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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Philex Mining Corporation
Philex Building
27 Brixton Street
Pasig City, Metro Manila

We have audited the accompanying consolidated financial statements of Philex Mining Corporation and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and 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 applied 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

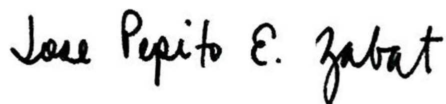
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Philex Mining Corporation and its 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 applied on the basis described in Note 2 to the consolidated financial statements.

SYCIP GORRES VELAYO & CO.



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February 24, 2016

PHILEX MINING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands, Except Par Value Per Share)

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	**₱1,008,686**	₱5,231,892
Accounts receivable (Notes 7, 21 and 23)	**897,479**	1,055,864
Inventories (Note 8)	**1,886,544**	1,858,220
Other current assets (Note 9)	**1,478,748**	1,384,507
Total Current Assets	**5,271,457**	9,530,483
Noncurrent Assets		
Property, plant and equipment (Note 10)	**6,828,052**	7,138,912
Available-for-sale (AFS) financial assets (Notes 11 and 21)	**106,687**	906,681
Goodwill (Note 4)	**1,238,583**	1,238,583
Investment in an associate (Note 12)	**659,408**	–
Deferred income tax assets - net (Note 25)	**5,992**	8,224
Deferred exploration costs and other noncurrent assets (Notes 1, 13, 14, 18 and 19)	**29,438,845**	25,817,465
Total Noncurrent Assets	**38,277,567**	35,109,865
TOTAL ASSETS	**₱43,549,024**	₱44,640,348
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Note 14)	**₱3,317,730**	₱4,307,720
Accounts payable and accrued liabilities (Note 15)	**1,448,445**	1,795,755
Income tax payable (Note 25)	**13,014**	47,423
Dividends payable (Note 26)	**479,652**	488,818
Provisions and subscriptions payable (Notes 1 and 31)	**456,043**	883,102
Total Current Liabilities	**5,714,884**	7,522,818
Noncurrent Liabilities		
Deferred income tax liabilities - net (Notes 4 and 25)	**3,939,160**	3,859,141
Loans and bonds payable (Note 14)	**6,259,063**	5,947,366
Pension obligation (Note 19)	**21,968**	43,585
Provision for losses and mine rehabilitation costs (Notes 10 and 31)	**330,047**	225,618
Total Noncurrent Liabilities	**10,550,238**	10,075,710
Total Liabilities	**16,265,122**	17,598,528
Equity Attributable to Equity Holders of the Parent Company		
Capital stock - ₱1 par value (Note 26)	**4,940,399**	4,940,399
Additional paid-in capital	**1,142,722**	1,117,627
Retained earnings (Note 26)		
Unappropriated	**5,496,271**	4,712,032
Appropriated	**10,000,000**	10,000,000
Net unrealized loss on AFS financial assets (Notes 11 and 25)	**(1,022)**	(64,010)
Equity conversion option (Note 14)	**1,225,518**	1,225,518
Cumulative translation adjustments (Notes 21 and 25)	**124,334**	37,370
Net revaluation surplus (Note 4)	**1,611,397**	1,611,397
Effect of transactions with non-controlling interests (Note 2)	**23,164**	19,084
	24,562,783	23,599,417
Non-controlling interests (Note 26)	**2,721,119**	3,442,403
Total Equity	**27,283,902**	27,041,820
TOTAL LIABILITIES AND EQUITY	**₱43,549,024**	₱44,640,348

See accompanying Notes to Consolidated Financial Statements.

PHILEX MINING CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Earnings per Share)

	Years Ended December 31		
	2015	2014	2013
REVENUE (Notes 7 and 21)			
Gold	**₱5,669,860**	₱5,889,107	₱5,581,587
Copper	**3,449,799**	4,615,092	4,579,757
Silver	**69,723**	78,161	82,063
	9,189,382	10,582,360	10,243,407
Less smelting charges	**836,597**	849,837	659,536
	8,352,785	9,732,523	9,583,871
Petroleum and others	**172,250**	315,717	218,385
	8,525,035	10,048,240	9,802,256
COSTS AND EXPENSES			
Mining and milling costs (including depletion and depreciation) (Note 16)	**6,088,040**	6,719,928	5,457,881
General and administrative expenses (Note 16)	**628,588**	943,001	1,311,059
Excise taxes and royalties (Note 16)	**436,856**	507,188	536,522
Petroleum and other production costs	**97,981**	156,264	105,665
Handling, hauling and storage	**72,312**	88,417	69,003
	7,323,777	8,414,798	7,480,130
OTHER INCOME (CHARGES)			
Foreign exchange losses - net (Note 21)	**(132,391)**	(56,374)	(173,972)
Gain on disposal of AFS financial assets (Note 11)	**107,088**	–	26,867
Impairment loss on deferred exploration costs - net (Notes 8, 10 and 13)	**(41,218)**	(569,926)	(297,585)
Share in net loss of an associate (Note 12)	**(13,200)**	–	–
Interest income (Note 6)	**11,529**	16,952	26,060
Interest expense (Notes 10 and 14)	–	(354,461)	(416,360)
Gain on sale of property, plant and equipment (Note 10)	–	764,685	–
Reorganization costs (Note 31)	–	(394,154)	–
Others - net (Notes 1, 7, 11, 13, 21 and 32)	**9,165**	14,118	(412,084)
	(59,027)	(579,160)	(1,247,074)
INCOME BEFORE INCOME TAX	**1,142,231**	1,054,282	1,075,052
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 25)			
Current	**245,566**	421,584	255,703
Deferred	**121,030**	(70,147)	506,954
	366,596	351,437	762,657
NET INCOME	**₱775,635**	₱702,845	₱312,395
Net Income (Loss) Attributable to:			
Equity holders of the Parent Company	**₱896,181**	₱1,005,552	₱341,932
Non-controlling interests (Note 26)	**(120,546)**	(302,707)	(29,537)
	₱775,635	₱702,845	₱312,395
Basic Earnings Per Share (Note 28)	**₱0.181**	₱0.204	₱0.069
Diluted Earnings Per Share (Note 28)	**₱0.181**	₱0.204	₱0.069

See accompanying Notes to Consolidated Financial Statements.

PHILEX MINING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

	Years Ended December 31		
	2015	2014	2013
NET INCOME	**₱775,635**	₱702,845	₱312,395
OTHER COMPREHENSIVE INCOME (LOSS)			
Items to be reclassified to profit or loss in subsequent periods:			
Reversal of fair value changes in AFS investment subsequently accounted for as an associate (Note 11)	**193,099**	–	–
Gain on translation of foreign subsidiaries	**147,278**	7,655	210,071
Realized gain on sale of AFS financial assets (Note 11)	**(107,088)**	–	–
Unrealized loss on AFS financial assets - net of related deferred income tax (Note 11)	**(23,023)**	(68,699)	(1,620,140)
Realized loss on fair value of hedging instruments transferred to the consolidated statements of income - net of related deferred income tax (Note 21)	**(7,766)**	–	–
Gain on fair value of derivative (Note 21)	–	7,766	–
Realized loss on impairment of AFS investments (Note 11)	–	–	1,006,508
Realized loss on sale of AFS financial assets (Note 11)	–	–	30,485
	202,500	(53,278)	(373,076)
Items not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains (losses) on pension obligation plans - net of income tax effect (Note 19)	**(15,621)**	(28,038)	207,671
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**186,879**	(81,316)	(165,405)
TOTAL COMPREHENSIVE INCOME	**₱962,514**	₱621,529	₱146,990
Total Comprehensive Income (Loss) Attributable to:			
Equity holders of the Parent Company	**₱1,033,019**	₱921,823	₱21,275
Non-controlling interests (Note 26)	**(70,505)**	(300,294)	125,715
	₱962,514	₱621,529	₱146,990

See accompanying Notes to Consolidated Financial Statements.

PHILEX MINING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent Company										
	Capital Stock (Note 26)	**Additional Paid-In Capital**	**Retained Earnings** (Note 26) **Unappropriated**	**Retained Earnings** (Note 26) **Appropriated**	**Net Unrealized Gain (Loss) on AFS Financial Assets** (Note 11)	**Cumulative Translation Adjustments** (Note 21)	**Net Revaluation Surplus** (Note 4)	**Effect of Transactions with Non-controlling Interests**)	**Subtotal**	**Non-controlling Interests** (Note 26)	**Total**
BALANCES AT DECEMBER 31, 2012	₱4,933,027	₱963,867	₱13,578,086	₱–	₱601,055	(₱41,785)	₱1,611,397	₱45,099	₱21,690,746	₱400,256	₱22,091,002
Net income (loss)	–	–	341,932	–	–	–	–	–	341,932	(29,537)	312,395
Other comprehensive income (loss):											
Items to be reclassified to profit or loss in subsequent periods:											
Unrealized loss on AFS financial assets - net of related deferred income tax (Note 11)	–	–	–	–	(1,620,140)	–	–	–	(1,620,140)	–	(1,620,140)
Realized loss on AFS financial assets due to impairment	–	–	–	–	1,006,508	–	–	–	1,006,508	–	1,006,508
Realized loss on sale of AFS financial assets	–	–	–		17,266	–	–	–	17,266	13,219	30,485
Gain on translation of foreign subsidiaries	–	–	–	–	–	66,901	–	–	66,901	143,170	210,071
Items not to be reclassified to profit or loss in subsequent periods:											
Remeasurements of net defined benefit gains, net of tax	–	–	208,808	–	–	–	–	–	208,808	(1,137)	207,671
Total comprehensive income	–	–	550,740	–	(596,366)	66,901	–	–	21,275	125,715	146,990
Increase in paid-in capital due to exercise of stock option and others (Note 27)	3,969	10,497	–	–	–	–	–	–	14,466	–	14,466
Increase in additional paid-in capital due to stock option plan (Note 27)	–	84,133	–	–	–	–	–	–	84,133	–	84,133
Increase in minority due to acquisition of Pitkin Petroleum Plc (PPP) (Note 4)	–	–	–	–	–	–	–	–	–	3,580,663	3,580,663
Appropriation during the year (Note 26)	–	–	(10,000,000)	10,000,000	–	–	–	–	–	–	–
BALANCES AT DECEMBER 31, 2013	₱4,936,996	₱1,058,497	₱4,128,826	₱10,000,000	₱4,689	₱25,116	₱1,611,397	₱45,099	₱21,810,620	₱4,106,634	₱25,917,254

