecured debt with a tenor of five (5) years and five (5) days (the “Bonds Payable”). The Bonds Payable, which were issued at the price of 98.95% of face value, will pay interest semi-annually every 21st of March and September at the rate of 6.5% and will carry a yield to maturity of 6.75%. The Bonds Payable contains an equity clawback option that allows the Company to redeem up to 35% of the Bonds Payable at any time prior to March 21, 2015, at a redemption price of 106.5% of the principal amount plus accrued and unpaid interest with the net proceeds of an equity offering. The Bonds Payable also have an



identified call option as they may be redeemed fully prior to maturity at a redemption price equal to 100% of the principal amount plus applicable premium and accrued and unpaid interest (see Note 12).

On March 21, 2015, the Company did not exercise its option to redeem 35% of the bonds payable at 106.5%. Hence no derivative asset was recognized on account of the Company's right to redeem 100% of the notes since the redemption value is equal to amortized cost.

7. Inventories

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
At cost:		
Mine products	\$4,011,291	\$4,592,296
Materials and supplies	38,991,516	42,425,718
At NRV:		
Materials and supplies and others	—	—
	\$43,002,807	\$47,018,014

Mine Products

Mine products include copper concentrate containing copper, gold and silver. The cost of mine products includes depreciation and depletion of property, plant and equipment (see Note 9).

Materials and Supplies

Materials and supplies consist of consumable items and spare parts. Materials and supplies at cost amounted to \$39,416,341 and \$42,850,543 as at June 30, 2016 and December 31, 2015, respectively.

Mine products inventories and materials and supplies are stated at cost, which is lower than NRV.

The cost of mine products recognized as expense amounted to \$95,061,759 and \$93,290,520 for the six months ended June 30, 2016 and 2015, respectively.

The cost of inventories recognized as expense under mining and milling cost amounted to \$32,546,225 and \$33,301,138 for the six months ended June 30, 2016 and 2015, respectively (see Note 16).

8. Prepayments and Other Current Assets

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Deposits and advances to suppliers	\$7,205,734	\$9,177,427
Creditable Withholding Tax (CWT)	2,173,161	702,326
Derivative asset (Note 6)	1,186	1,186
	\$9,380,081	\$9,880,939



Deposits and advances to suppliers are nonfinancial assets arising mainly from advanced payments made by the Company to its suppliers and contractors before goods or services have been received or rendered. These are classified as current since these are expected to be offset against future short-term billings and are recognized in the books at amounts initially paid. Purchases from suppliers generally require advance payments equivalent to 10% to 60% of the contract price. Amounts deposited will be applied as part of the full payment of the contract price upon completion of the contract.

CWTs, which are claimed against the income tax due, represent excess of the tax payable and are carried over in the succeeding period.



9. Property, Plant and Equipment

June 30, 2016 (Unaudited)

	Land	Mine Development Costs	Roadways and Bridges	Buildings and Improvements	Machinery and Equipment	Construction In-progress	Total
Cost							
Balances at the beginning of year	\$295,954	\$380,302,529	\$6,484,314	\$57,723,188	\$360,154,565	\$183,301,911	\$988,262,461
Additions	—	—	—	—	—	28,460,658	28,460,658
Reclassifications	—	178,604,492	—	—	388,219	(178,992,711)	—
Balances at June 30	295,954	558,907,021	6,484,314	57,723,188	360,542,784	32,769,858	1,016,723,119
Accumulated depreciation and depletion							
Balances at the beginning of year	—	46,881,307	4,933,767	21,339,697	173,627,415	—	246,782,186
Depreciation and depletion (see Notes 7, 16 and 17)	—	8,424,313	166,450	2,131,968	16,350,338	—	27,073,069
Balances at June 30	—	55,305,620	5,100,217	23,471,665	189,977,753	—	273,855,255
Net book values	\$295,954	\$503,601,401	\$1,384,097	\$34,251,523	\$170,565,031	\$32,769,858	\$742,867,864

December 31, 2015 (Audited)

	Land	Mine Development Costs	Roadways and Bridges	Buildings and Improvements	Machinery and Equipment	Construction In-progress	Total
Cost:							
Balances at the beginning of year	\$295,954	\$380,277,437	\$6,484,314	\$57,677,920	\$347,102,076	\$95,638,910	\$887,476,611
Additions	—	—	—	—	—	104,004,520	104,004,520
Reclassifications	—	25,092	—	45,268	16,271,159	(16,341,519)	—
Retirement	—	—	—	—	(3,218,670)	—	(3,218,670)
Balances at end of year	295,954	380,302,529	6,484,314	57,723,188	360,154,565	183,301,911	988,262,461
Accumulated depreciation and depletion:							
Balances at the beginning of year	—	31,322,695	4,192,180	17,079,968	139,769,442	—	192,364,285
Depreciation and depletion (see Notes 7, 16 and 17)	—	15,558,612	741,587	4,259,729	34,526,539	—	55,086,467
Retirement	—	—	—	—	(668,566)	—	(668,566)
Balances at end of year	—	46,881,307	4,933,767	21,339,697	173,627,415	—	246,782,186
Net book values	\$295,954	\$333,421,222	\$1,550,547	\$36,383,491	\$186,527,150	\$183,301,911	\$741,480,275



Construction in-progress consists mainly of expenditures for the expansion projects, existing capacity and stripping costs incurred in the development of a mine. The expansion projects were intended to increase the milling capacity of the plant which were completed in the first quarter of 2014. Construction in-progress to improve existing capacity includes cost of various projects at different percentages of completion as at June 30, 2016 and December 31, 2015.

Fully Depreciated Property and Equipment

Fully depreciated property and equipment still used by the Company amounted to \$50,297,560 and \$46,342,354 as at June 30, 2016 and December 31, 2015, respectively. These are retained in the Company's records until they are disposed. No further depreciation and amortization are charged to current operations for these items.

Borrowing Costs

There are no capitalizable borrowing costs for the six months ended June 30, 2016 and for the year-ended December 31, 2015.

Mine development costs consist of the following:

June 30, 2016 (Unaudited)

	Mine and Mining Properties	Development Costs	Total
Cost			
Balances at beginning of year	\$26,759,044	\$353,543,485	\$380,302,529
Reclassifications	–	178,604,492	178,604,492
Balances at June 30, 2016	26,759,044	532,147,977	\$558,907,021
Accumulated depletion			
Balances at beginning of year	5,060,752	41,820,555	46,881,307
Depletion	257,619	8,166,694	8,424,313
Balances at June 30, 2016	5,318,371	49,987,249	55,305,620
Net book values	\$21,440,673	\$482,160,728	\$503,601,401

December 31, 2015 (Audited)

	Mine and Mining Properties	Development Costs	Total
Cost:			
Balances at the beginning of year	\$26,759,044	\$353,518,393	\$380,277,437
Reclassifications	–	25,092	25,092
Balances at the end of year	26,759,044	353,543,485	380,302,529
Accumulated depletion:			
Balances at the beginning of year	4,529,619	26,793,076	31,322,695
Depletion	531,133	15,027,479	15,558,612
Balances at the end of year	5,060,752	41,820,555	46,881,307
Net book values	\$21,698,292	\$311,722,930	\$333,421,222

Provision for Asset Write-downs

The provision for asset write-downs which represents the net book value of heavy equipment that the Company assessed to be operationally uneconomical amounted to nil for the six months ended June 30, 2016 and 2015.



Collaterals

The carrying values of the property, plant and equipment pledged as collaterals for various borrowings by the Company and ACMDC (see Notes 12 and 19) amounted to \$41,829,839 and \$67,614,709 as at June 30, 2016 and December 31, 2015, respectively.

Commitments

As at June 30, 2016 and December 31, 2015, the Company has capital expenditure commitments amounting to \$7,473,712 and \$587,909, respectively.

10. Other Noncurrent Assets

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Input VAT (net of accumulated allowance for possible losses of \$2,897,669 as at June 30, 2016 and December 31, 2015)	\$49,739,164	\$48,386,673
Others	1,175,600	415,837
	\$50,914,764	\$48,802,510

Input VAT represents VAT imposed on the Company by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations. Deferred input VAT represents input VAT on purchase of capital goods exceeding one million pesos. The related input VAT is recognized over five (5) years or the useful life of the capital goods, whichever is shorter. Input VAT is stated at its estimated NRV. Input VAT will be claimed by the Company as tax credits. There are no movements in allowance for possible losses from input VAT in 2016 and 2015.

In addition to the BOI incentives availed by the Company, the Company benefits from the automatic VAT zero-rating of its purchase of goods and services from domestic suppliers pursuant to Revenue Memorandum Order (RMO) No. 9-2000 on account of the certification by the BOI that one hundred percent (100%) of its sales are export sales.

Others consist mainly of security deposit and mine rehabilitation fund required under Final Mine Rehabilitation and Decommissioning Plan as approved by DENR.

11. Accounts Payable and Accrued Liabilities

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Trade	\$41,644,579	\$80,296,814
Accrued expenses	22,486,943	30,666,250
Nontrade	4,284,216	4,608,072
Related parties (see Note 19)	–	1,416,289
	\$68,415,738	\$116,987,425



Trade payables are noninterest-bearing and are normally settled on a 30 to 60-day term. Nontrade payables pertain to statutory and other noninterest-bearing payables. Trade payables include the customer deposits made by MRI on December 1, 2014 amounting to US\$30,000,000 as part of the increase in offtake allotment of 80,000 DMT of copper concentrate to MRI. The deposit will be applied in shipments of six (6) lots of five (5) thousand DMT starting in February 2015 (see Note 6). The balance also includes the deposits/advances from customers based on the provisional value of any specified volume of copper concentrate stockpiled in the Company's storage facility at its loading port.

Details of the accrued expenses are as follows:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Interest (see Note 12)	\$6,283,533	\$6,263,007
Rental	4,962,556	2,290,327
Power and other utilities (see Note 24)	2,426,164	2,983,844
Contracted services (see Note 24)	1,935,247	10,212,441
Professional fees	1,739,071	1,770,760
Personnel cost	498,806	771,651
General consumption items (see Note 24)	279,650	279,094
Insurance	100,305	451,967
Taxes	—	38
Others	4,261,611	5,643,121
	\$22,486,943	\$30,666,250

Accrued expenses are normally settled within 6 months.

