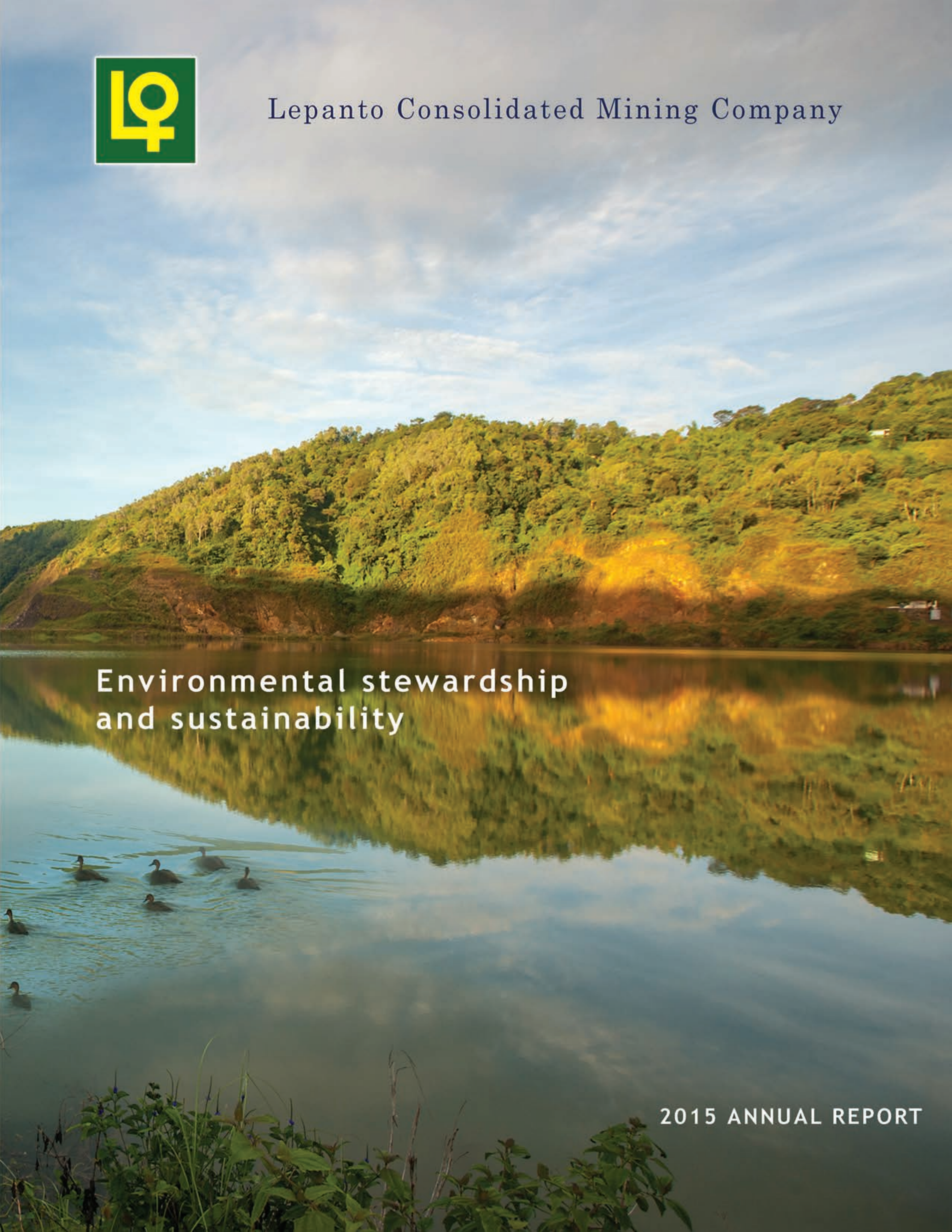
Lepanto Consolidated Mining Company



Environmental stewardship and sustainability

2015 ANNUAL REPORT

Company Profile

Lepanto Consolidated Mining Company is a Filipino primary gold producer. Lepanto has been a proud resident of Mankayan, Benguet, Philippines since 1936. At present, Lepanto operates the Victoria and Teresa gold deposits.

Lepanto's shares are traded on the Philippine Stock Exchange under the symbols LC and LCB.

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About the Cover

For many years, Lepanto's Tailings Storage Facility 5A has been a seasonal home to migratory birds. To this bunch of ducks, this address has become a permanent home.

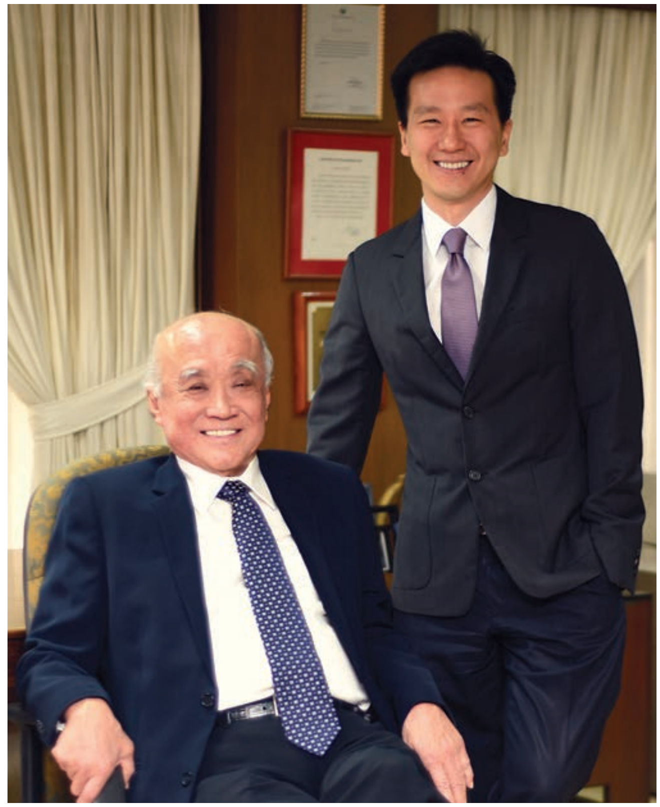
MESSAGE FROM THE CHAIRMAN AND THE PRESIDENT

The continued decline in gold and silver prices (the fourth year in a row), coupled with the challenge of efficiently mining the extensions of our Victoria orebody, made 2015 a difficult year. Gold prices averaged $1,145/oz., 10% lower than the previous year, while silver prices averaged $15.45/oz. versus $18.97 the previous year. We produced 21,190 ozs. gold, down from last year's 24,617 ozs., though silver production was slightly better at 49,938 ozs. versus 44,431 ozs. Selective mining based on higher cut-off grades reduced both metal production and operating costs. We ended the year with an operating loss of ₱777 million.

We deployed twelve rigs for exploration drilling in our known enargite ore bodies to expand our ore resource and confirm our ore reserve of 7.17 million metric tons with average grades of 2.47 grams per ton gold and 1.59% copper. There have been a number of significant discoveries which not only support the existing resource, but open up potential for new areas. Given the encouraging results of our intensive drilling program and ongoing marketing efforts, we are gearing to resume our copper operations by the middle of the year.

In December, we obtained the Arbitral Tribunal's Final Award upholding Lepanto Consolidated Mining Company and Far Southeast Gold Resources, Inc. (FSGRI) in the case involving the renewal of MPSA No. 001-90. The Final Award confirmed that the Free and Prior Informed Consent and Certification Precondition requirements under the Indigenous Peoples' Rights' Act may not be validly imposed as requirements for the renewal of the MPSA, and the latter should be renewed under the same terms and conditions, without prejudice to changes mutually agreed upon by the parties. Notwithstanding the final and non-appealable nature of the award, the DENR has gone to court asking that the award be vacated. We hope to be able to resolve this matter without unnecessary delay.

In the meantime, in tandem with FSGRI, we continued to push for the approval by the National Commission on Indigenous Peoples (NCIP) of the Memorandum of Understanding (MOU) between FSGRI and the Council of Elders and Leaders of the Mankayan Communities. This MOU has been pending approval by the NCIP since February 2015.



The Chairman and the President

In April 2015, the Department of Environment and Natural Resources issued Administrative Circular No. 2015-07 mandating all mining contractors to secure an ISO 14001 certification within one year. We have completed the documentation of our environmental system and relevant processes and are now undergoing the final audit prior to securing the certification.

We began this year with a sense of renewed hope and optimism. Since the start of the year, gold price has risen by more than 16% and has continued to remain at levels above $1200/oz. It is widely expected that gold prices will continue to rise, albeit gradually, during the year. We anticipate the entry of the next administration and hope that policies and regulations will be put in place to resuscitate the mining industry, allowing it to grow and achieve its potential as a major contributor to Philippine economic growth. We look forward to celebrating the 80th anniversary of our Company in September, grateful for the wealth of human and natural resources that have enabled us to survive through the decades and confident that our Company will last for many decades more.

Our director of ten years, Atty. Ricardo “Dong” Puno Jr., retired from the Board last year. We thank him once again for his dedication and the concern that he exhibited for the welfare of the Company, especially the Lepanto Mine Division employees and community. Mr. Roberto Juanchito T. Dispo replaced Mr. Puno in the Board, and was very helpful during his short stint as director. Mr. Dispo stepped down as Director early this year.

We thank you, our shareholders, for your abiding faith and support. Together with our banks, suppliers and service providers, you have been of invaluable assistance. We once again commend our fellow members of the Board, officers, managers and the rest of our employees for their perseverance and focused dedication, which we deeply appreciate.

FELIPE U. YAP

Chairman and Chief Executive Officer

BRYAN U. YAP

President and Chief Operating Officer

FINANCIAL AND OPERATING HIGHLIGHTS

		2015		2014	Percent Increase (Decrease)
AVERAGE SELLING PRICES					
Gold - per ounce	$	**1,145.38**	$	1,269.04	(10)
Silver - per ounce		**15.45**		18.97	(19)
OPERATIONS					
Gold production - ounces		**21,190**		24,617	(14)
Silver production - ounces		**49,938**		44,431	12
FINANCIAL RESULTS (in million pesos)					
Revenue					
Sale of metals	₱	**1,150**	₱	1,431	(20)
Sales by subsidiaries, etc.		**66**		51	29
Total revenue		**1,216**		1,482	(18)
Net Loss		**(859)**		(713)	20
Deficit		**(1,728)**		(869)	98
INVESTMENT IN ASSETS (In million pesos)					
Total assets	₱	**16,994**	₱	16,909	1
Property, plant and equipment, net	₱	**6,974**	₱	7,134	(2)
STOCKHOLDERS' DATA					
Stockholders' equity (in million pesos)	₱	**7,176**	₱	7,140	1
Number of stockholders		**27,974**		27,973	-
Citizenship - % of ownership					
Philippines		**85**		82	4
U.S.A. and others		**15**		18	(17)
PER-SHARE DATA (In pesos)					
Par value	₱	**0.10**	₱	0.10	-
Basic Loss [a]		**(0.0180)**		(0.01600)	13
Diluted Loss [a]		**(0.0180)**		(0.01600)	13
Book value [b]		**0.12713**		0.12599	1
NUMBER OF EMPLOYEES		**1,150**		1,431	(20)

a. Computed on the basis of the weighted average number of shares subscribed and issued during the year.
b. Computed on the basis of the total shares outstanding as of December 31.

REPORT ON OPERATIONS

FINANCIAL HIGHLIGHTS

Metal sales dropped to ₱1.1 billion from the previous year's ₱1.4 billion on account of the lower gold production and metal prices. Gold production decreased to 21,190 ounces (oz.) from 24,617 oz. the previous year. Silver production increased to 49,938 oz. from 44,431 oz. Average gold price fell from US$1,269.04/oz. last year to US$1,145.38/oz. and that of silver from US$18.97/oz. to US$15.45/oz. Loss from operations amounted to ₱777.04 million compared with last year's loss of ₱584.2 million.

Total capital expenditures decreased to ₱451.0 million from last year's ₱562.3 million, comprising mine development, acquisition of new equipment and rehabilitation of old ones, and Tailings Storage Facility 5A maintenance.

MINE OPERATIONS

The mine delivered a total of 255,891 tonnes of ore with average grades of 3.26 g/t gold (Au) and 17.99 g/t silver (Ag). Mine deliveries in 2014 totaled 393,236 tonnes with average grades of 2.94 g/t Au and 16.17 g/t grade Ag.

Development advances reached 7,648.30 meters consisting of sill drifts, level drives, level rehab, ramps and raises.

Pouring of Gold : Gold is produced following strict standards of quality, safety, environment and security

MILL OPERATIONS

The mill operated for 356 days and processed a total of 259,120 DMT (728 DMT/day) of ore with average head grades of 2.83 g/t Au and 15.39 g/t Ag. Metal recoveries averaged 89.75% for Au and 38.67% for Ag, for a total metal production of 21,190 oz. and 49,938 oz., respectively.

Leach Tanks at the CIP Plant : The Carbon in Pulp (CIP) Plant is a modern facility that can process a maximum milling rate of 2500 metric tons/day

EXPLORATION

A total of 13.7 km of exploration drilling through 61 diamond drill holes was completed, 12.2 km (53 drill holes) of which focused on the enargite areas, namely: Buaki, SGV, Carmen, Elena, and Florence. The enargite-related reserve will be updated after the remaining 20 km of the drilling program shall have been completed.

Definition drilling of Victoria below 700L and Teresa southern extensions at 1150L totaling 1.5 km. in 8 drill holes resulted in a Victoria/Teresa Ore Reserve of 1,628,708 MT at 4.86 g/t Au or 0.254 M ounces Au net of mining depletion.

The Ore Reserve estimate as of January 1, 2016 is tabulated below:

ORE RESERVES	CATEGORY	TONNES	g/t Au	% Cu	M oz. Au	M lb. Cu
VICTORIA @ 2.2 g/t Au	Proved	1,321,509	4.84		0.206	
	Probable	146,443	4.35		0.020	
	Sub-total	**1,467,952**	**4.80**		**0.226**	
TERESA @ 2.2 g/t Au	Proved	153,514	5.39		0.027	
	Probable	7,242	6.70		0.002	
	Sub-total	**160,756**	**5.45**		**0.028**	
Total Victoria/Teresa		**1,628,708**	**4.86**		**0.254**	
Enargite-Related	Proved	4,060,000	2.28	1.548	0.298	138.45
	Probable	3,110,000	2.72	1.642	0.272	112.66
	Sub-total	**7,170,000**	**2.47**	**1.59**	**0.570**	**251.11**
GRAND TOTAL		**8,798,708**	**2.91**	**1.295**	**0.824**	**251.11**

HUMAN RESOURCE

Manpower

The year ended with a total workforce of 987, 11% lower than the previous year, consisting of: rank-and-file, 70.5%; managerial/supervisory staff, 9.5%; and professional-technical staff, 20.0%. The Underground/Mill: Surface Workforce Distribution ratio was 69%: 31%.

Learning and Development

LCMC continued to invest in people to ensure a steady stream of talent within the organization. In 2015, HR-Learning and Development logged a total of 8,170 training hours as it supplemented the proficiency of LCMC employees in areas of operations, safety and environment. Internal trainers were utilized to impart knowledge and skills, and external trainings were pursued to keep employees abreast with emerging practices within and outside the industry.

As LCMC pushes for ISO 14001 Certification, it boosted its environmental campaign from awareness to commitment. A series of Environmental Management System (EMS) training and orientation programs were given to all employees and even on-site contractors to enhance the organizational capabilities towards environmentally responsible and efficient operations.

Employees Competency Development Training : Underground employees undergo the 21-day Basic Miner's Training.

Employee Recognition

At the 10th *Annual Gawad-Lepanto, Gabi ng Parangal* and in celebration of the Company's 79th founding anniversary on September 21, 2015, the Company conferred service awards and recognitions for exemplary performance and observance of safety standards to 109 LMD & DDCP employees and Lepanto teachers.

10th Annual Gawad- Lepanto : Employee Joseph Dulay receives his Model Employee award & symbolic gold hat from Vice President & Resident Manager Thomas S. Consolacion and Vice President-Corporate HRAD Knestor Jose Y. Godino.

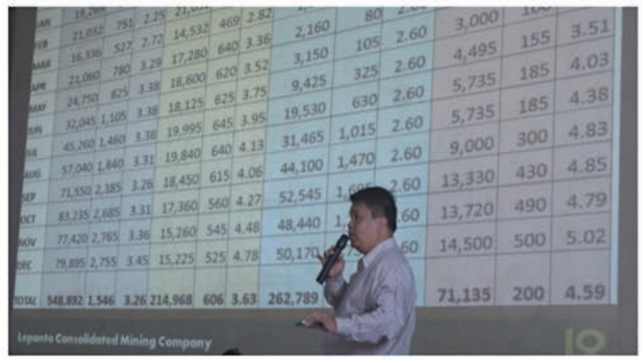
Lepanto actively participated in the 62nd Annual Mine Safety and Environment Conference and finished second in the First Aid and in the Machine Drilling field competitions.

"Winning One's Spurs: LCMC contingent wins second place both for First Aid and Machine Drilling during 62nd Annual Mine Safety and Environment Conference 2015 field competition.

Employees & Labor Relations

Management and the unions continued their Labor-Management Cooperation meetings for information sharing, consultation, and negotiations on matters not covered by the CBAs.

Thirty LMD employees and one DDCP Staff attended the *Orientation on Labor Management Cooperation (LMC)* conducted by the National Conciliation and Mediation Board.



Promoting Industrial Peace : Management and labor unions discuss productivity enhancement programs and labor unions concerns during Labor-Management Cooperation (LMC).

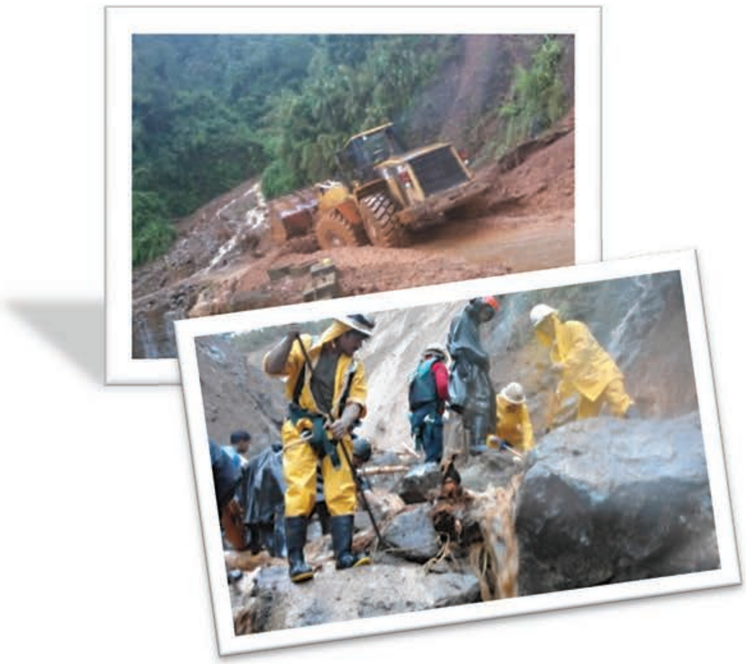
CORPORATE SOCIAL RESPONSIBILITY

Emergency Preparedness and Response

Earthquake and fire drills were conducted in observance of the National Simultaneous Earthquake Drills. Competencies on Mine Rescue, First Aid, Hazards Identification and Risk Assessment were enhanced with varius training programs.

Emergency Preparedness Drills : Emergency preparedness and response training and drills are conducted to rehearse anticipated emergency scenarios like earthquake, fire, spillage and other urgent situations.

Lepanto was again in the forefront of restoration and recovery efforts in the aftermath of typhoons Ineng and Lando. Equipment and manpower were immediately dispatched to clear the landslides at the Mankayan-Cervantes Road and the Abatan-Mankayan Road, which were non-passable for several days. The company also actively participated in the 26-day search and recovery operations in the nearby community of Sitio Elizabeth, Barangay Taneg in Mankayan.



Disaster Assistance Response : The Lepanto Transport group (Upper photo) clears the landslide along Km-4 of the Mankayan-Cervantes Road; The Lepanto rescue team (Lower photo) helps in the retrieval of the 16 victims who were buried in a landslide at Sitio Elizabeth, Barangay Taneg, Mankayan, Benguet

Health and Wellness

To maintain its Level I general hospital status, the Lepanto Hospital was further upgraded with the construction of a new emergency room and temporary waste storage facility. A Cardiotocograph Machine was procured to allow closer monitoring of birthing mothers and their babies. A blood station was newly opened, authorized by the Department of Health, to ensure availability of blood products to patients. The hospital pharmacy has also been upgraded.

Upgraded facility and equipment at Lepanto Hospital

Literacy Programs and Summer Activities

A total of 20,264 patrons visited the FUY Library, most of whom were students.

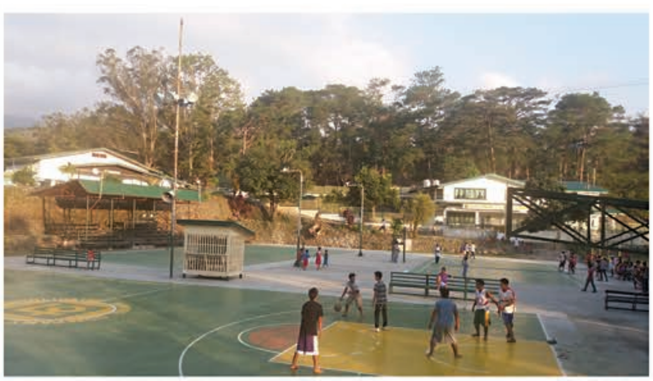
As is done every summer, Lepanto provided the children various fun venues for enhancing their talents and skills, making them creatively productive and building their self-esteem. The activities included drum and lyre training, theater workshop, creative arts and painting sessions, and storytelling and reading.

Summer Fun-Learn : Talent and creativity enhancement programs and activities, like Drum & Lyre Training, Arts and Crafts and Performing Arts were provided for the children last summer 2015

Artistic skills were developed during Children's Theater Summer Workshop last year

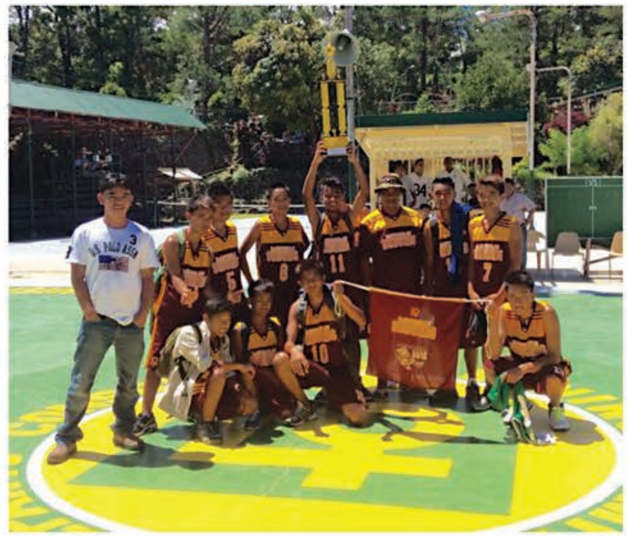
Community Affairs, Sports Development and Recreation

The CPJ Community Complex was refurbished and the sports facilities improved, boosting community involvement in various recreational and sports programs. The sports events included:



CPJ Community Center: A multi-purpose complex consisting of basketball, tennis and volleyball courts, a badminton covered-court, a livelihood center, the Lepanto museum and CPJ Theater.

inter-area women's volleyball tournament, participated in by 10 teams from the mining camp as well the local communities of Mankayan; inter-area midget (aged 11-16) basketball tournament among 10 teams; and inter-department/group basketball tournament among 15 teams.