	Equity Attributable to Equity Holders of the Parent Company											
	Capital Stock (Note 26)	Additional Paid-In Capital	Retained Earnings (Note 26) Unappropriated	Retained Earnings (Note 26) Appropriated	Net Unrealized Gain (Loss) on AFS Financial Assets (Notes 11)	Equity Conversion Option (Note 14)	Cumulative Translation Adjustments (Notes 21 and 25)	Net Revaluation Surplus (Note 4)	Effect of Transactions with Non-controlling Interests	Subtotal	Non-controlling Interests (Note 26)	Total
BALANCES AT DECEMBER 31, 2013	₱4,936,996	₱1,058,497	₱4,128,826	₱10,000,000	₱4,689	₱–	₱25,116	₱1,611,397	₱45,099	₱21,810,620	₱4,106,634	₱25,917,254
Net income (loss)	–	–	1,005,552	–	–	–	–	–	–	1,005,552	(302,707)	702,845
Other comprehensive income (loss):												
Items to be reclassified to profit or loss in subsequent periods:												
Unrealized loss on AFS financial assets - net of related deferred income tax (Note 11)	–	–	–	–	(68,699)	–	–	–	–	(68,699)	–	(68,699)
Gain on translation of foreign subsidiaries	–	–	–	–	–	–	4,488	–	–	4,488	3,167	7,655
Items not to be reclassified to profit or loss in subsequent periods:												
Remeasurements of pension obligation, net of tax (Note 19)	–	–	(27,283)	–	–	–	–	–	–	(27,283)	(755)	(28,038)
Gain on fair value of derivative	–	–	–	–	–	–	7,766	–	–	7,766	–	7,766
Total comprehensive income	–	–	978,269	–	(68,699)	–	12,254	–	–	921,824	(300,295)	621,529
Increase in paid-in capital due to exercise of stock option (Note 27)	3,403	33,322	–	–	–	–	–	–	–	36,725	–	36,725
Increase in additional paid-in capital due to stock option plan (Note 27)	–	25,808	–	–	–	–	–	–	–	25,808	–	25,808
Sale of PPC shares	–	–	–	–	–	–	–	–	259	259	193	452
Share buyback transaction (Note 2)	–	–	–	–	–	–	–	–	(26,274)	(26,274)	(364,129)	(390,403)
Equity conversion options (Note 14)	–	–	–	–	–	1,225,518	–	–	–	1,225,518	–	1,225,518
Declaration of cash dividends (Note 26)	–	–	(395,063)	–	–	–	–	–	–	(395,063)	–	(395,063)
BALANCES AT DECEMBER 31, 2014	₱4,940,399	₱1,117,627	₱4,712,032	₱10,000,000	(₱64,010)	₱1,225,518	₱37,370	₱1,611,397	₱19,084	₱23,599,417	₱3,442,403	₱27,041,820

	Equity Attributable to Equity Holders of the Parent Company											
	Capital Stock (Note 26)	Additional Paid-In Capital	Retained Earnings (Note 26) Unappropriated	Retained Earnings (Note 26) Appropriated	Net Unrealized Gain (Loss) on AFS Financial Assets (Notes 11)	Equity Conversion Option (Note 14)	Cumulative Translation Adjustments (Notes 21 and 25)	Net Revaluation Surplus (Note 4)	Effect of Transactions with Non-controlling Interests	Subtotal	Non-controlling Interests (Note 26)	Total
BALANCES AT DECEMBER 31, 2014	**₱4,940,399**	**₱1,117,627**	**₱4,712,032**	**₱10,000,000**	**(₱64,010)**	**₱1,225,518**	**₱37,370**	**₱1,611,397**	**₱19,084**	**₱23,599,417**	**₱3,442,403**	**₱27,041,820**
Net income (loss)	–	–	**896,181**	–	–	–	–	–	–	**896,181**	**(120,546)**	**775,635**
Other comprehensive income (loss):												
Items to be reclassified to profit or loss in subsequent periods:												
Unrealized loss on AFS financial assets - net of related deferred income tax (Note 11)	–	–	–	–	**(23,023)**	–	–	–	–	**(23,023)**	–	**(23,023)**
Reversal of fair value changes in AFS investment subsequently accounted for as an associate (Note 11)	–	–	–	–	**193,099**	–	–	–	–	**193,099**	–	**193,099**
Realized gain on sale of AFS financial assets (Note 11)	–	–	–	–	**(107,088)**	–	–	–	–	**(107,088))**	–	**(107,088))**
Realized loss on fair value of hedging instruments	–	–	–	–	–	–	**(7,766)**	–	–	**(7,766)**	–	**(7,766)**
Gain on translation of foreign subsidiaries	–	–	–	–	–	–	**94,730**	–	–	**94,730**	**52,548**	**147,278**
Items not to be reclassified to profit or loss in subsequent periods:												
Remeasurements of pension obligation, net of tax (Note 19)	–	–	**(13,114)**	–	–	–	–	–	–	**(13,114)**	**(2,507)**	**(15,621)**
Total comprehensive income	–	–	**883,067**	–	**62,988**	–	**86,964**	–	–	**1,033,019**	**(70,505)**	**962,514**
Increase in additional paid-in capital due to stock option plan (Note 27)	–	**25,095**	–	–	–	–	–	–	–	**25,095**	–	**25,095**
Share buyback transaction (Note 2)	–	–	–	–	–	–	–	–	**4,080**	**4,080**	**(650,779)**	**(646,699)**
Declaration of cash dividends (Note 26)	–	–	**(98,828)**	–	–	–	–	–	–	**(98,828)**	–	**(98,828)**
BALANCES AT DECEMBER 31, 2015	**₱4,940,399**	**₱1,142,722**	**₱5,496,271**	**₱10,000,000**	**(₱1,022)**	**₱1,225,518**	**₱124,334**	**₱1,611,397**	**₱23,164**	**₱24,562,783**	**₱2,721,119**	**₱27,283,902**

See accompanying Notes to Consolidated Financial Statements.

PHILEX MINING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱1,142,231**	₱1,054,282	₱1,075,052
Adjustments for:			
Depletion and depreciation (Note 18)	**1,568,431**	1,690,556	1,447,592
Gain on disposal of AFS financial assets (Note 11)	**(107,088)**	–	(26,867)
Impairment loss on deferred exploration costs and others - net (Notes 7, 8, 10 and 13)	**41,218**	569,926	297,934
Stock-based compensation expense (Note 27)	**25,095**	25,808	84,133
Share in net loss of an associate (Note 12)	**13,200**	–	–
Interest income (Note 6)	**(11,529)**	(16,952)	(26,060)
Interest expense (Notes 10 and 14)	–	354,461	416,360
Gain on disposal of property and equipment (Note 10)	–	(764,685)	–
Reorganization costs (Note 31)	–	394,154	–
Provision for rehabilitation, clean up and other costs (Notes 1 and 32)	–	–	161,400
Impairment loss on AFS financial assets (Note 11)	–	–	1,006,508
Gain on sale of subsidiaries (Note 1)	–	–	(246,597)
Unrealized foreign exchange losses and others - net	**199,964**	98,778	378,671
Operating income before working capital changes	**2,871,522**	3,406,328	4,568,126
Decrease (increase) in:			
Accounts receivable	**156,711**	(761,700)	(63,279)
Inventories	**(28,324)**	810,054	(1,469,759)
Pension assets	**78,117**	(101,370)	(38,955)
Other current assets	**(102,007)**	(33,496)	(345,905)
Increase (decrease) in:			
Accounts payable and accrued liabilities	**(258,443)**	(517,892)	1,216,999
Provisions and subscriptions payable	**(427,059)**	(316,160)	(933,528)
Pension obligation	**(45,175)**	21,987	15,278
Cash generated from operations	**2,245,342**	2,507,751	2,948,977
Interest received	**13,497**	18,574	41,757
Interest paid	**(512,719)**	(352,474)	(442,220)
Income taxes paid	**(279,975)**	(385,680)	(77,717)
Net cash flows from operating activities	**1,466,145**	1,788,171	2,470,797
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in deferred exploration costs and other noncurrent assets	**(2,669,474)**	(3,477,330)	(3,778,195)
Additions to property, plant and equipment (Note 10)	**(1,389,710)**	(2,353,691)	(2,309,854)
Net proceeds from sale of:			
Property, plant and equipment	–	764,685	–
Subsidiaries	–	–	2,097,815
AFS financial assets	**297,462**	–	167,999
Share buyback of Pitkin (Note 1)	**(646,699)**	(395,734)	–
Acquisition of additional interests in PPP (net of cash acquired; Notes 1 and 4)	–	–	(629,953)
Net cash flows used in investing activities	**(4,408,421)**	(5,462,070)	(4,452,188)

(Forward)

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availment of short-term loans (Note 14)	**₱3,015,505**	₱2,928,378	₱7,769,313
Exercise of stock options and others (Note 27)	–	36,725	14,467
Issuance of bonds - net of transaction costs	–	7,162,000	–
Payments of:			
Short-term bank loans (Note 14)	**(4,191,825)**	(4,880,022)	(3,374,935)
Long-term loans	–	(55,014)	–
Dividends (Note 26)	**(107,994)**	(366,894)	(22,607)
Net cash flows provided by (used in) financing activities	**(1,284,314)**	4,825,173	4,386,238
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**3,384**	106	6,123
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(4,223,206)**	1,151,380	2,410,970
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**5,231,892**	4,080,512	1,669,542
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	**₱1,008,686**	₱5,231,892	₱4,080,512

See accompanying Notes to Consolidated Financial Statements.