The interest expense recognized related to trust receipts amounted to \$24,760 and \$27,279 for the six months ended June 30, 2016 and 2015, respectively.

12. Long-term Debt and Other Interest-bearing Liabilities

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Bonds payable	\$298,507,364	\$297,765,488
RCBC	29,145,100	29,500,000
Security Bank	27,171,176	27,874,416
UOB	24,545,000	25,000,000
SCB	21,006,167	23,328,000
MayBank	19,636,000	20,000,000
United Coconut Planters Bank (UCPB)	16,690,000	16,920,000
BDO Leasing and Finance, Inc. (BDO Leasing)	10,741,313	16,197,664
Land Bank of the Philippines (LBP)	10,500,000	10,600,000
BDO Unibank Inc. (BDO)	5,500,000	5,500,000
LBP Leasing Corp. (LBP Leasing)	1,151,499	2,264,086
SBM Leasing, Inc. (SBM Leasing)	—	598,414
	464,593,619	475,548,068
Less noncurrent portion	82,275,173	389,126,014
Current portion	\$382,318,446	\$86,422,054



The maturities of long-term debt and other interest-bearing liabilities at nominal values follow:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Due in:		
2016	\$71,002,181	\$86,422,054
2017	319,985,291	315,994,042
2018 and thereafter	73,606,147	73,131,972
	\$464,593,619	\$475,548,068

Bonds Payable

On March 16, 2012, the Company completed the issuance of US\$-denominated fixed-rate notes representing \$300,000,000 of the Company's senior unsecured debt with a tenor of five (5) years and five (5) days. The Bonds Payable, which were issued at the price of 98.95% of face value, will pay interest semi-annually every 21st of March and September at the rate of 6.5% and will carry a yield to maturity of 6.75%. The accrued interest payable from bonds amounted to \$5,362,500 and \$5,360,687 as at June 30, 2016 and December 31, 2015, respectively (see Note 11). The interest expense recognized from bonds amounted to \$12,214,191 and \$12,347,570 for the six months ended June 30, 2016 and 2015.

The Bonds Payable have an identified call option as they may be redeemed fully prior to maturity at a redemption price equal to 100% of the principal amount plus applicable premium and accrued and unpaid interest. No derivative asset was recognized on such prepayment option since it was assessed to be clearly and closely related to the host contract. The Bonds Payable also contains an equity clawback option that allows the Company to redeem up to 35% of the Bonds Payable at any time prior to March 21, 2015, at a redemption price of 106.5% of the principal amount plus accrued and unpaid interest, using the net proceeds of an equity offering (see Note 6).

Covenants

The agreement embodying the terms of the Bonds Payable (the "Indenture") imposes, certain restrictions and requirements with respect to, among others, the following:

- *Incurrence of Indebtedness Other Than Permitted Indebtedness* - The Company may incur indebtedness other than those permitted under Clause 4.6(b) of the Indenture if at the time of incurrence and the receipt and application of the proceeds therefrom, (i) no default, as such is defined in the Indenture ("Default"), has occurred or is continuing, and (ii) the Fixed Charge Coverage Ratio ("FCCR") of the Company is not less than 2.5 to 1.0 (the "Incurrence Conditions"). FCCR is the ratio of (1) the aggregate amount of earnings before interest, taxes, depreciation, and amortization (EBITDA) for the most recent four (4) fiscal quarterly periods prior to the incurrence of the indebtedness (the "Four Quarter Period") over (2) the aggregate fixed charges during the Four Quarter Period.
- *Payment of Dividends* - The Company may declare and/or pay dividends if at the time of the declaration and/or payment, (i) no default has occurred, is continuing, or will result from such declaration and/or payment, (ii) the Company can incur at least US\$1.00 of indebtedness without violating the Incurrence Conditions, and (iii) the sum of the amount of the dividend declared and/or paid and of the aggregate amount of all restricted payments (as such is defined under the Indenture) does not exceed the aggregate amount of the items enumerated under Clause 4.7 (a) (3) of the Indenture.

The Company has complied with the Bonds Payable covenants as at June 30, 2016.



Short-term Investments

A portion of the proceeds from the issuance of the Bonds Payable was put in multiple US\$-denominated time deposit accounts which have a five-year maturity period reckoned from the date of placement and which can be terminated anytime. Such deposits amounting to \$12,999,798 and \$13,000,192 as at June 30, 2016 and December 31, 2015, respectively, were classified as “Short-term investments” in the statements of financial position. Interest income earned from short-term investments amounted to \$399,832 and \$391,972 for the six months ended June 30, 2016 and 2015, respectively. Interest receivable amounted to \$2,693,982 and \$2,261,732 as at June 30, 2016 and December 31, 2015, respectively (see Note 5).

Bilateral Loan Agreements

On October 10, 2014, the Company entered into bilateral term loan agreements with Security Bank, Maybank Philippines Inc., Maybank International Labuan branch, RCBC and UOB (“the Bilateral Loan Agreements”). The proceeds of the loans were used by the Company to fund its capital expenditures and refinance its outstanding short-term loan obligations.

The loans have a term of four (4) years reckoned from the date of availment, and constitute unsubordinated obligations of the Company that rank at least *pari passu* in priority of payment with all its unsecured obligations.

Covenants

The Bilateral Loan Agreements impose, certain restrictions and requirements with respect to, among others, the following:

- *Target Financial Ratios* - During the term of the loans, the Company shall ensure that:
 - (i) Its Debt to Equity Ratio does not exceed 2.0 in each of the calendar years 2014, 2015, 2016, and 2017, based on the audited financial statements as of the last day of each of such calendar years; Debt to Equity Ratio is the Company’s total debt divided by its total equity;
 - (ii) Its Debt Service Coverage Ratio (“DSCR”) shall not be less than (a) 1.5 in each of the calendar years 2014, 2015, and 2017, and (b) 1.1 in the calendar year 2016, based on the audited financial statements as of the last day of each of such calendar years; DSCR is the sum of EBITDA for the most recent audited year and the ending cash balance for the most recent audited year divided by the aggregate of principal, interest and lease payments for the current year; and
 - (iii) Its Debt to EBITDA Ratio does not exceed 4.0 in each of the calendar years 2014, 2015, 2016 and 2017, based on the audited financial statements as of the last day of each of such calendar year; Debt to EBITDA Ratio is total debt divided by EBITDA.
- *Payment of Dividends* - The Company shall not pay any dividends or make any distribution on or with respect to its capital stock (other than dividends or distributions payable or paid solely in shares of stock of the Company, other than Disqualified Stock or preferred stock) (i) if a default has occurred and is continuing at the time of such payment or distribution, or would occur as a result of such payment or distribution, or (ii) if after giving effect thereto, such payment or distribution, together with the aggregate amount of all dividend payments and distributions made by the Company since the issuance of the Bonds Payable shall exceed 50% of the aggregate amount of the net income of the Company accrued on a cumulative basis during the period beginning on January 1, 2012 and ending on the last day of the Company’s most recently ended fiscal quarter for which financial statements of the Company are available and have been provided to the lenders at the time of such payment or distribution.



The Company's compliance with the financial covenants provided herein shall be determined annually by calculating the Financial Ratios for each of the relevant calendar years by no later than April 30 of the year following the calendar year with respect to which compliance is being tested.

Should the Annual Test for the calendar year 2014 (and for such year only), performed on or before April 30, 2015 (the "2014 Annual Test"), result in a determination that not all of the Target Financial Ratios were achieved by the Company, the Financial Ratios will be calculated again before the next annual test on a date not later than August 31, 2015, and based on the Company's unaudited financial statements for the six-month period ending June 30, 2015 (the "2015 Interim Test").

The Company's failure to achieve the Target Financial Ratios with respect to the calendar year 2014, as determined through the 2014 Annual Test, shall not constitute an event of default. For the avoidance of doubt, the 2015 Interim Test will be performed only if the Company is unable to satisfy the Target Financial Ratios based on the 2014 Annual Test.

For the purpose of the 2015 Interim Test: (a) the calculation of the Financial Ratios that consider EBITDA shall be based on two times the amount of the six-month EBITDA as at June 30, 2015; (b) the calculation of the DSCR shall consider (1) the ending cash balance as at June 30, 2015, and (2) the projected amount of debt service for the one-year period beginning July 1, 2015 and ending June 30, 2016; and (c) the calculation of the Debt-to-Equity Ratio shall consider the Company's equity as at June 30, 2015.

For June 30, 2016, the Company is not required to comply with the aforementioned Target Financial Ratios.

For June 30, 2015, the Company was unable to achieve fully the Target Financial Ratios. In accordance with the terms of the Bilateral Loan Agreements, the Company was able to obtain a waiver of its compliance with the covenant on the maintenance of the Target Financial Ratios before the close of the reporting period and before the approval of the issuance of the report. The Company settled the principal amounts and interests on a timely basis. The carrying amount of the loans covered by the Bilateral Loan Agreements was \$84,660,097 as at June 30, 2016.

The total interest expense recognized related to the Bilateral Loans amounted to \$2,052,356 and \$1,387,828 for the six months ended June 30, 2016 and 2015, respectively.

UOB

The bilateral term loan agreement between the Company and UOB that was entered into on October 10, 2014 (the "UOB TLA"), covers a facility for the amount of \$25,000,000 and has a term of 4 years reckoned from the date of the loan availment. The loan accrues interest at the rate of 3.735% per annum. The Company fully availed the facility covered by the UOB TLA.

The interest expense recognized in respect of the UOB TLA amounted to \$611,373 and \$555,368 for the six months ended June 30 2016 and 2015, respectively. Accrued interest payable as at June 30, 2016 and December 31, 2015 amounted to \$206,331 and \$197,322, respectively (see Note 11).