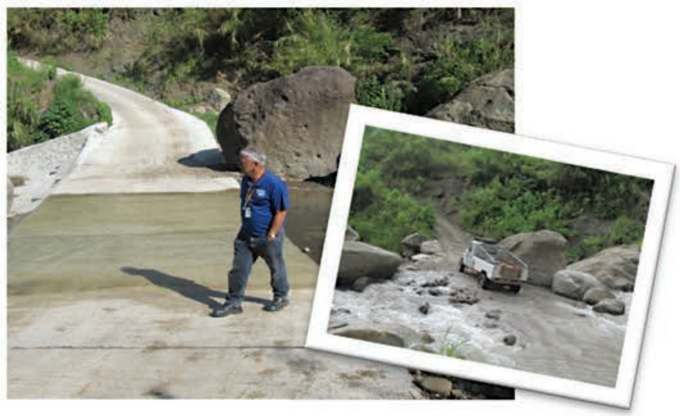
Sports and Wellness Program for the Community : The team from Middle Suburbs bested 9 other teams to bring home the trophy during the inter-area midget basketball tourney

SOCIAL DEVELOPMENT AND MANAGEMENT PROGRAM

Lepanto spent ₱25.1 Million for community development projects in Mankayan, Benguet and Cervantes and Quirino in Ilocos Sur.

Infrastructure Development

Infrastructure projects totaled ₱12.3 Million consisting of: 450.50 meters of farm-to-road in various barangays; 469 meters of pathway railings; 377 meters of concrete drainage canals; and construction/ upgrading of eight multi-purpose halls, two covered courts, one school, and two water systems. The Company constructed/established the Mankayan Training Center; SME Center; and Skills Development and Training Center to develop the competencies of employees and of the residents of Lepanto's host and neighboring communities.



Before and After : The spillway (grouted riprap) and concrete pavement at Sitio Lepaak, Barangay Bedbed in Mankayan, Benguet

Education

The Lepanto Educational Assistance Program (LEAP) supported 561 college scholars from Mankayan, Benguet and Cervantes and Quirino, Ilocos Sur in 2015, costing P5.2 Million. For school year 2014-2015, 93 grantees graduated from various courses and schools.

The Company supported eight students of Mining Engineering, Metallurgy and Geology through its Development of Mining Technology and Geosciences Program.

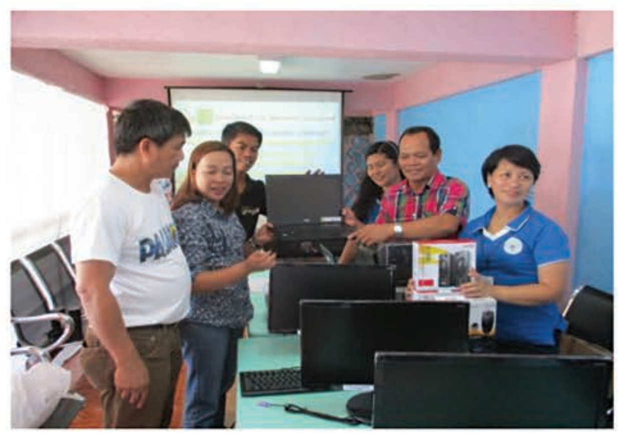
The Lepanto Skills Development Center (LSDC) offered free courses to community residents, employees and their families following the curriculum of the Technical Education and Skills Development Authority (TESDA). LSDC graduated ten Shielded Metal Arc Welding (SMAW) NCII students in 2015.

Lepanto Skills Development Center : Shielded Metal Arc Welding students at work

Support to the community

The Company provided computers, printers, LCD projector and other office equipment and sound system to the barangays. Learning aides for teachers, medical apparatus, emergency equipment, cultural instruments and costumes were also procured for them.

Supporting Early-Childhood Education : Day-Care Centers in Barangay Poblacion, Mankayan receive books, visual aids and other instructional learning materials from the LCMC

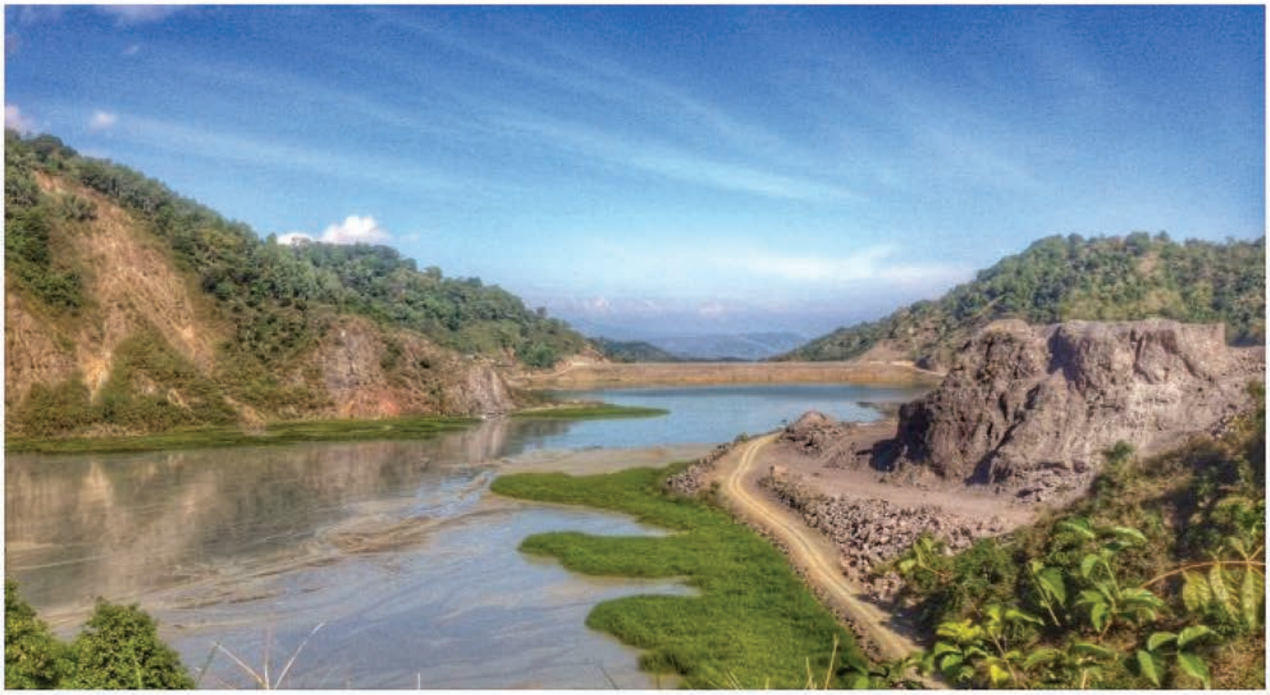


Wireless Access to Health : LCMC provides 3 desktop computers and 1 laptop for the Municipal Health Office of Cervantes, Ilocos Sur

ENVIRONMENTAL PROTECTION AND ENHANCEMENT PROGRAM

Lepanto spent ₱87.64 Million for its 2015 Environmental Protection and Enhancement Program (AEPEP).

Tailings Storage Facility 5A



Tailings Storage Facility 5A : TSF-5A can handle a 700-year flood event with the present crest elevation of 697.70 masl and water elevation of 685.50 masl

Management of Waste Dumps

The 20 meter (phase 3) toe wall of the 900L mine waste dump was completed. Commissioning of its northern portion started in the 3rd quarter.

The 1150L Mine waste dump and the Farm-to-Market Road were rip rapped to enhance stability.

Management of silt sump/ pond

The temporary silt sump located at the Upper Tram and Sapid Crushing Plant were regularly de-silted to ensure clear water discharge. A new silt pond at the Nayak Area was constructed.

Reforestation

In support of the National Greening Program of the government, the Company maintained 40,000 assorted seedlings at the main nursery. A total of 3,030 seedlings were planted around camp by employees and other partners.

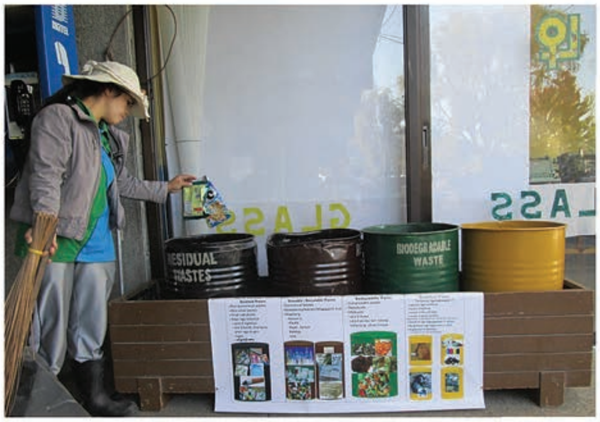
A total of 151.2 hectares of plantations in the Municipalities of Mankayan, Cervantes, and Quirino was surveyed and geo-tagged with the assistance of the technical personnel of CENRO–Buguias.

To protect and conserve the trees as well as important installations and facilities within camp, fuel breaks were established and regular strip-brushing was conducted.

Periodic geo-tagging and survey of plantations

Domestic Solid Waste Management

The toe wall at the Tamangan Control Dump Facility was reinforced. Color-coded trash bins were stationed in strategic areas within camp.

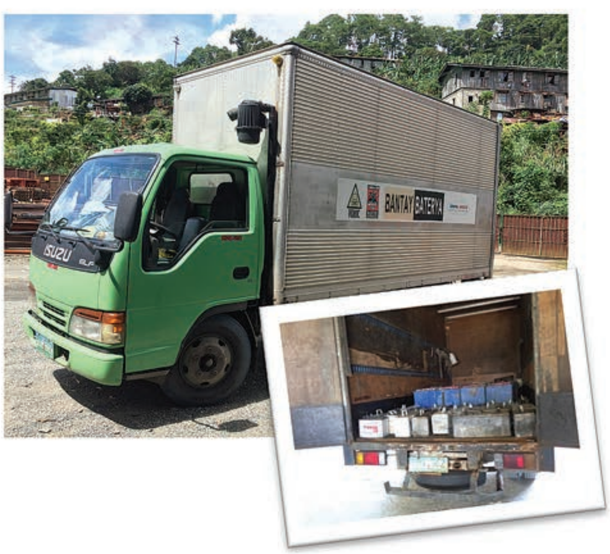


Color-coded trash bins at the CPJ Community Center

Hazardous Waste Management

All generated toxic and hazardous wastes were properly stored at the designated storage facilities prior to transport to and treatment at a DENR-accredited facility. Discharge Permits for the Oil Water Separator (OWS) system within the working areas of the mine were renewed.

Lepanto turned over assorted used-batteries to the Lingkod Kapamilya Foundation, Inc. of ABS-CBN for the latter's Bantay Baterya Project.



ABS-CBN Bantay Baterya

Air Quality Management

Permits to Operate air pollution sources and control facilities were successfully renewed.

Semi-annual monitoring of ambient air quality at four established sampling points continued as recommended by the Mine Rehabilitation Fund Committee.

Air quality monitoring by the Multi-partite Monitoring Team

SUBSIDIARIES

DIAMANT MANUFACTURING AND TRADING CORPORATION (DMTC)

Net sales increased to ₱34.9 million from ₱17.9 million last year mainly due to an increase in trading business. Net income amounted to ₱3.2 million versus last year's loss of ₱1.7 million.

DIAMOND DRILLING CORPORATION OF THE PHILIPPINES (DDCP)

Gross revenue improved by 82% to ₱242.8 million due to higher drilling output in projects for Lepanto and for external customers. DDCP reported a net income of ₱8.1 million versus last year's ₱9.0 million.

LEPANTO INVESTMENT AND DEVELOPMENT CORPORATION (LIDC)

The company registered a net income of ₱43.60 million compared with last year's net loss of ₱852 thousand on account of the reclassification of its investment in

Philippine Fire and Marine Insurance Corporation (Philfire). Its investment in Philfire was reclassified from 'Investment in an Associate' to 'Available for Sale Investment' due to the loss of LIDC's significant influence over Philfire. LIDC owns 12.38% of the outstanding capital of Philfire and 100% of that of DMTC.

SHIPSIDE, INCORPORATED (SSI)

Revenue decreased from ₱32.0 million to ₱30.6 million due mainly to lack of revenue from lumber (from ₱1.8 million last year to nil) and lower hauling revenue. Net loss increased from ₱4.3 million last year to ₱9.9 million.

FAR SOUTHEAST GOLD RESOURCES, INC. (FSGRI)

This year's net loss amounted to ₱1.0 million versus last year's income of ₱12.7 million, both of which were due to revaluation of financial assets.

DIVIDEND RECORD and STOCK PRICES

Stock Dividends		
Record Date	Rate (%)	Amount
November 28, 1949	50.00	₱ 1,000,000.00
August 22, 1950	66.66	2,000,000.00
April 4, 1954	100.00	5,000,000.00
April 6, 1957	33.33	3,458,333.40
April 30, 1962	4.51	1,630,999.42
April 30, 1964	43.00	6,000,000.00
December 19,1966	40.00	8,000,000.00
December 27, 1968	50.00	14,000,000.00
September 13, 1969	33.33	14,038,900.00
November 20, 1970	20.00	11,265,439.70
April 28, 1972	25.00	16,928,759.50
April 27, 1973	25.00	21,250,359.40
November 16, 1973	75.00	79,876,497.75
January 10, 1975	25.00	46,688,310.33
September 30, 1975	20.00	46,712,804.70
May 2, 1978	12.50	35,193,442.25
May 16, 1980	20.00	63,674,667.10
May 16, 1983	20.00	77,002,748.00
September 26, 1986	20.00	92,421,009.60
February 23, 1989	50.00	277,263,028.90
October 13, 2000	25.00	423,271,296.10
TOTAL		**₱ 1,246,676,596.15**

Quarterly high and low market prices of Lepanto “A” and “B” shares, 2014-2015

Lepanto “A” (P/Share)				
	1Q14	**2Q14**	**3Q14**	**4Q14**
High	0.375	0.40	0.34	0.219
Low	0.38	0.41	0.345	0.235
	1Q15	**2Q15**	**3Q15**	**4Q15**
High	0.228	0.2218	0.1790	0.1720
Low	0.230	0.2230	0.1800	0.1750

Lepanto “ B” (P/Share)				
	1Q14	**2Q14**	**3Q14**	**4Q14**
High	0.39	0.425	0.36	0.222
Low	0.405	0.435	0.36	0.235
	1Q15	**2Q15**	**3Q15**	**4Q15**
High	0.238	0.226	0.195	0.202
Low	0.238	0.228	0.195	0.202

Cash Dividends			
Dividend Nos.	Year Declared	Per Share	Amount
1	1939	0.005	₱ 52,500.00
2-5	1940	0.035	577,500.00
6-7	1941	0.02	350,000.00
8	1949	0.01	200,000.00
9-11	1950	0.04	1,800,000.00
12-15	1951	0.10	5,000,000.00
16-20	1952	0.10	5,000,000.00
21-23	1953	0.08	4,000,000.00
24-27	1954	0.06	5,000,000.00
28-32	1955	0.06	6,000,000.00
33-37	1956	0.06	6,000,000.00
38-39	1957	0.02	2,418,333.34
40-41	1958	0.03	4,150,000.02
42-43	1959	0.02	2,766,666.68
44-48	1960	0.05	6,928,666.67
49-51	1961	0.04	5,405,333.38
52-56	1962	0.05	6,939,566.71
57-61	1963	0.07	9,800,000.00
62-65	1964	0.05	9,400,000.00
66-69	1965	0.06	12,000,000.00
70-73	1966	0.10	20,000,000.00
74-77	1967	0.12	33,600,000.00
78-81	1968	0.12	33,600,000.00
82-85	1969	0.10	45,597,250.00
86-89	1970	0.10	56,284,298.80
90-93	1971	0.085	57,527,182.40
94-96	1972	0.045	38,149,138.92
97-100	1973	0.055	63,309,214.88
101-103	1974	0.0225	41,982,124.95
104	1978	0.005	15,844,913.85
105-106	1979	0.01	31,763,953.36
107-110	1980	0.02	70,019,939.43
111	1981	0.005	19,140,369.90
112	1986	0.0025	11,552,654.39
113-116	1987	0.02	110,905,279.45
117-118	1988	0.015	83,178,952.05
119-120	1989	0.005	41,158,324.98
121	1998	0.004	66,613,920.76
122	1999	0.004	66,918,503.47
TOTAL			**₱ 1,000,934,588.39**

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Lepanto Consolidated Mining Company** is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended **December 31, 2015 and 2014**, including the additional components attached therein, in accordance with accounting principles generally accepted in the Philippines. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

Sycip, Gorres, Velayo & Co., the independent auditors appointed by the stockholders for the period ended December 31, 2015 and 2014, has examined the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Signed this 21st day of March 2016 at Makati City.

Felipe U. Yap
Chairman of the Board and
Chief Executive Officer
SSS#06-0091101-0

Bryan U. Yap
President and Chief Operating Officer
SSS#33-3067339-5

Ramon T. Diokno
Chief Finance Officer
SSS#03-2133095-4

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Lepanto Consolidated Mining Company

We have audited the accompanying consolidated financial statements of Lepanto Consolidated Mining Company and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the Philippines on the basis described in Note 2 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lepanto Consolidated Mining Company and Subsidiaries as at December 31, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with accounting principles generally accepted in the Philippines on the basis described in Note 2 to the consolidated financial statements.

SYCIP GORRES VELAYO & CO.

Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-3 (Group A),
March 21, 2013, valid until April 30, 2016
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2015,
March, 24, 2015, valid until March 23, 2018
PTR No. 5321628, January 4, 2016, Makati City

March 21, 2016

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash (Note 4)	₱ **66,387**	₱ 385,282
Receivables (Note 5)	**306,755**	264,622
Inventories (Note 6)	**520,387**	556,789
Advances to suppliers and contractors (Note 7)	**442,810**	426,630
Other current assets (Note 8)	**614,741**	587,172
Total Current Assets	**1,951,080**	2,220,495
Noncurrent Assets		
Property, plant and equipment - net (Note 9)	**6,974,495**	7,134,462
Available-for-sale (AFS) financial assets (Note 10)	**477,155**	188,158
Investments in and advances to associates (Note 11)	**566,831**	683,665
Mine exploration costs (Note 12)	**6,521,173**	6,125,219
Deferred tax assets - net (Note 18)	**431,716**	474,679
Other noncurrent assets	**71,441**	82,420
Total Noncurrect Assets	**15,042,811**	14,688,603
TOTAL ASSETS	₱ **16,993,891**	₱ 16,909,098
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 13)	₱ **1,422,554**	₱ 1,248,351
Short-term borrowings and other interest bearing liabilities (Note 14)	-	111,610
Income tax payable	**891**	1,341
Total Current Liabilities	**1,423,445**	1,361,302
Noncurrent Liabilities		
Advances from Far Southeast Services Limited (FSE; Note 30)	**5,843,343**	5,712,516
Long-term borrowings (Note 14)	**47,060**	44,720
Liability for mine rehabilitation cost (Note 15)	**65,095**	53,830
Retirement benefits liability (Note 16)	**1,782,137**	1,941,275
Deferred tax liabilities - net (Note 18)	**229,036**	228,040
Stock subscription payable	**107,784**	107,784
Deposit for future subscriptions	**69,200**	69,200
Total Noncurrent Liabilities	**8,143,655**	8,157,365
Total Liabilities	**9,567,100**	9,518,667
Equity attributable to the equity holders of the Parent Company:		
Capital stock (Note 19)	**5,134,706**	4,520,255
Additional paid-in capital	**4,336,231**	4,336,237
Re-measurement loss on retirement benefits liability	**(521,258)**	(595,768)
Net unrealized loss on AFS financial assets (Note 10)	**(44,735)**	(251,516)
Deficit	**(1,728,477)**	(869,496)
	7,176,467	7,139,712
Non-controlling interest (NCI; Note 20)	**250,324**	250,719
Total Equity	**7,426,791**	7,390,431
TOTAL LIABILITIES AND EQUITY	₱ **16,993,891**	₱ 16,909,098

See accompanying Notes to Consolidated Financial Statements.

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands, Except Loss per Share)

	Years Ended December 31		
	2015	2014	2013
REVENUES (Note 33)			
Sale of metals	**₱ 1,149,630**	₱ 1,431,487	₱ 2,025,213
Service fees and other operating income	**66,486**	50,804	90,495
	1,216,116	1,482,291	2,115,708
COST OF SALES (Note 22)	**(1,528,353)**	(1,780,041)	(2,038,855)
COST OF SERVICES (Note 23)	**(200,659)**	(124,560)	(173,097)
OPERATING EXPENSES (Note 24)	**(248,916)**	(195,063)	(177,942)
FINANCE COSTS (Note 27)	**(110,901)**	(90,956)	(73,324)
FOREIGN EXCHANGE GAINS (LOSSES) - net	**(19,417)**	16,543	60,876
OTHER INCOME (Note 28)	**71,363**	15,897	1,322
SHARE IN NET LOSSES OF ASSOCIATES (Note 11)	**(20,579)**	(13,481)	(4,737)
LOSS BEFORE INCOME TAX	**(841,346)**	(689,370)	(290,049)
PROVISION FOR INCOME TAX (Note 18)			
Current	**6,407**	5,023	6,479
Deferred	**11,623**	18,893	30,061
	18,030	23,916	36,540
NET LOSS	**(₱ 859,376)**	(₱ 713,286)	(₱ 326,589)
Net income (loss) attributable to:			
Equity holders of the Parent Company	**(₱ 858,981)**	(₱ 718,366)	(₱ 344,975)
NCI (Note 20)	**(395)**	5,080	18,386
	(₱ 859,376)	(₱ 713,286)	(₱ 326,589)
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will be reclassified to profit or loss in subsequent periods:			
Unrealized gain (loss) on AFS financial assets (Note 10)	**₱ 206,781**	₱ 55,154	(₱ 9,844)
Item that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on retirement benefits liability (Note 16)	**74,510**	(258,671)	(250,962)
TOTAL COMPREHENSIVE LOSS	**(₱ 578,085)**	(₱ 916,803)	(₱ 587,395)
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	**(₱ 577,690)**	(₱ 921,883)	(₱ 605,781)
NCI	**(395)**	5,080	18,386
	(₱ 578,085)	(₱ 916,803)	(₱ 587,395)
BASIC/DILUTED LOSS PER SHARE (Note 21)	**(₱ 0.0180)**	(₱ 0.0160)	(₱ 0.0079)

See accompanying Notes to Consolidated Financial Statements.

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	**(₱ 841,346)**	(₱ 689,370)	(₱ 290,049)
Adjustments for:			
Depletion, depreciation and amortization (Note 9)	**708,741**	734,467	761,656
Finance costs (Note 27)	**110,901**	90,956	73,324
Share in net losses of associates (Note 11)	**20,579**	13,481	4,737
Movement in retirement benefit liability	**(135,170)**	(45,969)	(10,076)
Unrealized foreign exchange losses (gains) – net	**(5,824)**	1,255	(14,310)
Gain on disposal of property, plant and equipment and other investments (Note 28)	**(2,699)**	(32)	(108)
Gain on disposal of investment in associates	**(1,427)**	-	-
Interest income (Note 28)	**(503)**	(360)	(248)
Loss on sale of AFS financial assets	-	2,638	-
Dividend income	-	(75)	(200)
Gain on change in estimate	-	(13,916)	-
Operating income (loss) before working capital changes	**(146,748)**	93,075	524,726
Decrease (increase) in:			
Receivables	**(43,126)**	(154,872)	(14,509)
Inventories	**36,402**	(46,472)	152,156
Advances to suppliers and contractors	**3,254**	27,327	58,713
Other current assets	**(27,569)**	(35,735)	28,251
Increase (decrease) in trade and other payables	**241,763**	234,821	(58,928)
Net cash flows from operations	**63,976**	118,144	690,409
Interest received	**503**	360	248
Income taxes paid	**(6,857)**	(4,295)	(12,454)
Net cash flows from operating activities	**57,622**	114,209	678,203
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment	**(543,818)**	(495,801)	(812,754)
Mine exploration costs	**(393,431)**	(229,993)	(886,495)
Investment in associates (Note 11)	-	(136,605)	(11,250)
Advances to an associate:			
Extension of advances	-	(2,035)	1,731
Collection of advances (Note 11)	**2,281**	-	-
Proceeds from disposal of:			
Property, plant and equipment	**4,132**	5,991	10,325
Investment in associates (Note 11)	**12,285**	-	-
Decrease (increase) in other noncurrent assets	**10,979**	(43,816)	(7,942)
Dividends received	-	75	200
Net cash flows used in investing activities	**(907,572)**	(902,184)	(1,706,185)
CASH FLOWS FROM FINANCING ACTIVITIES			
Changes in advances from FSE	**130,827**	125,201	1,040,325
Proceeds from issuance of shares	**614,445**	959,212	-
Availment of additional loans	-	64,250	25,000
Payments of:			
Borrowings	**(109,201)**	(30,190)	(25,451)
Interest	**(105,016)**	(33,259)	(25,675)
Dividends	-	(11)	-
Net cash flows from financing activities	**531,055**	1,085,203	1,014,199
NET INCREASE (DECREASE) IN CASH	**(318,895)**	297,228	(13,783)
CASH AT BEGINNING OF YEAR	**385,282**	88,054	101,837
CASH AT END OF YEAR (Note 4)	**₱ 66,387**	₱ 385,282	₱ 88,054

See accompanying Notes to Consolidated Financial Statements.