PHILEX MINING CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Amounts Per Unit and Number of Shares)

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

   Corporate Information
   Philex Mining Corporation and its subsidiaries are organized into two main business groupings: the metals business under Philex Mining Corporation, and the energy and hydrocarbon business under Philex Petroleum Corporation.

   Philex Mining Corporation (the Parent Company or PMC) was incorporated on July 19, 1955 in the Philippines and is listed in the Philippine Stock Exchange on November 23, 1956. Having reached the end of its 50 years corporate life, the Parent Company's Philippine Securities and Exchange Commission (SEC) registration was renewed on July 23, 2004. The Parent Company, Philex Gold Philippines, Inc. (PGPI, a wholly-owned subsidiary incorporated in the Philippines), Lascogon Mining Corporation (LMC), (a subsidiary of PGPI and incorporated in the Philippines), and Silangan Mindanao Exploration Co., Inc. (SMECI, a wholly-owned subsidiary directly by the Parent Company and incorporated in the Philippines) and its subsidiary, Silangan Mindanao Mining Co. Inc. (SMMCI, a wholly-owned subsidiary directly by the Parent Company and through SMECI, and incorporated in the Philippines) are all primarily engaged in large-scale exploration, development and utilization of mineral resources. The Parent Company operates the Padcal Mine in Benguet. PGPI operated the Bulawan mine in Negros Occidental until the second quarter of 2002. LMC conducts exploration work in Taganaan, Surigao del Norte. SMMCI owns the Silangan Project covering the Boyongan and Bayugo deposits.

   Philex Petroleum Corporation (PPC, a 64.7% owned subsidiary of the Parent Company and incorporated in the Philippines) and its subsidiaries: Forum Energy Plc (FEP, 58.2% owned and registered in England and Wales) and its subsidiaries, Pitkin Petroleum Plc. (PPP, 53.4% owned and incorporated and registered in United Kingdom of Great Britain and Northern Ireland) and its subsidiaries, and FEC Resources, Inc. (FEC, 51.2% owned and incorporated in Canada) are engaged primarily in oil and gas operation and exploration activities, holding participations in oil and gas production and exploration activities through their investee companies.

   The foregoing companies are collectively referred to as the "Group" (see Note 2) whose income is derived mainly from the Padcal Mine. Income from petroleum and coal and other sources are relatively insignificant.

   The Parent Company's registered business address is Philex Building, 27 Brixton Street, Pasig City, Metro Manila.

   Status of Business Operations
   Padcal Mine Operations
   The Parent Company has the Padcal Mine as its main source of revenue from its metals business segment. The Padcal Mine is on its 58th year of operation producing copper concentrates containing gold, copper and silver.

   On August 27, 2014, the Parent Company received an order from Mines and Geosciences Bureau (MGB) for the permanent lifting of the cease-and-desist order as the result of the Parent Company's compliance to its environmental obligations, such as payments of required fees, the carrying out of

immediate remediation measures, and the submission of proof on the safety and integrity of its tailings dam.

This followed the Parent Company's voluntary suspension of Padcal Mine operations after the Tailings Storage Facility (TSF) No. 3 incident in the mine arising from unabated and historically unprecedented heavy rains during the last two weeks of July 2012 from the two typhoons that brought unusual and heavy accumulation of rain water in TSF No. 3. The sealing of the underground tunnel in November 2012 allowed Padcal Mine to start conducting the necessary remediation and rehabilitation program (which included the rehabilitation of TSF No. 3 and the construction of an open spillway in place of the existing penstock system for water management, and the undertaking of remediation and rehabilitation measures in the areas affected by the tailings spill) relative to the resumption of its operations.

On February 18, 2013, the Parent Company paid ₱1,034,358 Mine Waste and Tailings Fee to MGB in connection with the TSF No. 3 as provided for under Department Administrative Order (DAO) No. 2010-21 implementing the provisions of the Philippine Mining Act of 1995. In an Order dated February 25, 2013, the Pollution Adjudication Board (PAB) lifted its Cease and Desist Order dated November 28, 2012 effective for four months and imposed compliance on certain reportorial matters. On July 5, 2013, the MGB advised the Parent Company that it was authorized to continue implementing such remediation measures in the meantime that the former was thoroughly reviewing the pertinent technical details, subject to the Mineral Industry Coordinating Council's (MICC) guidance. On the same date, the PAB issued an Order extending the temporary lifting of the issued Cease and Desist Order issued last November 28, 2013 to allow the Parent Company to implement its Pollution Control Program.

The Group's ability to continue as a going concern depends on the results of its exploration projects. The effect of these uncertainties will be reported in the consolidated financial statements as they become known and estimable.

The Group continues to look for sources of funding to finance its exploration activities and working capital requirements. On December 18, 2014, SMECI and PMC (co-issuer) have issued convertible bonds amounting to ₱7,200,000. The proceeds of the bonds were intended primarily to finance SMMCI's exploration activities and payment of its advances from the Parent Company (see Notes 14 and 24).

PGPI
PGPI operated the Bulawan mine in Negros Occidental from 1996-2002, when it was decommissioned due to unfavorable metal prices. The Bulawan mine currently has remaining resources of 23.9 million tonnes, including that of the Vista Alegre area. Exploration projects in the Vista Alegre area include the Nagtalay project and the Laburan/Skid 9 project, which have completed the geological modeling and preliminary resource estimation. PGPI is now looking for possible joint venture partners to explore further and operate the Bulawan and Vista Alegre projects. PGPI currently holds 98.9% of LMC.

SMMCI
SMMCI is currently conducting the definitive feasibility study of the Silangan Project covered by MPSA-149-99-XIII following completion of its pre-feasibility study in late 2014. The Declaration of Mining Project Feasibility (DMPF) for underground mining operations was approved in April 2015. As of December 31, 2015, the Company is awaiting approval for the amended DMPF for open-pit mining operations. Adjacent to the Silangan deposits is the Kalayaan Project, the exploration of which is being undertaken by the Parent Company by virtue of a Farm-in Agreement with Kalayaan Gold & Copper Resources, Inc., a subsidiary of Manila Mining Corporation.

PPC and its subsidiaries
PPP, PPC and FEP, through its subsidiaries, has various participating interests in petroleum service contracts as follows:

	Participating Interest		
Service Contract	Pitkin	PPC	FEP
SC 6 (Cadlao Block)	–	1.65%	–
SC 6A (Octon Block)	–	5.56%[1]	5.56%[1]
SC 6B (Bonita Block)	–	–	7.03%
SC 14 (Tara PA)	–	–	10.00%
SC 14 Block A (Nido)	–	–	8.47%
SC 14 Block B (Matinloc)	–	–	12.41%
SC 14 Block B-1 (North Matinloc)	–	–	19.46%
SC 14 Block C (Galoc)	–	–	2.28%
SC 14 Block C-2 (West Linapacan)	0.00%[2]	–	9.10%
SC 14 Block D (Retention Block)	–	–	8.17%
SC 40 (North Cebu Block)	–	–	100.00%
SC 53 (Mindoro)	70.00%[3]	–	–
SC 72 (Reed Bank)	–	–	70.00%
SC 74 Area 5 (Northwest Palawan)	70.00%	–	–
SC 75 Area 4 (Northwest Palawan)	–	50.00%	–
Peru Block XXVIII	100.00%	–	–
Peru Block Z-38	25.00%	–	–

[1] Both PPC and FEP's interest in SC 6A returned to 5.56% upon the approval by the DOE of the Deed of Assignment (DOA) entered into by Pitkin and the other consortium partners where the former re-assigns all of its participating interest to the remaining consortium partners which include PPC and FEP.
[2] Pitkin's share in SC 14C2 decreased to 0.00% upon the termination of the Farm-In Agreement (FIA) between the Company and RMA.
[3] On the letter dated 11 June 2015 to RMA, the DOE has revoked its approval of the DOA between Pitkin and RMA due to the latter's failure to comply with the requirements to prove its financial capability. With this, Pitkin's share reverted to its original participating interest of 70% in SC 53.

FEP and its subsidiaries
FEP's principal asset is a 70% interest in Service Contract (SC) 72 which covers an area of 8,800 square kilometers in the West Philippine Sea. FEP is scheduled to accomplish its second sub-phase of exploration activities from August 2011 to August 2013. However, due to maritime disputes between the Philippine and Chinese governments, exploration activities in the area are temporarily suspended as at December 31, 2015.

FEP's SC 14C Galoc has completed its development of Galoc Phase 2 which increased the capacity of the field to produce from 4,500 barrels of oil per day (BOPD) to 12,000 BOPD in December 2013.

PPP
Pitkin is an international upstream oil and gas group, engaged primarily in the acquisition, exploration and development of oil and gas properties and the production of hydrocarbon products with operations in the Philippines and Peru. Pitkin's principal asset is 25% interest in Peru Block Z-38.

On July 16, 2013 and October 25, 2013, Pitkin completed the sale of all its interests in its wholly-owned subsidiaries, Vietnam American Exploration Company LLC (Vamex) with a 25% participating interest in both Vietnam Block 07/03 and Lonsdale, Inc. The gain on sale of these subsidiaries amounted to ₱246,597. Accordingly, goodwill attributable to Vietnam Block 07/03 at time of acquisition of Pitkin by PPC was derecognized amounting to ₱554,178.