Security Bank

From February to October 2013, the Company obtained from Security Bank short-term credit facilities covering the aggregate amount of \$11,300,000 which was used to finance working capital requirements. The amounts drawn from the facilities are payable within twelve (12)



months from the date of availment and accrues interest at rates ranging from 2.25% to 2.60% per annum. In 2014, the Company rolled over the short-term loans, thereby extending their maturity to October 2014. On October 16, 2014, the Company paid the outstanding portion of the loan amounting to \$6,500,000 from the proceeds of the ₱1,100,000,000 facility covered by the bilateral term loan agreement between the Company and Security Bank dated October 10, 2014 (the “SB TLA”). Under the terms of the SB TLA, the principal amount of the loan availed shall be payable within four (4) years from the date of availment and shall accrue interest at the rate of 5.0% per annum. The Company fully availed the facility covered by the SB TLA.

On March 9, 2015, the Company obtained an additional short-term loan from Security Bank in the amount of \$4,500,000 with maturity date on September 4, 2015 and shall accrue interest at the rate of 2.75% per annum. On September 4, 2015, the loan was rolled-over and maturity date was extended to March 2, 2016. On March 2, 2016, the loan was rolled-over and maturity date was extended to April 1, 2016. On April 1, 2016, the loan was rolled-over and maturity date was extended to June 30, 2016. On June 30, 2016, the loan was rolled-over and maturity date was extended to December 27, 2016.

The interest expense recognized from Security Bank amounted to \$666,047 and \$676,486 for the six months ended June 30, 2016 and 2015, respectively. The accrued interest payable amounted to \$239,883 and \$255,689 as at June 30, 2016 and December 31, 2015, respectively (see Note 11).

RCBC

On April 11, 2014, the Company obtained a short-term loan from RCBC with a maturity date on October 8, 2014 in the amount of ₱450,000 which was used to finance working capital requirements. The amount drawn from the facility is payable within 180 days from the date of availment and accrues interest at the rate of 2.5% per annum. The Company paid the loan balance of ₱450,000 on October 16, 2014 from the proceeds of the availment under the bilateral term loan agreement between the Company and RCBC dated October 10, 2014 (the “RCBC TLA”). On February 17, 2015, the Company obtained an additional short-term loan from RCBC with a maturity date on August 14, 2015 in the amount of \$10,000,000 which was used to finance working capital requirements. The amount drawn from the facility shall accrue interest at the rate of 3.06%. On August 14, 2015, the loan was rolled-over and maturity date was extended to February 10, 2016. On February 10, 2016, the loan was rolled over and maturity date was extended to August 8, 2016. On February 15, 2016, the Company obtained an additional short-term loan from RCBC with a maturity date on August 8, 2016 in the amount of \$1,000,000 which was used to finance working capital requirements. The amount drawn from the facility shall accrue interest at the rate of 3.06%.

The amount drawn from the facility accrues interest at the rate of 3.06% per annum. The RCBC TLA covers a facility for the amount of \$19,500,000. Under the terms of the RCBC TLA, any loan availment shall be payable within four (4) years from the date of availment and shall accrue interest at the rate of 3.735% per annum. The Company fully availed the facility covered by the RCBC TLA. The total interest expense recognized for the RCBC loans amounted to \$558,466 and \$519,923 for the six months ended June 30, 2016 and 2015, respectively. The accrued interest payable amounted to \$164,579 and \$166,994 as at June 30, 2016 and December 31, 2015, respectively (see Note 11).

MayBank

From September to October 2013, the Company obtained from MayBank short-term loans having an aggregate amount of \$6,700,000 which was used to finance working capital requirements. The loan availments are payable within 180 days from the drawdown date and accrue interest at the



rate of 2.62% per annum. On April 4, 2014 and October 3, 2014, the Company paid \$1,700,000 and US\$5,000,000 of the outstanding amount, respectively. On April 7, 2014, the Company obtained an additional short-term loan in the amount of \$1,668,892 which matured and was paid on October 16, 2014.

On October 10, 2014, the Company entered into bilateral term loan agreements with Maybank Philippines and Maybank International which cover facilities for the aggregate amount of US\$20,000,000 (the "MayBank TLA"). Loan availments under the facilities are payable within four (4) years from the drawdown date and accrue interest at the rate of 3.735% per annum. The Company fully availed the facilities covered by the MayBank TLA.

The related interest expense recognized amounted to \$475,513 and \$436,445 for the six months ended June 30, 2016 and 2015, respectively. The accrued interest payable amounted to \$165,065 and \$158,600 as at June 30, 2016 and December 31, 2015, respectively (see Note 11).

BDO Leasing

From August 2011 to August 2015, the Company availed of various peso-denominated finance lease facilities from BDO Leasing for the purchase of various equipment. The amounts availed under the facilities are payable within 36 months and accrue interest at the rate of 4.75% to 6.75% per annum. In 2016 and 2015, the Company availed of additional finance lease facilities from BDO Leasing covering the total amount of nil and ₱531,506,973, respectively. The related interest expense recognized amounted to \$324,535 and \$499,142 for six months ended June 30, 2016 and 2015, respectively. The accrued interest payable amounted to nil as at June 30, 2016 and December 31, 2015 (see Note 11).

SCB

On November 8, 2013, the Company obtained from SCB a short-term credit facility covering the amount of \$10,000,000 which was used to finance working capital requirements. The amount drawn from the facility is payable within 180 days from the date of the loan and accrues interest at the rate of 2.7% per annum. On June 9, 2014, the Company rolled over the loan and extended the maturity to December 5, 2014. On February 11, 2014, the Company obtained an additional short-term loan in the amount of \$5,000,000 which will mature on August 8, 2014 and with interest at the rate of 3.0% per annum. On December 5, 2014, the Company rolled over the \$10,000,000 and \$5,000,000 loans and extended their terms to February 3, 2015 at which date the full amount was paid.

On February 6, 2015, the Company obtained an additional short-term loan from SCB in the amount of \$15,000,000 at the interest rate of 3.0% per annum which initially matured on August 5, 2015. On August 5, 2015, the loan was rolled-over and maturity date was extended to November 3, 2015 at the interest rate of 4.167%. On November 3, 2015, the loan was rolled-over and maturity date was extended to April 29, 2016 at the interest rate of 3.5%. On April 29, 2016, the loan was rolled-over and maturity date was extended to October 26, 2016 at the interest rate of 4.167%.

On May 21, 2014, the Company executed an OLSA with the Singapore Branch of SCB respecting a secured term loan facility covering a total amount of \$20,000,000 that may be availed in tranches, the proceeds of which are intended to fund the purchase of mining equipment. Under the OLSA, any availment accrues interest at an annual rate equivalent to the sum of 2.85% and the 3-month US\$ London Interbank Offered Rate that corresponds to the relevant interest period. Each interest period for the reckoning of accrued and payable interest on every availment spans three (3) months, with the first interest period commencing on the date of the first availment under the OLSA. Accrued interest is payable on the last day of each interest period.



The first availment under the OLSA amounting to \$8,481,000 was made on June 11, 2014 and will accrue interest at the rate of 3.08% per annum. The second availment under the OLSA amounting to \$5,450,000 was made on March 23, 2015 and will accrue interest at the rate of 3.11% per annum. Each availment under the OLSA will mature three (3) years from the date of availment. Availments under the OLSA are secured by a chattel mortgage covering the movable equipment purchased using the proceeds thereof.

The interest expense recognized from SCB amounted to \$475,406 and \$420,342 for six months ended June 30, 2016 and 2015, respectively. The total accrued interest payable for all SCB loans amounted to \$110,823 and \$92,590 as at June 30, 2016 and December 31, 2015, respectively (see Note 11).

Under the OLSA, the Company shall ensure that the FCCR is maintained at not less than 2.5:1 at all times up to and including each relevant period. For the period ended June 30, 2016, the Company was unable to achieve the target FCCR. In accordance with the terms of the OLSA, the Company was able to obtain from SCB a waiver of its compliance with the financial covenant after the close of the reporting period, and before the authorization for the issuance of this report. Accordingly, the total amounts of the pertinent loans were classified as current. The carrying amount of the loans under the OLSA amounted to \$21,006,167 as at June 30, 2016. The Company settled the principal amounts and interests on a timely basis.

Land Bank

On April 23, 2013, the Company obtained a short-term loan with a dollar to peso convertibility clause from Land Bank with a maturity date on October 18, 2013 in the amount of \$12,000,000 which was used to finance working capital requirements. On October 18, 2013, the Company paid a total of \$500,000 of the outstanding amount of the loan and extended the maturity from October 18, 2013 to April 16, 2014. On April 10, 2014, the Company paid a total of \$500,000 of the outstanding amount of the loan and extended the maturity to September 29, 2014 at the interest rate of 3.13%. On September 29, 2014, the Company rolled over the loan and extended the maturity to March 2015 at the interest rate of 3.0% per annum. On March 27, 2015, the Company rolled over the loan and extended the maturity to September 2015. On September 23, 2015, the Company rolled over the loan and extended the maturity date to March 21, 2016 at the interest rate of 3.14% per annum. On March 21, 2016, the Company rolled over the loan and extended the maturity date to September 16, 2016 at the interest rate of 3.14% per annum. The interest expense recognized from Land Bank amounted to \$167,249 and \$165,917 for the six months ended June 30, 2016 and 2015, respectively. The accrued interest payable amounted to \$7,415 and nil as at June 30, 2016 and December 31, 2015, respectively (see Note 11).

LBP Leasing

From July to September 2013, the Company obtained from LBP Leasing a short-term credit facility convertible to finance lease in the amount of ₱156,370,195. In December 2013, the Company obtained an additional short-term loan in the amount ₱300,000,000 which will mature on December 18, 2016 and accrues at the rate of 6.5% per annum. Part of the proceeds obtained from the loan was used to pay the outstanding of ₱156,370,195 which matured on December 26, 2013. The interest expense recognized from LBP Leasing amounted to \$58,766 and \$135,776 for the six months ended June 30, 2016 and 2015, respectively. The accrued interest payable amounted to nil as at June 30, 2016 and December 31, 2015 (see Note 11).