LEPANTO CONSOLIDATED MINING COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company								
	Capital Stock (Note 19)			Additional Paid-in Capital	Re-measurement Loss on Retirement Benefits Liability	Net Unrealized Loss on AFS Financial Assets (Note 10)	Retained Earnings (Deficit)	NCI (Note 20)	Total
	Issued	Subscribed	Sub-total						
Balances at January 1, 2015	₱ 5,129,325	(₱ 609,070)	₱ 4,520,255	₱ 4,336,237	(₱ 595,768)	(₱ 251,516)	(₱ 869,496)	₱ 250,719	₱ 7,390,431
Issuance/subscription of shares	-	614,451	614,451	(6)	-	-	-	-	614,445
Net loss	-	-	-	-	-	-	(858,981)	(395)	(859,376)
Other comprehensive income (loss)	-	-	-	-	74,510	206,781	-	-	281,291
Total comprehensive income (loss)	-	-	-	-	74,510	206,781	(858,981)	(395)	(578,085)
Balances at December 31, 2015	₱ 5,129,325	₱ 5,381	₱ 5,134,706	₱ 4,336,231	(₱ 521,258)	(₱ 44,735)	(₱1,728,477)	₱ 250,324	₱ 7,426,791
Balances at January 1, 2014	₱ 4,339,079	₱ 5,264	₱ 4,344,343	₱ 3,552,937	(₱ 337,097)	(₱306,670)	₱ 151,130	₱ 245,639	₱ 7,348,022
Issuance/subscription of shares	790,246	(614,334)	175,912	783,300	-	-	-	-	959,212
Net loss	-	-	-	-	-	-	(718,366)	5,080	(713,286)
Other comprehensive income (loss)	-	-	-	-	(258,671)	55,154	-	-	(203,517)
Total comprehensive income (loss)	-	-	-	-	(258,671)	55,154	(718,366)	5,080	(916,803)
Balances at December 31, 2014	₱ 5,129,325	(₱609,070)	₱ 4,520,255	₱ 4,336,237	(₱ 595,768)	(₱251,516)	(₱ 869,496)	₱ 250,719	₱ 7,390,431
Balances at January 1, 2013	₱ 4,339,079	₱ 5,264	₱ 4,344,343	₱ 3,552,937	(₱ 86,135)	(₱ 296,826)	₱ 193,845	₱ 227,253	₱ 7,935,417
Net loss	-	-	-	-	-	-	(344,975)	18,386	(326,589)
Other comprehensive income (loss)	-	-	-	-	(250,962)	(9,844)	-	-	(260,806)
Total comprehensive income (loss)	-	-	-	-	(250,962)	(9,844)	(344,975)	18,386	(587,395)
Balances at December 31, 2013	₱ 4,339,079	₱ 5,264	₱ 4,344,343	₱ 3,552,937	(₱ 337,097)	(₱ 306,670)	(₱ 151,130)	₱ 245,639	₱ 7,348,022

See accompanying Notes to Consolidated Financial Statements.

LEPANTO CONSOLIDATED MINING COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General Information and Authorization for Issue of the Consolidated Financial Statements

Lepanto Consolidated Mining Company

Lepanto Consolidated Mining Company (Parent Company; the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on September 8, 1936, primarily to engage in the exploration and mining of gold, silver, copper, lead, zinc and all kinds of ores, metals, minerals, oil, gas and coal and their related by-products. On January 29, 1985, the SEC approved the extension of the Parent Company's corporate term for another fifty (50) years after the expiration of its original term on September 8, 1986.

The Company's shares are listed and traded on the Philippine Stock Exchange (PSE). In January 1999, the Company and the Bank of New York, as depository, formed a depository receipt facility to facilitate secondary market trading in the international capital markets of the Company's Class "B" common shares. On January 28, 2005, the Company formally closed the depository receipt facility.

On January 14, 1997, the Company was registered with the Board of Investments (BOI) under Executive Order (EO) No. 226 as a new export producer of gold bullion on a preferred non-pioneer status. This registration entitled the Company to a four (4) year income tax holiday (ITH), which can be further extended for another three (3) years subject to compliance with certain conditions, and lower tariff rates on acquisition of capital equipment. It is required to maintain a base equity of at least twenty-five percent (25%) as one of the conditions of the registration.

On April 1, 1997, the Company started the commercial operations of its gold mine (Victoria Project) located in Mankayan, Benguet, Philippines and suspended its copper mining operations. Consequently, in October 1997, the Company temporarily ceased operating its roasting plant facilities in Isabel, Leyte, Philippines for an indefinite period. The roasting plant facility was registered with the Philippine Economic Zone Authority (PEZA) on December 17, 1985 pursuant to the provisions of Presidential Decree No. 66, as amended, and EO No. 567 as a zone export enterprise to operate a roasting plant for the manufacture of copper calcine at the Isabel Special Export Processing Zone.

On March 30, 2000, the Company registered its copper flotation project with the BOI as a new producer of copper concentrates on a preferred non-pioneer status. This registration entitled the Company to a four (4) year ITH, subject to compliance with certain conditions, simplified customs procedures, additional deduction for labor expense and unrestricted use of consigned equipment for a period of ten (10) years. It is required to maintain a base equity of at least twenty-five percent (25%) as one of the conditions of the registration. The copper flotation project was suspended at the end of 2001; the BOI registration was cancelled on July 11, 2006.

On April 10, 2001, the BOI approved the Company's request for ITH bonus year for a period of one year from April 2001 to March 2002 for its gold bullion project. On June 21 and September 21, 2005, the Company obtained the necessary approval for the ITH bonus periods of April 2002 to March 2003 and April 2003 to March 2004, respectively.

The Company currently operates the Victoria Mine in Mankayan, Benguet, Philippines.

On January 5, 2004, the Company was registered with the BOI under EO No. 226 as new export producer of gold bullion on a non-pioneer status for its Victoria II (renamed Teresa) Project located also in Mankayan, Benguet, Philippines. This registration entitles the Company to ITH with the same incentives that were granted on their registration with BOI on January 14, 1997. The Teresa Project commenced its commercial operations in April 2004.

On November 21, 2006, the Company was registered with the BOI under EO No. 226 as new export producer of copper-gold concentrate on a non-pioneer status for its copper-gold flotation project located also in Mankayan, Benguet, Philippines. This registration entitles the Company to ITH for four (4) years, which can be further extended for another three (3) years subject to compliance with certain conditions, and duty-free importation of equipment, spare parts and accessories for five (5) years.

On May 20, 2009, the BOI approved the Company's request for ITH bonus year for the period April 2008 to March 2009 for its Teresa Project.

The registrations mentioned above enable the Parent Company to avail of the rights, privileges and incentives granted to all registered enterprises.

The Company has its principal office at the 21st Floor, Lepanto Building, Paseo de Roxas, Makati City.

Diamond Drilling Corporation of the Philippines (DDCP)

DDCP is a wholly owned subsidiary by the Parent Company and was incorporated and registered with the SEC on August 8, 1971, primarily to provide technical, engineering and management services for the purpose of engaging in mining, mineral or oil exploration, construction or other business activity, particularly but not limited to drilling, boring and sinking holes for the purposes of mineral exploration.

In 1994, DDCP's Articles of Incorporation was amended to include in Article II the following secondary purpose: to engage in the business of exploration, development, processing and marketing of minerals that may be found anywhere in the Philippines either by original acquisition, joint venture or operating agreements with other holders of existing mining rights. On April 21, 2008, the stockholders of the DDCP passed a resolution authorizing it to engage directly in the business of mining or otherwise make investments in mining projects.

DDCP primarily provides drilling services to the Parent Company and Manila Mining Corporation (MMC), an associate.

DDCP's principal office is at 344 South Superhighway, Brgy. Sun Valley, Parañaque City.

Shipside, Incorporated (SI)
SI, a company existing and incorporated in the Philippines and registered with SEC on November 12, 1958, is a wholly owned subsidiary by the Parent Company and was originally organized to engage in handling all kinds of materials, products and supplies in bulk and maintaining and operating terminal facilities such as pier and warehouses.

On July 18, 2008, the SEC approved the extension of SI's corporate term for another fifty (50) years after the expiration of its original term on November 13, 2008.

With the expiration in 1985 of its twenty-five (25) year Grant of Development Right to construct and operate pier and wharfage facilities in Poro, San Fernando, La Union, SI included in its activities the leasing of its properties which include apartments/guesthouses and warehouses. Pier-related activities continued to be limited to handling materials and supplies of the Company.

SI's principal office is located at 21st Floor, Lepanto Building, 8747 Paseo de Roxas, Makati City.

Lepanto Investment and Development Corporation (LIDC)
LIDC, a wholly owned subsidiary of the Parent Company, was incorporated and registered with the SEC on April 8, 1969, primarily to act as a general agent, broker or factor of any insurance company, whether domestic or foreign, or as a commercial broker, real estate dealer or broker, agent or factor of any person, partnership, corporation or association engaged in any lawful business, industry or enterprise.

LIDC's principal office is located at 21st Floor, Lepanto Building, 8747 Paseo de Roxas, Makati City.

Far Southeast Gold Resources, Inc. (FSGRI; the Project)
FSGRI, a sixty percent (60%)-owned subsidiary of the Parent Company and forty percent (40%)-owned by Gold Fields Switzerland Holding AG, a company incorporated in Switzerland.

Deferred exploration costs incurred for all exploration projects are expected to be recovered upon the start of commercial operations. Despite technical difficulties in developing the ore body, the current improving trend in metal prices and integration of recent breakthroughs in both mining and milling technologies enhance the economic feasibility of the Project. This project is considered one of the priority mining projects of the Philippine Government.

The Parent Company will continue to provide financial and administrative support to FSGRI. As at December 31, 2015, it is still in the pre-operating stage.

FSGRI's principal office is located at 19th Floor Lepanto Building, Paseo de Roxas, Makati City.

Diamant Manufacturing and Trading Corporation (DMTC)
DMTC, which was incorporated and registered with the SEC on September 7, 1972, is a wholly owned subsidiary of LIDC. DMTC is primarily engaged in manufacturing, distributing, selling and buying machinery and equipment of all kinds and descriptions, general merchandise and articles of every nature, particularly but not limited to diamond core and non-core bits, reamer shells, casing bits, diamond circular segmental and diamond gang saws, tubular and other products allied to the diamond core drilling industry.

On June 26, 2012, SEC approved the Company's application for change in name from Diamant Boart Philippines, Inc. to Diamant Manufacturing and Trading Corporation.

DMTC's principal office is located at Km. 14 344 West Service, Brgy. Sun Valley, Parañaque City.

Authorization for Issue of the Consolidated Financial Statements
The consolidated financial statements of the Parent Company and its subsidiaries ("the Group") as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015 were authorized for issue by the Board of Directors (BOD) on March 21, 2016.

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

Basis of Preparation
The consolidated financial statements of the Group have been prepared on a historical cost basis, except for AFS financial asset in the consolidated statements of financial position. The consolidated financial statements are presented in Philippine peso, the Parent Company's and its subsidiaries' functional and presentation currency in compliance with accounting principles generally accepted in the Philippines. All values are rounded to the nearest thousand (₱000), except when otherwise indicated.

The specific accounting policies followed by the Group are disclosed in the following section.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the Philippines. The Parent Company prepared its financial statements in accordance with Philippine Financial Reporting Standards (PFRS), except for the exemption from the fair value requirement of Philippine Accounting Standards (PAS) 39, *Financial Instruments: Recognition and Measurement,* on long-term commodity hedging contracts entered into by the Parent Company and outstanding as of January 1, 2005, which was permitted by the Philippine SEC (see Note 30).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as at December 31, 2015. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

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

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the Parent Company's returns.

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

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

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

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

Subsidiaries are deconsolidated from the date on which control ceases.

Subsidiaries
Subsidiaries are entities over which the Parent Company has control.

Non-controlling Interest (NCI)
Where the ownership of a subsidiary is less than 100%, and therefore a non-controlling interest exists, any losses of that subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interest;
- Derecognizes the cumulative translation differences, recognized in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and,
- Reclassifies the Parent Company's share of components previously recognized in other comprehensive income or OCI to profit or loss or retained earnings, as appropriate.

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries:

		2015		2014	
	Nature of	**% of Ownership**		% of Ownership	
Subsidiaries	Business	**Direct**	Indirect	Direct	Indirect
DDCP	Service	**100**	-	100	-
SI	Service	**100**	-	100	-
LIDC	Investment	**100**	-	100	-
FSGRI*	Mining	**60**	-	60	-
DMTC	Manufacturing/Selling	**-**	100[a]	-	100[a]

** Pre-operating subsidiary*
[a] Held by the Company through LIDC

Changes in Accounting Policies
The accounting policies adopted in the preparation of the consolidated financial statements are consistent with the prior year, except for the adoption of the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) which were adopted as at January 1, 2015:

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*
  This standard requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after July 1, 2014. This amendment is not relevant to the Group, since the Group has no defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) are effective from July 1, 2014 and the Group has applied these amendments for the first time in these consolidated financial statements. Unless otherwise stated, these amendments have no impact on the Group's consolidated financial statements. They include:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

  - A performance condition must contain a service condition.
  - A performance target must be met while the counterparty is rendering service.
  - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group.
  - A performance condition may be a market or non-market condition.
  - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

  These amendments have no significant impact to the Group's consolidated financial statements.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss (FVPL) whether or not it falls within the scope of PAS 39, *Financial Instruments Recognition and Measurement* (or PFRS 9, *Financial Instruments,* if early adopted). The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets.*

  The amendments are applied retrospectively and clarify that:

  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are "similar".
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

  These amendments have no significant impact to the Group's consolidated financial statements.

- PAS 16, *Property, Plant and Equipment,* and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact on the Group's consolidated financial statements as the Group's property, plant and equipment and intangible assets are not carried at revalued amounts.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment did not have any impact to the Group's consolidated financial statements.

Annual Improvements to PFRSs (2011-2013 cycle)
The Annual Improvements to PFRSs (2010-2012 cycle) are effective from July 1, 2014 and the Group has applied these amendments for the first time in these consolidated financial statements. Unless otherwise stated, these amendments have no impact on the Group's consolidated financial statements. They include:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, *if early adopted).*

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Standards and Interpretations Issued but not yet Effective
The Group will adopt the following standards and interpretations enumerated below when these become effective:

Effective January 1, 2016

- PAS 16, *Property, Plant and Equipment,* and PAS 38, *Intangible Assets* - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)
  These 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 are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment,* and PAS 41*, Agriculture* - Bearer Plants (Amendments)
  These 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 amend ments are not expected to have any impact to the Group as the Group does not have any bearer plants.

- PAS 27, *Separate Financial Statements* - Equity Method in Separate Financial Statements (Amendments)
  These 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. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* - Investment Entities: Applying and 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 effective from annual periods beginning on or after 1 January 2016 but will not have any impact on the Group's consolidated financial statements.

- PFRS 11, *Joint Arrangements* - Accounting for Acquisitions of Interests (Amendments)
  These amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must 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 are not expected to have any impact to the Group.

- 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 profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

- 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. These amendments clarify the following:

  - Entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
  - Specific line items in the statements of profit or loss and OCI and the statements of financial position may be disaggregated
  - Entities have flexibility as to the order in which they present the notes to the financial statements
  - The share of OCI of associates and joint ventures accounted 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. The Group is currently assessing the impact of these amendments on its consolidated financial statements.

Annual Improvements to PFRSs (2012-2014 cycle)
These Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have an impact on the Group. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  This 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*
  This standard 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 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'*
  This 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 January 1, 2018

- PFRS 9, *Financial Instruments*
  In July 2014, the IASB issued the final version of 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 Group did not early adopt PFRS 9.

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

- International Financial Reporting Standard (IFRS) 15, *Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 by the International Accounting Standards Board (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 Group 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 on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under 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 Group is currently assessing the impact of PFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

Summary of Significant Accounting Policies

Presentation of Consolidated Financial Statements
The Group has elected to present all items of recognized income and expense in one single consolidated statement of comprehensive income.

Cash
Cash includes cash on hand and in banks.

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

Initial Recognition and Measurement
Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. 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.

Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). Except for financial assets and liabilities at FVPL, the initial measurement of financial assets and liabilities includes transaction costs. Financial assets under PAS 39 are classified as either financial assets at FVPL, loans and receivables, held-to- maturity (HTM) investments and AFS financial assets. The Group classifies its financial instruments upon initial recognition. The Group's financial assets are in the nature of loans and receivables and AFS financial assets. Also, under PAS 39, financial liabilities are classified as at FVPL or other financial liabilities. The Group's financial liabilities are in the nature of other financial liabilities.

As at December 31, 2015 and 2014, the Group does not have financial instruments at FVPL and HTM investments.

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

Loans and Receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading designated as AFS financial assets or designated as at FVPL. This accounting policy relates to the consolidated statements of financial position captions "Cash" and "Receivables", which arise primarily from sale and other types of receivables. Loans and receivables are classified as current when these are expected to be realized within one (1) year, after the end of the reporting period or within the Group's normal operating cycle, whichever is longer. All others are classified as noncurrent. Receivables are recognized initially at fair value, which normally pertains to the billable amount.

After initial measurement, receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization, if any, is included in "Finance costs" caption in the consolidated statement of comprehensive income. The losses arising from impairment of receivables are recognized in "Provision for impairment losses on receivables" account on "Operating expenses" caption in the consolidated statements of comprehensive income. The level of allowance for impairment losses is evaluated by management on the basis of factors that affect the collectability of accounts (see accounting policy on Impairment of Financial Assets).

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 consolidated statement of comprehensive income in the "Unrealized gain (loss) on AFS financial assets" 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 the profit or loss and removed from OCI.

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

The Group's AFS financial assets pertain to its investment in equity shares as at December 31, 2015 and 2014.

Other Financial Liabilities
Issued financial instruments or their components, which are not designated as at FVPL, are classified as other financial liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole, the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the EIR. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the amortization process. Any effects of restatement of foreign currency-denominated liabilities are also recognized in the consolidated statements of comprehensive income. Other financial liabilities are classified as current when these are expected to be settled within one (1) year after the end of reporting period or within the Group's normal operating cycle, whichever is longer. All others are classified as noncurrent liabilities.

This accounting policy applies primarily to the Group's trade and other payables, long-term borrowings and other interest bearing liabilities.

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. Financial instruments are offset when there is a legally enforceable right to offset and intention to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Fair Value Measurement
The Group measures financial instruments at fair value at each end of the reporting period. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 31.

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 by the Group.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

"Day 1" Profit or Loss
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 Group recognizes the difference between the transaction price and fair value (a "Day 1" profit or loss) in the consolidated statements of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where use is made of data that is not observable, the difference between the transaction price and model value is recognized in the consolidated statement of comprehensive income only when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" profit or loss amount.

Embedded Derivatives
Embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized as at FVPL.

Embedded derivatives are measured at fair value, and are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Group has opted not to designate any embedded derivative transactions as accounting hedges. Consequently, changes in fair values are recognized directly through the consolidated statements of comprehensive income. The Group assesses whether embedded derivatives are required to be separated to the host contracts when the Group first become a party to the contract. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies the cash flows.

Impairment of Financial Assets
The Group assesses at the end of the reporting period whether a financial asset or group of financial assets is impaired.

Assets Carried at Amortized Cost
The Group first assesses whether objective evidence of impairment, such as age analysis and status of counterparty, exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. 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 asset 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.

The factors in determining whether objective evidence of impairment exist, include, but are not limited to, the length of the Group's relationship with the debtors, their payment behavior and known market factors. Evidence of impairment may include indications that the borrower or a group of borrowers 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.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost (e.g., receivables) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original EIR. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced through use of an allowance account. The amount of the loss shall be recognized in the consolidated statements of comprehensive income. Receivables together with the associated allowance are written-off when there is no realistic prospect of future recovery. If a future write-off is later recovered, the recovery is recognized in the consolidated statement of comprehensive income.

Impairment losses are estimated by taking into consideration the following information: current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Management is responsible for deciding the length of this period which can extend for as long as one (1) year.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets
For AFS financial assets, the Group assesses at each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as AFS 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 Group treats "significant" generally as twenty percent (20%) or more and "prolonged" as greater than twelve (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.

Derecognition of Financial Assets and Financial Liabilities
Financial Asset
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts of a financial liability (or a part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or the liabilities assumed is recognized in the consolidated statements of comprehensive income.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated 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.

Business Segment
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 Group is organized into three (3) major operating segments (mining, services and others) according to the nature of products and the services provided with each segment representing a strategic business unit that offers different products and serves different markets. The entities are the basis upon which the Group reports its primary segment information. Financial information on business segments is presented in Note 33.

Inventories
Inventories include parts and supplies. These are carried at the lower of cost or Net Realizable Value (NRV). Cost of parts and supplies on hand are determined using moving average method. Parts and supplies in-transit is valued at invoice cost. NRV is the value of the inventories when sold at their condition at the end of the reporting period. In determining the NRV, the Group considers any adjustments necessary for obsolescence.

Advances to Suppliers and Contractors
Advances to suppliers and contractors are non-financial assets arising from payments made by the Group 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 the VAT paid on purchases of applicable goods and services, net of output tax, which can be claimed for refund or recovered as tax credit against future tax liability of the Company upon approval by the Philippine Bureau of Internal Revenue (BIR) and/or the Philippine Bureau of Customs.

Input VAT on capitalized assets is subject to amortization and any excess may be utilized against output VAT, if any, beyond twelve (12) months from the reporting period or can be claimed for refund or as tax credits with the Philippine Department of Finance. This is presented as part of "Other noncurrent assets" in the statement of financial position and stated at its estimated NRV.

Other Current Assets
The Group's other current assets include various prepayments, deferred costs and excess creditable input Value-Added Tax (VAT). These are classified as current since the Group expects to realize or consume the assets within twelve (12) months after the end of the reporting period.

Investments and Advances to Associates
The Group's investments in associates are accounted for using the equity method. These are entities in which the Group has significant influence and which are neither subsidiaries nor joint ventures of the Group.

Under the equity method, the investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates, less any allowance for impairment losses. Goodwill relating to an associate included in the carrying amount of the investment and is not tested for impairment individually.

The carrying amount of an investment in associate also includes other long-term interests in an associate, such as loans and advances. Advances and loans granted by the Group are in the nature of cash advances or expenses paid by the Group on behalf of its associates. These are based on normal credit terms, unsecured, interest-free and are recognized and carried at original amounts advanced.

The consolidated statements of comprehensive income reflect the Group's share of the results of operations of the associates. Where there has been a change recognized directly in the equity of the associates, the Group recognizes its share of any changes. Profits and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associates.

The following are the Group's associates with the corresponding percentage of ownership:

	Percentage of Ownership	
	2015	2014
MMC	**19.60%**	19.60%
Philippine Fire and Marine Insurance Corporation (Philfire)	**12.38%**	13.22%
Makeway Contractor's Inc. (Makeway)	**-**	30.00%

The financial statements of the associates are prepared for the same financial reporting period as the Parent Company. Where necessary, adjustments are made, bringing the accounting policies in line with those of the Group.