PPC
On April 5, 2013, PPC increased its shareholding in Pitkin Petroleum Plc (Pitkin) from 18.46% to 50.28% through subscription of 10,000,000 new ordinary shares and purchase of 36,405,000 shares from existing shareholders at US$0.75 per share. The transaction led to PPC obtaining control over Pitkin. Pitkin was incorporated and registered in the United Kingdom (UK) of Great Britain and Northern Ireland on April 6, 2005.

On July 2, 2014, PPC surrendered 2,000,000 of its shares held in Pitkin following the latter's tender offer to buy back 11,972,500 shares equivalent to 8.55% of all shares outstanding as of that date for a consideration of US$1 per share. Pitkin received a total of 11,099,000 shares surrendered from its existing shareholders. The share buyback transaction caused an increase in PPC's ownership in Pitkin from 50.3% to 53.1% as at July 2, 2014.

In May 2015, PPP tendered another offer to buy back its outstanding shares. PPC and the non-controlling interests surrendered 21,373,000 shares and 19,499,500 shares, respectively. Following this transaction, PPC's interest in PPP has increased from 53.1% to 53.4%.

Recovery of Deferred Mine and Oil Exploration Costs
The Group's ability to realize its deferred mine and oil exploration costs amounting to ₱28,963,295 and ₱25,366,569 as at December 31, 2015 and 2014, respectively (see Note 13), depends on the success of exploration and development work in proving the viability of its mining and oil properties to produce minerals and oil in commercial quantities, and the success of converting the Group's EPs or EPAs or APSAs to new mineral agreements, which cannot be determined at this time. The consolidated financial statements do not include any adjustment that might result from these uncertainties.

Authorization for Issuance of the Financial Statements
The consolidated financial statements are authorized for issuance by the Parent Company's Board of Directors (BOD) on February 24, 2016.

2. Summary of Significant Accounting Policies and Financial Reporting Practices

Basis of Preparation
The consolidated financial statements of the Group have been prepared using the historical cost basis, except for mine products inventories that are measured at net realizable value (NRV), and for AFS financial assets and derivative financial instruments that are measured at fair value. The consolidated financial statements are presented in Philippine Peso (Peso), which is the Parent Company's functional and reporting currency, rounded to the nearest thousands, except when otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the Philippines. The Group prepared its consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRS), except for the Parent Company's mine products inventories that are measured at NRV, which was permitted

by the Philippine SEC. The significant accounting policies followed by the Group are disclosed below.

Changes in Accounting Policies and Disclosures
The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2015. The adoption of these amendments did not have any significant impact on the financial statements.

- Amendments to Philippine Accounting Standards (PAS) 19, *Defined benefit Plans: Employee Contributions*
- Annual Improvements to PFRSs 2010 - 2012 Cycle
  - PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  - PFRS 3, Business Combinations - *Accounting for Contingent Considerations in a Business Combination*
  - PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  - PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  - PAS 24, *Related Party Disclosures - Key Management Personnel*
- Annual Improvements to PFRSs 2011 - 2013 Cycle
  - PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  - PFRS 13, *Fair Value Measurement - Portfolio Exception*
  - PAS 40, *Investment Property*

Future Changes in Accounting Policies
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt these standards when they become effective. Adoption of these standards and interpretations are not expected to have any significant impact on the financial statements of the Group.

No definite adoption date prescribed by the SEC and Financial Reporting Standards Council (FRSC)
- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

Effective January 1, 2016
- PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and joint Ventures - Investment entities: Applying the Consolidation Exception (Amendments)*
- PAS 27, *Separate Financial Statement - Equity Method in Separate Financial Statements (Amendments)*
- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests (Amendments)*
- PAS 1, *Presentation of Financial Statements - Disclosure Initiative (Amendments)*
- PAS 14, *Regulatory Deferral Accounts*
- PAS 16, *Property, Plant and Equipment, and PAS 41, Agriculture - Bearer Plants*
- PAS 16, *Property, Plant and Equipment, and PAS 38, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments*
- Annual Improvements to PFRSs (2012 - 2014 cycle)
  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  - PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  - PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

- o PAS 19, *Employee benefits - Regional market issue regarding discount rate*
- o PAS 34, *Interim Financial Reporting - Disclosure information elsewhere in the interim financial report*

Effective January 1, 2018

- *PFRS 9, Financial Instruments*
  In addition, to International Accounting Standards Board has issued the following new standards that have not yet been adopted locally by the SEC and FRSC. The Group is currently assessing the impact of these new standards and plants to adopt them on their required effective dates once adopted locally.
- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers* (effective January 1, 2018)
- IFRS 16, *Leases* (effective January 1, 2019)

Summary of Significant Accounting Policies

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2015 and 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- 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 its 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 loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of 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.

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 interests
- Derecognizes the cumulative translation differences recorded 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
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The Parent Company's subsidiaries and their respective natures of businesses are as follows:

Subsidiaries	Nature and Principal Place of Business
Philex Gold Holdings, Inc. (PGHI)	Incorporated in the Philippines on August 28, 1996 to serve as an intermediary holding company through which its subsidiaries and the Parent Company conduct large-scale exploration, development and utilization of mineral resources. PGHI owned 100% of the outstanding shares of PGPI effective April 27, 2010. In 2015, PGHI sold 100% of its ownership in PGPI to the Parent Company.
Philex Gold Inc. (PGI)	Incorporated in Canada on June 14, 1996 and owned 100% of the outstanding shares of PGPI until April 26, 2010.
PGPI	Incorporated in the Philippines on August 9, 1996 as a wholly-owned subsidiary of PGI and became a wholly-owned subsidiary of PGHI on April 27, 2010. In 2015, PGPI was acquired and 100% owned by the Parent Company. PGPI was primarily engaged in the operation of the Bulawan mine and the development of the Sibutad Project both on care and maintenance status since 2002. PGPI currently owns 98.9% of the outstanding shares of LMC.
LMC	Incorporated in the Philippines on October 20, 2005 to engage in exploration, development and utilization of mineral resources, particularly the Lascogon Project in Surigao.
SMECI	Incorporated in the Philippines on October 12, 1999 primarily to engage in the business of large-scale exploration, development and utilization of mineral resources; currently the holding company of SMMCI.
SMMCI	Incorporated in the Philippines on January 4, 2000 primarily to engage in the business of large-scale exploration, development and utilization of mineral resources, principally the Silangan Project.
PPC	Incorporated in the Philippines on December 27, 2007 to carry on businesses related to any and all kinds of petroleum and petroleum products, oil, and other sources of energy. PPC's shares are listed in the Philippine Stock Exchange.

Subsidiaries	Nature and Principal Place of Business
FEP	Incorporated on April 1, 2005 in England and Wales primarily to engage in the business of oil and gas exploration and production, with focus on the Philippines. FEP shares were delisted in the Alternative Investment Market of the London Stock Exchange in 2015.
FEC	Incorporated on February 8, 1982 under the laws of Alberta, Canada primarily to engage in the business of exploration and development of oil and gas and other mineral related opportunities.
BEMC	Incorporated in the Philippines on July 19, 2005 to engage in exploration, development and utilization of energy-related resources, particularly the Brixton coal operations in Diplahan, Zamboanga Sibugay. On September 1, 2013, BEMC announced the closure of its coal mine in Diplahan, Zamboanga Sibugay. On January 6, 2014, BEMC has finalized the agreement for the assignment of COC 130 to Grace Coal Mining and Development Inc. (GCMDI). On May 12, 2015, the DOE has approved the assignment completing the transfer of COC 130 from BEMC to GCMDI.
PPP	Incorporated and registered in United Kingdom (UK) of Great Britain and Northern Ireland on April 6, 2005 and is engaged primarily in the acquisition, exploration and development of oil and gas properties and the production of hydrocarbon products. PPP registered its Philippine Branch, Pitkin Petroleum (Philippines) Plc, on March 19, 2008 and is presently engaged in the exploration of oil and gas assets in the Philippine territories.
Fidelity Stock Transfers, Inc. (FSTI)	Incorporated in the Philippines on December 28, 1981 to act as a stock transfer agent and/or registrar of client corporations. The company is currently in dormant status.
Philex Land, Inc. (PLI)	Incorporated in the Philippines on February 26, 2007 to own, use, develop, subdivide, sell, exchange, lease, and hold for investment or otherwise, real estate of all kinds including buildings, houses, apartments and other structures. The company is currently in dormant status.
Philex Insurance Agency, Inc. (PIAI)	Incorporated in the Philippines on May 20, 1987 to act as a general agent for and in behalf of any domestic and/or foreign non-life insurance company or companies authorized to do business in the Philippines. PIAI is currently in dormant status.

Also included as part of the Parent Company's subsidiaries are those intermediary entities which are basically holding companies established for the operating entities mentioned above. The following are the intermediary entities of the Group: Forum Philippine Holdings Limited (FPHL), Forum FEI Limited (FFEIL), Pitkin Peru LLC (PPR), Pitkin Petroleum Peru 2 LLC (PP2) and Pitkin Petroleum Peru 3 LLC (PP3).

The ownership of the Parent Company and subsidiaries over the foregoing companies in 2015 and 2014 are summarized as follows:

	Percentages of Ownership			
	2015		2014	
	Direct	**Indirect**	Direct	Indirect
PGHI	**100.0**	–	100.0	–
PGI	–	**100.0**	–	100.0
PGPI	–	–	–	100.0
LMC	–	–	–	98.9
PGPI	**100.0**	–	–	–
LMC	–	**98.9**	–	–
PPC	**64.7**		64.8	–
BEMC	–	**100.0**	–	100.0
FEP and subsidiaries	–	**48.8**	–	36.4
FEC	–	**51.2**	–	51.2
LMC	–	**1.1**	–	1.1
FEP	–	**18.4**	–	24.1
PPP	–	**53.4**	–	53.1
SMECI	**100.0**	–	100.0	–
SMMCI	–	**100.0**	–	100.0
FSTI	**100.0**	–	100.0	–
PLI	**100.0**	–	100.0	–
PIAI	**100.0**	–	100.0	–

Sale of PPC shares
In 2015, PMC sold 839,100 share of PPC to third parties. The resulting sale of share decreased the ownership of the Parent Company in PPC from 64.8% to 64.7%.