BDO

On February 10, 2014, the Company obtained a short-term loan from BDO with a maturity date on August 8, 2014 in the amount of \$2,500,000 which was used to finance working capital requirements. The amount drawn from the facility accrues interest at the rate of 2.375% per



annum. On August 8, 2014, the loan was rolled-over and maturity date was extended to January 13, 2015 at the interest rate of 2.159%. On January 13, 2015, the loan was rolled-over and maturity date was extended to July 13, 2015 at the interest rate of 2.159%. On July 13, 2015, the loan was rolled-over and maturity date was extended to January 13, 2016 at the interest rate of 2.5%. On January 13, 2016, the loan was rolled-over and maturity date was extended to July 11, 2016 at the interest rate of 2.5%.

On May 12, 2015, the Company obtained another short-term loan from BDO amounting to \$3,000,000 with a maturity date on November 9, 2015. The amount drawn from the succeeding loan accrues interest at the rate of 2.613% per annum. On November 9, 2015, the loan was rolled-over and maturity date was extended to May 7, 2016. On May 7, 2016, the loan was rolled-over and maturity date was extended to November 2, 2016. The interest expense recognized from BDO amounted to \$77,237 and \$57,925 for the six months ended June 30, 2016 and 2015, respectively. The accrued interest payable amounted to \$7,952 and \$7,580 as at June 30, 2016 and December 31, 2015, respectively (see Note 11).

SBM Leasing

From March to December 2013, the Company availed of peso-denominated equipment financing facilities from SBM Leasing. The amounts due under the facilities which amounted to \$6,581,037 are payable within 36 months and accrue interest at the rate of 6.5% to 7% per annum. The interest expense recognized from SBM Leasing amounted to \$8,059 and \$80,019 for the six months ended June 30, 2016 and 2015, respectively. The accrued interest payable amounted to nil as at June 30, 2016 and December 31, 2015 (see Note 11).

UCPB

During 2012 and 2013, the Company obtained from UCPB various short-term credit facilities covering the amount of \$17,800,000 which was used to finance working capital requirements. In January 2014, the Company paid \$200,000 and rolled over the remaining amount for another six (6) months. The amount drawn from the facility is payable within six (6) months and accrues interest at the rate of 3.4% to 3.75% per annum. In October 2014, the Company paid the remaining loan balance of \$17,600,000. On March 23, 2015, the Company obtained a short-term loan from UCPB in the amount of \$17,700,000 with original maturity date of September 18, 2015 and accrues interest at the rate of 2.8%. On August 2015, the loan was rolled-over and maturity date was extended to March 16, 2016 at the interest rate of 3.10% per annum. On March 16, 2016, the loan was rolled-over and maturity date was extended to September 12, 2016 at the interest rate of 3.25% per annum. The related interest expense recognized amounted to \$269,475 and \$136,290 for the six months ended June 30, 2016 and 2015, respectively. The accrued interest payable amounted to \$18,985 and \$17,148 as at June 30, 2016 and December 31, 2015, respectively (see Note 11).

Bank of China

On January 14, 2016, the Company obtained from Bank of China a short-term credit facility covering the amount of \$4,638,160 which was used to finance working capital requirements. The amount drawn from the facility is payable within 120 days and accrues interest at the rate of 3.0% per annum. On January 29, 2016, the Company paid the outstanding loan amounting to \$4,638,160. The interest expense recognized from Bank of China amounted to \$5,798 and nil for the six months ended June 30, 2016 and 2015, respectively.



13. Liability for Mine Rehabilitation Costs

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Balances at beginning of year	\$1,023,639	\$1,005,710
Accretion of interest	24,145	45,837
Effect of change in estimate	–	(27,908)
Balances at end of year	\$1,047,784	\$1,023,639

The Company makes a full provision for the future cost of rehabilitation of the plant and other future costs on a discounted basis. Liability for mine rehabilitation and others represent the present value of future rehabilitation and other costs. These provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual costs will ultimately depend upon future market prices for the necessary works required which will reflect market conditions at the relevant time.

Furthermore, the timing of the rehabilitation and expenditure of other costs is likely to depend on when the mine ceases to produce at economically viable rates, and the timing that the event for which the other provisions provided for will occur.

As at June 30, 2016 and December 31, 2015, change in the liability for mine rehabilitation cost amounted to nil and \$27,908, respectively, were recognized as a result of the change in estimate.

14. Equity

The Company's authorized and issued capital stock as at June 30, 2016 and December 31, 2015 are as follows:

June 30, 2016	No. of shares	Amount
Authorized - ₱1 par value:		
Common	3,200,000,000	\$71,556,351
Issued:		
Common	2,339,832,311	\$52,086,483
December 31, 2015	No. of shares	Amount
Authorized - ₱1 par value:		
Common	3,200,000,000	\$71,556,351
Issued:		
Common	2,135,564,060	\$47,656,179



Issuance of shares

Issuance of shares in 2016 and 2015 are as follows:

2016

Name of stockholder	No. of Shares	Capital Stock	APIC	Total
ACMDC	204,268,250	\$4,430,304	\$76,640,946	\$81,071,250

2015

Name of stockholder	No. of Shares	Capital Stock	APIC	Total
ACMDC	225,743,500	\$4,949,994	\$44,549,946	\$49,499,940

ACMDC Capital Infusion

On June 8, 2016, the Company issued 19,103,950 shares of stock to ACMDC to infuse additional equity capital into the Company in the amount of up to \$40,853,564. The Company set the subscription price of the shares to be issued at \$2.14 and recognize as APIC the difference between the total par value of the shares to be issued and the total subscription price.

On February 24, 2016, the Company issued 185,164,300 shares of stock to ACMDC to infuse additional equity capital into the Company in the amount of up to \$40,217,686. The Company set the subscription price of the shares to be issued at \$0.21 and recognize as APIC the difference between the total par value of the shares to be issued and the total subscription price.

On December 1, 2015, the Company issued 55,743,500 of its shares of stock to ACMDC to infuse equity capital into the Company in the amount of up to \$11,878,940. The Company set the subscription price of the shares to be issued at \$0.21 and recognize as APIC the difference between the total par value of the shares to be issued and the total subscription price.

On June 15, 2015, the Company issued 170,000,000 of its shares of stock to ACMDC to enable ACMDC to infuse equity capital into the Company in the amount of up to \$37,621,000. The Company set the subscription price of the shares to be issued at \$0.22 and recognize as APIC the difference between the total par value of the shares to be issued and the total subscription price.

Preferred Shares

The rights, privileges, and features of the Company's common and preferred shares are the same, except for the preference in liquidation and right to nominate directors. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of preferred shares shall be entitled to receive out of the total assets of the Company, before any distribution of assets is made to the other holders of shares, distributions in the amount of the issue value per outstanding share, plus declared and unpaid dividends until the date of distribution.



During the March 23, 2015 meeting, the Stockholders of the Company approved and ratified the amendments to the Articles of Incorporation and By-laws of the Company which cover, among others, Article VII (the “Article”). The amendments to the said Article are as follows:

- a. Declassification of the shares of stock; and
- b. Deletion of the provisions pertaining to the rights and privileges of holders of preferred shares.

There are no preference shares issued and outstanding as of June 30, 2016 and December 31, 2015.

Dividend Declaration

The Company did not declare dividends in 2016 and 2015.

Retained Earnings

The details and movements of the Company’s retained earnings are as follows:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Beginning balances	\$126,441,002	\$143,854,062
Net loss	(3,773,489)	(17,413,060)
Ending balances	\$122,667,513	\$126,441,002

As at June 30, 2016, the Company has retained earnings in an amount exceeding its paid up capital. The retention of the surplus profit is on account of: (i) the restriction under the indenture in respect of the Bonds Payable and the Bilateral Loan Agreements on the declaration of dividends in an amount exceeding 50% of the Company's cumulative net income during the period beginning on January 1, 2012 and ending on the last day of any fiscal quarter during the term of the Indenture, and (ii) the earmarking of funds for substantial capital expenditures covering open pit mine development.

15. Income Taxes

The current provision for income tax for the six months ended June 30, 2016 and 2015 represents MCIT amounting to \$503,738 and \$495,017, respectively.

The following are the components of the Company’s net deferred tax assets as at June 30, 2016 and December 31, 2015:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Deferred tax assets:		
NOLCO	\$8,591,504	\$11,624,279
Retirement benefits liability	4,733,402	4,837,078
Unrealized foreign exchange losses	591,214	6,851,578
Provision for impairment:		
Input VAT	828,843	854,171
Allowance for inventory losses	121,772	125,493



	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Provision for mine rehabilitation	\$299,870	\$301,565
Unamortized discount on loans	223,725	693,136
Excess of MCIT over RCIT	–	809,252
Cumulative translation adjustments	14,031,841	1,022,978
	29,422,171	27,119,530
Deferred tax liabilities:		
Unrealized foreign exchange gains	1,084,715	728,786
Remeasurement gain on retirement liability	1,140,646	2,928,201
	2,225,361	3,656,987
Deferred tax assets – net	\$27,196,810	\$23,462,543

As at June 30, 2016 and December 31, 2015, deferred tax assets amounting to \$29,422,171 and \$27,119,530, respectively, was recognized as management believes that sufficient future taxable profits will be available against which benefits of deferred tax assets can be utilized. There were no unrecognized deferred tax asset arising from excess MCIT as at June 30, 2016 and December 31, 2015. The Company has NOLCO and excess MCIT that can be claimed as deduction from future taxable income as follows:

Year Incurred	Expiration	NOLCO	Expiration	Excess MCIT
2015	2018	\$11,624,279	2018	\$809,252
2016	2019	8,591,504	2019	503,738
Total		\$20,215,783		\$1,312,990

The reconciliation of benefit from income tax computed at statutory income tax rate with the provision for income tax, as shown in the statements of comprehensive income, is as follows:

	June 30, 2016 (Unaudited)	June 30, 2015 (Unaudited)
Benefit from income tax at statutory income tax rate	(\$2,101,205)	(\$6,107,001)
Adjustments to (reductions in) income tax resulting from:		
Nontaxable income	(8,186,637)	
Interest income already subjected to final tax	(127,702)	(124,942)
Nondeductible expenses	102,044	125,368
Application of excess MCIT	–	–
Cumulative translation adjustments	7,082,971	(2,911,753)
Benefit from income tax	(\$3,230,529)	(\$9,018,328)

The Company benefits from the automatic VAT zero-rating of its purchase of goods and services from domestic suppliers pursuant to RMO No. 9-2000 on account of the certification by the BOI that one hundred percent (100%) of its sales are export sales.