The Group discontinues the use of equity method from the date when the investment ceases to be an associate, such as:

a) when the investment becomes a subsidiary,
b) If the retained interest in the former associate or joint venture is a financial asset, the Group shall measure the retained interest at fair value. The fair value of the retained interest shall be regarded as its fair value on initial recognition, as a financial asset in accordance with the relevant standards. The Group shall recognize the profit or loss the difference in:

   i. the fair value of any retained interest and any proceeds from disposing of a part interest in the associate; and
   ii. the carrying amount of the investment at the date the equity method was discontinued.

c) The Group shall account for all amounts previously recognized in OCI in relation to that investment on the same basis as would have been required if the investee had directly disposed of the related assets.

Investment in Philfire has been reclassified to financial assets in 2015 (see Note 11).

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depletion, depreciation and amortization and impairment in value, if any.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and nonrefundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property, plant and equipment when that cost is incurred if the recognition criteria are met. Expenditures incurred after the property, plant and equipment have been put into operations, such as repairs and maintenance, are normally charged to expense in the period when the costs are incurred.

In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment. Major maintenance and major overhaul costs that are capitalized as part of property, plant and equipment are depreciated on a straight-line basis over the shorter of their estimated useful lives, typically the period until the next major maintenance or inspection, and the estimated useful lives of the related property, plant and equipment.

Land is stated at cost, less any impairment in value.

Construction in-progress is recorded at cost and the related depreciation starts upon transfer to the appropriate account of the completed project.

Depreciation and amortization on assets are calculated using the straight-line method to allocate the cost of each property, plant and equipment less its residual value, if any, over its estimated useful life, as follows:

Type of asset	Estimated useful life in years
Buildings and improvements	2-15
Plant machinery and equipment	2-20
Office furniture and fixtures	3-5

Depletion of mine and mining properties is computed based on ore extraction over the estimated volume of proved and probable ore reserves as estimated by the Parent Company's geologist and certified by an independent geologist.

The depletion method applied is reviewed at least after the end of reporting period and if there has been significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method shall be changed to reflect the changed pattern.

The property, plant and equipment's residual values, if any, and useful lives are reviewed and adjusted, if appropriate, at the end of the reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the property, plant and equipment's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the consolidated statement of comprehensive income. Borrowing costs incurred for the construction of any qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are charged to expense.

Fully-depreciated property, plant and equipment are maintained in the accounts until these are no longer in use.

Mine exploration and development costs of mineral properties already in operations are capitalized as mine and mining property and are included in "Property, plant and equipment" account.

<u>Mine Exploration Costs</u>
Pre-license costs are expensed in the period in which they are incurred. Once the legal right to explore has been acquired, exploration and evaluation expenditure is deferred as asset when future economic benefit is more likely than not be realized. These costs include materials and fuels used, surveying costs, drilling costs and payments made to contractors. The Group capitalizes any further evaluation costs incurred to exploration and evaluation assets up to the point when a commercial reserve is established.

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

Once commercial reserves are established, exploration and evaluation assets are tested for impairment and transferred to mine and mining properties. No amortization is charged during the exploration and evaluation phase. If the area is found to contain no commercial reserves, the accumulated costs are expensed.

<u>Other Noncurrent Assets</u>
Other noncurrent assets of the Group include the Mine Rehabilitation Fund (MRF) and funds to satisfy environmental obligations, deferred charges and various deposits. These are classified as noncurrent since the Group expects to utilize the assets beyond twelve (12) months from the end of the reporting period.

<u>Impairment of Nonfinancial Assets</u>
Inventories
The Group 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 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.

Property, Plant and Equipment and Other Nonfinancial Assets
Property, plant and equipment and other nonfinancial assets 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 CGU is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less cost to sell and value in use. 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 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the consolidated statement of comprehensive income. Recovery of impairment losses recognized in prior years 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 statements of comprehensive income. However, the increased carrying amount of an asset due to a 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 years.

Investments in Associates
After application of the equity method for investment in associates, the Group determines whether it is necessary to recognize an additional impairment loss of the Group's investments in its associates. The Group determines at the end of the reporting period whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of the associate and the acquisition cost and recognizes the amount in the consolidated statements of comprehensive income. Recoverable amount is determined as the higher between fair value less cost to sell and value in use.

Mine exploration costs
An impairment review is performed, either individually or at the CGU level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the financial period in which this is determined. Exploration assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the following conditions is met:

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

Provisions
General
Provisions are recognized when (a) the Group has a present obligation (legal and constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) 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 made by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as "Finance costs" in the consolidated statement of comprehensive income.

Liability for Mine Rehabilitation
The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of 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 costs". 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 provision 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 provision 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.

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

Stock Subscriptions Payable

Stock subscriptions payable pertains to the Group's unpaid subscription to shares of stock of other entities. These are recognized and carried in the books at the original subscription price in exchange of which, the shares of stock will be issued.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of Metals (i.e., Gold and Silver)

Income from the sale of metals (i.e., gold and silver bullions) is recognized upon delivery. Revenue is measured based on shipment value price based on quoted metal prices in the London Bullion Market, for both gold and silver, weight and assay content. Contract terms for the Group's sale of gold and silver bullion allow for a price adjustment based on final assay results of the metal in concentrate by the customer to determine the content.

The terms of metal sales contracts with third parties contain provisional pricing arrangements whereby the selling price is based on prevailing spot prices on a specified future date after shipment to the customer (the "quotation period"). Mark-to-market adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement, and such adjustments are recorded as part of revenue. The period between provisional invoicing and final settlement can be between one (1) and six (6) months. Provisional shipment of ninety-eight percent (98%) of total value for gold and silver based on provisional prices is collected upon shipment, while the remaining two percent (2%) for gold and silver is collected upon the determination of the final shipment value based on final weight and assay for metal content and prices during the applicable quotational period less applicable smelting and treatment charges.

Service fees

Service fees are recognized upon performance of the services.

Interest Income

Interest income is recognized as it accrues using EIR method.

Rental Income

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

Other Income

Other income is miscellaneous income and expenses which are not directly related to the Group's regular results of operations. These include interest income, gain or loss on disposal of assets and gain due to retrenchment.

Cost and Expenses

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Cost of sales, cost of services and operating expenses are recognized in the consolidated statement of comprehensive income in the period these are incurred.

Capital Stock and Additional Paid-in Capital (APIC)

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in the consolidated statements of changes in equity as a deduction from proceeds. The excess of proceeds from issuance of shares over the par value of shares are credited to APIC.

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

Deposits for Future Stock Subscriptions
This pertains to the amount of cash and advances from stockholders as payment for future issuance of stocks. This is classified as an equity instrument when the Company will deliver a fixed number of its own equity instruments in exchange for a fixed amount of cash or another financial asset. Otherwise, it is classified under liabilities.

Deficit
Deficit represents accumulated losses of the Group.

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

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

Diluted EPS amounts are calculated by dividing the net income (loss) attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus weighted average number of ordinary shares that would be issued on the conversion of all the dilutive ordinary shares into ordinary shares. The Group has no dilutive potential common shares as at December 31, 2015 and 2014.

Leases
Determination of Whether an Arrangement Contains a Lease
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

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

Where a reassessment is made, lease accounting shall commence or cease from the 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).

Operating Lease - Group as a Lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating lease. 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 - Group 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 statements of comprehensive income on a straight-line basis over the lease term.

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 retirement benefits liability or asset
- Re-measurements of net defined retirement benefits 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 retirement benefits liability or asset is the change during the period in the net defined retirement benefits 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 retirement benefits liability or asset. Net interest on the net defined retirement benefits liability or asset is recognized as expense or income in profit or loss.

Re-measurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined retirement benefits liability) are recognized immediately in OCI in the period in which they arise. Re-measurements are not reclassified to profit or loss in subsequent periods. Re-measurements recognized in OCI after the initial adoption of Revised PAS 19 are not closed to any other equity account and is shown as a separate item in equity under “Re-measurement loss on retirement benefits liability”.

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

The Group’s right to be reimbursed of some or all of the expenditure required to settle a defined retirement benefits liability 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 they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before 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.

<u>Foreign Currency Transaction</u>
Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the closing rate of exchange at the end of the reporting period. Foreign exchange differences between rate at transaction date and rate at settlement date or at the end of the reporting period are credited to or charged against current operations in the consolidated statements of comprehensive income.

<u>Income Taxes</u>
Current Tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the end of the reporting period.

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

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

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

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

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

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

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

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

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Events After the End of the Reporting Period
Events after the end of the reporting period that provide additional information about the Group's financial position at the end of the reporting period (adjusting events) are reflected in the console dated financial statements. Events after the end of the reporting period that are not adjusting events are disclosed when material.

3. Summary of Significant Accounting Judgments, Estimates and Assumptions

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

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcome can differ from these estimates.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Determining Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Parent

Company and each of its subsidiaries has been determined to be the Philippine peso. The Philippine peso is the currency of the primary economic environment in which the Group operates.

The functional currency of the individual companies within the Group has been determined by the management based on the currency that most faithfully represents the primary economic environment in which the individual company operates and it is the currency that mainly influences the underlying transactions, events and conditions relevant to the individual companies within the Group.

Classification of Financial Instruments
The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument, rather than its legal form, governs its classification in the statements of financial position.

The Group has no intention of selling its investments in stocks in the near term. These are being held indefinitely and may be sold in response to liquidity requirements or changes in market condition. Accordingly, the Group has classified its investments in stocks as AFS financial assets. The Group has no plans to dispose its AFS financial assets within 12 months from the end of the reporting period.

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

The Parent Company controls an entity if and only if the Parent Company has all the following:

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

Assessing Existence of Significant Influence
In assessing whether significant influence still exists, the Group considered not only its percentage ownership but other factors such as the board seat representations it has in the associate's governing body and its interchange of managerial personnel with the associate, among others. As at December 31, 2015, the Group assessed that it has significant influence over MMC and has accounted for the investment as an associate (see Note 11).

Bill and Hold Sales
The Group recognized sale on deliveries classified as bill and hold when there is transfer of risk and reward from the Group 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.

Operating Lease Commitments - Group as Lessee
The Group has entered into leases on its various locations. The Group has determined that it does not retain all the significant risks and rewards of ownership of these properties which are leased on operating lease.

Operating Lease Commitments - Group as a Lessor
The Group has entered into leases on its properties. The Group has determined, based on evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Mine Exploration Costs
The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of a resource is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available. Mine exploration costs amounted to ₱6,521,173 and ₱6,125,219 as at December 31, 2015 and 2014, respectively (see Note 12).

Revenue Recognition
The Parent Company recognizes revenue from sale of metals (i.e. gold and silver bullions and copper concentrates) at the time these are delivered to buyer smelters. Revenue is measured based on shipment value based on quoted metal prices in the London Bullion Market or Shanghai Gold Exchange, for gold and silver, and weight and assay for metal content. Provisional shipment values of ninety eight percent (98%) bullion and ninety percent (90%) copper concentrate is collected upon shipment, while the remaining balance is collected upon determination of the final shipment value based on final weights and assays for metal content and prices during the applicable quotational period less deduction for smelting and treatment charges. Total recognized revenue relating to sale of metals amounted to ₱1,149,630, ₱1,431,487 and ₱2,025,213 in 2015, 2014 and 2013, respectively (see Note 33).

<u>Estimates and Assumptions</u>
The Group's consolidated financial statements prepared in accordance with PFRS require management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and related notes. The estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Group's consolidated financial statements. Actual results could differ from such estimates.

Estimating Allowances for Impairment Losses on Receivables
The provision for impairment losses on receivables is based on the Group's assessment of the collectability of payments from customers, employees, other third parties and associates. This assessment requires judgment regarding the outcome of disputes and the ability of each of the debtors to pay the amounts owed to the Group. The Group assesses individually the receivable based on factors that affect the collectability of the receivables, such as the length of the relationship of the Group with the debtor, the historical payment behavior, a review of the age and status of its receivable, the probability of insolvency of the counterparty, as well as its significant financial difficulties.

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the Group's assessment of the accounts since their inception. The Group assessments take into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

Receivables, net of provision for impairment of receivables, amounted to ₱306,755 and ₱264,622 as at December 31, 2015 and 2014, respectively (see Note 5).

Estimating Allowance for Inventory Obsolescence
Parts and supplies inventories, which are used in the Group's operations, are stated at the lower of cost or NRV. Allowance due to obsolescence is established when there is evidence that the equipment where the parts and supplies were originally purchased for are no longer in service. Materials which are non-moving or have become unusable are priced at their recoverable amount.

Inventories carried at lower of cost or NRV, amounted to ₱520,387 and ₱556,789 as at December 31, 2015 and 2014, respectively (see Note 6).

Estimating Useful Lives of Property, Plant and Equipment
Estimated useful lives of the property, plant and equipment are determined based on the assessment by the end user and the parameters of usage indicated in the Group's manual. The Group estimates the useful lives of property, plant and equipment based on the period over which assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property, plant and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. As at December 31, 2015 and 2014, the net book values of property, plant and equipment, excluding land and construction in progress, amounted to ₱6,160,618 and ₱6,288,346, respectively (see Note 9).

Estimating Impairment on Property, Plant and Equipment and Other Nonfinancial Assets
The Group assesses impairment on property, plant and equipment and other nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

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

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

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss is recognized and charged to the consolidated statements of comprehensive income if the recoverable amount is less than the carrying amount. The recoverable amount of the asset is determined as the higher of its fair value less costs to sell and value in use. Fair value less costs to sell is determined as the amount that would be obtained from the sale of the asset in an arm's-length transaction between knowledgeable and willing parties, net of direct costs of selling the asset. When value in use has been undertaken, fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows.

The aggregate net book values of property, plant and equipment amounted to ₱6,974,495 and ₱7,134,462 as at December 31, 2015 and 2014, respectively (see Note 9).

The carrying amount of other nonfinancial assets, which include advances to officers and employees, advances to suppliers, other current assets and other noncurrent assets amounted to ₱1,136,616 and ₱1,099,329 as at December 31, 2015 and 2014, respectively.

Estimating Impairment of Investments in Associates
The Group assesses whether there are any indicators of impairment for investments in associates at the end of the reporting period. These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the investment is written down to its recoverable amount.

Investments in and advances to associates amounted to ₱566,831 and ₱683,665 as at December 31, 2015 and 2014, respectively (see Note 11).

Estimating Impairment on AFS Financial Assets
The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment.

In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Fair value of AFS financial assets amounted to ₱477,155 and ₱188,158 as at December 31, 2015 and 2014, respectively (see Note 10).

Estimating Recoverability of Mine Exploration 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 Mine Exploration Costs 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 under Mine and Mining Properties. The Group 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 exploration costs amounted to ₱6,521,173 and ₱6,125,219 as at December 31, 2015 and 2014, respectively (see Note 12).

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 reserve estimates are attributed to future development projects only where there is a significant commitment to project funding and extraction 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.

Estimates of reserves 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. The estimated recoverable reserves are used in the calculation of depletion, depreciation, amortization and testing for impairment, the assessment of life of mine, and forecasting the timing of the payment of provision for mine rehabilitation and decommissioning. As at December 31, 2015 and 2014, mine and mining properties presented under property, plant and equipment amounted to ₱5,628,542 and ₱5,781,182, respectively (see Note 9).

Assessing Recoverability of Deferred Tax Assets
The Group reviews the carrying amounts of deferred income tax assets at the end of the reporting period and reduces the amounts to the extent that it is no longer probable that sufficient taxable profit and taxable temporary timing differences will be available to allow all or part of the deferred income tax assets to be utilized.

The Group has deferred income tax assets amounting to ₱431,716 and ₱474,679 as at December 31, 2015 and 2014, respectively (see Note 18). No deferred income tax assets were recognized for temporary differences amounting to ₱1,159,554 and ₱602,056 as at December 31, 2015 and 2014, respectively, since there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred income tax assets to be utilized (see Note 18).

Retirement Benefit Expense
The cost of defined retirement obligation as well as the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, expected rates of return on assets, 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 obligation are highly sensitive to changes in these assumptions. All assumptions are reviewed at each end of the reporting period. As at December 31, 2015 and 2014, the retirement benefits liability of the Group amounted to ₱1,782,137 and ₱1,941,275, respectively. Net retirement costs amounted to ₱90,227, ₱115,400 and ₱116,655 in 2015, 2014 and 2013, respectively (see Note 16).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. Further details about the assumptions used are provided in Note 16.

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 provision for mine rehabilitation and decommissioning, which would affect future financial results.

The provision for mine rehabilitation and decommissioning costs is based on estimated future costs using information available at the end of the reporting period. To the extent the actual costs differ from these estimates, adjustments will be recorded and the profit or loss may be impacted. As at December 31, 2015 and 2014, provision for mine rehabilitation and decommissioning amounted to ₱65,095 and ₱53,830, respectively (see Note 15).

Estimating Fair Values of Financial Assets and 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, 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 liabilities would directly affect the consolidated statements of comprehensive income.

Estimating Contingencies
By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events (see Note 31).

4. Cash

		2015		2014
Cash on hand	₱	**1,241**	₱	1,619
Cash in banks		**65,146**		383,663
	₱	**66,387**	₱	385,282

Cash in banks earn interest at the respective bank deposit rates.

Interest income earned from cash in banks amounted to ₱348, ₱360 and ₱248 in 2015, 2014 and 2013, respectively (see Note 28).

The Group has United States dollar (US$) denominated cash in banks amounting to US$796 and US$590 as at December 31, 2015 and 2014, respectively (see Note 31).

5. Receivables

	2015	2014
Trade	₱ 74,894	₱ 59,038
Nontrade receivables	235,016	213,169
Officers and employees	7,625	3,201
	317,535	275,408
Less allowance for impairment losses	10,780	10,786
	₱ 306,755	₱ 264,622

The Parent Company's trade receivables arise from its shipments of gold and silver to refinery and smelter customers under the Refining Agreements (RA; see Note 29).

Nontrade and other receivables comprise mainly of receivables from subcontractors and other third parties, while receivables from officers and employees pertain to cash advances made by employees for the operations of the Group. Unliquidated receivables from officers and employees are collectible on demand or considered as salary deduction.

Trade and nontrade are non-interest bearing and are generally collectible on demand. Receivables from officers and employees are non-interest bearing and are generally subject to liquidation.

Most of the receivables of the Group consist of individually significant accounts and were therefore subject to the specific impairment approach. The Group recognized allowance for impairment losses amounting to ₱10,780 and ₱10,786 as at December 31, 2015 and 2014, respectively, covering those receivables specifically identified as impaired. Receivables which were not individually significant and individually significant loans for which no specific impairment were assessed were subjected to collective assessment. Based on the assessment done, the Group has not recognized any provision for receivables which were assessed collectively.

Provision for impairment losses on receivables amounting to ₱257, ₱314 and ₱261 were recognized by the Group in 2015, 2014 and 2013, respectively (see Note 24).

Movements of allowance for impairment losses are as follows:

	2015	2014
Balances at beginning of year		
Trade	₱ 10,249	₱ 10,417
Nontrade	537	238
Provision during the year (see Note 24)	257	314
Write Off	₱ (263)	₱ (183)
Balances at end of year	10,780	10,786

The Group has US$-denominated trade receivables amounting to US$1,185 and US$949 as at December 31, 2015 and 2014, respectively (see Note 31).

6. Inventories

	2015	2014
Parts and supplies:		
On hand (at NRV)	₱ 520,280	₱ 556,682
In-transit (at cost)	107	107
	₱ 520,387	₱ 556,789

Parts and supplies on hand include materials and supplies stored in Metro Manila, Bulacan, Mankayan and Leyte. Cost of parts and supplies on hand at NRV amounted to ₱565,164 and ₱600,259 as at December 31, 2015 and 2014, respectively.

Movements in allowance for inventory obsolescence on parts and supplies on hand in 2015 and 2014 are as follows:

	2015	2014
Balances at beginning of year	₱ **43,577**	₱ 43,435
Provision during the year (see Note 22)	**1,200**	142
Balances at end of year	₱ **44,777**	₱ 43,577

Parts and supplies inventories charged to profit and loss under “Consumables and Supplies” account amounted to ₱178,151, ₱332,220 and ₱391,876 in 2015, 2014 and 2013, respectively (see Notes 22, 23 and 24).

7. Advances to Suppliers and Contractors

Advances to suppliers and customers are non-financial assets arising from advanced payments made by the Group to its suppliers and contractors before goods and 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 the amounts initially paid.

Advances to suppliers and contractors are attributable to contracts generally requiring advance payments. Amounts deposited will be applied as part of the full payment of the contract price upon completion of the contract.

As at December 31, 2015 and 2014, the Group has advances to suppliers and contractors amounting to ₱442,810 and ₱426,630, respectively. These advances will be offset against future billing.

8. Other Current Assets

	2015	2014
Creditable input VAT	₱ **570,734**	₱ 540,310
Deferred costs	**20,873**	25,295
Prepaid expenses	**18,821**	17,076
Others	**4,313**	4,491
	₱ **614,741**	₱ 587,172

By virtue of Revenue Memorandum Order 9-2000 dated March 29, 2000, all sales of goods, property and services made by a VAT-registered person to the Parent Company, being a one hundred percent (100%) exporter, are automatically zero-rated for VAT purposes effective August 8, 2001.

Input VAT represent VAT paid on purchases of applicable goods and services, net of output tax, which can be claimed for refund or recovered as tax credit against certain future tax liability of the Company upon approval by the Bureau of Internal Revenue (BIR) and/or the Philippine Bureau of Customs.

Deferred costs represent withdrawal of tubings to be used in drilling operations. Costs of which are amortized based on meters drilled.

Prepaid expenses include advance payments for taxes, insurance, rent and other services.

9. Property, Plant and Equipment

	2015					
	Mine and mining properties	**Buildings and improve ments**	**Plant, machinery, equipment, and office furniture and fixtures**	**Land**	**Construction in-progress**	**Total**
Cost:						
Balances at beginning of year	**₱ 9,587,855**	**₱ 539,853**	**₱ 2,993,799**	**₱ 768,336**	**₱ 77,780**	**₱ 13,967,623**
Additions	**298,262**	**16,121**	**247,495**	**64**	**(20,647)**	**541,295**
Transfers	**(1,961)**	**12,214**	**1,403**	**-**	**(11,656)**	**-**

	2015					
	Mine and mining properties	Buildings and improve ments	Plant, machinery, equipment, and office furniture and fixtures	Land	Construction in-progress	Total
Retirements/disposals	-	(377)	(13,064)	-	-	(13,441)
Capitalized cost of mine rehabilitation and decommissioning	8,912	-	-	-	-	8,912
Balances at end of year	9,893,068	567,811	3,229,633	768,400	45,477	14,504,389
Accumulated depletion, depreciation and amortization:						
Balances at beginning of year	3,806,673	399,988	2,602,568	-	-	6,809,229
Depletion, depreciation and amortization during the year	457,853	30,666	220,222	-	-	708,741
Retirements and disposals	-	-	(12,008)	-		(12,008)
Balances at end of year	4,264,526	430,654	2,810,782	-	-	7,505,962
Allowance for impairment:						
Balances at beginning and end of the year	-	19,241	4,691	-	-	23,932
Net book values	₱ 5,628,542	₱ 117,916	₱ 414,160	₱ 768,400	₱ 45,477	₱ 6,974,495

	2014					
	Mine and mining properties	Buildings and improve ments	Plant, machinery, equipment, and office furniture and fixtures	Land	Construction in-progress	Total
Cost:						
Balances at beginning of year	₱ 9,116,924	₱ 525,744	₱ 2,999,850	₱ 768,336	₱ 88,899	₱13,499,753
Additions	455,497	1,774	26,576	-	11,954	495,801
Transfers	-	12,335	10,738	-	23,073	-
Retirements/disposals	-	-	(43,365)	-	-	(43,365)
Capitalized cost of mine rehabilitation and decommissioning	15,434	-	-	-	-	15,434
Balances at end of year	9,587,855	539,853	2,993,799	768,336	77,780	13,967,623
Accumulated depletion, depreciation and amortization:						
Balances at beginning of year	3,334,666	372,127	2,411,334	-	-	6,118,127
Depletion, depreciation and amortization during the year	472,007	27,861	234,599	-	-	734,467
Retirements and disposals	-	-	(43,365)	-		(43,365)
Balances at end of year	3,806,673	399,988	2,602,568	-	-	6,809,229
Allowance for impairment:						
Balances at beginning and end of the year	-	19,241	4,691	-	-	23,932
Net book values	₱ 5,781,182	₱ 120,624	₱ 386,540	₱ 768,336	₱ 77,780	₱ 7,134,462

Prior to 2005, the Group adopted the revaluation model and engaged an independent firm of appraisers to determine the fair value of its land classified under “property, plant and equipment” in the consolidated statement of financial position, which is equal to the amount in terms of money at which the property would exchange in the current real estate market, between willing parties both having knowledge of all relevant facts. The fair value was estimated using the market data approach, which is based on sales and listings of comparable property registered within the vicinity that considered factors such as location, size and shape of the properties.