Infusion of additional capital of PMC in SMECI
On February 3, 2015, by virtue of SMECI's BOD and by the vote of the stockholders representing at least two-thirds of the outstanding capital stock, SMECI's Articles of Incorporation were amended to increase its authorized capital stock from 170,000 shares with par value of ₱10,000 per share to 1,000,000 shares also with a par value of ₱10,000 per share. On February 10, 2015, PMC subscribed 500,000 shares out of the 830,000 new shares for an aggregate price of ₱7,207,500.

Acquisition of additional shares of PPP
On July 2, 2014, PPC surrendered 2,000,000 of its shares held in PPP following the latter's tender offer to buy back 11,972,500 shares equivalent to 8.55% of all shares outstanding as of that date for a consideration of US$1 per share. PPP received a total of 11,099,000 shares surrendered from its existing shareholders. The share buyback transaction resulted to an increase in PPC's ownership in PPP from 50.3% to 53.1%.

In May 2015, PPP tendered another offer to buy back its outstanding shares. PPC and the non-controlling interests surrendered 21,373,000 shares and 19,499,500 shares, respectively. Following this transaction, PPC's interest in PPP has increased from 53.1% to 53.4%.

Acquisition of additional investment in FEP
In June and November 2015, PPC purchased additional investment from the non-controlling shareholders of FEP. The transaction resulted in increase in ownership of PPC over FEP from 36.4% to 48.8%.

NCI
NCI represents interest in a subsidiary that is not owned, directly or indirectly, by the Parent Company. Profit or loss and each component of OCI (loss) are attributed to the equity holders of the Parent Company and to the NCI. Total comprehensive income (loss) is attributed to the equity holders of the Parent Company and to the NCI even if this results in the NCI having a deficit balance.

NCI represents the portion of profit or loss and the net assets not held by the Group. Transactions with NCI are accounted for as an equity transaction.

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

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

In relation to its interests in joint operations, the Group recognises its:
- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

Business Combination and Goodwill
Business combinations, except for business combination between entities under common control, are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any gain or loss on remeasurement is recognized in the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39 either in the consolidated statement of income, or in the consolidated statement of comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the consolidated statement of income.

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

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

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill has been allocated, an impairment loss is recognized in the consolidated statement of income. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its impairment test of goodwill annually every December 31.

Foreign Currency Translation of Foreign Operations
Each subsidiary in the Group determines its own functional currency and items included in the consolidated financial statement of each subsidiary are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate on the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at consolidated statement of financial position date. All exchange differences are recognized in consolidated statements of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

For purposes of consolidation, the financial statements of FEP, PPP and PGI, which are expressed in United States of America (US) dollar amounts and the financial statements of FEC, which are expressed in Canadian (Cdn) dollar amounts, have been translated to Peso amounts as follows:

a. assets and liabilities for each statement of financial position presented (i.e., including comparatives) are translated at the closing rate at the date of the consolidated statement of financial position;
b. income and expenses for each statement of income (i.e., including comparatives) are translated at exchange rates at the average monthly prevailing rates for the year; and
c. all resulting exchange differences are taken in the consolidated statement of comprehensive income.

Cash and Cash Equivalents
Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to insignificant risk of change in value.

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

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

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

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

As at December 31, 2015 and 2014, the Group's financial assets and financial liabilities consist of loans and receivables, AFS financial assets and other financial liabilities.

Determination of fair value
The Group measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each statement of financial position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the 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 financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Day 1 difference
Where the transaction price in a non-active market is different from the fair value based on 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 difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income 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" difference amount.

Derivatives and Hedging
The Group uses currency and commodity derivatives such as forwards, swaps and option contracts to economically hedge its exposure to fluctuations in gold and copper prices. For accounting purposes, such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivatives are accounted for as at FVPL, where any gains or losses arising from changes in fair value on derivatives are taken directly to consolidated statement of income, unless hedge accounting is applied.

For the purpose of hedge accounting, hedges are classified as:
a. fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability; or
b. cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecast transaction; or
c. hedges of a net investment in a foreign operation.

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

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

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

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

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

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in equity are transferred to the consolidated statement of income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction or firm commitment occurs. If the related transaction is not expected to occur, the amount is taken to the consolidated statement of income.

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

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

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

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

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

As of December 31, 2015 and 2014, the Group's cash and cash equivalents and accounts receivable are included under loans and receivables.

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

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

Note 11 discuss the details of the Group's AFS financial assets as of December 31, 2015 and 2014.

Other Financial Liabilities
Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

As at December 31, 2015 and 2014, included in other financial liabilities are the Group's accounts payable and accrued liabilities, dividends payable, subscriptions payable and loans and bonds payable (see Notes 14, 15 and 26).

Debt Issuance Costs
Debt issuance costs are amortized using effective interest rate method and unamortized debt issuance costs are included in the measurement of the related carrying value of the debt in the consolidated statement of financial position. When loan is repaid, the related unamortized debt issuance costs at the date of repayment are charged in the consolidated statement of income.

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

Financial assets carried at cost
If there is objective evidence that an impairment loss on an unquoted equity instrument, that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return of a similar financial asset.

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

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

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

AFS financial assets
For AFS financial assets, the Group assesses at each consolidated statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as AFS financial 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 20% or more and "prolonged" as greater than 12 months for quoted equity securities. When there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the

current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income is removed from equity and recognized in the consolidated statement of income.

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

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

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

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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

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

Inventories
Mine products inventory, which consist of copper concentrates containing copper, gold and silver, are stated at NRV. Coal and petroleum inventory and materials and supplies are valued at the lower of cost and NRV.

NRV for mine products and coal inventory is the selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. In the case of materials and supplies, NRV is the value of the inventories when sold at their condition at the consolidated statement of financial position date.

Costs of coal include all mining and mine-related costs and cost of purchased coal from small-scale miners. These costs are aggregated to come up with the total coal inventory cost. Unit cost is determined using the moving average method.

Cost of petroleum inventory includes share in productions costs consisting of costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Unit cost is determined using the weighted average method.

Costs of materials and supplies comprise all costs of purchase and other costs incurred in bringing the materials and supplies to their present location and condition. The purchase cost is determined on a moving average basis.

Input Tax Recoverable
Input tax recoverable is stated at 10% in prior years up to January 2006 and 12% starting February 2006 of the applicable purchase cost of goods and services, net of output tax liabilities and allowance for probable losses. Input tax recoverable represents the value-added tax (VAT) paid on purchases of applicable goods and services, net of output tax liabilities, which can be recovered as tax credit against future tax liabilities of the Group upon approval by the BIR and/or the Philippine Bureau of Customs.

Property, Plant and Equipment
Property, plant and equipment, except land, are stated at cost less accumulated depletion and depreciation and accumulated impairment in value, if any. Land is stated at cost less any accumulated impairment in value.

The initial cost of property, plant and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use and any estimated cost of dismantling and removing the property, plant and equipment item and restoring the site on which it is located to the extent that the Group had recognized the obligation to that cost. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of income as incurred.

When assets are sold or retired, the cost and related accumulated depletion and depreciation, and accumulated impairment in value are removed from the accounts and any resulting gain or loss is recognized in the consolidated statement of income.

Depletion or amortization of mine, mining and oil and gas properties is calculated using the units-of-production method based on estimated recoverable reserves. Depreciation of other items of property, plant and equipment is computed using the straight-line method over the estimated useful lives of the assets as follows:

	No. of Years
Buildings and improvements	5 to 10
Machinery and equipment	2 to 20
Surface structures	10

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

The estimated recoverable reserves, useful lives, and depreciation and depletion methods are reviewed periodically to ensure that the estimated recoverable reserves, periods and methods of depletion and depreciation are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

Property, plant and equipment also include the estimated costs of rehabilitating the Parent Company's Padcal Mine and BEMC's Coal Mine, for which the Group is constructively liable. These costs, included under land, buildings and improvements, are amortized using the units-of-production method based on the estimated recoverable mine reserves until the Group actually incurs these costs in the future.

Level and block development (included as part of mine and mining and oil and gas properties) and construction in progress are stated at cost, which includes the cost of construction, plant and equipment, other direct costs and borrowing costs, if any. Block development and construction in progress are not depleted nor amortized until such time as these are completed and become available for use.

Deferred Exploration Costs
Expenditures for exploration works on oil and mining properties (i.e., acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling, and activities in relation to evaluating the technical feasibility and commercial viability of extracting an oil and mineral resource) are deferred as incurred and included under "Deferred exploration costs and other noncurrent assets" account in the consolidated statement of financial position. If and when recoverable reserves are determined to be present in commercially producible quantities, the deferred exploration expenditures, and subsequent oil and mine development costs are capitalized as part of the mine and mining and oil and gas properties account classified under property, plant and equipment.

A valuation allowance is provided for unrecoverable deferred oil and mine exploration costs based on the Group's assessment of the future prospects of the exploration project. Full provision is made for the impairment unless it is probable that such costs are expected to be recouped through successful exploration and development of the area of interest, or alternatively, by its sale. If the project does not prove to be viable or when the project is abandoned, the deferred oil and mine exploration costs associated with the project and the related impairment provisions are written off. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

Borrowing Costs
Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset is capitalized by the Group. The capitalization of borrowing costs: (i) commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are being incurred; (ii) is suspended during the extended periods in which active development, improvement and construction of the assets are interrupted; and (iii) ceases when substantially all the activities necessary to prepare the assets are completed.

Other borrowing costs are recognized as an expense in the period in which they are incurred.