16. Mining and Milling Costs and Mine Products Taxes

	June 30, 2016 (Unaudited)	June 30, 2015 (Unaudited)
Mining and milling:		
Materials and supplies (see Note 7)	\$32,546,225	\$33,301,138
Depletion and depreciation (see Note 9)	26,370,216	22,987,221
Power and other utilities (see Note 24)	24,921,818	23,911,643
Personnel costs (see Note 18)	7,654,815	8,035,671
Contracted services (see Note 24)	1,406,752	1,889,087
Other costs	2,161,933	3,165,760
	\$95,061,759	\$93,290,520
Mine products taxes:		
Excise taxes	\$2,382,741	\$2,286,518

Materials and supplies consist of consumable bearing and grinding balls, coolant and lubricants for the concentrators, concentrator supplies like floatation reagent to process the extracted ores, spare parts for concentrator machineries, crushers and conveyors, supplies such as diesel and gasoline fuels used by dump trucks and drilling machineries in extracting and transporting the ores and explosives, blasting and accessories for open pit mining.

Other costs consist of freight expenses, custom duties and vehicle insurances for the mine operations.

17. General and Administrative Expenses

	June 30, 2016 (Unaudited)	June 30, 2015 (Unaudited)
Personnel costs (see Note 18)	\$4,087,611	\$4,779,200
Rental	1,686,432	2,081,334
Taxes and licenses	1,391,333	1,357,872
Professional fees	677,261	468,336
Depreciation (see Note 9)	661,374	884,747
Insurance	383,313	1,689,521
Power and other utilities (see Note 24)	267,714	176,070
General consumption items	58,515	18,102
Entertainment, amusement and representation	50,891	82,432
Office supplies	5,333	35,517
Repairs and maintenance	1,389	76,431
Others	1,797,709	1,061,486
	\$11,068,875	\$12,711,048

Rentals consist of land and equipment rentals not directly used in the mining operations. Others consist significantly of community assistance, environmental and community development expense and training and seminars.



18. Personnel Costs

	June 30, 2016 (Unaudited)	June 30, 2015 (Unaudited)
Salaries and wages	\$10,159,252	\$10,909,345
Retirement benefits costs (see Note 20)	514,549	587,509
Other employee benefits	1,068,625	1,318,017
	\$11,742,426	\$12,814,871

Other employee benefits are composed of various benefits given to employees which includes clothing, educational, medical and other employee benefits.

The above amounts were distributed as follows:

	June 30, 2016 (Unaudited)	June 30, 2015 (Unaudited)
Mining and milling costs (see Note 16)	\$7,654,815	\$8,035,671
General and administrative expenses (see Note 17)	4,087,611	4,779,200
	\$11,742,426	\$12,814,871

19. Related Party Transactions

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and their key management personnel, directors, or its stockholders.

On May 5, 2006, ACMDC entered into an Operating Agreement with the Company respecting the terms of the assignment by ACMDC to the Company of operating rights over the Toledo mining complex, and the right to acquire certain fixed assets. The agreement may be terminated by ACMDC upon 30 days prior to written notice. In March 2016 and December 2014, the BOD of ACMDC approved the waiver of its entitlement to receive from the Company, pursuant to the Operating Agreement, royalties due from operations.



In the normal course of business, the Company has significant related party transactions as follows:

June 30, 2016 (Unaudited)				
	Amount/ Volume	Outstanding Balance	Terms	Conditions
<i>Advances to stockholder (see Note 5):</i>				
ACMDC	\$5,085,974	\$2,976,089	Noninterest-bearing and are on demand	Unsecured, no guarantee
<i>Receivable from entities under common control:</i>				
AquAtlas	–	174	Noninterest-bearing and are on demand	Unsecured, no guarantee
Atlas Exploration, Inc.	–	98,750	Noninterest-bearing and are on demand	Unsecured, no guarantee
December 31, 2015 (Audited)				
	Amount/ Volume	Outstanding Balance	Terms	Conditions
<i>Advances from a Stockholder:</i>				
ACMDC	\$1,279,498	(\$1,520,390)	Noninterest-bearing and are on demand	Unsecured, no guarantee
<i>Advances from entities under common control:</i>				
AquAtlas	–	183	Noninterest-bearing and are on demand	Unsecured, no guarantee
Atlas Exploration, Inc.	2,014	103,918	Noninterest-bearing and are on demand	Unsecured, no guarantee

The Company has an Operating Agreement with ACMDC as discussed in Note 1. In addition to the Operating Agreement with ACMDC, the Company entered into other transactions with ACMDC. In July 2011, the Company agreed to provide security for the loan obligations of ACMDC to BDO under the US\$75 million ACMDC-BDO Secured Notes Facility Agreement (the “Dollar Loan”) and the ₱5.3 billion ACMDC-BDO Secured Notes Facility Agreement (the “Peso Loan”). The Company (i) executed an irrevocable suretyship in favor of BDO whereby it became solidarily liable with ACMDC for the discharge of all obligations under the Dollar Loan, and (ii) created in favor of BDO mortgage liens over its real properties and chattels to secure the performance of ACMDC’s obligations under the Peso Loan (see Note 9).

Compensation of Key Management Personnel

The Company considers all senior officers as key management personnel. The compensation of key management personnel for the six months ended June 30, 2016 and 2015 are as follows:

	June 30, 2016 (Unaudited)	June 30, 2015 (Unaudited)
Short-term benefits	\$1,101,960	\$958,167
Retirement benefits costs	134,740	143,097
	\$1,236,700	\$1,101,264



20. Retirement Benefits Costs

The Company has an unfunded defined benefits retirement plan covering substantially all of its employees. The plan provides a retirement amount equal to 100% of one month's salary for every year of service, with six months or more of service considered as one year.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

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

The details of retirement benefits costs are as follows:

	June 30, 2016 (Unaudited)	June 30, 2015 (Unaudited)
Current service cost (see Note 18)	\$514,549	\$587,509
	\$514,549	\$587,509

The Company has 2,625 regular employees and 6 employees on probationary and project status as at June 30, 2016 and 3,413 regular employees and 173 employees on probationary and project status as at December 31, 2015.

The movements in present value of the retirement benefits liability are as follows:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Balances at beginning of year	\$6,844,935	\$13,390,353
Current service cost	514,549	2,689,821
Benefits paid	(1,298,068)	(388,747)
Interest cost on retirement obligation	—	580,160
Re-measurement of actuarial gain - experience adjustments	—	(976,673)
Re-measurement of actuarial loss - financial assumptions	—	(8,462,950)
Cumulative translation adjustment	—	12,971
Balances at end of year	\$6,061,416	\$6,844,935

The Company does not have any plan assets as at June 30, 2016 and December 31, 2015.



The cost of defined retirement benefits plan, as well as the present value of the retirement benefits liability are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining retirement benefits liability for the defined retirement plan are shown below:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Discount rate	4.98%	4.98%
Expected rate of salary increase	5.00%	5.00%
	10% at age 20 decreasing to 0% at age 55	10% at age 20 decreasing to 0% at age 55
Turnover rate		
Mortality rate	1952 Disability	1952 Disability

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined retirement benefits liability as at June 30, 2016 and December 31, 2015, assuming all other assumptions were held constant:

	Increase (decrease)	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Discount rates	+1%	(\$793,893)	(\$793,893)
	-1%	982,525	982,525
Salary increase rate	+1%	\$941,624	\$941,624

Shown below is the maturity analysis of the undiscounted benefit payments as at June 30, 2016 and December 31, 2015:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Less than one (1) year	\$129,200	\$178,123
More than one (1) year to five (5) years	948,895	1,265,340
More than five (5) years to ten (10) years	3,519,365	4,196,750
More than ten (10) years to fifteen (15) years	4,519,641	5,446,821
More than fifteen (15) years to twenty (20) years	5,481,747	6,779,104
More than twenty (20) years	45,473,125	51,135,375
	\$60,071,973	\$69,001,513

The average duration of the defined retirement benefits liability as at June 30, 2016 and December 31, 2015 is 25.06 years.

21. Financial Risk Management Objectives and Policies

The Company's main financial instruments are cash, short-term investments, AFS financial asset, long-term debt and other interest-bearing liabilities, and derivative assets and liabilities. The main purpose of these financial instruments is to manage variability of cash flows and raise finance for



the Company's capital expenditure program. The Company has various other financial assets and liabilities such as receivables and accounts payable and accrued liabilities which arise from the Company's operations.

The main risks arising from the Company's financial instruments are commodity price risk, foreign currency risk, interest rate risk, equity price risk, credit and counterparty risk, concentration risk and liquidity risk. The BOD reviews and adopts relevant policies for managing each of these risks which are summarized as follows:

Commodity Price Risk

The Company's copper concentrate revenues are based on international commodity quotations (i.e., primarily on the LME) over which the Company has no significant influence or control. This exposes the Company's results of operations to commodity price volatilities that may significantly impact its cash inflows. The Company enters into derivative transactions as a means to mitigate the risk of fluctuations in the market prices of its mine products.

An analysis is made based on the assumption that the gold and copper prices move using the implied volatility based on one year historical LME copper prices with all other variables held constant. Shown below is the effect on income before income tax should the change in copper prices occur based on the inventory (net of derivatives) of the Company:

June 30, 2016 (Unaudited)

Change in Copper Prices	Effect on Income Before Income Tax
Increase by 10%	\$11,889,900
Decrease by 10%	(11,889,900)

December 31, 2015 (Audited)

Change in Copper Prices	Effect on Income Before Income Tax
Increase by 10%	\$21,834,526
Decrease by 10%	(21,834,235)

The sensitivity analyses are performed for risk management purposes and do not represent a prediction or forecasting of the Company's future income.