In adopting the revaluation model, the Group applied the fair value as deemed cost exemption under PFRS 1 to measure the Group’s land at fair value at January 1, 2004. In 2012, the Group closed out the revaluation increment amounting to ₱511,504 as at January 1, 2010 to retained earnings. The revaluation reserve pertains to the remaining deemed cost adjustment on its land when the Group transitioned to PFRS in 2005 (see Note 30).

Mine and mining properties include cost provision for mine rehabilitation and decommissioning amounting to ₱56,014 and ₱53,830 as at December 31, 2015 and 2014, respectively.

The rates used by the Parent Company in computing depletion are ₱1,758, ₱1,200 and ₱776 per ton, in 2015, 2014 and 2013, respectively, as a result of the costs capitalized under "Mine and mining properties" for the development of the Victoria Project.

Construction in-progress pertains to various mining operations requirements that undergo in-house constructions and fabrications in Mankayan. As at December 31, 2015 and 2014, the Group transferred construction in-progress amounting to ₱11,656 and ₱23,073, respectively, to buildings and improvements and plant, machinery, equipment, office furniture and fixtures.

Fully depreciated property, plant and equipment are retained in the books until they are no longer in use. The cost of fully depreciated property, plant and equipment still being used in operations amounted to ₱2,263,356 and ₱715,156 as at December 31, 2015 and 2014, respectively.

10. AFS Financial Assets

The Group's AFS financial assets consist of investments in:

	2015	2014
Quoted equity shares	**₱ 346,471**	₱ 139,854
Unquoted equity shares	**130,684**	48,304
	₱ 477,155	₱ 188,158

The following table shows the movement of "Net of unrealized loss on AFS financial asset" shown as a separate component of equity.

	2015	2014
Balances at beginning of year	**₱ 251,516**	₱ 306,670
Net unrealized gains on AFS financial asset during the year	**(206,781)**	(55,154)
End of year	**₱ 44,735**	₱ 251,516

AFS financial assets in quoted equity shares pertain to investment in common shares of various local public companies and golf club shares. Quoted shares are carried at fair value with cumulative changes in fair value presented as "Net of unrealized loss on AFS financial asset", a separate component in equity.

AFS financial asset in unquoted equity shares pertain to investments in private local companies and therefore have no fixed maturity date or coupon rate. Unquoted shares have been carried at cost less any impairment losses since fair value of AFS financial assets cannot be reliably determined as they have no available exit market price.

In 2014, SI disposed its quoted equity shares which pertain to 100,000 shares of Cebu Air, Inc. amounting to ₱4,685.

In 2014, the Parent Company, together with its subsidiaries, LIDC and SI, redeemed their quoted and unquoted equity shares pertaining to 24,525 shares of Philippine Long Distance Telephone Company amounting to ₱104.

Dividend income earned by the Group amounted to nil, ₱75 and ₱200 in 2015, 2014, 2013, respectively.

As at December 31, 2015, the Group has no intention to dispose its unquoted equity shares. The aggregate cost of these investments amounted to ₱130,684 and ₱48,304 as at December 31, 2015 and 2014, respectively.

Loss of Significant Influence in Investment in Philfire
During the year, management assessed that the Group has no significant influence over its investment in Philfire due to the loss of representation in the BOD (See Note 11). As a result, the Group discontinued the use of equity method of accounting for its investment in Philfire and reclassified the Investment in Philfire to AFS financial assets effective July 1, 2015. The carrying amount of the Investment at the date the equity method was discontinued amounted to ₱81,982.

11. Investments in and Advances to Associates

2015	**Makeway**	**MMC**	**PhilFire**	**Total**
Acquisition cost:				
Balances at beginning of year	**₱ 15,000**	**₱ 518,426**	**₱ 19,437**	**₱ 552,863**
Additions	**-**	**-**	**-**	**-**
Disposals	**(15,000)**	**-**	**(19,437)**	**(34,437)**
Balances at end of year	**-**	**518,426**	**–**	**518,426**

2015	**Makeway**	**MMC**	**PhilFire**	**Total**
Accumulated equity:				
Share in net earnings (loss):				
Balances at beginning of year	**(7,830)**	**63,136**	**71,732**	**127,038**
Net loss	**-**	**(15,604)**	**(4,975)**	**(20,579)**
Disposal	**7,830**	**-**	**(63,069)**	**(55,239)**
Unrealized loss on AFS financial assets	**-**	**(610)**	**(3,688)**	**(4,298)**
Balances at end of year	**-**	**46,922**	**-**	**46,922**
Advances to associate (see Note 17)	**-**	**1,483**	**-**	**1,483**
	₱ -	**₱ 566,831**	**₱ -**	**₱ 566,831**

2014	Makeway	MMC	PhilFire	Total
Acquisition cost:				
Balances at beginning of year	₱ 15,000	₱ 381,821	₱ 19,437	₱ 416,258
Additions	-	136,605	-	136,605
Balances at end of year	15,000	518,426	19,437	552,863
Accumulated equity:				
Share in net earnings (loss):				
Balances at beginning of year	(1,024)	66,596	75,721	141,293
Net loss	(6,806)	(2,311)	(4,364)	(13,481)
Unrealized loss on AFS financial assets	-	(1,149)	375	(774)
Balances at end of year	(7,830)	63,136	71,732	127,038
Advances to associate (see Note 17)	-	3,764	-	3,764
	₱ 7,170	₱ 585,326	₱ 91,169	₱ 683,665

Investment in Makeway

Makeway is domestic corporation engaged primarily in the business of handling bulk of all kinds of materials, products, and supplies capable of being handled by any type of loading and unloading equipment. Its principal place of business is at 5th floor Lepanto Building, 8747 Paseo de Roxas, Makati City.

The Group has realized 30% ownership in Makeway as at December 31, 2014 and 2013, respectively. The investment in Makeway is measured using the equity method and prepares financial statement for the same financial reporting period as the Group.

During the year, the Group disposed all of its investments in Makeway for a consideration of ₱12,285. As as result, the Group recognized gain on disposal amounting to ₱5,115 (see Note 28).

Investment in Philfire

Philfire is a domestic corporation engaged primarily in the business of nonlife insurance. Its principal place of business is at 5th floor, Lepanto Building, 8747 Paseo de Roxas, Makati City.

The Group has 12.38% and 13.22% effective ownership in Philfire as at December 31, 2015 and 2014, respectively. The investment in Philfire is measured using the equity method and prepares financial statement for the same financial reporting period as the Group.

In 2014, Philfire increased its capital stock by issuing additional 17,000,000 shares, but the Group did not subscribe for the additional capital stock which resulted in a further dilution in its interest in Philfire. Further, the Group assessed the loss of significant influence over Philfire due to the loss of significant representation in Philfire's board of directors.

Investment in MMC

The Group effectively has 19.60% ownership in MMC in 2015 and 2014. Thus, the Group assessed that it still has significant influence over MMC due to the following:

(a) The Group has four (4) out of nine (9) board seats and three (3) out of nine (9) representations and
(b) The Group has at least nine (9) and three (3) managerial personnel serving as part of MMC's corporate management.

The Group measured the investment under the equity method and prepares financial statements for the same financial reporting period as the Group.

As at December 31, 2015 and 2014, the fair value of MMC shares amounted to ₱0.01 and ₱0.015 per share, respectively. Fair market value of the investment in MMC amounted to ₱508,790 and ₱778,649 as at December 31, 2015 and 2014, respectively.

On April 30, 2014, the PSE Board of Directors approved the application covering the Offer Shares of MMC. The Parent Company, LIDC, and SI exercised all its rights proportionate to their own shareholding and made an additional investment amounting to ₱136,605.

The following table illustrates summarized financial information of the Group's investments in associates:

2015	**MMC**	**PhilFire***
Assets:		
Current Assets	**₱ 345,517**	**₱ 462,148**
Noncurrent Assets	**2,876,786**	**194,603**
Total Assets	**3,222,303**	**656,751**
Liabilities:		
Current Liabilities	**139,340**	**401,778**
Noncurrent Liabilities	**67,977**	**60,595**
Total Liabilities	**207,317**	**462,373**
Net Assets	**3,014,986**	**194,378**
Net Loss	**(₱ 79,615)**	**(₱ 28,180)**

June 30, 2015 balances

2014	Makeway	MMC	PhilFire
Assets:			
Current Assets	₱ 43,382	₱ 481,771	₱ 520,810
Noncurrent Assets	-	2,838,204	195,058
Total Assets	43,382	3,319,975	715,868
Liabilities:			
Current Liabilities	2,432	144,731	387,053
Noncurrent Liabilities	-	77,531	69,783
Total Liabilities	2,432	222,262	456,836
Net Assets	40,950	3,097,713	259,032
Net Loss	(₱ 22,688)	(₱ 11,789)	(₱ 33,014)

12. Mine Exploration Costs

	2015	2014
Balances at beginning of year	**₱ 6,125,219**	₱5,895,226
Additions	**395,954**	229,993
Balances at end of year	**₱ 6,521,173**	₱6,125,219

Pursuant to the agreement between Gold Fields Limited, FSGRI and the Parent Company, ongoing exploration and pre-development expenses are being incurred on the Far Southeast Project (see Note 30).

Depreciation expense capitalized as part of mine exploration costs in 2015 and 2014 amounted to ₱23,863 and ₱32,022, respectively.

No allowance for impairment losses on mine exploration costs was recognized in 2015 and 2014.

13. Trade and Other Payables

	2015	2014
Trade	**₱ 870,679**	₱ 805,621
Accrued expenses and other liabilities	**253,390**	111,640
Trust receipts	**110,358**	151,174
Due to related parties (see Note 17)	**56,084**	56,084
Employee related expenses	**48,394**	44,417
Payable to regulatory authorities	**30,718**	24,128
Unclaimed dividends	**26,699**	26,742
Accrued utilities	**19,629**	22,959
Accrued production tax	**6,603**	5,586
	₱ 1,422,554	₱1,248,351

Nature, terms and conditions of the Group's liabilities:

- Trade payables include import and local purchases of equipment and inventories such as various parts and supplies used in the operations of the Group. These are non-interest bearing and are normally settled on sixty (60) days' terms.
- Accrued expenses and other liabilities are noninterest-bearing and are normally settled on a 30 to sixty (60) days' term. These include other operating expenses that are payable to various suppliers and contractors.
- Trust receipts refer to arrangements of the Group with banks related to its importations of inventories and various equipment which are interest bearing and have an average term of ninety (90) to one hundred twenty (120) days.
- Employee related expenses include unclaimed wages, accrued vacation and sick leave and accrued payroll. These are non-interest bearing and are payable in thirty (30) days' term.
- Unclaimed dividends pertain to unpaid cash dividends declared by the Parent Company to its stockholders. These are non-interest bearing and are payable upon demand of the payee.
- Payable to regulatory agencies include withholding taxes and other government contributions related to employees of the Group. These are non-interest bearing and are normally remitted within ten (10) days from the close of each month.
- Accrued utilities pertain to unpaid billings for power, communication, light and water charges. These are non-interest bearing and are normally settled within thirty (30) to ninety (90) days.
- Accrued production taxes pertain to excise taxes on metal sales. These are non-interest bearing and are settled within fifteen (15) days after the end of each quarter.

Interest incurred on trust receipts and export advances amounted to ₱21,165, ₱22,942 and ₱18,862 in 2015, 2014 and 2013, respectively (see Note 27).

The Company has US$-denominated trade and other payables amounting to US$8,276 and US$10,589 as at December 31, 2015 and 2014, respectively. The Company also has Australian dollar (AU$)-denominated trade and other payables amounting to AU$371 and AU$244 as at December 31, 2015 and 2014, respectively (see Note 31).

14. Long-term Borrowings

	2015	2014
Gold Delivery Agreement (US$1,000 in 2015 and 2014)	₱ **47,060**	₱ 44,720
Obtained from Local Banks:		
US$-denominated loans (US$1,180 in 2014)	-	22,360
Peso-denominated loans	-	89,250
	-	111,610
Total borrowings	**47,060**	156,330
Less: Current portion/short-term borrowing	-	111,610
	₱ **47,060**	₱ 44,720

Gold Delivery Agreement:

In December 1998, the Parent Company entered into a Loan and Hedging Facilities Agreement (the Agreement) with NM Rothschild & Sons (Australia) Ltd. (Rothschild) and Dresdner Bank AG (Dresdner) which provides for borrowings up to US$30 million and hedging facility up to 300,000 ounces of gold as may be agreed upon by the parties up to December 2002. A minimum hedging amount of 250,000 ounces was imposed to secure the payment of the loan. The loan was intended to finance the working capital requirements of the Victoria Project (see Note 1).

The loan was secured by real and chattel mortgages of all the Parent Company's present and future properties and its rights, title and interests under the MPSA with the Philippine Government in connection with the Victoria Project. The Agreement contains certain covenants which include, among others, payment of interest, the maintenance of certain financial and project ratios such as debt service, loan life, project life, total liabilities to net worth and current ratios; prohibition from incurring additional long-term indebtedness; limitation on certain advances or loans; and restrictions as to substantial asset sales, capital expenditures and cash dividends.

The Agreement was first amended in 2000, and further amended in 2002 principally with respect to the repayment of the loan. The 2002 deed of amendment provides for the extension of the loan agreement up to September 2007. As at December 31, 2004, the loans obtained from Rothschild and Dresdner have been fully paid.

In accordance with the hedging facility, the Parent Company entered into various forward gold contracts with Rothschild and Dresdner (Lenders) which provide for the buying or selling of gold in fixed quantities at certain fixed prices for delivery in various maturity dates in the future. Any gains or losses on the forward sales contracts are recognized upon closing of the pertinent contracts.

At December 31, 2004, the Parent Company's forward gold contracts to sell 169,043 ounces of gold at an average price of US$295 per ounce will mature on various dates in the future and are being rolled forward relative to the ongoing discussion with Lenders. These contracts had a negative mark-to-market valuation of US$24 million based on the spot rate of US$437 per ounce as at December 31, 2004.

The Parent Company does not recognize any derivative financial liability under the hedging contracts with Dresdner. After months of discussion and negotiations, the Company and Dresdner agreed in December 2005 on a commercial resolution to their controversy which was formalized through a Gold Delivery Agreement (GDA) that was signed on January 25, 2006. Under the GDA, a gold loan of about US$14 million shall be repaid by way of minimum monthly installments starting from February 1, 2006 up to September 30, 2009 of the cash equivalent in US$ of 200 ounces of gold computed at the spot price in the market and any remaining balance to be fully repaid by the final delivery on September 30, 2009. The Company also has an option to settle by delivery of quantity of gold.

The GDA contains certain covenants, which include, among others, payment of interest, strict compliance with regulatory provisions regarding internal revenue taxes and environmental requirements, restrictions in the incurrence of indebtedness and certain derivative transactions, limitation in the disposal and transfer of assets and prohibitions in the purchase of issued shares, reduction in capital and issuance of shares other than for cash or make a distribution of assets or other capital to its stockholders.

As from September 28, 2010, the rights of Commerzbank AG (Commerzbank; formerly constituted as Dresdner Bank AG) under the GDA have been transferred to Statham Capital Corporation (Statham). Accordingly, Statham is substituted for Commerzbank as the financier under the GDA.

An amendment to the GDA was entered into by the Company. On October 5, 2010, a moratorium was agreed on, providing for the resumption of monthly deliveries of 200 ounces in January 2011 and a final delivery date of December 31, 2011. Total amount under the GDA is US$10,027.

On February 10, 2011, another moratorium and restructure agreement was entered into by the Company. This resulted in a reduction in the total outstanding liability, with the corresponding gain included in "Service fees and other operating income" in the consolidated statements of comprehensive income. In 2014, the Company and Statham entered into another restructure agreement wherein the due date was extended to 2017. As at December 31, 2015 and 2014, the remaining obligation owing to Statham under the GDA amounting to US$1,000 is payable on December 31, 2017.

The Company filed a civil case against Rothschild for the declaration of the nullity of the forward gold contracts to sell 97,476 ounces of gold. Rothschild filed a motion to dismiss and this was denied by the Regional Trial Court (RTC) and subsequently by the Court of Appeals in December 2006. Rothschild elevated the matter to the Supreme Court (SC) in February 2007.

On November 28, 2011, the SC denied the Motion to Dismiss of Rothschild and upheld the jurisdiction of the RTC over the person of Rothschild in the case for nullity of hedging contracts filed by the Company in 2005. The case is in trial stage, and the Company has completed its presentation of evidence.

<u>Bank Loans</u>
Borrowings from local banks are all clean loans with interest rates ranging from 5.00% to 7.00% in 2015 and 2014.

In 2015, the Company paid in full the borrowings from local banks. Total interest on the above mentioned loans for the years 2015, 2014 and 2013 amounted to ₱3,222, ₱7,628 and ₱3,609, respectively (see Note 27).

15. Liability for Mine Rehabilitation Cost

	2015	2014
Balances at beginning of year	**₱ 53,830**	₱ 50,107
Effect of change in estimate	**8,912**	1,518
	62,742	51,625
Accretion of interest (see Note 27)	**2,353**	2,205
Balances at end of year	**₱ 65,095**	₱ 53,830

The Parent Company makes a full provision for the future cost of rehabilitating the mine site and other future costs on a discounted basis amounting to ₱65,095 and ₱53,830 as at December 31, 2015 and 2014, respectively. Provision for mine rehabilitation and decomissioning represents the present value of future rehabilitation and other costs. These provisions have been created based on the Parent Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are reasonable 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.

Discount rate used by the Company is 4.37% and 4.40% in 2015 and 2014, respectively.

16. Retirement Plan

The Parent Company and DMTC have funded, noncontributory defined benefit retirement plans covering substantially all regular employees (see Note 17), while DDCP and SI have unfunded defined benefit retirement plans. Benefits are dependent on the years of service and the respective employee's compensation. The defined benefit retirement obligation is determined using the projected unit credit method.

The amounts of defined benefit retirement expense recognized in the consolidated statements of comprehensive income follow:

	2015			2014			2013		
	Funded	**Unfunded**	**Total**	Funded	Unfunded	Total	Funded	Unfunded	Total
Current service cost (see Note 25)	**₱ 66,347**	**₱6,858**	**₱ 73,205**	₱ 58,869	₱ 1,158	₱ 60,027	₱ 67,719	₱ 1,287	₱ 69,006
Interest cost - net (see Note 27)	**80,254**	**2,623**	**82,877**	53,567	1,806	55,373	45,780	1,869	47,649
Gain on retrenchment	**(65,855)**	**-**	**(65,855)**	-	-	-	-	-	-
	₱ 80,746	**₱9,481**	**₱ 90,227**	₱ 112,436	₱ 2,964	₱ 115,400	₱ 113,499	₱ 3,156	₱ 116,655

The amounts of remeasurement gain (loss) recognized in the consolidated other comprehensive income follow:

	2015	2014	2013
Remeasurement gain (loss) on retirement	**₱ 106,443**	(₱ 369,530)	(₱ 358,517)
Less deferred tax	**(31,933)**	110,859	107,555
Remeasurement gain (loss) on retirement liability, net of tax	**₱ 74,510**	(₱ 258,671)	(₱ 250,962)

The amounts of defined benefit retirement obligation recognized in the consolidated statements of financial position follow:

	Funded			**Unfunded**	
2015	**Defined Benefit Liability**	**Fair Value of Plan Assets**	**Net Defined Benefit Liability**	**Defined Benefit Liability**	**Total**
Balances at beginning of year	**₱ 2,077,348**	**₱ 202,078**	**₱ 1,875,270**	**₱ 66,005**	**₱ 1,941,275**
Interest cost/income	**88,903**	**8,649**	**80,254**	**2,623**	**82,877**
Current service cost	**66,347**	**-**	**66,347**	**6,858**	**73,205**
Benefits paid	**(138,874)**	**(138,874)**	**-**	**(3,659)**	**(3,659)**
Gains due to retrenchment	**(65,885)**	**-**	**(65,885)**	**-**	**(65,885)**
Actuarial gain/loss:					
Change in financial assumptions	**(25,568)**	**(51,777)**	**26,209**	**(2,480)**	**23,729**
Change in demographic assumptions	**(263,415)**	**-**	**(263,415)**	**1,557**	**(261,858)**
Experience adjustment	**128,869**	**-**	**128,869**	**2,817**	**131,686**
Contributions	**-**	**139,233**	**(139,233)**	**-**	**(139,233)**
Balances at end of year	**₱ 1,867,725**	**₱ 159,309**	**₱ 1,708,416**	**₱ 73,721**	**₱ 1,782,137**

2014	Funded Defined Benefit Liability	Funded Fair Value of Plan Assets	Funded Net Defined Benefit Liability	Unfunded Defined Benefit Liability	Total
Balances at beginning of year	₱ 1,752,329	₱ 239,558	₱ 1,512,771	₱ 49,570	₱ 1,562,341
Interest cost/income	62,047	8,480	53,567	1,806	55,373
Current service cost	58,869	-	58,869	1,158	60,027
Benefits paid	(129,067)	(129,067)	-	(2,852)	(2,852)
Actuarial gain/loss:					
Change in financial assumptions	(99,134)	(20,037)	(79,097)	3,245	(75,852)
Change in demographic assumptions	417,370	-	417,370	-	417,370
Experience adjustment	14,934	-	14,934	13,078	28,012
Contributions	-	103,144	(103,144)	-	(103,144)
Balances at end of year	₱ 2,077,348	₱ 202,078	₱ 1,875,270	₱ 66,005	₱ 1,941,275

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

The major categories of the Group's plan assets as a percentage of the fair value of total plan assets follow:

	2015	2014	2013
Cash and cash equivalents	**1.88%**	1.80%	1.75%
Equity investments:			
Quoted	**98.02%**	98.13%	98.23%
Unquoted	**0.10%**	0.07%	0.02%
	100.00%	100.00%	100.00%

The principal assumptions used in determining pension and post-employment benefits for the Group's plan assets in 2015, 2014 and 2013 follow:

	2015	2014	2013
Discount rate	**4.23%**	4.28%	4.08%
Expected rate of return on plan assets	**4.23%**	4.28%	4.08%
Salary increase rate	**3.00%**	3.00%	3.00%
Turnover rate	**Across the board 5% rate**	Across the board 5% rate	Across the board 5% rate
Mortality rate	**1983 US Group Annuity Mortality**	1983 US Group Annuity Mortality	1983 US Group Annuity Mortality

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

	Increase (decrease)	2015	2014
Discount rates	+0.25%	(₱44,284)	(₱55,905)
	-0.25%	₱46,936	₱59,188
Salary increase rate	+1%	₱52,352	₱82,385

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

Less than one (1) year	₱ 184,544
More than one (1) year to five (5) years	216,279
More than five (5) years to ten (10) years	709,857
More than ten (10) years to fifteen (15) years	699,173
More than fifteen (15) years to twenty (20) years	624,049
More than twenty (20) years	2,270,345
	₱4,704,247

17. Related Party Disclosures

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.