Impairment of Noncurrent Non-financial Assets

The Group's noncurrent non-financial assets include property, plant and equipment, deferred mine exploration costs, and other noncurrent assets. The Group assesses at each reporting date whether there is indication that a noncurrent non-financial asset or CGU may be impaired. If any indication exists, or when an annual impairment testing for such items is required, the Group makes an estimate of their recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use, and is determined for an individual item, unless such item does not generate cash inflows that are largely independent of those from other assets or group of assets or CGUs. When the carrying amount exceeds its recoverable amount, such item is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows to be generated by such items are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset or CGU. Impairment losses of continuing operations are recognized in the consolidated statement of income in the expense categories consistent with the function of the impaired asset.

An assessment is made at least on each consolidated statement of financial position date as to whether there is indication that previously recognized impairment losses may no longer exist or may have decreased. If any indication exists, the recoverable amount is estimated and a previously recognized impairment loss is reversed only if there has been a change in the estimate in the assets or CGU's recoverable amount since the last impairment loss was recognized. If so, the carrying amount of the item is increased to its new recoverable amount which cannot exceed the impairment loss recognized in prior years. Such reversal is recognized in the consolidated statement of income unless the asset or CGU is carried at its revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount less any residual value on a systematic basis over its remaining estimated useful life.

Provision for Mine Rehabilitation Costs

The Group records the present value of estimated costs of legal and constructive obligations required to restore the mine site upon termination of the mine operations. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and settling ponds, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is constructed or the ground or environment is disturbed at the mine site. When the liability is initially recognized, the present value of the estimated cost is capitalized as part of the carrying amount of the related mining assets.

Changes to estimated future costs are recognized in the consolidated statement of financial position by either increasing or decreasing the rehabilitation liability and asset to which it relates if the initial estimate was originally recognized as part of an asset measured in accordance with PAS 16, *Property, Plant and Equipment*. Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to consolidated profit or loss.

If the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment in accordance with PAS 36. If, for mature mines, the estimate for the revised mine assets net of rehabilitation provisions exceeds the recoverable value that portion of the increase is charged directly to expense.

For closed sites, changes to estimated costs are recognized immediately in consolidated profit or loss.

Capital Stock
Ordinary or common shares are classified as equity. The proceeds from the increase of ordinary or common shares are presented in equity as capital stock to the extent of the par value issued shares and any excess of the proceeds over the par value or shares issued less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Dividends on Common Shares
Cash and property dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the Parent Company. Stock dividends are treated as transfers from retained earnings to capital stock.

Dividends for the year that are approved after the consolidated statement of financial position date are dealt with as an event after the consolidated statement of financial position date.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When the retained earnings account has a debit balance, it is called "deficit." A deficit is not an asset but a deduction from equity.

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

Revenue Recognition
Revenue is recognized upon delivery 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 Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Revenue from sale of mine products
Revenue from sale of mine products is measured based on shipment value price, which is based on quoted metal prices in the London Metals Exchange (LME) and weight and assay content, as adjusted for marketing charges to reflect the NRV of mine products inventory at the end of the financial reporting period. Contract terms for the Group's sale of metals (i.e. gold, silver and copper) in bullion and concentrate allow for a price adjustment based on final assay results of the metal concentrate by the customer to determine the content.

The terms of metal in concentrate sales contracts with third parties contain provisional arrangements whereby the selling price for the metal in concentrate 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 three (3) months. Ninety percent (90%) of the provisional shipment value is collected within a week from shipment date, while the remaining ten percent (10%) is collected upon determination of the final shipment value

on final weight and assay for metal content and prices during the applicable quotational period less deduction for smelting charges.

Revenue from sale of petroleum products
Revenue is derived from sale of petroleum to third party customers. Sale of oil is recognized at the time of delivery of the product to the purchaser. Revenue is measured, based on participating interest of the Group, at the fair value of the consideration received, excluding discounts, rebates, and other sales tax or duty.

Revenue from sale of coal
Revenue from sale of coal is recognized when the risks and rewards of ownership is transferred to the buyer, on the date of shipment to customers when the coal is loaded into the Group's or customers' loading facilities.

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

Cost and Expense Recognition
Costs and expenses are recognized in the consolidated statement of income in the year they are incurred. The following specific cost and expense recognition criteria must also be met before costs and expenses are recognized:

Mining and milling costs
Mining and milling costs, which include all direct materials, power and labor costs and other costs related to the mining and milling operations, are expensed as incurred.

Excise taxes and royalties
Excise taxes pertain to the taxes paid or accrued by the Parent Company for its legal obligation arising from the production of copper concentrates. Also, the Parent Company is paying for royalties which are due to the claim owners of the land where the mine site operations were located. These excise taxes and royalties are expensed as incurred.

Petroleum production costs
Petroleum production costs, which include all direct materials and labor costs, depletion of oil and gas properties, and other costs related to the oil and gas operations, are expensed when incurred based on the Group's participating revenue interest in the respective service contracts.

Cost of coal sales
Cost of coal sales includes costs of purchased coal and all direct materials and labor costs and other costs related to the coal production. Cost of coal sales is recognized by the Group when sales are made to customers.

General and administrative expenses
General and administrative expenses constitute the costs of administering the business and are expensed as incurred.

Handling, hauling and storage
Handling, hauling and storage expenses includes all direct expenses incurred for logistics and store room costs for mine and mining inventories. Handling, hauling and storage costs are recognized by the Group when incurred.

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

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

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

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

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 Parent Company, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

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

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

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Share-based Payments
Certain officers and employees of the Group receive additional remuneration in the form of share-based payments of either the Parent Company or FEP, whereby equity instruments (or "equity-settled transactions") are awarded in recognition of their services.

The cost of equity-settled transactions with employees is measured by reference to their fair value at the date they are granted, determined using the acceptable valuation techniques. Further details are given in Note 27.

The cost of equity-settled transactions, together with a corresponding increase in equity, is recognized over the period in which the performance and/or service conditions are fulfilled ending on the date on which the employees become fully entitled to the award ("vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date up to and until the vesting date reflects the extent to which the vesting period has expired, as well as the Group's best estimate of the number of equity instruments that will ultimately vest. The consolidated statements of income charge or credit for the period represents the movement in cumulative expense recognized at the beginning and end of that period. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which awards are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. An additional expense is likewise recognized for any modification which increases the total fair value of the share-based payment arrangement or which is otherwise beneficial to the employee as measured at the date of modification.

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

Foreign Currency-Denominated Transactions and Translations
Transactions denominated in foreign currencies are recorded using the exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the rate of exchange at the consolidated statement of financial position date. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchanges rates at the date when the fair value was determined.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any foreign exchange component of that gain or loss shall be recognized in the consolidated statement of comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss shall be recognized in the consolidated statement of income.

Income Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the consolidated statement of financial position date.

Deferred income tax

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

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

- When the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss,
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when 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 income tax assets are recognized for all deductible temporary differences, the carry forward benefits of the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) [excess MCIT], and net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences, excess MCIT and NOLCO can be utilized, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss,

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income 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.

In business combinations, the identifiable assets acquired and liabilities assumed are recognized at their fair values at acquisition date. Deferred income tax liabilities are provided on temporary differences that arise when the tax bases of the identifiable assets acquired and liabilities assumed are not affected by the business combination or are affected differently.

The carrying amount of deferred income tax assets is reviewed at each reporting date 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 re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred income tax asset to be recovered.

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

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

Provisions and Contingencies

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

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Group expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement.

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

Basic Earnings Per Share

Basic earnings per share is computed by dividing the net income attributable to equity holders of the Parent Company by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any.

Diluted Earnings Per Share

Diluted earnings per share amounts are calculated by dividing the net income attributable to equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

Other Comprehensive Income
Other comprehensive income comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the consolidated statement of income for the year in accordance with PFRS.

Events After the Statement of Financial Position Date
Events after the consolidated statement of financial position date that provide additional information about the Group's position at the consolidated statement of financial position date (adjusting event) are reflected in the consolidated financial statements. Events after the consolidated statement of financial position date that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

Operating 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 business units based on their products and services, and has three (3) reportable operating segments. Financial information on business segments is presented in Note 5. The Group operates in one geographical segment, being the location of its current mining activities; therefore, geographical segment information is no longer presented.

3. Management's Use of Significant Judgments, Accounting Estimates and Assumptions

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

Accounting assumptions, estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effects on amounts recognized in the consolidated financial statements:

Determination of the Functional Currency
The Parent Company and most of its local subsidiaries based on the relevant economic substance of the underlying circumstances, have determined their functional currency to be the Philippine peso. It is the currency of the primary economic environment in which the Parent Company and most of its local subsidiaries primarily operates. FEC's functional currency is Cdn dollar. PGI, PPP and FEP's functional currencies are US dollar.

Recognition of Deferred Income Tax Assets
The Group reviews the carrying amounts at each end of reporting period and adjusts the balance of deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The sufficiency of future taxable profits requires the use of assumptions, judgments and estimates, including future prices of metals, volume of inventories produced and, sold and amount of costs and expenses that are subjectively determined like depreciation. As at December 31, 2015 and 2014, deferred income tax assets recognized in the consolidated statements of financial position amounted to ₱306,335 and ₱449,024, respectively (see Note 25). As at December 31, 2015 and 2014, no deferred income tax assets were recognized on the following deductible temporary differences amounting to about ₱2,655,280 and ₱2,472,080, respectively (see Note 25), because management believes that it is not probable that future taxable income will be available to allow all or part of the benefit of the deferred income tax assets to be utilized.

Classification of Financial Instruments
The Group exercises judgment in classifying financial instruments in accordance with PAS 39. The Group classifies a financial instrument, or its components, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Group's consolidated 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 investments. The Group has no plans to dispose its AFS investments within 12 months from the end of the reporting date.