Foreign Currency Risk

Foreign currency risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Company has transactional currency exposures. Such exposures arise from sales or purchases by the Company in currencies other than the Company's functional currency.

The Company monitors its transactional and translational foreign exchange currency risk and manages the impact of foreign exchange volatility primarily through natural hedging where foreign currency revenues are matched against target levels of foreign currency financing.



As at June 30, 2016 and December 31, 2015, foreign currency-denominated assets and liabilities were as follows:

	June 30, 2016 (Unaudited)		December 31, 2015 (Audited)	
	Original Currency	US\$ Equivalent	Original Currency	US\$ Equivalent
Financial Assets				
Cash				
- PHP	₱287,408,685	\$6,107,147	₱211,006,665	\$4,483,681
- JPY	JP¥435,575	4,237	JP¥1,066,421	8,863
Receivables – PHP	₱50,067,809	1,063,891	₱27,586,442	586,184
		\$7,175,275		\$5,078,728
Financial Liabilities				
Accounts payable and accrued liabilities				
- PHP	₱1,158,451,620	\$24,615,938	₱2,892,087,493	\$61,453,967
- Australian Dollar	AU\$180,797	134,658	AU\$99,503	72,287
- EURO	EU€5,269	5,863	(EU€40,057)	(59,601)
- JPY	JP¥7,034,972	68,429	JP¥3,794,280	31,534
Related parties – PHP	₱1,117,111,072	23,737,493	₱–	–
Long-term debt and other interest-bearing liabilities – PHP	₱1,639,115,563	34,829,567	₱1,891,815,201	40,199,181
		\$83,391,948		\$101,697,368
Net Exposure		(\$76,216,673)		(\$96,618,640)

The exchange rates as at June 30, 2016 and December 31, 2015 were:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
US\$ to PHP	\$0.021249	\$0.021249
US\$ to JPY	0.009727	0.008311
US\$ to AUD	0.744800	0.726480
US\$ to EUR	1.112700	1.487900
US\$ to CAD	0.773455	0.719424

The tables below demonstrate the sensitivity to a reasonable change in the PHP exchange rate, with all other variables held constant, of the Company's income (loss) before income tax (due to the changes in the fair value of the foreign currency-denominated assets and liabilities). This analysis covers only translational risk, and based on the negative net exposure reflected in the foreign exchange risk gap, any devaluation in the US\$ and/or strengthening of the PHP will result in a drop in net income. The foreign currency risk exposure of currencies other than Philippine Peso is not material to the Company.

June 30, 2016 (Unaudited)

Change in PHP-Foreign Exchange rate	Effect on Income Before Income Tax
Increase by 2.786%	(\$2,691,827)
Decrease by -2.786%	\$2,691,827



December 31, 2015 (Audited)

Change in PHP-Foreign Exchange rate	Effect on Income Before Income Tax
Increase by 2.018%	(\$1,948,549)
Decrease by 2.417%	\$2,333,977

The sensitivity analyses are performed for risk management purposes and do not represent a prediction or forecasting of the Company's future income.

There is no other effect on the Company's equity other than those affecting profit or loss. The sensitivity analysis pertains to the foreign exchange translational risk only and does not fully show the transactional and economic effect of the foreign exchange risk.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company's mix of fixed and floating interest rate debt is 82:18 and 74:26 as at June 30, 2016 and December 31, 2015, respectively. The Company monitors its exposure to fluctuations in interest rates by measuring the impact of interest rate movements on the Company's net worth. This is done by modeling the impact of various changes in interest rates to the Company's net interest positions.

The Company has no outstanding floating interest rate debt as at June 30, 2016 and December 31, 2015.

Equity Price Risk

As at June 30, 2016 and December 31, 2015, the Company has quoted equity instrument carried at fair value amounting to \$123,037. Unrealized loss on AFS financial asset amounted to nil and \$104,138 as at June 30, 2016 and June 30, 2015. Dividend income earned from the quoted equity instrument amounted to nil for the six months ended June 30, 2016 and 2015. There was no impairment loss recognized for the six months ended June 30, 2016 and 2015.

Equity price risk is the risk to earnings or capital arising from changes in stock prices relating to the Company's quoted equity instrument. The Company's exposure to equity price risk relates primarily to its AFS financial asset on shares of stock of a listed company.

The Company's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine effect on its financial position.

The table below shows the sensitivity to a reasonably possible change in equity prices on AFS equity instrument as at June 30, 2016 and December 31, 2015. The equity effect is arrived using the reasonably possible change of the relevant market indices and the specific adjusted beta of each stock the Company holds. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole.

	Average change in market indices (in percentage)	Sensitivity to equity
June 30, 2016 (Unaudited)	+2.43%	\$1,771
	-2.43%	(\$1,771)
December 31, 2015 (Audited)	+1.25%	\$1,079
	-1.25%	(\$1,079)



The AFS financial asset shares of stock are traded in the Philippine Stock Exchange.

Credit and Counterparty Risk

Credit risk is the risk that the Company will incur a loss if its customers and counterparties fail to discharge their contractual obligations. The Company manages and controls credit risk by doing business only with recognized, creditworthy third parties. Receivable balances are monitored in an ongoing basis resulting to an insignificant exposure to bad debts.

With respect to credit risk arising from the other financial assets of the Company (e.g. investments and derivatives), the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

In 2016 and 2015, the Company's counterparties for the delivery of copper shipments are MRI, Samsung, Cliveden, Trafigura, Louis Dreyfus, Xiangguang and PASAR. The Company targets other counterparty customer for the delivery of its copper shipments in order to spread counterparty risk.

The table below summarizes the gross maximum credit risk exposure for the components of the Company's statements of financial position as at June 30, 2016 and December 31, 2015:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Loans and receivables:		
Cash in banks	\$17,555,128	\$9,409,355
Short-term investments	12,999,798	13,000,192
Trade receivables	11,252,217	8,196,437
Related parties	3,075,013	—
Interest receivable	2,693,982	2,261,732
Other noncurrent assets*	1,175,600	415,837
Nontrade receivables	916,092	990,612
Advances to officers and employees	177,885	236,850
AFS financial assets	123,037	123,037
	\$49,968,752	\$34,634,052

**Excluding input VAT*

The Company ensures that sales of services are made to customers with appropriate credit history and has an internal mechanism to monitor the granting of credit and managements of credit exposures.

The aging analyses of loans and receivables and credit quality of the Company's financial assets based on their historical experience with the corresponding third parties as at June 30, 2016 and December 31, 2015 are summarized below:

June 30, 2016 (Unaudited)

	Neither Past Due nor Impaired	Less than 30 Days	Past Due 30 to 60 Days	More than 60 Days	Total
Loans and Receivables					
Cash in banks	\$17,555,128	\$—	\$—	\$—	\$17,555,128
Short-term investments	12,999,798	—	—	—	12,999,798
Trade receivables	11,252,217	—	—	—	11,252,217
Nontrade receivables	—	7,920	9,597	898,575	916,092



	Neither Past Due nor Impaired	Past Due			Total
		Less than 30 Days	30 to 60 Days	More than 60 Days	
Related parties	\$—	\$191,455	\$—	\$2,883,558	\$3,075,013
Advances to officers and employees	—	2,000	2,000	173,885	177,885
Interest receivable	—	71,250	73,625	2,549,107	2,693,982
Other noncurrent assets*	1,175,600	—	—	—	1,175,600
AFS Financial Asset	123,037	—	—	—	123,037
	\$43,105,780	\$272,625	\$85,222	\$6,505,125	\$49,968,752

*Excluding input VAT

	Neither Past Due nor Impaired			Past Due	Total
	High Grade	Standard Grade	Substandard Grade		
Loans and Receivables					
Cash in banks	\$17,555,128	\$—	\$—	\$—	\$17,555,128
Short-term investments	12,999,798	—	—	—	12,999,798
Trade receivables	11,252,217	—	—	—	11,252,217
Nontrade receivables	—	—	—	916,092	916,092
Related parties	—	—	—	3,075,013	3,075,013
Advances to officers and employees	—	—	—	177,885	177,885
Interest receivable	2,693,982	—	—	—	2,693,982
Other noncurrent assets*	1,175,600	—	—	—	1,175,600
AFS Financial Asset	123,037	—	—	—	123,037
	\$45,799,762	\$—	\$—	\$4,168,990	\$49,968,752

*Excluding input VAT

December 31, 2015 (Audited)

	Neither Past Due nor Impaired	Past Due			Total
		Less than 30 Days	30 to 60 Days	More than 60 Days	
Loans and Receivables					
Cash in banks	\$9,409,355	\$—	\$—	\$—	\$9,409,355
Short-term investments	13,000,192	—	—	—	13,000,192
Trade receivables	8,196,437	—	—	—	8,196,437
Nontrade receivables	—	26,521	830	963,261	990,612
Related parties	—	—	—	—	—
Advances to officers and employees	—	14,528	12,904	209,418	236,850
Interest receivable	2,261,732	—	—	—	2,261,732
Other noncurrent assets*	415,837	—	—	—	415,837
AFS Financial Asset	123,037	—	—	—	123,037
	\$33,406,590	\$41,049	\$13,734	\$1,172,679	\$34,634,052

*Excluding input VAT

	Neither Past Due nor Impaired			Past Due	Total
	High Grade	Standard Grade	Substandard Grade		
Loans and Receivables					
Cash in banks	\$9,409,355	\$—	\$—	\$—	\$9,409,355
Short-term investments	13,000,192	—	—	—	13,000,192
Trade receivables	8,196,437	—	—	—	8,196,437
Nontrade receivables	—	—	—	990,612	990,612
Advances to officers and employees	—	—	—	236,850	236,850
Interest receivable	2,261,732	—	—	—	2,261,732
Other noncurrent assets	415,837	—	—	—	415,837
AFS Financial Asset	123,037	—	—	—	123,037
	\$33,406,590	\$—	\$—	\$1,227,462	\$34,634,052

*Excluding input VAT



As at June 30, 2016 and December 31, 2015, the Company has no impaired financial assets. Cash in banks are classified as high grade since these are deposited in reputable banks and can be withdrawn anytime. Advances to officers and employees are classified as standard grade since these can be collected upon demand as these officers and employees are still employed by the Company.