Intercompany transactions are eliminated in the consolidated financial statements. The Group's related party transactions, which are under terms that are no less favorable than those arranged with third parties, are as follows:

2015				
	Amount/ Volume	**Outstanding Balance**	**Terms**	**Conditions**
Subsidiaries				
Receivables				
DDCP	**₱ 97,545**	**₱142,283**	**On demand; non-interest-bearing and collectible in cash**	**Unsecured, no impairment, no guarantee**
LIDC	**200**	**88,755**	**On demand; non-interest-bearing and collectible in cash**	**Unsecured, no impairment, no guarantee**
FSGRI	**7,123**	**95,461**	**On demand; non-interest-bearing and collectible in cash**	**Unsecured, no impairment, no guarantee**
DMTC	**6,068**	**1,954**	**On demand; non-interest-bearing and collectible in cash**	**Unsecured, no impairment, no guarantee**
Payables				
SSI	**11,476**	**44,486**	**On demand; non-interest-bearing and are normally settled in cash**	**Unsecured, no guarantee**
Rental				
SSI	**301**	**-**	**Non-interest-bearing and are normally settled in cash on 30-days' term**	**Unsecured, no guarantee**
Services				
DDCP	**213,670**	**-**	**Non-interest-bearing and are normally settled in cash on 30-days' term**	**Unsecured, no guarantee**
SI	**10,087**	**-**	**Non-interest-bearing and are normally settled in cash on 30-days' term**	**Unsecured, no guarantee**
Sales				
DMTC	**198**	**-**	**Non-interest-bearing and are normally settled in cash on 30-days' term**	**Unsecured, no guarantee**
Other Expense				
SSI	**2,984**	**-**	**Non-interest-bearing and are normally settled in cash on 30-days' term**	**Unsecured, no guarantee**
DMTC	**₱ 470**	**₱ -**	**Non-interest-bearing and are normally settled in cash on 30-days' term**	**Unsecured, no guarantee**

	2014			
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Subsidiaries				
Receivables				
DDCP	₱ 458,659	₱ 150,696	On demand; non-interest-bearing and collectible in cash	Unsecured, no impairment, no guarantee
LIDC	25,706	88,555	On demand; non-interest-bearing and are normally collectible in cash	Unsecured, no impairment, no guarantee
FSGRI	6,900	94,863	On demand; non-interest-bearing are normally collectible in cash	Unsecured, no impairment, no guarantee
DMTC	2,586	7,373	On demand; non-interest-bearing are normally collectible in cash	Unsecured, no impairment, no guarantee
Payables				
SI	46,857	56,496	On demand; non-interest-bearing and are normally settled in cash	Unsecured, no guarantee
DDCP	45,000	45,000	On demand; non-interest-bearing and are normally settled in cash	Unsecured, no guarantee
DMTC	200	89	On demand; non-interest bearing and are normally settled in cash	Unsecured, no guarantee
Rental expense				
SI	351	-	Non-interest-bearing and are normally settled on 30-days' term	Unsecured, no impairment, no guarantee
Services				
DDCP	112,349	-	Non-interest-bearing and are normally settled in cash on 30-days' term	Unsecured, no impairment, no guarantee
SI	₱ 14,451	₱ -	Non-interest-bearing and are normally settled in cash on 30-days' term	Unsecured, no impairment, no guarantee

a. In the normal course of business, the Group grants and receives advances to and from its associates and stockholders, which are considered related parties.

The corresponding receivables and payables arising from the said transactions, including operational support as at December 31, 2015 and 2014 are as follows:

	2015			
	Amount/ Volume	**Outstanding Balance**	**Terms**	**Conditions**
Associate				
Receivable				
MMC (see Note 11)	**₱ 1,259**	**₱ 1,483**	**Non-interest-bearing and are normally settled in cash on 30-days' term**	**Unsecured, no impairment, no guarantee**
Stockholders:				
Payables				
Various (see Note 13)	**₱ -**	**₱56,084**	**On demand; non-interest- bearing and collectible in cash**	**Unsecured, no guarantee**

	2014			
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Associate				
Receivable				
MMC (see Note 11)	₱ 2,034	₱ 3,764	Non-interest-bearing and are normally settled in cash on 30-days' term	Unsecured, no impairment, no guarantee
Stockholders:				
Payables				
Various (see Note 13)	₱ -	₱ 56,084	On demand; non-interest- bearing and collectible in cash	Unsecured, no guarantee

b. On April 17, 2000, the Parent Company entered into a Trust Agreement with LIDC for the latter to serve as a second trustee for the Parent Company's retirement fund.

On March 31, 2003, the Parent Company entered into a separate Trust Agreement with LIDC whereby the latter ceased to be the second trustee of the LCMC Employee Pension Plans (the Plans) and instead to become the principal trustee. Prior to the Trust Agreement, the actual disbursements of the fund for the Plans, or payments to the retiree or beneficiaries had been the responsibility of a local bank as the principal trustee. The Parent Company has decided to terminate the services of the local bank and consolidated to LIDC the administration of the Plans.

The carrying amount and fair value of the retirement fund amounted to ₱159,309 and ₱202,078 as at December 31, 2015 and 2014, respectively (see Note 16).

The retirement fund consists of cash and cash equivalents, investments in quoted and unquoted equity securities which accounts for 1.88% and 98.02% and 0.10% of the trust fund, respectively (see Note 16).

The voting rights on the shares of stock rest on the trustees of the retirement fund, who are also the key management personnel of the Parent Company.

The Group made contributions to the trust fund amounting to ₱139,233 and ₱103,144 in 2015 and 2014, respectively (see Note 16).

c. Compensation of key management personnel are as follows:

	2015	2014	2013
Short-term benefits	**₱51,400**	₱48,200	₱56,500
Post-employment benefits	**10,100**	10,100	10,100
	₱61,500	₱58,300	₱66,600

18. Income Taxes

Current provision for income tax in 2015 pertains to DMTC's and SI's Minimum Corporate Income Tax (MCIT) and DDCP's Regular Corporate Income Tax (RCIT). In 2014, current provision for income tax in pertains to DMTC's MCIT, SI's and DDCP's RCIT. In 2013, the current provision for income tax pertains to the Parent Company's and SI's MCIT and DDCP's and DMTC's RCIT.

The components of the Group's deferred tax assets and liabilities at December 31, 2015 and 2014 follow:

	Deferred Tax Assets		**Deferred Tax Liabilities**	
	2015	2014	**2015**	2014
Accrual of:				
Retirement benefits liability	**₱ 272,486**	₱288,413	**₱ 8,780**	₱ 9,296
Liability for mine rehabilitation cost	**19,529**	16,149	**-**	-
Various expense	**4,956**	2,980	**-**	-
Provisions for:				
Inventory obsolescence	**11,723**	11,723	**312**	312

	Deferred Tax Assets		Deferred Tax Liabilities	
	2015	2014	**2015**	2014
Impairment losses on property, plant and equipment	**7,180**	7,180	**-**	- 150
Impairment losses on receivables	**2,771**	2,771	**71**	342
Unrealized foreign exchange losses	**1,839**	536	**-**	-
Cash deposits from customers	**51**	-	**-**	
Recognized directly in other comprehensive income:				
Retirement benefits liability	**219,168**	251,667	**-**	-
Deferred income tax assets	**539,703**	581,419	**9,163**	10,100
Revaluation increment in land	**(90,447)**	(90,447)	**(119,187)**	(119,187)
Cost of mine rehabilitation and decommissioning	**(16,804)**	(16,149)	**-**	–
Unrealized foreign exchange gains	**(736)**	(144)	**(119,012)**	(118,953)
Deferred tax liabilities	**(107,987)**	(106,740)	**(238,199)**	(238,140)
Net deferred tax assets (liabilities)	**₱ 431,716**	₱474,679	**(₱229,036)**	(₱228,040)

The Group did not recognize deferred income tax assets on certain NOLCO and MCIT because management believes that it is more likely than not that the carry forward benefits will not be realized in the near future.

	2015	2014
NOLCO	**₱1,145,738**	₱ 588,623
MCIT	**1,674**	9,010
Provisions	**557**	-
Others	**11,585**	4,423
	₱1,159,554	₱ 602,056

As at December 31, 2015 and 2014, the Group has NOLCO that can be claimed as deduction from future taxable income and income tax payable and MCIT that can be claimed as tax credit, respectively, as follows:

Year Incurred	Year of Expiration	NOLCO	MCIT
2013	2016	₱ 210,355	₱ 1,479
2014	2017	358,718	67
2015	2018	576,665	128
		₱1,145,738	₱ 1,674

Movements of NOLCO and excess MCIT for the years ended December 31 follow:

NOLCO	**2015**	2014
Balances at beginning of year	**₱ 588,623**	₱ 364,031
Additions	**576,665**	359,455
Applications	**(5,971)**	-
Expiration	**(13,579)**	(134,863)
Balances at end of year	**₱ 1,145,738**	₱ 588,623

MCIT	**2015**	2014
Balances at beginning of year	**₱ 9,010**	₱ 9,573
Additions	**128**	85
Expiration	**(7,464)**	(648)
Balances at end of year	**₱ 1,674**	₱ 9,010

The reconciliation of the Group's provision for income tax for the three years ended December 31, 2015 computed at the statutory tax rates to actual provision (benefit) shown in the consolidated statements of comprehensive income follow:

	2015	2014	2013
Tax at statutory income tax rates	**(₱ 252,404)**	(₱ 206,811)	(₱ 87,014)
Additions to (reductions in) income taxes resulting from tax effects of:			
Change in unrecognized deferred income tax assets	**162,116**	67,209	59,546
Accelerated deduction	**87,345**	(4,380)	(28,158)
Expired NOLCO and MCIT	**11,741**	135,511	20,172
Share in operating results of associates	**6,174**	(4,044)	(1,421)
Nondeductible expenses	**2,253**	71,911	83,668
Interest income subjected to final tax	**(105)**	(108)	(74)
Tax-exempt dividend income	**–**	(22)	(60)
Others	**910**	(35,350)	(10,119)
Tax at effective income tax rates	**₱ 18,030**	₱ 23,916	₱ 36,540

19. Capital Stock

The Parent Company's authorized share capital is P6.64 billion divided into 66.4 billion shares at P0.10 par value each, consisting of 39.8 billion Class "A" and 26.6 billion Class "B" common shares.

Only Philippine nationals are qualified to acquire, own, or hold Class "A" shares. The total number of Class "B" shares of stock subscribed, issued or outstanding at any time shall in no case exceed two/thirds (2/3) of the number of Class "A" shares or forty percent (40%) of the aggregate number of Class "A" and Class "B" shares then subscribed, issued or outstanding.

	2015		2014	
	No. of shares	**Amount**	No. of shares	Amount
Issued				
Class "A"	**30,808,913,158**	**₱3,080,891**	27,403,969,495	₱2,740,397
Class "B"	**20,546,335,012**	**2,054,634**	17,811,036,961	1,781,104
	51,355,248,170	**5,135,525**	45,215,006,456	4,521,501
Subscribed				
Class "A"	**10,682,201**	**1,068**	3,415,625,864	341,563
Class "B"	**34,182**	**3**	2,735,332,233	273,532
	10,716,383	**1,071**	6,150,958,097	615,095
Total shares issued and subscribed	**51,365,964,553**	**5,136,596**	51,365,964,553	5,136,596
Less subscription receivable		**(1,890)**		(616,341)
		₱5,134,706		₱4,520,255

On August 15, 2005, the Parent Company's BOD approved the offer of 2,558,803,769 Class "A" shares and 1,705,868,182 Class "B" shares, or 1 share for every 5 shares held by shareholders as at September 21, 2005 from the Parent Company's unissued capital stock at the offer price of ₱0.20 per share. The offer of shares was exempt from registration. As at the end of that year, the Parent Company had twenty-two thousand thirty-five (22,035) stockholders.

On July 17, 2006, the Parent Company's BOD approved the offer of 1,919,102,827 Class "A" shares and 1,279,401,137 Class "B" shares, or 1 share for every 8 shares held by shareholders as at August 16, 2006 from the Parent Company's unissued capital stock at the offer price of ₱0.20 per share. The sale of shares was exempt from registration. As at the end of that year, the Parent Company had twenty-one thousand seven hundred eighty-eight (21,788) stockholders.

On November 19, 2007, the Parent Company's BOD approved the grant of the 17th Stock Option Awards (Awards) to selected employees, directors and officers of the Group in accordance with the BOD approved Revised Stock Option Plan ("RSOP"). The Awards cover a total of 420,000,000 common shares consisting of 252,000,000 Class "A" and 168,000,000 Class "B" shares from the Parent Company's unissued capital stock, exercisable at the price of ₱0.32 per share, within 5 years from the date of SEC approval of the same. The option price of ₱0.32 per share was computed based on a new formula in the RSOP, i.e., the amount equivalent to 80% of the average closing price of the stock for the ten (10) trading days immediately preceding the date of the approval of the Grant by the Parent Company's BOD. The SEC approved the Awards and the RSOP on February 1, 2008.

On February 18, 2008, the Parent Company's BOD approved the offer of 2,467,419,971 Class "A" shares and 1,644,944,414 Class "B" shares, or 1 share for every 7 shares held by shareholders as at March 25, 2008 from the Parent Company's unissued capital stock at the offer price of ₱0.25 per share. The offer of shares was exempt from registration. As at the end of that year, the Parent Company had twenty-one thousand four hundred thirty-nine (21,439) stockholders.

By virtue of the 1:7 stock rights offering at the price of ₱0.25 per share approved by the Parent Company's BOD on February 18, 2008, the shares covered by the Awards increased by 36,000,000 Class "A" shares and 24,000,000 Class "B" shares. The average option price was accordingly adjusted to ₱0.3112 per share.

During the annual meeting of the stockholders on April 20, 2009, the shareholders approved the increase in the authorized capital stock from ₱3.35 billion to ₱6.64 billion. The stockholders also approved the one-time waiver of their pre-emptive right to subscribe to issues or dispositions of shares of the Parent Company in proportion to their respective shareholdings but only with respect to the issues or dispositions of shares in support of the increase in the authorized capital stock to ₱6.64 billion, provided that the shares to be issued to support such increase in the Authorized Capital Stock shall not exceed twenty-percent (20%) of the stock subscribed, issued and outstanding after such issuance.

On October 18, 2010, the Parent Company's BOD approved the offer of 6,031,372,952 Class "A" shares and 4,020,909,888 Class "B" shares, or 1 share for every 3.3 shares held by shareholders as at December 3, 2010 at the offer price of ₱0.30 per share to support the increase in the Parent Company's authorized capital stock from ₱3.35 billion to ₱6.64 billion. The offer was approved and confirmed by the SEC as an exempt transaction on November 9, 2010. As at the end of that year, the Parent Company had twenty-one thousand one hundred seventy-three (21,173) stockholders.

By virtue of the 1:3.3 stock rights offering at ₱0.30 per share approved by the Parent Company's BOD on October 18, 2010, the number of shares covered by the Awards, specifically those for the fourth and fifth years of the option, increased by 33,409,662 Class "A" and 22,273,108 Class "B" shares. Accordingly, the average option price was adjusted to ₱0.3086 per share.

There were no outstanding stock options as at December 31, 2015 and 2014.

On September 15, 2014, the BOD approved an offer to shareholders, on record as at November 12, 2014, the right to subscribe to one (1) share of common stock for every 5.5 shares held on such record date at the price of ₱0.20 per share from the Parent Company's unissued capital stock. Proceeds from the offering were utilized for the settlement of debts as well as for the exploration programs covering the Victoria, Enargite, and Honeycomb areas.

As at December 31, 2015 and 2014, subscriptions receivable amounted to ₱1.9 million and ₱616.3 million, respectively, was presented as a deduction to capital stock.

The Parent Company had twenty seven thousand and nine hundred seventy four (27, 974), twenty seven thousand and nine hundred seventy three (27,973), and twenty two thousand eight hundred fifty nine (22,859) as at December 31, 2015, 2014 and 2013, respectively.

20. Non-Controlling Interests

NCI represent third parties' interests in FSGRI.

Financial information of subsidiary that has material non-controlling interest is provided below:

	Principal Place of Business	**2015**	2014
FSGRI	Philippines	**40.00%**	40.00%

Equity attributable to material non-controlling interest:

	2015	2014
FSGRI	**₱ 250,324**	₱ 250,719

Net income (loss) and OCI attributable to material non-controlling interest:

	2015	2014
FSGRI	**(₱ 395)**	₱ 5,080

The summarized financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations.

	2015	2014
Operating expenses	(₱ 4,624)	(₱ 870)
Other income	4,016	19,552
Finance income	23	-
Income (loss) before income tax	(585)	18,682
Benefit from income tax	(402)	(5,983)
Net income (loss)	(987)	12,699
Other comprehensive income	-	-
Total comprehensive income (loss)	(₱ 987)	₱ 12,699
Attributable to non-controlling interests	(₱ 395)	₱ 5,080

Summarized statements of financial position as at December 31:

	2015	2014
Current assets	₱ 744,963	₱ 712,336
Noncurrent assets	6,216,442	6,098,441
Current liabilities	(196,940)	(180,575)
Noncurrent liabilities	(6,139,349)	(6,004,126)
Total equity	₱ 625,116	₱ 626,076

Attributable to:	2015	2014
Equity holders of the Parent Company	₱ 374,792	₱ 375,357
NCI	250,324	250,719

Summarized cash flow information for the year ended December 31:

	2015	2014
Operating	₱ 1,221	(₱ 11,152)
Investing	(115,298)	(120,807)
Financing	131,425	123,477
Effect of exchange rate changes on cash	(7,673)	(1,143)
Net increase (decrease) in cash	₱ 9,675	(₱ 9,625)

21. Loss Per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Parent Company by the weighted average number of common shares in issue during the period.

In computing for the diluted earnings per share, the Parent Company considered the effect of its potentially dilutive stock options outstanding as at December 31, 2015 and 2014. There were no outstanding stock options as of December 31, 2015 and 2014.

	2015	2014	2013
Net loss attributable to equity holders of the Parent Company	(₱ 858,981)	(₱ 718,366)	(₱ 344,975)
Weighted average number of common shares for basic loss per share	47,113,323,328	44,900,607,349	43,403,837,477
Adjusted weighted average number of common shares for diluted earnings per share	47,113,323,328	44,900,607,349	43,403,837,477
Basic earnings loss per share	(₱ 0.0180)	(₱ 0.0160)	(₱ 0.0079)
Diluted earnings loss per share	(₱ 0.0180)	(₱ 0.0160)	(₱ 0.0079)

22. Cost of Sales

	2015	2014	2013
Depletion, depreciation and amortization	₱ **651,881**	₱ 711,914	₱ 741,558
Personnel costs (see Note 25)	**330,746**	361,250	355,674
Utilities	**212,641**	192,003	225,089
Repairs and maintenance	**89,468**	77,600	191,749
Direct costs, consumables and supplies	**87,549**	278,396	302,213
Contractual services	**45,025**	43,262	81,124
Freight and handling charges	**32,741**	39,809	38,865
Production tax	**22,928**	19,633	40,399
Taxes, duties and licenses	**16,482**	18,465	18,611
Outside services	**14,727**	15,689	16,869
Professional fees	**9,172**	4,640	5,812
Insurance expense	**6,699**	15,171	16,934
Provision for inventory losses (see Note 6)	**1,200**	142	1,328
Transportation and travel	**78**	-	-
Others	**7,016**	2,067	2,630
Total	₱ **1,528,353**	₱ 1,780,041	₱2,038,855

23. Cost of Services

	2015	2014	2013
Personnel costs (see Note 25)	₱ **76,380**	₱ 44,596	₱ 56,024
Consumables and supplies	**66,839**	48,008	84,757
Depreciation and amortization	**20,948**	12,850	10,633
Transportation and travel	**9,124**	2,219	469
Utilities	**7,281**	2,502	2,485
Professional fees	**6,234**	3,971	5,835
Repairs and maintenance	**5,451**	1,693	2,546
Taxes, duties and license fees	**2,018**	1,970	1,868
Others	**6,384**	6,751	8,480
	₱ **200,659**	₱ 124,560	₱ 173,097

24. Operating Expenses

	2015	2014	2013
Personnel costs (see Note 25)	₱ **99,907**	₱ 95,190	₱ 91,429
Consumables and supplies	**23,763**	5,816	4,906
Taxes, duties and license fees	**22,899**	7,714	7,356
Outside services	**12,721**	12,244	13,064
Depreciation and amortization	**12,049**	9,703	9,465
Transportation and travel	**10,431**	11,102	10,651
Representation and entertainment	**7,863**	5,415	3,895
Professional fees	**7,583**	5,491	5,235
Rentals	**7,406**	7,557	279
Repairs and maintenance	**6,773**	8,602	2,257
Utilities	**5,416**	6,017	7,983
Settlement expenses	**5,000**	-	-
Bank charges	**4,312**	4,636	4,771
Security and janitorial fees	**4,149**	3,782	3,836
Insurance expense	**2,754**	2,826	1,609
Stockholders' meeting and expenses	**2,343**	-	-
Consultancy and directors' fees	**1,676**	2,404	1,838
Provision for impairment losses on receivables (see Note 5)	**257**	314	261
Others	**11,614**	6,250	9,107
	₱ **248,916**	₱ 195,063	₱ 177,942

25. Personnel Costs

	2015	2014	2013
Cost of sales (see Note 22)	₱ **330,746**	₱ 361,250	₱ 355,674
Cost of services (see Note 23)	**76,380**	44,596	56,024
Operating expenses (see Note 24)	**99,907**	95,190	91,429
	₱ **507,033**	₱ 501,036	₱ 503,127

Details of personnel costs follow:

	2015	2014	2013
Salaries and wages	₱ **414,442**	₱ 408,708	₱ 410,120
Retirement benefits (see Note 16)	**73,205**	60,027	69,006
Others	**19,386**	24,220	23,641
	₱ **507,033**	₱ 492,955	₱ 502,767

26. Supplemental Disclosure to Statements of Cash Flows

Non cash investing activities pertain to additions to property, plant and equipment and AFS financial assets.

Investing Activities

	2015	2014
Increase (decrease) in:		
AFS financial assets	₱ **81,982**	₱ -
Investments in and advances to associates	**(81,982)**	-
Property, plant and equipment	**8,912**	1,518
Liability for mine rehabilitation costs	**(8,912)**	(1,518)

27. Finance Costs

	2015	2014	2013
Interest cost on retirement liability – net (see Note 16)	₱ **82,877**	₱ 55,373	₱ 47,649
Interest expense:			
Trust receipts and export advances (see Note 13)	**21,165**	22,942	18,862
Short-term and Long-term borrowings (see Note 14)	**3,222**	7,628	3,609
Accretion of interest on mine rehabilitation costs (see Note 15)	**2,353**	2,205	2,111
Others	**1,284**	2,808	1,093
	₱ **110,901**	₱ 90,956	₱ 73,324

28. Other Income

	2015	2014	2013
Gain due to retrenchment (see Note 16)	₱ **65,885**	₱ -	₱ -
Gain (loss) on disposals of equity instruments	**5,115**	(2,638)	-
Loss on deemed disposal of Philfire	**(3,688)**	-	-
Gain on disposal of property, plant and equipment – net	**2,699**	32	108
Interest income (see Note 4)	**503**	360	248
Change in estimate of mine rehabilitation cost	**-**	13,916	-
Miscellaneous income (see Note 30)	**849**	4,227	966
	₱ **71,363**	₱ 15,897	₱ 1,322

29. Refining Agreements

The Parent Company entered into RA of gold and silver bullion. Bullion production was sold to Heraeus Limited (Heraeus) in 2006 in accordance with a contract entered into on January 5, 2005. Each shipment of materials under the agreement will consist of no less than twenty (20) kilograms of materials.

At settlement, the prices for all sales are as follows:

- Gold - the London Bullion Market Association PM fixing in US$
- Silver - the London Bullion Market Association fixing in US$

Heraeus shall settle the metal payables initially at ninety-eight percent (98.0%) of the provisional values less smelting and treatment charges while the remaining balance shall be paid after determining the final assayed gold and silver contents of refined materials for each shipment.

On January 1, 2008, the RA was renewed under the same terms. A further renewal was made on October 1, 2013, effective for two years. Heraeus confirmed purchase of gold and silver for the year 2015, also under the same and existing terms, in their letter dated April 1, 2015.

As at December 31, 2015 and 2014, the Group's embedded derivatives on provisionally priced sales are immaterial relative to the consolidated financial statements.

30. Commitments, Agreements, Contingent Liabilities and Other Matters

(a) The Parent Company's BOD approved its execution of an Option and Shareholders' Agreement ("Agreement") with Gold Fields Switzerland Holding AG ("GFS"), a wholly owned subsidiary of Gold Fields Limited, in relation to the development and operation of the Far Southeast Project.