The Group determines the classification at initial recognition and re-evaluates this classification, where allowed and appropriate, at every reporting date (see Note 20).

Determining and Classifying a Joint Arrangement
Judgment is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement.
Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. Specifically, the Group considers:

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

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

As at December 31, 2015 and 2014, the Group's joint arrangement is in the form of a joint operation.

Accounting Estimates and Assumptions

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

Measurement of Mine Products Revenue

Mine products revenue is provisionally priced until or unless these are settled at pre-agreed future or past dates referred to as "quotational period," the prevailing average prices at which time become the basis of the final price. Revenue on mine products is initially recognized based on shipment values calculated using the provisional metals prices, shipment weights and assays for metal content less deduction for insurance and smelting charges as marketing. The final shipment values are subsequently determined based on final weights and assays for metal content and prices during the applicable quotational period. Total mine products revenue, gross of marketing charges, amounted to ₱9,189,382, ₱10,582,360 and ₱10,243,407 in 2015, 2014 and 2013, respectively.

Impairment of Loans and Receivables

The Group maintains an allowance for doubtful accounts at a level that management considers adequate to provide for potential uncollectability of its loans and receivables. The Group evaluates specific balances where management has information that certain amounts may not be collectible. In these cases, the Group uses judgment, based on available facts and circumstances, and based on a review of the factors that affect the collectability of the accounts. The review is made by management on a continuing basis to identify accounts to be provided with allowance.

The Group did not assess its loans and receivables for collective impairment due to few counterparties that can be specifically identified. Outstanding trade receivables are mainly from the Parent Company's main customer. Other receivables of the Group are not material. The amount of loss is recognized in the consolidated statements of income with a corresponding reduction in the carrying value of the loans and receivables through an allowance account. Total carrying value of loans and receivables amounted to ₱1,769,486 and ₱6,232,091 as at December 31, 2015 and 2014, respectively (see Note 21). Allowance for impairment on these financial assets as at December 31, 2015 and 2014 amounted to ₱1,747 and ₱2,613, respectively (see Note 7).

Valuation of AFS Financial Assets

The Group carries its quoted and unquoted AFS financial assets at fair value and at cost, respectively. Fair value measurement requires the use of accounting estimates and judgment. At initial recognition, the fair value of quoted AFS financial assets is based on its quoted price in an active market, while the fair value of unquoted AFS financial assets is based on the latest available transaction price. The amount of changes in fair value would differ if the Group utilized a different valuation methodology.

Any change in fair value of its AFS financial assets is recognized in the consolidated statements of comprehensive income. As at December 31, 2015 and 2014, the Group has net cumulative unrealized loss on its AFS financial assets amounting to ₱1,022 and ₱64,010, respectively (see Note 11). As at December 31, 2015 and 2014, the carrying value of the Group's AFS financial assets amounted to ₱106,687 and ₱906,681, respectively (see Note 11).

Impairment of AFS Financial Assets

The Group treats AFS financial assets as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Group treats "significant" generally as 20% or more and "prolonged" as greater than 12 months for quoted equity securities. 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 securities. The Group recognized impairment loss on investments in quoted shares amounting to ₱1,006,508 in 2013 due to significant decline in the fair value of the quoted shares below its cost. As at December 31, 2015 and 2014, the carrying value of the Group's AFS financial assets amounted to ₱106,687 and ₱906,681, respectively (see Note 11).

Impairment of Goodwill
The Group reviews the carrying values of goodwill for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. If the recoverable amount of the unit exceeds the carrying amount of the CGU, the CGU and the goodwill allocated to that CGU shall be regarded as not impaired. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill has been allocated, an impairment loss is recognized. No impairment losses were recognized in 2015, 2014 and 2013, whereas the carrying value of goodwill as at December 31, 2015 and 2014 amounted to ₱1,238,583 (see Notes 1 and 4).

Measurement of NRV of Mine Products Inventory
The NRV of mine products inventory is the estimated sales value less costs to sell, which can be derived from such inventory based on its weight and assay for metal content, and the LME and London Bullion Metal Association for prices, which also represents an active market for the product. Changes in weight and assay for metal content as well as the applicable prices as the mine products inventory are eventually shipped and sold are accounted for and accordingly adjusted in revenue. The NRV of mine products inventory as at December 31, 2015 and 2014 amounted to ₱543,228 and ₱643,474, respectively, which were also reflected as part of mine products revenue for the years then ended (see Note 8).

Write-down of Carrying Values of Coal and Materials and Supplies Inventories
The Group carries coal and material and supplies inventories at NRV when such value is lower than cost due to damage, physical deterioration, obsolescence or other causes. When it is evident that the NRV is lower than its cost based on physical appearance and condition of inventories, an allowance for inventory obsolescence is provided. Additional provision for materials and supplies amounted to nil in 2015 and 2014, and ₱46,059 in 2013. Related allowance for inventory obsolescence amounted to ₱116,185 as at December 31, 2015 and 2014. The carrying value of materials and supplies inventories amounted to ₱1,334,272 and ₱1,196,196 as at December 31, 2015 and 2014, respectively (see Note 8).

Additional provision for coal inventory write-down amounted to nil in 2015 and 2014, and ₱71,313 in 2013. Reversal of coal inventory write-down amounted to nil and ₱3,159 in 2015 and 2014, respectively. Related allowance for decline in coal inventory amounted to nil and ₱220,083 as at December 31, 2015 and 2014, respectively. The carrying amount of coal inventory amounted to nil as at December 31, 2015 and 2014 (see Note 8).

Estimation of Fair Value of Identifiable Net Assets of an Acquiree in a Business Combination
The Group applies the acquisition method of accounting whereby the purchase consideration is allocated to the identifiable assets, liabilities and contingent liabilities (identifiable net assets) on the basis of fair value at the date of acquisition. The determination of fair values requires estimates of economic conditions and factors such as metal prices, mineral reserve, freight exchange rates and others. Transactions qualified as business combinations are discussed in Note 4.

Estimation of Useful Lives of Property, Plant and Equipment
The Group estimates the useful lives of depreciable property, plant and equipment, except for mine and mining and oil and gas properties, based on internal technical evaluation and experience. These estimated useful lives are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. For mine and mining properties which were depreciated based on units-of production, the Group estimates and periodically reviews the remaining recoverable reserves to ensure that remaining reserves are reflective of the current condition of the mine and mining and oil and gas properties. The estimated useful lives of the Group's property, plant and equipment are disclosed in Note 2 to the consolidated financial statements.

As at December 31, 2015 and 2014, net book value of property, plant and equipment amounted to ₱6,828,052 and ₱7,138,912 respectively (see Note 10).

Estimation of Recoverable Reserves
Recoverable reserves were determined using various factors or parameters such as market price of metals and global economy. These are economically mineable reserves based on the current market condition and concentration of mineral resource. The estimated recoverable reserves are used in the calculation of depreciation, amortization and testing for impairment, the assessment of life of the mine, and for forecasting the timing of the payment of mine rehabilitation costs. On June 30, 2011, the Padcal Mine life had been extended from 2017 to 2020. On March 20, 2015, the Padcal Mine life has been extended once again from 2020 to 2022. The extension of mine life is due to the additional reserves from the mineral resources delineated below the current mining level.

As at December 31, 2015 and 2014, the carrying value of the mine and mining properties of the Parent Company amounted to ₱3,109,995 and ₱3,079,946, respectively net of related accumulated depletion amounting to ₱8,655,590 and ₱7,804,555, respectively.

Estimation of Provision for Mine Rehabilitation Costs
The Group recognized a liability relating to the estimated costs of mine rehabilitation. The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rates.

Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at each end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated statements of financial position by adjusting the rehabilitation asset and liability. If the net rehabilitation provisions of revised mine assets for mature mines exceed the carrying value, that portion of the increase is charged directly to the consolidated statements of income. For closed sites, changes to estimated costs are recognized immediately in the consolidated statements of income. Provision for mine rehabilitation costs amounted to ₱134,898 and ₱31,522 as at December 31, 2015 and 2014, respectively (see Note 10).

Impairment of Non-financial Assets
The Group's non-financial assets include input tax recoverable, property, plant and equipment, deferred mine and oil exploration costs and other noncurrent assets. The Group assesses whether there are indications of impairment on its current and noncurrent non-financial assets, at least on an annual basis. If there is objective evidence, an impairment testing is performed. This requires an estimation of the value in use of the CGUs to which the assets belong. Assessments require the use of estimates and assumptions such as VAT disallowance rate, long-term commodity prices, discount

rates, future capital requirements, exploration potential and operating performance. In assessing value in use, the estimated future cash flows are discounted to their present value using a suitable discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses amounting to ₱429,848, ₱569,944 and ₱179,962 were recognized in 2015, 2014 and 2013, respectively. As at December 31, 2015 and 2014, the carrying value of non-financial assets amounted to ₱37,633,208 and ₱34,223,326, respectively (see Notes 9, 10, and 13).

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

The carrying values and corresponding fair values of financial assets and financial liabilities as well as the manner in which fair values were determined are discussed in Note 20.

Convertible Bonds
The Group's convertible bonds, treated as a compound financial instrument, are separated into liability and equity components based on the terms of the contract. On issuance of the convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortized cost (net of transaction costs) until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognized and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are initially recognized.

Provisions for Losses
The Group provides for present obligations (legal or constructive) where it is probable that there will be an outflow of resources embodying economic benefits that will be required to settle the said obligations. An estimate of the provision is based on known information at each end of the reporting period, net of any estimated amount that may be reimbursed to the Group. The amount of provision is being re-assessed at least on an annual basis to consider new relevant information. In 2015 and 2014, payments were made for a total of ₱891,576 and ₱219,495, respectively, through FEP and PGPI. Provisions in 2015 and 2014 amounted to nil and ₱13,000, respectively. Total provision for losses amounted to ₱764,094 and ₱1,086,725 as at December 31, 2015 and 2014, respectively (see Note 31).