High grade receivables pertain to those receivables from clients or customers that consistently pay before the maturity date. Standard grade receivables include those that are collected on their due dates even without any collection effort from the Company while receivables which are collected on their due dates after persistent reminders are included under substandard grade receivables. Past due receivables refer to those that are past due but still collectible and are not considered impaired.

Other noncurrent assets, excluding input VAT, are assessed as high grade since the counterparties have low probability of insolvency.

Quoted equity instrument are assessed as high grade the quoted equity instrument is actively traded in the Philippine Stock Exchange.

Concentration Risk

In 2016 and 2015, majority of the Company's copper production were sold to MRI and PASAR. However, it has no significant concentration of credit risk since it can sell its copper concentrate to other third party customers. The Company continuously monitors its receivables from MRI and PASAR to assess its credit risk exposure.

Impairment assessment

The main consideration for the loan impairment assessment include whether any payments of principal or interest are overdue by more than one (1) year or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Company determines the allowance appropriate for each individually significant receivable on an individual basis. Items considered when determining allowance amounts include the availability of other financial support and the timing of the expected cash flows. The impairment losses are evaluated at each reporting period, unless unforeseen circumstances require more careful attention. Impaired financial assets as at June 30, 2016 and December 31, 2015 relate to overdue accounts.

Liquidity Risk

Liquidity risk is defined as the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price. Management is responsible for liquidity, funding as well as settlement management and in ensuring a balance between liquidity and solvency management.

The Company manages its liquidity risk primarily through the use of cash flows from operations including advances against shipment and refinancing through the availment of loan and/or stockholder's investment.

The following tables show the maturity profiles of the Company's financial liabilities as well as the undiscounted cash flows from financial assets used for liquidity purposes as of:



June 30, 2016 (Unaudited)

	On Demand	Less than 1 Year	1 Year to < 3 Years	3 Years to < 5 Years	Total
Loans and Receivables					
Cash in banks	\$17,555,128	\$-	\$-	\$-	\$17,555,128
Short-term investments	12,999,798	-	-	-	12,999,798
Receivables:					
Trade	-	11,252,217	-	-	11,252,217
Nontrade	-	370,172	-	545,920	916,092
Related parties	-	3,075,013	-	-	3,075,013
Advances to officers and employees	-	110,874	-	67,011	177,885
Interest receivable	-	2,693,982	-	-	2,693,982
Other noncurrent assets*	-	1,175,600	-	-	1,175,600
AFS Financial Asset	123,037	-	-	-	123,037
	\$30,677,963	\$18,677,858	\$-	\$612,931	\$49,968,752

Other Financial Liabilities

Accounts payable and accrued liabilities:					
Trade	\$-	\$41,644,579	\$-	\$-	\$41,644,579
Accrued expenses	-	22,486,943	-	-	22,486,943
Nontrade**	-	1,890,481	-	-	1,890,481
Long-term debt and other interest-bearing liabilities	-	382,318,446	82,275,173	-	464,593,619
Derivative liabilities	52,250	-	-	-	52,250
	\$52,250	\$448,340,449	\$82,275,173	\$-	\$530,667,872
	\$30,625,713	(\$429,662,591)	(\$82,275,173)	(\$612,931)	(\$480,699,120)

*Excluding input VAT

**Excluding statutory payables

December 31, 2015 (Audited)

	On Demand	Less than 1 Year	1 Year to < 3 Years	3 Years to < 5 Years	Total
Loans and Receivables					
Cash	\$9,409,355	\$-	\$-	\$-	\$9,409,355
Short-term investments	13,000,192	-	-	-	13,000,192
Receivables:					
Trade	-	8,196,437	-	-	8,196,437
Nontrade	-	990,612	-	-	990,612
Related parties	-	-	-	-	-
Advances to officers and employees	-	140,738	-	96,112	236,850
Interest receivable	-	2,261,732	-	-	2,261,732
Other noncurrent assets*	-	-	415,837	-	415,837
AFS Financial Asset	123,037	-	-	-	123,037
	\$22,532,584	\$11,589,519	\$415,837	\$96,112	\$34,634,052

Other Financial Liabilities

Accounts payable and accrued liabilities:					
Trade	\$-	\$80,296,814	\$-	\$-	\$80,296,814
Related parties	-	1,416,289	-	-	1,416,289
Accrued expenses	-	30,666,250	-	-	30,666,250
Royalties payable	-	-	-	-	-
Nontrade**	-	1,307,372	-	-	1,307,372
Long-term debt and other interest-bearing liabilities	-	86,422,054	389,126,014	-	475,548,068
Derivative liabilities	52,250	-	-	-	52,250
	\$52,250	\$200,108,779	\$389,126,014	\$-	\$589,287,043
	\$22,480,334	(\$188,519,260)	(\$388,710,177)	\$96,112	(\$554,652,991)

*Excluding input VAT

**Excluding statutory payables



For the period ended June 30, 2016, the Company was unable to meet target financial ratios, in accordance with the terms of its loan agreements. The Company was able to obtain waivers of its compliance with the covenants after the close of the reporting period, but before the authorization for the issuance of this report (see Note 12). Accordingly, the total amount of the pertinent loans were classified as current under on demand.

22. Financial Instruments

PFRS defines fair value as 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. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

Fair Values of Financial Instruments

The following table shows the carrying values and fair values of the Company's financial instruments, whose carrying values does not approximate its fair values as at June 30, 2016 and December 31, 2015.

	Carrying Values		Fair Values	
	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Other Financial Liabilities				
Long-term debt and other interest-bearing liabilities:				
Bonds Payable	\$300,000,000	\$300,000,000	\$293,499,468	\$296,250,000
UOB	24,545,000	25,000,000	26,649,176	27,510,934
Security Bank	22,971,175	23,374,416	25,576,019	26,517,152
MayBank	19,636,000	20,000,000	21,284,816	22,008,736
RCBC	19,145,100	19,500,000	20,786,357	21,458,528
BDO Leasing	8,235,043	13,397,301	8,475,402	13,967,370
SCB	–	8,328,000	–	8,603,636
	\$394,532,318	\$409,599,717	\$396,271,238	\$416,316,356

Cash, Short-term Investments, Receivables, Other Noncurrent Assets and Accounts Payable and Accrued Liabilities

The carrying amounts of cash, short-term investments, receivables, other noncurrent assets and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these financial instruments accounts.

AFS Financial Asset

The fair value of quoted equity instrument is determined by reference to market bid quotes at the end of the reporting period. AFS financial assets are carried at fair value.

Long-term Debt and Other Interest-bearing Liabilities

Fair value of long-term debt and other interest-bearing liabilities is estimated using the discounted cash flow methodology using the benchmark risk free rates for similar types of long-term debt and other interest-bearing liabilities, except for the Bonds Payable whose fair value is determined by reference to market prices at the period.



Derivative Instruments

Fair values of commodity forwards and embedded derivatives are obtained using the “Forward versus forward” approach using copper forward prices and discounted at the appropriate London Interbank Offered Rate. Fair value of put option is derived from the Black-Scholes option pricing formula. The Company uses historical volatility for the computation of the value of put options which is computed as the standard deviation of the lognormal returns on commodity price over a fixed number of days. Historical volatility typically does not represent current market participants’ expectations about future volatility, even if it is the only information available to price an option.

There were no outstanding put options as at June 30, 2016 and December 31, 2015.

Fair value of embedded provisional pricing derivatives on copper sales contracts is computed as the difference between the provisional price set by the Company and the average of the quoted LME futures prices applicable to the quotational period specified for each sales contract discounted with the risk free rate of return. Derivative assets and liabilities are carried at fair value.

The fair value hierarchy of the financial assets and liabilities as at June 30, 2016 and December 31, 2015 is presented as follows:

June 30, 2016 (Unaudited)

	Level 1	Level 2	Level 3	Total
Asset measured at fair value:				
AFS financial asset	\$123,037	\$–	\$–	\$123,037
Derivative asset	–	1,186	–	1,186
	<u>\$123,037</u>	<u>\$1,186</u>	<u>\$–</u>	<u>\$124,223</u>
Liability measured at fair value:				
Derivative liabilities	\$–	(\$52,250)	\$–	(\$52,250)
Liability for which fair values are disclosed:				
Long-term debt and other interest-bearing liabilities	(293,499,468)	–	(102,771,770)	(396,271,238)
	<u>(\$293,499,468)</u>	<u>(\$52,250)</u>	<u>(\$102,771,770)</u>	<u>(\$396,323,488)</u>

December 31, 2015 (Audited)

	Level 1	Level 2	Level 3	Total
Asset measured at fair value:				
AFS financial asset	\$123,037	\$–	\$–	\$123,037
Derivative assets	–	1,186	–	1,186
	<u>\$123,037</u>	<u>\$1,186</u>	<u>\$–</u>	<u>\$124,223</u>
Liability measured at fair value:				
Derivative liabilities	\$–	(\$52,250)	\$–	(\$52,250)
Liability for which fair values are disclosed:				
Long-term debt and other interest-bearing liabilities	(296,250,000)	–	(120,066,356)	(\$416,316,356)
	<u>(\$296,250,000)</u>	<u>(\$52,250)</u>	<u>(\$120,066,356)</u>	<u>(\$416,368,606)</u>

There were no transfers between levels of fair value measurement as at June 30, 2016 and December 31, 2015.



23. Capital Management

The Company maintains a capital base to cover risks inherent in the business. The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The table below summarizes the total capital considered by the Company:

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Capital stock	\$52,086,483	\$47,656,179
Additional paid-in capital	205,012,704	128,371,758
Long-term debt and other interest bearing liabilities	464,593,619	475,548,068
Interest-free payables to ACMDC	–	1,416,289
Retained earnings	122,667,513	126,441,002
	\$844,360,319	\$779,433,296

No changes were made in the objectives, policies and processes from the previous years.