The Agreement grants GFS an option to subscribe to new shares of stock of FSGRI representing a twenty percent (20%) interest in FSGRI within eighteen (18) months from the execution of the Agreement or ten (10) days from the issuance of a Financial or Technical Assistance Agreement (FTAA) over the Project area, whichever comes later. If the option is exercised by GFS, the Parent Company's interest in FSGRI will be reduced from sixty percent (60%) to forty percent (40%).

The Parent Company was paid a non-refundable option fee of US$10 million. The option requires GFS to sole-fund pre-development expenses including exploration and a feasibility study of the Project and contribute US$110 million into FSGRI. GFS must also contribute its proportionate share of the development cost at which point GFS will receive its 20% interest in FSGRI.

Advances from Far Southeast Services Limited to FSGRI are mainly for funding of its ongoing exploration activities. As at December 31, 2015 and 2014, the advances amounted to P5,843,343 and P5,712,516, respectively. These advances will be converted to equity upon Gold Field's exercise of the Option in accordance with the Agreement.

(b) In an agreement entered into with Philippine Associated Smelting & Refining Corporation (PASAR) on April 21, 1983, the Parent Company committed to deliver to PASAR and PASAR committed to take in a minimum quantity of its calcine production from its roaster plant in accordance with the pricing and payment terms defined in the agreement. The agreement is for an indefinite period unless otherwise terminated or cancelled pursuant to agreed terms or by the parties' mutual consent. In 1998, the agreement was suspended for an indefinite period in view of the temporary cessation of the Parent Company's roaster plant operations.

(c) On March 3, 1990, FSGRI entered into a MPSA with the Philippine Government through the DENR and the Parent Company pursuant to Executive Order No. 279. Under the terms of the agreement, FSGRI shall pay the Philippine Government a production share of two percent (2%) on gross mining revenues and ten percent (10%) on net mining revenues payable within thirty (30) days at the end of each financial reporting year and such will commence upon the start of FSGRI's commercial operations.

The initial term of this agreement shall be twenty-five (25) contract years from the effective date, subject to termination as provided in the agreement, renewable for another period of twenty-five (25) years upon such terms and conditions as may be mutually agreed upon by the parties or as may be provided for by law.

In November 2011, the Company filed a letter of intent with the Mine and Geosciences Bureau to convert portions of MPSA No. 01-90-CAR, MPSA No. 151-2000-CAR and APSA No. 096 with an aggregate area of 424.3477 hectares into an FTAA.

On August 13, 2013, the BOD resolved to renew MPSA No. 01-90 that will be expiring in March 2015. FSGRI will join LCMC in its application for the renewal of the MPSA without prejudice to FSGRI's pending application for conversion to FTAA. The assignment documents whereby the two (2) parties exchanged properties, with FSGRI obtaining about 304.08 hectares of the MPSA and the Company getting the balance remain pending with the DENR.

The Parent Company and co-contractor FSGRI (the "Applicants") filed a joint application for the renewal (the "Application") of MPSA 001-90-CAR with the Mines and Geosciences Bureau-Cordillera Administrative Region (MGB-CAR) on June 4, 2014. In a letter dated August 20, 2014, the MGB-CAR informed the applicants that they had substantially complied with the requirements for the renewal of the said MPSA and that the Application will be indorsed to the National Commission on Indigenous Peoples (NCIP) for appropriate action. The Applicants replied that the imposition of new requirements such as the Free and Prior Informed Consent or the endorsement of the Application to the NCIP impairs the contractors' vested rights under the MPSA, the Mining Act (MA) and the Constitution, including, but not limited to, the contractors' right under Section 32 of the MA to a renewal of the MPSA "under the same terms and conditions." Since, despite good faith efforts of the Applicants, the matter had remained unresolved as of mid-February 2015, a month prior to the expiry of the initial term of the MPSA, the Applicants initiated Arbitration proceedings against the Republic of the Philippines, represented by the DENR, pursuant to Sections 12.1 and 12.2 of the MPSA. Pursuant to the Republic Act (Rep. Act) No. 876, Arbitration Act, Rep. Act No. 9285, the Alternative Dispute Resolution (ADR) Act of 2004, and the Special ADR Rules, the applicants filed with the Regional Trial Court a Petition for Interim Measures of Protection whereby their prayed for the issuance of a writ of Preliminary Injunction against the DENR, MGB and the NCIP to be assured of uninterrupted operations during the pendency of the Arbitration.

In December 2015, the Applicants obtained the Arbitral Tribunal's Final Award upholding their position. Specifically, the Final Award confirmed that the Free and Prior Informed Consent and Certification Precondition requirements under the Indigenous Peoples' Rights' Act may not be validly imposed as requirements for the renewal of the MPSA, and the latter should be renewed under the same terms and conditions, without prejudice to changes mutually agreed upon by the parties.

(d) Under a memorandum of agreement entered into on October 18, 1991 by FSGRI and the Parent Company among residents of various barangays of Mankayan, Benguet, the municipal government of Mankayan, the Benguet provincial government, the DENR, FSGRI and the Parent Company (collectively as "Group"), among other things, are mandated to abide by certain commitments to the barangays as contained in the said agreement in return for the continued implementation of the Far Southeast Project. The agreement likewise provides that: (1) the implementation of the project is subject to the conditions imposed or may be imposed by the DENR specifically on certain environmental concerns; and (2) the residents shall not hinder the implementation of the project and shall assist the Group and the DENR in the peaceful solution of conflicts relative to the Group's operations.

In April 1998, the Parent Company entered into a separate memorandum of agreement with the Office of Municipal Mayor and Sangguniang Bayan of Mankayan, DENR and MGB. Under the agreement, the Company is mandated to establish and maintain a Monitoring Trust Fund and MRF amounting to ₱50 and ₱5,000, respectively. The funds are to be used for physical and social rehabilitation, reforestation and restoration of areas and communities affected by mining activities and for pollution control, slope stabilization and integrated community development. The rehabilitation fund to be maintained by the Parent Company in a mutually acceptable bank, subject to annual review of MRF committee, is payable in four (4) equal quarterly payments of ₱1,250 up to March 1999. As at December 31, 2015 and 2014, the rehabilitation fund of ₱5,000, which does not meet the features provided under Philippine Interpretation IFRIC 5, is presented under "Other noncurrent assets" account in the consolidated statements of financial position.

(e) The Parent Company is either a defendant or co-defendant in certain civil and administrative cases which are now pending before the courts and other governmental bodies. In the opinion of management and the Parent Company's legal counsel, any adverse decision on these cases would not materially affect the Parent Company's financial position as at December 31, 2015 and 2014, and results of operations for the years ended December 31, 2015, 2014 and 2013.

(f) The Parent Company filed a petition with the Panel of Arbitrators of the MGB-Cordillera Autonomous Region (CAR), Baguio City for the cancellation of the mining claims of the Gaffneys after discovering that the Gaffneys' 6 patentable mining claims were floating claims in violation of Section (Sec.) 28 of the Philippine Bill of 1902, hence void ab initio. However, the Panel of Arbitrators, relying on a 1991 decision of the 1st Division of the Supreme Court (SC) ("Poe Mining Association vs. Garcia", 202 SCRA 222) which has already been discarded and overruled by the SC En Banc in the 1997 case "Itogon-Suyoc Mines, Inc. vs. DENR Secretary, et al." (which states that "the requirement that a mining claim must have valid tie points, i.e., must be described with reference to a permanent object, cannot be dispensed with and non- compliance therewith renders the mining claims null and void) erroneously sustained the validity of the mining claims of the Gaffneys. The Panel further entertained the monetary counterclaim of the Gaffneys and awarded them damages notwithstanding that it has no jurisdiction whatsoever over money claims. This is clear in Sec. 77 of the Philippine Mining Act and in the case of "Jorge Gonzales and the Panel of Arbitrators vs. Climax Arimco Mining Corp., et al.", G.R. No. 161957, where the SC, reiterating its ruling in "Philex Mining Corp. vs. Zaldivia", 150 PHIL 547 (1972), stated that contractual violations such as fraud, misrepresentation, non- payment of royalties, compensation, validity of contracts and the like, are judicial questions that only the courts, not the Panel of Arbitrators, could hear and decide. The Parent Company appealed this ruling to the Mines Adjudication Board which affirmed the decision of the Panel of Arbitrators in June 2011 but ordered the MGB Central Offices to review and determine the reasonable amount of monetary awards to which the Gaffneys are entitled. Both parties filed motions for reconsideration. Acting on the said motions, the MAB affirmed its decision in respect of the validity of the mining claims, but reversed itself on the monetary awards, stating that monetary claims can only be determined through a competent court. Both parties appealed, the Parent Company in respect of the validity of the Gaffneys' mining claims and the Gaffneys in respect of the jurisdiction of the Panel of Arbitrators over their monetary claims. The Gaffneys' appeal was dismissed by the Court of Appeals and they have filed a motion for reconsideration. The Parent Company's appeal is still pending with the said court.

(g) The Parent Company leases lands where its roasting plant and central warehouse is constructed. Lease agreement for the roasting plant, which expired in April 2010, was extended to another term of six years while the other lease agreement covering the Parent Company's warehouse will extend until February 2018. Rent expense recognized relating to the said agreements aggregated to ₱3,243, ₱3,101 and ₱2,972 in 2015, 2014 and 2013, respectively.

The minimum annual lease payments subsequent to reporting dates follow:

	2015	2014
Less than one (1) year	**₱ 2,666**	₱ 5,242
More than one (1) year but less than five (5) years	**2,999**	1,782
Total	**₱ 5,665**	₱ 7,024

The Parent Company leases out some of its properties which include land, a warehouse, guesthouses and other facilities to various entities. Rental income for 2015, 2014 and 2013 amounted to ₱6,210, ₱4,023 and ₱4,285, respectively. Lease term of the rent agreements are valid for one year and are renewable at the discretion of the contracting parties.

(h) As at December 31, 2015 and 2014, the Parent Company has no unused credit lines with various banks. These facilities can be availed of through short-term loans, opening of import letters of credit and outright purchase of negotiable bills.

i) In an execution sale held on December 12, 2001, DDCP acquired a forty percent (40%) interest in the Guinaoang Project of Crescent Mining and Development Corporation (Crescent) which is covered by MPSA No. 057-096-CAR. The execution sale was done in connection with the case filed by DDCP before the RTC-Makati City against Pacific Falcon Resources Corporation (Pacific Falcon) for the payment of drilling services rendered at the Guinaoang Project amounting to US$307,186.60. Per records of the MGB and the Joint Venture Agreement between Crescent and Pacific Falcon (formerly known as Trans Asian Resources Ltd.), Pacific Falcon has a 40% interest in the subject MPSA. DDCP had the pertinent certificate of sale registered with the MGB and requested the MGB for approval of the transfer to DDCP of Pacific Falcon's 40% interest in MPSA No. 057-096-CAR. The MGB having refused to effect such transfer, DDCP filed a motion with the RTC of Makati praying that an Order be issued directing the MGB and the DENR to amend the MPSA of Crescent to reflect DDCP's 40% interest therein, which the RTC granted, subject to the pertinent provisions of mining law and its IRR. The DENR filed a petition for review of the said Order with the Court of Appeals but the same was dismissed for lack of merit. On the other hand, Crescent filed a Petition for Review with the Court of Appeals, claiming that the Decision of the RTC dated 23 April 2001 could no longer be executed because it was barred by prescription. The CA granted the petition. DDCP elevated the matter to the Supreme Court where it is pending resolution.

(j) SEC Transitional Relief in PAS 39

The SEC, in its Notice (the Notice) dated November 30, 2006 pursuant to Resolution No. 493, provided transitional relief allowing certain commodity derivative contracts of mining companies be "grandfathered" and exempted from the fair value requirement of PAS 39.

The said exemption will apply only if the following requirements are met:

1. Commodity derivative contracts entered into and effective prior to January 1, 2005;
2. Commodity derivative contracts with original maturity of more than 1 year; and
3. Commodity derivative contracts that would have qualified under PAS 39 hedge accounting rules had these been applied at inception of such contracts.

The Parent Company notified SEC that it is availing of the exemption from compliance with PAS 39 pursuant to the Notice on its letter to SEC dated December 19, 2006. Had the Parent Company qualified and was not exempted from PAS 39, retained earnings will be reduced and liabilities will be increased as at January 1, 2005 by ₱1,280,000.

(k) Reclassification adjustment

1. The Parent Company and its subsidiary, SI, has restated its previous year financial statements to close out the revaluation increment in land account with the balance amounting to ₱511,504, to retained earnings. The revaluation increment pertains to the remaining balance of the deemed cost adjustment on land which arose when the Group transitioned to PFRS in 2005.

   As at December 31, 2015 and 2014, the balance of retained earnings which will not be available for dividend distribution, includes the remaining balance of the deemed cost adjustment amounting to ₱511,504.

2. The consolidated financial statements reflected the proper accounting for the Group's revaluation increment in land.

3. As of December 31, 2015 and 2014, total cash investments received by FSGRI from its stockholders amounted to ₱173,000. This amount represents deposits for future stock subscriptions.

The deposits for future stock subscription is presented as a noncurrent liability in the 2015 and 2014 financial statements since the fixed number of shares corresponding to the amount ₱173,000 has not yet been determined to date.

(l) EO No. 79

On July 12, 2012, EO No. 79 was released to lay out the framework for the implementation of mining reforms in the Philippines. The policy highlights several issues that includes area of coverage of mining, small-scale mining, creation of a council, transpare cy and accountability and reconciling the roles of the national government and local government units. Management believes that EO 79 has no major impact on its current operations since the mine is covered by an existing Mineral Production Sharing Agreement (MPSA) with the government. Section 1 of EO No. 79, provides that mining contracts approved before the effectivity of the EO shall continue to be valid, binding, and enforceable so long as they strictly comply with existing laws, rules and regulations and the terms and conditions of their grant. The EO could, however, delay the processing of the Company's Application for Production Sharing Agreements (APSAs) given the provision of the EO on the moratorium on the granting of new mineral agreements by the government until a legislation rationalizing existing revenue sharing schemes and mechanisms shall have taken effect.

On March 7, 2013, the Mines and Geosciences Bureau (MGB) has recommended with the Department of Environment and Natural Resources (DENR) the lifting of DENR Memorandum Order No. 2011-01 on the suspension of acceptance of all types of mining applications. Effective March 18, 2013, MGB has started accepting mining applications for Exploration Permits (Eps) and Financial or Technical. Assistance Agreement (FTAA) pursuant to DENR Administrative Order (DAO) No. 2013-11.

31. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents and interest-bearing borrowings. The main purpose of the Group's financial instruments is to fund the Group's operations. The Group has other financial instruments such as receivables, AFS financial assets and trade and other payables, which arise directly from operations. The main risks arising from the use of financial instruments are credit risk, foreign exchange risk, interest rate risk, equity price risk, commodity price risk and liquidity risk.

The Group's BOD reviews and approves the policies for managing each of these risks and they are summarized below.

Credit Risk

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

All gold exports when priced are practically settled on cash basis. Parent Company's existing contracts with gold refineries allow for advances of ninety-eight percent (98%) of payable metals paid in two (2) working days from pricing. Full settlement is normally received within three (3) working days. For copper concentrates, Parent Company's existing contracts with smelters allow for advances of ninety percent (90%) of payable metals paid within two (2) to five (5) working days from pricing. Full settlement, however, takes three (3) to six (6) months.

The Parent Company enters into marketing contracts only with refineries and smelters of established international repute. Since the Parent Company became a primary gold and copper concentrates producer, it has entered into exclusive marketing contracts with Heraeus for gold.

The Group has a significant concentration of credit risk in relation to its trade receivables from Hereaus. Such risk is managed by securing the specific approval of the BOD before entering into contracts with refineries and by assessing the creditworthiness of such refineries.

The credit risk arising from these financial assets arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments. The Group's gross maximum exposure to credit risk is equivalent to the carrying values since there are no collateral agreements for these financial assets.

The table below shows the maximum exposure to credit risk without consideration to collaterals or other credit enhancements for the components of the consolidated statements of financial position as at December 31, 2015 and 2014.

	2015	2014
Cash in banks (Note 4)	**₱ 65,146**	₱383,663
Trade receivables	**64,500**	48,490
AFS financial assets (Note 10)		
Quoted instruments	**346,471**	139,854
Unquoted instruments	**130,684**	48,304
Total credit risk exposure	**₱ 606,801**	₱620,311

Aging analysis of the Group's financial assets as at December 31, 2015 and 2014 are summarized below:

2015	**Neither Past Due Nor Impaired**	**Past Due But Not Impaired (30-180 days)**	**Past Due and Individually Impaired**	**Total**
Cash and cash equivalents				
Cash on hand	**₱ 1,241**	**₱ -**	**₱ -**	**₱ 1,241**
Cash in banks	**65,146**	**-**	**-**	**65,146**
Trade receivables	**61,162**	**3,338**	**10,394**	**74,894**
AFS financial assets				
Quoted	**346,471**	**-**	**-**	**346,471**
Unquoted	**130,684**	**-**	**-**	**130,684**
Total	**₱ 604,704**	**₱ 3,338**	**₱ 10,394**	**₱ 618,436**

2014	Neither Past Due Nor Impaired	Past Due But Not Impaired (30-180 days)	Past Due and Individually Impaired	Total
Cash and cash equivalents				
Cash on hand	₱ 1,619	₱ -	₱ -	₱ 1,619
Cash in banks	383,663	-	-	383,663
Trade receivables	38,917	9,160		48,077
AFS financial assets				
Quoted	139,854	-	-	139,854
Unquoted	48,304	-	-	48,304
Total	₱ 612,357	₱ 9,160	₱ -	₱ 621,517

Accordingly, the Group has assessed the credit quality of the following financial assets that are neither past due nor impaired:

- Cash in banks and short-term investments are assessed as high-grade since the related amounts are deposited with the country's reputable banks duly approved by BOD.
- Trade receivables, which pertain mainly to receivables from sale of ore, are assessed as high-grade. These are assessed based on past collection experience of full settlement within three days after invoice date with no history of default.
- Quoted equity shares are assessed as substandard grade due to the low performance of shares in the local stock market.
- Unquoted equity instruments are assessed as high grade as this pertain to the lone copper smelter in the country that operates in an industry which has a potential growth.

The above high grade credit quality financial assets pertain to financial assets with insignificant risk of default based on historical experience. Substandard grade credit quality financial assets pertain to financial assets with more than insignificant risk of default based on historical experience and/or counterparty credit standing.

Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchange rates, interest rates, equity prices and other market changes.

Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its consolidated financial statements and consolidated statements of cash flows. The Group follows a policy to manage its currency risk by closely monitoring its cash flow position and by providing forecast on all other exposures in non-Philippine peso currencies.

The Group sells its product to the interstates national market. All metal sales are denominated in US$. Dollar conversion of metal sales to Philippine peso is based on the prevailing exchange rate at the time of sale. The Group also has purchase transactions denominated in Australian dollar (AU$).

The Group's US$ and AU$ denominated monetary assets and liabilities as at December 31, 2015 and 2014 follow:

	2015		2014	
	Original Currency	**Peso Equivalent**	Original Currency	Peso Equivalent
Assets				
Cash	**US$796**	**₱ 37,460**	US$590	₱ 26,383
Trade receivables	**US$1,185**	**55,766**	US$949	42,451
	US$1,981	**₱ 93,226**	US$1,539	₱ 68,834
Liabilities				
Trade payables and accrued expenses	**US$8,276**	**₱ 389,469**	US$10,589	₱ 473,337
	AU$371	**12,726**	AU$244	8,827
Borrowings	**US$1,000**	**₱ 47,060**	US$1,500	₱ 67,080
	US$9,276	**436,529**	US$12,089	540,417
	AU$371	**12,726**	AU$244	8,827
Net liabilities in US$	**(US$7,295)**	**(₱ 343,303)**	(US$10,550)	(₱ 471,583)
Net liabilities in AU$	**(AU$371)**	**(₱ 12,726)**	(AU$244)	₱ 8,827

As at December 31, 2015 and 2014, the exchange rate of the Philippine peso to the US$ is ₱47.06 and ₱44.72, respectively to US$1.00 while the exchange rate of the Philippine peso to the AU$ is ₱34.27 and ₱36.21, respectively, to AU$1.

The sensitivity to a reasonably possible change in the US$ and AU$ exchange rate, with all other variables held constant, of the Group's income before income tax as of December 31, 2015 and 2014 is as follows:

2015	**Change in foreign exchange rate**	**Sensitivity of pretax income**
US$	**Strengthens by ₱0.23**	**₱ 1,678**
	Weakens by ₱0.55	**4,012**
AU$	**Strengthens by ₱0.99**	**₱ 368**
	Weakens by ₱0.82	**305**

2014	Change in foreign exchange rate	Sensitivity of pretax income
US$	Strengthens by ₱0.40	₱ 4,220
	Weakens by ₱0.40	4,220
AU$	Strengthens by ₱0.39	₱ 60
	Weakens by ₱0.87	133

There is no other impact on the Group's equity other than those already affecting the consolidated profit or loss.

Interest Rate Risk
The Group's exposure to the risk for changes in market interest rate relates primarily to its long-term borrowings with floating interest rates. The Group regularly monitors its exposure to interest rates movements. Management believes that cash generated from operations is sufficient to pay for its obligations under the loan agreements as they fall due.

Nominal interest rates vary from floating rate of 3 month LIBOR plus fixed margin of 1% and Dollar prime plus margin of three percent (3%) for US$ denominated long-term borrowings and one (1)-month PDST-F rate plus 3% minimum spread on peso denominated long-term borrowings. Based on the historical movement of the interest rates, management believes that the reasonably possible change for the next (12) months would result to an increase (decrease) of 100 basis points for 2015 and 2014. There is no other impact on the Group's equity other than those already affecting the consolidated profit or loss.

Since the amount of long-term borrowings subject to interest rate risk is immaterial relative to the consolidated financial statements, management opted not to disclose the interest rate risk sensitivity analysis for 2015 and 2014.

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

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

Based on the historical movement of the stock exchange index, management's assessment of reasonable possible change was determined to be an increase (decrease) of 15.29% in 2015 and 2.18% in 2014, resulting to a possible effect in the equity of increase (decrease) of ₱35,642 in 2015 and an increase (decrease) of ₱1,703 in 2014.

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

The Group's policy is to maintain the risk to an acceptable level. Movement in metal price is monitored regularly to determine the impact on its consolidated statements of financial position.

Since the amount of financial assets and liabilities subject to commodity price risk is immaterial relative to the consolidated financial statements, management opted not to disclose commodity price risk sensitivity analysis for 2015 and 2014.

Liquidity Risk
Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet maturing obligations from financial instruments or that a market for derivatives may not exist in some circumstances.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of advances from related parties. The Group considers its available funds and its liquidity in managing its long-term financial requirements. For its short-term funding, the Group's policy is to ensure that there are sufficient capital inflows to match repayments of short-term debt. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fund raising activities may include bank loans and capital market issues. Accordingly, its loan maturity profile is regularly reviewed to ensure availability of funding through an adequate amount of credit facilities with financial institutions.

The table below summarizes the maturity analysis of the Company's financial assets as at December 31, 2015 and 2014 that are used to manage the liquidity risk of the Company:

2015	**On demand**	**Less than 3 months**	**3 to 6 months**	**6 to 12 months**	**1 to 2 Years**	**More than 2 years**	**Total**
Cash in banks	**₱ 65,146**	**₱ -**	**₱ -**	**₱ -**	**₱ -**	**₱ -**	**₱ 65,146**
Trade receivables	**55,773**	**-**	**19,121**	**-**	**-**	**-**	**74,894**
Total	**₱ 120,919**	**₱ -**	**₱ 19,121**	**₱ -**	**₱ -**	**₱ -**	**₱ 140,040**

2014	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 Years	More than 2 years	Total
Cash in banks	₱ 383,633	₱ -	₱ -	₱ -	₱ -	₱ -	₱ 383,633
Trade receivables	38,917	7,654	1,506	-	-	-	48,077
Total	₱ 422,550	₱ 7,654	₱ 1,506	₱ -	₱ -	₱ -	₱ 431,710

The table below summarizes the maturity profile of the Group's financial liabilities as at December 31, 2015 and 2014 based on contractual undiscounted payments. Long-term debt consists of principal and future interest payments.