Currently, the Company manages its capital structure and makes adjustments to it in the light of changes in the economic conditions in order to meet its capital management objectives.

24. Commitments and Contingencies

Power Agreements

- On December 15, 2014, the Company and Toledo Power Company (TPC) executed a twelve-year Energy Conversion Agreement pursuant to which the Company shall supply to TPC the coal needed to generate electric power from the Plant under the terms of the Electric Power Purchase Agreement (EPPA).
- On June 5, 2012, the Company signed a twelve year EPPA with TPC. Pursuant to the terms of the EPPA, TPC will build and operate a 72-megawatt net output clean coal-fired power plant in Toledo City (the "Plant") that will guarantee the supply of up to 60 megawatts (MW) of electric power to the Company's mining operations upon its commissioning. The power plant was completed in December 2014.
- In June 2008, the Company entered into a power supply agreement with Cebu III Electric Cooperative, Inc. for the supply of 2MW of firm electric power at agreed prices. The agreement may be terminated by either party upon 30 days prior notice.

Total utilities expenses related to the above power agreements amounted to \$24,955,130 and \$23,459,255 for the six months ended June 30, 2016 and 2015, respectively (see Notes 16 and 17). Related accrued expenses amounted to \$2,426,164 and \$2,983,844 as at June 30, 2016 and December 31, 2015, respectively (see Note 11).

Waste Mining Service Agreement

In May 2012, the Company entered into a waste mining service agreement, as amended, with Galeo Equipment and Mining Company, Inc. ("Galeo") for waste works at the Company's Carmen and Lutopan Open Pit Mines at specified pricing formulas. The agreement has a term of



four (4) years reckoned from the earlier of June 1, 2012 or the date when Galeo commences the performance of waste stripping services. The agreement was terminated effective end of April 2016.

Total expenses related to waste mining service agreement amounted to \$25,226,080 and \$34,599,449 for the six months ended June 30, 2016 and 2015, respectively. Related accrued expenses amounted to nil and \$8,983,633 as at June 30, 2016 and December 31, 2015, respectively.

Fuel Supply Agreement

In August 2011, the Company entered into a fuel supply agreement, as amended, with Pilipinas Shell Petroleum Corporation for the purchase of petroleum products, lubricants and greases at established pricing formulas. The agreement will expire in October 2015. 2016 renewal of the agreement is currently ongoing. Total expenses related to the fuel supply agreement amounted to \$6,207,376 and \$10,973,553 for the six months ended June 30, 2016 and 2015, respectively (see Notes 16 and 17). Outstanding payables amounted to \$1,903,550 and \$807,524 as at June 30, 2016 and December 31, 2015, respectively (see Note 11).

Legal Contingencies

The Company is a party to labor cases arising from its operations. The Company's management and legal counsel believe that the eventual resolution of these cases will not have a material effect on the Company's financial statements. Accordingly, no provision for probable losses were recognized for the six months ended June 30, 2016 and 2015.

Collective Bargaining Agreement (CBA)

In October 2012, the Company executed a five-year CBA with its rank-and-file union, (the "Union"). However, in view of the election of a new bargaining representative for the Union in October 2014, a new CBA was executed by the Company on January 30, 2015 (the "2015 CBA"). The 2015 CBA shall be valid as to the representation aspect for a period of five years. Under the provisions of the Labor Code, the economic provisions of the 2015 CBA shall be re-negotiated on the third anniversary of its execution.

Consignment Agreements

Shorr Industrial Sales, Inc.

In September 2012, the Company entered into a consignment agreement with Shorr Industrial Sales, Inc. for the supply of parts and tools for heavy equipment. Expiry of the latest contract/agreement ends in June 30 2016 and renewal for 2017 is currently ongoing.

Synchrotek Corporation

In July 2014, the Company renewed its consignment contract with Synchrotek Corporation for the supply of filters, lubricants and other heavy equipment parts, effectivity of which is until December 31, 2015. Renewal of the contract/agreement for the period covering 2016-2017 is currently ongoing.

Morse Hydraulics

A consignment agreement was entered into with Morse Hydraulics for the supply of hydraulic hoses and fittings at established price list valid for one (1) year beginning July 1, 2012 to June 30, 2013. The agreement has been renewed annually since, and the latest renewal covers the period July 1, 2016 to June 30, 2017.



Orica Philippines, Inc.

In 2013, the Company entered into a consignment agreement with Orica Philippines, Inc. for the supply of explosives and blasting accessories for use in mining and mine development activities. The consignment agreements with Orica Philippines, Inc. was valid until September 30, 2014, and ensures the availability of the goods covered thereby and pegs a price range for the supply of such goods during the period of effectivity. The consignment agreement with Orica Philippines, Inc. was renewed in September 2015 and extended until September 30, 2016.

Le Price International Corporation

In 2013, the Company entered into a consignment agreement with Le Price International Corporation for the supply of a centralized lubrication, a filtration, a fire suppression and a refueling system. The consignment agreement with Le Price International Corporation, which is valid until July 31, 2014, ensures the availability of the goods covered thereby and pegs a price range for the supply of such goods during the period of effectivity. The consignment agreement with Le Price International Corporation was renewed in July 2014 and extended until July 31, 2015. Renewal of the contract/agreement for the period covering 2016-2017 is currently ongoing.

Atlas Copco Phils.

In 2015, the Company entered into a consignment agreement with Atlas Copco for the supply of drill equipment parts and accessories. This ensured the availability of the critical parts required for continued operations, and pegs a price range for the supply of such goods during the period of effectivity. The consignment agreement was renewed in July 25, 2016 and extended until July 24, 2017.

Maxima Machineries, Inc.

The Company entered into a consignment agreement in April 2013 with Maxima Machineries, Inc. for the supply of excavators, dump trucks, bulldozers and other heavy equipment parts and accessories. This ensured the availability of the critical parts required for continued operations, and pegs a price range for the supply of such goods during the period of effectivity. The consignment agreement was recently renewed in April 16, 2016 and extended until April 15, 2017.

25. Other Matters

a. EO No. 79

On July 12, 2012, EO 79 was released to provide the general framework for the implementation of mining reforms in the Philippines. The Company has assessed that EO 79 has no major impact on its current operations since the Company's current mining activities are covered by valid and existing Mineral Production and Sharing Agreements (MPSA). Pursuant to Section 1 of EO 79, a mining contract, such as an MPSA, that was approved before the effectivity of the EO shall continue to be valid, binding and enforceable so long as the contractor thereunder strictly complies with existing laws, rules and regulations and the terms and conditions under the mining contract.

On March 7, 2013, MGB recommended DENR to lift the DENR Memorandum Order (MO) No. 2011-01 on the suspension of acceptance of all types of applications for mining permits and mineral agreements. Effective March 18, 2013, MGB resumed the acceptance of mining applications for exploration permits and Financial and Technical Assistance Agreements pursuant to DENR Administrative Order No. 2013-11.



SDMP

The Company has a five-year SDMP in compliance with DENR Administrative Order 2010-21. The Company has been implementing its SDMP as approved by the MGB.

b. Deed of Assignment and Exchange of Assets for Shares of Stock

In 2006, the Company entered into an Operating Agreement with the Parent Company for the conveyance to the Company of rights over the Toledo minesite, certain fixed assets and surface rights for a royalty fee mutually agreed by the parties. The agreement may be terminated by the Company upon 30 days prior written notice.

c. Operating Agreement (the “Agreement”) with ACMDC

On May 5, 2006, the Company and ACMDC executed the Agreement wherein ACMDC conveyed to the Company its exploration, development and utilization rights with respect to certain mining rights and claims (the “Toledo Mine Rights”) and the right to rehabilitate, operate and/or maintain certain of its fixed assets.

In consideration of the Company’s use of the Toledo Mine Rights, the Agreement provides that the Company shall pay the Parent Company a fee equal to 10% of the sum of the following:

- a. Royalty payments to third party claim holders of the Toledo Mine Rights;
- b. Lease payments to third party owners of the relevant portions of the parcels of land covered by the surface rights; and
- c. Real property tax payments on the parcels of land covered by the surface rights and on the relevant fixed assets.

On March 10, 2010, the Company and ACMDC agreed on a royalty payment arrangement and on the computation of the basis of royalty income which is 2% of the gross sale by CCC of copper concentrates.

For the year 2016 and 2015, the BOD of the ACMDC approved the waiver of its entitlement to receive from the Company, pursuant to the Agreement, royalties due from operations in 2016 and 2015, respectively.

26. Segment Reporting

The Company has only one (1) operating segment which is the mining business. There is no geographical segment information presented since its business is located in the Philippines. The segment is engaged in the mining, exploration, development and production of copper and gold in concentrate.

The measure presented to manage segment performance is the segment operating income (loss). The following table presents the financial information of the operating segment in accordance with PFRS except for EBITDA and earnings (loss) before interest and income tax (EBIT) as of June 30, 2016 and June 30, 2015.



	June 30, 2016 (Unaudited)	June 30, 2015 (Unaudited)
Segment revenues		
From external customers	\$117,164,443	\$103,503,134
	\$117,164,443	\$103,503,134
Segment results		
EBITDA	\$35,682,658	\$19,087,016
Depreciation, depletion and amortization	27,031,590	23,871,968
EBIT	8,651,068	(4,784,952)
Finance charges	(15,961,021)	(16,081,917)
Foreign exchange gain (loss) - net	(799,676)	4,076,746
Interest income	425,672	417,088
Fair value gains on derivatives - net	–	3,041,964
Others - net	679,939	409,183
Unrealized loss on AFS financial asset	–	(104,138)
Benefit from income tax	3,230,529	9,018,328
Net loss	(\$3,773,489)	(\$4,007,698)
	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Assets		
Segment assets	\$922,062,957	\$904,775,490
AFS financial asset	123,037	123,037
Liabilities		
Segment liabilities	\$922,185,994	\$904,898,527

Segment Results

Segment results pertain to the net income (loss) of the operating segment.

Segment Assets

Segment assets are resources owned by the operating segment.

Segment Liabilities

Segment liabilities are obligations incurred by the operating segment.