2015	**On demand**	**Less than 3 months**	**3 to 6 months**	**6 to 12 months**	**1 to 2 Years**	**More than 2 years**	**Total**
Trade and other payables	**₱ 920,893**	**₱ 293,201**	**₱ 126,092**	**₱ 5,485**	**₱ 499**	**₱ 39,063**	**₱ 1,385,233**
Borrowings	**-**	**-**	**-**	**-**	**43,522**	**-**	**43,522**
	₱ 920,893	**₱ 293,201**	**₱ 126,092**	**₱ 5,485**	**₱ 44,021**	**₱ 39,063**	**₱ 1,428,755**

2014	On demand	Less than 3 months	3 to 6 months	6 to 12 months	1 to 2 Years	More than 2 years	Total
Trade and other payables	₱ 512,207	₱ 480,216	₱ 172,169	₱ -	₱ -	₱ -	₱ 1,164,592
Borrowings	-	98,265	9,369	7,535	49,192	-	164,361
	₱ 512,207	₱ 578,481	₱ 181,538	₱ 7,535	₱ 49,192	₱ -	₱ 1,328,953

Fair Values

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.

Cash and Cash Equivalents, Trade Receivables and Trade and Other Payables

The carrying amounts of cash and cash equivalents, receivables and trade and other payables, which are all subject to normal trade credit terms and are short-term in nature, approximate their fair values.

AFS Financial Assets

Fair values of investments are estimated by reference to their quoted market price at the end of the reporting period. Unquoted equity securities are carried at cost, net of impairment in value, since fair value of these AFS securities cannot be reliably determined as these securities are not listed and have no available bid price.

Loans Payable and Borrowings

The outstanding short-term borrowings and long-term borrowings as at December 31, 2015 and 2014 bear floating rates that are repriced monthly and quarterly.

The fair value of the interest bearing long-term debt in 2015 and 2014 is based on the discounted value of future cash flows using the applicable rates for the similar types of loans. For floating rate long-term borrowings which are repriced quarterly, the fair value is determined by discounting the principal amount plus the next interest payment using the prevailing market rate for the period up to the next repricing date.

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 December 31 of each year:

	Carrying Values		Fair Values	
	2015	2014	**2015**	2014
Other Financial Liability				
Long-term debt	**₱ 47,060**	₱ 156,330	**₱ 43,522**	₱ 164,361

Cash, Receivables and Trade and Other Payables

The carrying amounts of cash, short-term investments, trade receivables and trade and other payables approximate their fair values due to the short-term nature of these financial instruments accounts.

AFS Financial Assets
The fair value of quoted equity instrument is determined by reference to market bid quotes at the end of the reporting period. For unquoted equity securities for which no reliable basis of fair value measurement is available, these are carried at cost, less any impairment losses.

Long-term Borrowings
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.

The Company uses the following hierarchy for determining and disclosing the fair value by valuation technique:

- Quoted prices in active markets for identical asset or liability (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those inputs for asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The fair value hierarchy of the financial assets and liabilities as at December 31 of each year is presented as follows:

2015	**Level 1**	**Level 2**	**Level 3**	**Total**
AFS financial asset	**₱ 346,471**	**₱ -**	**₱ 130,684**	**₱ 477,155**
Long-term debt	**-**		**(43,522)**	**(43,522)**
	₱ 346,471	**₱ -**	**₱ 87,162**	**₱ 433,633**

2014	Level 1	Level 2	Level 3	Total
AFS financial asset	₱ 139,854	₱ -	₱ 48,304	₱ 188,158
Long-term debt	-		(164,361)	(164,361)
	₱ 139,854	₱ -	(₱ 116,057)	₱ 23,797

There were no transfers between levels of fair value measurement as at December 31, 2015 and 2014.

32. Capital Management

The primary objective of the Group's capital management is to ensure that the Group maintains positive cash balance in order to support their businesses, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may obtain additional advances from stockholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended December 31, 2015 and 2014. The Group monitors capital using the consolidated financial statements.

As at December 31, 2015 and 2014, the Group's capital, which is composed of common shares and additional paid-in capital, amounted to ₱9,470,937 and ₱8,856,492, respectively.

33. Segment Information

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group derives revenue from the following main operating business segments:

Mining Activities
This segment engages in exploration and mining of gold, silver, copper, lead, zinc and all kinds of ores, metals, minerals, oil, gas and coaland their related by-products.

Service
This segment derives its income from drilling, hauling and sawmilling services to its related and outside parties.

Others
This segment is engaged in the trading, manufacturing, investing and insurance broker activities of the Group.

Transfer prices between business segments are set on an arm's-length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment result include transfers between business segments. Those transfers are eliminated in consolidation.

The Group operates and generates revenue principally in the Philippines. Thus, geographical segmentation is not required.

The following tables present certain information regarding the Group's operating business segments:

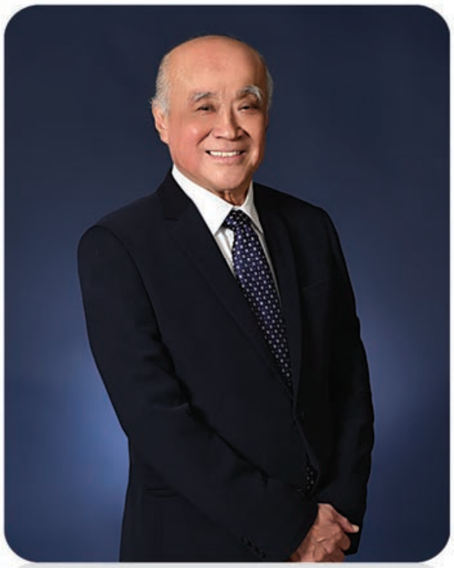
2015	**Mining**	**Service**	**Others**	**Elimination**	**Total**
Revenue from external cutomers:					
Sale of metals	**₱ 1,149,630**	**₱ -**	**₱ -**	**₱ -**	**₱ 1,149,630**
Others	**6,210**	**42,432**	**17,844**	**-**	**66,486**
Inter-segment revenue	**-**	**235,284**	**12,715**	**(247,999)**	**-**
Segment revenue	**1,155,840**	**277,716**	**30,559**	**(247,999)**	**1,216,116**
Cost and opearing expenses	**(1,879,166)**	**(64,599)**	**(34,163)**	**-**	**(1,977,928)**
Inter-segment expenses	**(55,368)**	**(193,508)**	**(2,984)**	**251,860**	**-**
Share in operating results of associates	**-**	**-**	**-**	**20,579**	**(20,579)**
Income (loss) before income tax	**(778,694)**	**19,609**	**(6,588)**	**(16,718)**	**(782,391)**
Finance cost, net of other income	**(56,733)**	**(3,052)**	**830**	**-**	**(58,955)**
Inter-segment expenses	**5,806**	**297**	**58,403**	**(64,506)**	**-**
Provision for income tax	**(12,163)**	**(5,623)**	**(244)**	**-**	**(18,030)**
Inter-segment provision for income tax	**-**	**-**	**(18,763)**	**18,763**	**-**
Net income (loss)	**(₱ 841,784)**	**₱ 11,231**	**₱ 33,638**	**(₱ 62,461)**	**(₱ 859,376)**

	Mining	**Service**	**Others**	**Elimination**	**Total**
Segment assets	**₱ 16,440,319**	**₱ 619,266**	**₱ 720,854**	**(₱786,548)**	**₱ 16,993,891**
Investment and advances to associate	**960,062**	**-**	**110,499**	**(503,730)**	**566,831**
Segment liabilities	**(9,115,992)**	**(512,672)**	**(252,832)**	**314,396**	**(9,567,100)**
Depreciation	**684,929**	**17,620**	**6,192**	**-**	**708,741**
Capital expenditures:					
Tangible fixed assets	**6,069,296**	**98,551**	**23,537**	**54,819**	**6,246,203**
Intangible assets	**325,005**	**-**	**403,287**	**-**	**728,292**
Cash flows arising from (used in):					
Operating activities	**(91,221)**	**42,274**	**7,587**	**98,982**	**57,622**
Investing activities	**(803,508)**	**(73,237)**	**(7,117)**	**(23,710)**	**(907,572)**
Financing activities	**576,301**	**37,500**	**200**	**(82,946)**	**531,055**

2014	Mining	Service	Others	Elimination	Total
Revenue from external cutomers:					
Sale of metals	₱ 1,431,487	₱ -	₱ -	₱ -	₱ 1,431,487
Others	4,216	30,649	15,939	-	50,804
Inter-segment revenue	-	120,919	16,071	(136,990)	-
Segment revenue	1,435,703	151,568	32,010	(136,990)	1,482,291
Cost and opearing expenses	(2,017,604)	(139,140)	(33,899)	90,979	(2,099,664)
Intersegment expenses	-	(120,919)	(16,071)	136,990	-
Share in operating results of associates	-	-	-	(13,481)	(13,481)
Income (loss) before income tax	(581,901)	(108,491)	(17,960)	77,498	(630,854)
Finance cost, net of other income	(54,863)	(746)	(2,907)	-	(58,516)
Provision for income tax	(19,124)	(4,390)	(402)	-	(23,916)
Net income (loss)	(₱ 655,888)	(₱ 113,627)	(₱ 21,269)	₱ 77,498	(₱ 713,286)

	Mining	Service	Others	Elimination	Total
Segment assets	₱ 16,387,392	₱ 592,386	₱ 669,752	(₱710,432)	16,909,098
Investment and advances to associate	-	-	-	683,665	₱ 683,665
Segment liabilities	(9,116,894)	(532,087)	(235,008)	365,322	(9,518,667)
Depreciation	715,393	10,738	8,336	-	734,467
Capital expenditures:					
Tangible fixed assets	6,298,515	42,573	10,327	54,819	6,406,234
Intangible assets	324,941		403,287	-	728,228
Cash flows arising from (used in):					
Operating activities	57,527	11,712	2,207	47,177	114,209
Investing activities	(837,253)	(1,024)	(26,308)	37,599	(902,184)
Financing activities	1,081,444	-	25,706	(21,947)	1,085,203

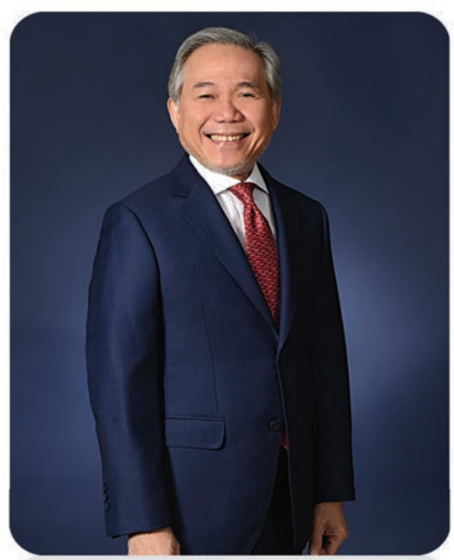
BOARD OF DIRECTORS



FELIPE U. YAP
Chairman and Chief Executive Officer
Chairman and CEO, Manila Mining Corporation and Far Southeast Gold Resources, Inc.; Chairman of the Board, Prime Orion Philippines, Inc. and Zeus Holdings, Inc.; Director, Cyber Bay Corporation and PASAR

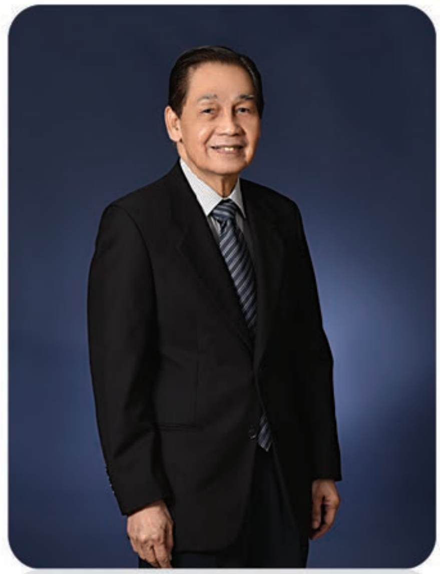
BRYAN U. YAP
President and Chief Operating Officer
President, Manila Mining Corporation; Director, Far Southeast Gold Resources, Inc.

ROBERTO JUANCHITO T. DISPO
Director
Chairman, First Metro Securities Brokerage Corp; Vice Chairman, First Metro Asset Management, Inc., Member of the Advisory Board, Metrobank

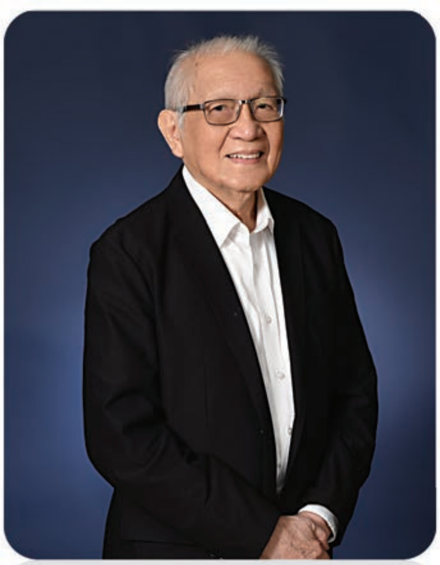


RAY C. ESPINOSA
Director
Director, PLDT; MERALCO; Metro Pacific Investments Corporation; ABC-5; Director and Vice Chairman, Philweb Corporation

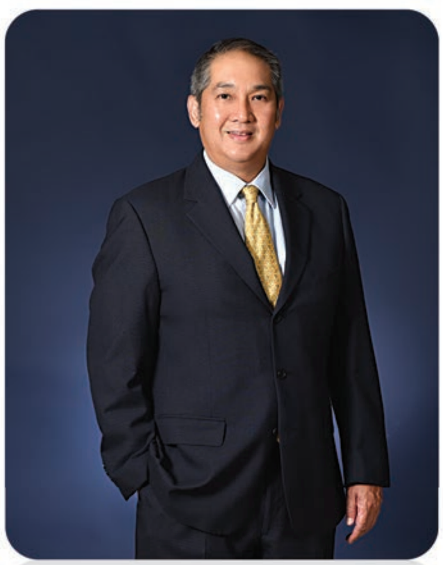
MARILYN V. AQUINO
Director
Director, Philex Mining Corporation



JOSE G. CERVANTES
Director
Director, Zeus Holdings, Inc.



ETHELWOLDO E. FERNANDEZ
Director and Corporate Secretary
Director and Corporate Secretary, Manila Mining Corporation; Senior Vice President and Corporate Secretary, Oriental Petroleum and Minerals Corporation



VAL ANTONIO B. SUAREZ
Director
Director, Filinvest Land, Inc. and Filinvest Development Corporation

CRESENCIO C. YAP
Director

CORPORATE OFFICERS and OPERATING STAFF

CORPORATE OFFICERS

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Chairman of the Board
and Chief Executive Officer

BRYAN U. YAP
President and
Chief Operating Officer

RAMON T. DIOKNO
Chief Finance Officer

MA. LOURDES B. TUASON
Vice President and Treasurer

ETHELWOLDO E. FERNANDEZ
Corporate Secretary

RENE F. CHANYUNGCO
Vice President
Logistics and Marketing

ODETTE A. JAVIER
Vice President
Assistant Corporate Secretary
and Chief Information Officer

MARIO L. LAVENTE
Vice President - Controller

ABIGAIL Y. ANG
Vice President
Planning and Technology

PABLO T. AYSON, JR.
Vice President
Mining Claims

THOMAS S. CONSOLACION
Vice President and
Resident Manager

KNESTOR JOSE Y. GODINO
Vice President
Human Resource and
Administration

CHERRY H. TAN
Assistant Vice President
Purchasing

OPERATING STAFF
MAKATI HEAD OFFICE

TEOFILO C. SACPA
Chief Accountant

RANNEN P. DARROCA
Department Manager
Internal Audit

VLADIMIR B. BUMATAY
Department Manager
Legal Services

BADR E. SALENDAB
Legal Officer

VINCENT BARRY A. LAGURA
Legal Officer

LEAH ANDREA A. AMUTAN
Asst. Department Manager
Human Resource and
Administration

EMMANUEL G. LARA
Co-Pilot
Aviation

LEPANTO MINE DIVISION

THOMAS S. CONSOLACION
Vice President and
Resident Manager

EDDIE S. BORROMEO
Group Manager
Technical Services and
Technical Assistant to the RM

ROLANDO C. OCUMEN
Group Manager
Mine Operations

LEONARDO A. SUBANG
Group Manager
Exploration Geology

RUBEN H. QUITORIANO
Group Manager
Geology & Mine Engineering

DOMINICO C. PASTORIZA, JR.
Officer-in-Charge
Mill Operations

CHARISMA S. PASCUA
Group Manager
Finance Services

DANIEL R. JAVIER
Department Manager
Civil Engineering Services

EDGARDO R. MALACA
Chief Mine Geologist
Geology & Mine Engineering

MERVIN C. DELOS SANTOS
Chief Exploration Geologist
Exploration

ARTEMIO S. ANONGOS
General Mine Superintendent
Mine Production and Dev't

ROLAND F. BASTIAN
Superintendent
General Mine Services

ROLANDO C. REYES
Department Manager
Environment & Social Dev't

ROLANDO D. URSUA
Department Manager
Human Resource

OMAR R. EVANGELISTA
Department Manager
Legal and Security

ZERUBABEL D. PATEÑA
Department Manager
Physician – Surgeon
Medical Services

MARIA CARMEN A. ARIGUE
Department Manager
Safety & Loss Control

DANILLE VINCENT P. UBAL
Superintendent
Mill Production

GERALD T. CAJIGAN
Mine Superintendent
Mine Operations

MAMERTO A. TIBIG
Chief Planning & Design Engr.
Project Engineering

WENNIER K. BOAGING
Maintenance Superintendent
Mill Maintenance

DAMIAN P. CAMTUGAN
Asst. Superintendent
General Mine Services

RYAN C. GATCHALIAN
Asst. Superintendent
Mine Production and Dev't

MARLO LYNBERT I. BATALANG
Asst. Superintendent
Mine Production & Dev't

ULYSSES M. ESTIBAR
Asst. Superintendent
Mine Production & Dev't

RONALDO R. COSALAN
Assistant Superintendent
Mine Mechanical & Electrical

NEIL MARCEL F. PAQUITO
Chief Electrical Engineer
Mine Mechanical & Electrical

ROLANDO E. VENTURA
Chief Electrical Engineer
Technical & Maintenance
Services

ALEXANDER R. FLORES
Assistant Superintendent
Mine Mechanical & Electrical

VIMAJUNEH M. CAMPOS
Department Manager
Inventory Management

ISAGANI R. BUADA
Asst. Mine Superintendent
Mine Operations

RON B. RAQUINTAN
Asst. IOS Superintendent
Security Services

JAIME F. CABRERA, JR.
Asst. Security Superintendent
Security Services

JASON T. CAPIA-AO
Chief Mining Engineer
Mine Engineering

LUCIANO S. ESGUERRA, JR.
Surface Mechanical Head
Technical & Maintenance
Services

MYRA G. ILLUSTRE
Chief Chemist
Assay

RONALD A. SADANG
Physician – Anesthesiologist
Medical Services

AARON M. MAGHINANG
Physician – Surgeon
Medical Services

MARTINA M. CAMTUGAN
Dentist
Medical Services

KARIZZA CLAIRE E. GALANG
Physician – OB & GYNE
Medical Services

JOANN A. GATCHALIAN
Public Information Officer
Environment & Social Dev't

LEPANTO ROASTER DIVISION

RANDOLPH G. RIVERA
Officer-in-Charge

SUBSIDIARIES

DIAMANT MANUFACTURING &TRADING CORPORATION

BRYAN U. YAP
President

OFELIA L. SANTIAGO
General Manager

DIAMOND DRILLING CORPORATION OF THE PHILIPPINES

BRYAN U. YAP
President

BERNARDO J. ARELLANO JR.
General Manager

FAR SOUTHEAST GOLD RESOURCES, INC.

FELIPE U. YAP
Chairman of the Board

LEPANTO INVESTMENT AND DEVELOPMENT CORPORATION

BRYAN U. YAP
President

SHIPSIDE, INCORPORATED

BRYAN U. YAP
President

LORENZO D. BALBIN, JR.
Vice President and
General Manager

Directory

EXECUTIVE OFFICES

21st Floor Lepanto Building
8747 Paseo de Roxas, 1226 City of Makati
Tel. No. 815-9447

ADDRESSES

MAILING

Domestic Surface Mail
P.O. Box 1460
Makati Central Post Office
1254 City of Makati

Domestic and Foreign Air Mail
P.O. Box 7507
Domestic Airport Post Office
1300 Domestic Road, Pasay City
Philippines

FAX

63 (2) 812-0451
63 (2) 810-5583

E-MAIL ADDRESS
inquiry@lepantomining.com

WEBSITE
http://www.lepantomining.com

TRANSFER AGENT

Stock Transfer Service, Inc.
34/F Unit D., Rufino Pacific Tower
6784 Ayala Avenue, City of Makati

AUDITORS

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

GENERAL COUNSELS

Abello Concepcion Regala & Cruz Law Offices
22/F ACCRALAW TOWER
Second Avenue corner 30th Street,
Crescent Park West
Bonifacio Global City, 0399 Taguig

Andres Padernal & Paras Law Offices
8th Floor, Sagittarius Office Condominium
111 H.V. Dela Costa St., Salcedo Village
Makati City

Romulo Mabanta Buenaventura Sayoc & Delos Angeles
30th Floor, Citibank Tower
8741 Paseo de Roxas, Makati City

SyCip Salazar Hernandez & Gatmaitan Law Offices
4th Floor, SyCip Law All-Asia Center
Paseo de Roxas, Makati City

BANKERS

Bank of the Philippine Islands
Ormoc City Branch, Leyte
NRA – Reclamation Area Branch, Cebu City

Banco de Oro
Valero Branch & Paseo Tower – Makati Branch
City of Makati

Bank of Commerce
Zuellig Bldg. – Makati Branch, City of Makati

China Banking Corporation
Makati Head Office Branch, City of Makati

Rizal Commercial Banking Corporation
Paseo de Roxas Branch, City of Makati

Land Bank of the Philippines
Buendia Branch, City of Makati
Abatan Branch, Buguias, Benguet

Maybank Philippines, Inc.
Legaspi Towers Center, Malate, Manila

Philippine Bank of Communications
Head Office, City of Makati

United Coconut Planters Bank
Head Office, City of Makati

GOLD REFINERY

Heraeus Limited
Hong Kong

STOCK EXCHANGE LISTING

Philippine Stock Exchange

ANNUAL MEETING

The Annual Meeting of Stockholders of Lepanto Consolidated Mining Company will be held on April 18, 2016 at 4:00 p.m. at the Rigodon Ballroom, The Peninsula Manila, corner Ayala and Makati Avenues, Makati City, Philippines.

A copy of the Company's Annual Report on SEC 17-A shall be provided without charge to any stockholder who makes a written request for such copy.

VISION STATEMENT

To be a global Filipino mining company by attaining world-class capabilities and becoming a corporate model in the fulfillment of social responsibilities.

We shall turn this vision into reality through the efforts of highly motivated, committed, and competent employees who:

- Continually explore and develop ore reserves
- Optimize metal production through cost-efficient operations
- Maintain outstanding safety records and ensure responsible environmental stewardship
- Foster mutually beneficial partnerships with host communities; and
- Exhibit initiative and decisiveness

We in Lepanto are determined to enhance shareholders' investment through the pursuit of excellence.

ENVIRONMENTAL POLICY

We commit to become a model of a socially responsible mining organization through the effective implementation of our environmental standards, procedures and programs.

We commit to enhance our environment, minimize the impact of our operations thereon and continually improve our environmental management system performance by:

- Ensuring compliance with all applicable legal requirements, industry standards and other requisites
- Promoting environmental management system awareness among our employees, suppliers, contractors, host community and business partners through an effective information dissemination drive
- Fostering sustainable and responsible use of resources, effective waste management and pollution control; and
- Enhancing the organizational capabilities and employees' competencies towards environmentally responsible and efficient operations

We further commit to consistently implement, measure, monitor and review our environmental programs and performance to achieve the foregoing objectives.

This Policy has been disseminated to all employees in order to instill in them a commitment to environmental stewardship and accountability.