Estimation of Net Pension Obligations (Plan Assets) and Costs
The Group's net retirement benefits costs are actuarially computed using certain assumptions with respect to future annual salary increases and discount rates per annum, among others. The Parent Company's net excess retirement plan asset, which is recorded as part of "Deferred exploration costs and other noncurrent assets" amounted to ₱285,835 and ₱363,952 as at December 31, 2015 and 2014, respectively (see Note 19).

SMMCI's retirement liability amounted to ₱21,968 and ₱19,033 as at December 31, 2015 and 2014, respectively. PPP's and FEPs retirement liability amounted to nil and ₱24,552 as at December 31, 2015 and 2014, respectively. SMMCI's, PPP's and FEP's retirement liability are presented as part of noncurrent liabilities (see Note 19).

4. Business Combinations

Acquisition of PPP

On April 5, 2013, PPC increased its stake in PPP from 18.46% to 50.28% through acquisition of additional 46.4 million shares at US$0.75 per share which resulted to PPC obtaining control over PPP.

The goodwill of ₱1,534,168 arising from the acquisition pertains to the revenue potential the Group expects from PPP Peru Block Z-38, SC 14 Block C-2 (West Linapacan) and other Philippine blocks.

As at the acquisition date, the fair value of the net identifiable assets and liabilities of the PPP are as follows:

	Fair Value Recognized on Acquisition	Previous Carrying Value in the Subsidiary
Assets		
Cash and cash equivalents	₱803,379	₱803,379
Receivables	40,916	40,916
Inventories	1,035	1,035
Deferred exploration oil and gas exploration costs	5,521,113	407,219
Property and equipment	2,801	2,801
Other noncurrent assets	6,842	6,842
	6,376,086	1,262,192
Liabilities		
Accounts payable and accrued liabilities	48,391	48,391
Deferred tax liability	1,534,168	–
	1,582,559	48,391
Total identifiable net assets	₱4,793,527	₱1,213,801
Total consideration	6,327,695	
Goodwill arising from acquisition	₱1,534,168	

The fair values of deferred oil and gas exploration costs recognized as at December 31, 2013 financial statements were based on a provisional assessment of their fair value while the Group sought for the final results of independent valuations for the assets. The valuation is based on discounted cash flows for each of the project subject to uncertainty which involves significant judgments on many variables that cannot be precisely assessed at reporting date.

During 2014, results of studies from third party oil and gas consultants and competent persons were obtained by each of the respective operators of the projects which enabled the Group to perform and update the discounted cash flows. As a result of these assessment, an increase in carrying amount of Peru exploration assets by ₱393,399 occurred while assets in the Philippines decreased by the same amount. These adjustments, however, did not have any material effect on goodwill, deferred tax assets or liabilities, impairment losses and foreign currency exchange gains or losses as at December 31, 2014.

In business combinations, the identifiable assets acquired and liabilities assumed are recognized at their fair values at the acquisition date. Deferred income tax liabilities are provided on temporary differences that arise when the tax bases of the identifiable assets acquired and liabilities assumed are not affected by the business combination or are affected differently.
The aggregate consideration follows:

	Amount
Fair value of previously held interest	₱1,313,700
Consideration transferred for additional interest acquired	1,433,332
Fair value of non-controlling interest	3,580,663
	₱6,327,695

The Group measured NCI using the fair value method.

	Amount
Consideration transferred for additional interest acquired	₱1,433,332
Less cash of acquired subsidiary	803,379
	₱629,953

Revenues and net income of the acquiree since the acquisition date amounted to ₱3,465 and ₱1,980,796, respectively. Consolidated revenue and net income of the Group had the business combination occurred on January 1, 2013 would be higher by ₱2,564 and lower by ₱34,650, respectively.

The Group also recorded additional retirement benefit liability amounting to ₱11,373 as at January 1, 2013 as a result of the business combination.

Acquisition of SMECI and SMMCI
On February 6, 2009, the Parent Company acquired control over SMECI and SMMCI from Anglo American Exploration (Philippines), Inc. which qualified as a step acquisition. Due to the transaction, a revaluation surplus amounting to ₱1,572,385 was recognized.

Acquisition of FEP
On July 3, 2008, PPC acquired control over FEP through a transaction which qualified as a step acquisition. A revaluation surplus amounting to ₱39,012 was recognized which pertains to the adjustment to the fair values of the net assets of FEP relating to the previously held interest of the Parent Company in FEP through FEC.

Acquisition of BEMC and FEC
On September 24, 2010, PMC transferred all of its investment in shares of stock in BEMC and FEC to PPC. This qualified as a business combination under common control. The acquisitions resulted to an increase in equity reserves and non-controlling interests amounting ₱40,588 and ₱303,525, respectively, as at the date of business combinations. Goodwill arising from the business combination amounted to ₱258,593.

Goodwill
As at December 31, 2015 and 2014, the goodwill resulting from business combinations amounting to ₱1,238,584 are allocated to the Group's cash-generating units namely: SC 14 C1 Galoc Oil Field, SC 14 A&B Nido-Matinloc, SC 72 Reed Bank and Peru Z38. The Group performed its annual impairment test in December 2015 and 2014.

The recoverable amount of the CGUs were determined based on a value in use calculation using cash flow projections from financial budgets covering the expected life of the oil and gas fields. Based on its analysis, management concluded that the goodwill is recoverable. The calculation of the value in use for the CGUs incorporates the following key assumptions: a) oil prices which are estimated with reference to external market forecasts; b) volume of resources and reserves which are based on resources and reserves report prepared by third party; c) capital expenditure and production and operating costs which are based on the Group's historical experience and latest life of well models; and d) discount rate of 10%. The management believes that key assumptions used in determining the recoverable amount at reasonable possible changes would not cause the CGUs carrying amount to exceed its recoverable amount.

5. **Segment Information**

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net income (loss) for the year, earnings before interest, taxes and depreciation and depletion (EBITDA), and core net income (loss).

Net income (loss) for the year is measured consistent with consolidated net income (loss) in the consolidated statements of income. EBITDA is measured as net income excluding interest expense, interest income, provision for (benefit from) income tax, depreciation and depletion of property, plant and equipment and effects of non-recurring items.

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

The Group is also using core net income (loss) in evaluating total performance. Core income is the performance of business segments based on a measure of recurring profit. This measurement basis is determined as profit attributable to equity holders of the Parent Company excluding the effects of non-recurring items, net of their tax effects. Non-recurring items represent gains (losses) that, through occurrence or size, are not considered usual operating items, such as foreign exchange gains (losses), gains (losses) on derivative instruments, gains (losses) on disposal of investments, and other non-recurring gains (losses).

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

	December 31, 2015				
	Metals	**Energy and Hydrocarbon**	**Unallocated Corporate Balances**	**Eliminations**	**Total**
Revenue					
External customers	**₱8,352,785**	**₱172,250**	**₱–**	**₱–**	**₱8,525,035**
Inter-segment	**–**	**–**	**–**	**–**	**–**
Consolidated revenue	**₱8,352,785**	**₱172,250**	**₱–**	**₱–**	**₱8,525,035**
Results					
EBITDA	**₱3,379,577**	**(₱129,112)**	**₱202**	**(₱471,816)**	**₱2,778,851**
Interest income (expense) - net	**4,085**	**7,444**	**–**	**–**	**11,529**
Income tax benefit	**(366,580)**	**(16)**	**–**	**–**	**(366,596)**
Depreciation and depletion	**(1,563,972)**	**(4,175)**	**(284)**	**–**	**(1,568,431)**
Non-recurring items	**(64,809)**	**(14,911)**	**–**	**–**	**(79,720)**
Consolidated net income (loss)	**₱1,388,301**	**(₱140,770)**	**(₱82)**	**(₱471,816)**	**₱775,635**
Core net income (loss)	**₱939,930**	**(₱34,893)**	**₱205**	**₱–**	**₱905,242**
Consolidated total assets	**₱39,491,704**	**₱4,057,188**	**₱132**	**₱–**	**₱43,549,024**
Consolidated total liabilities	**₱14,946,576**	**₱1,317,339**	**₱1,207**	**₱–**	**₱16,265,122**
Other Segment Information:					
Capital expenditures and other non-current assets	**₱3,844,397**	**₱214,787**	**₱–**	**₱–**	**₱4,059,184**
Non-cash expenses other than depletion and depreciation	**173,828**	**362,354**	**–**	**41,187**	**577,369**

	December 31, 2014				
	Metals	Energy and Hydrocarbon	Unallocated Corporate Balances	Eliminations	Total
Revenue					
External customers	₱9,732,523	₱311,414	₱4,303	₱–	₱10,048,240
Inter-segment	–	–	–	–	–
Consolidated revenue	₱9,732,523	₱311,414	₱4,303	₱–	₱10,048,240
Results					
EBITDA	₱3,498,322	(₱115,803)	(₱4,004)	(₱58,521)	₱3,319,994
Interest income (expense) - net	(344,319)	6,756	54	–	(337,509)
Income tax benefit (expense)	(342,507)	(8,955)	25	–	(351,437)
Depreciation and depletion	(1,686,827)	(3,428)	(301)	–	(1,690,556)
Non-recurring items	82,634	(315,307)	12	(4,986)	(237,647)
Consolidated net income (loss)	₱1,207,303	(₱436,737)	(₱4,214)	(₱63,507)	₱702,845
Core net income (loss)	₱1,233,573	(₱103,557)	(₱8,223)	₱–	₱1,121,793
Consolidated total assets	₱36,654,743	₱4,988,051	₱9,631	₱2,987,923	₱44,640,348
Consolidated total liabilities	₱14,540,661	₱1,133,774	₱1,876	₱1,922,217	₱17,598,528
Other Segment Information:					
Capital expenditures and other non-current assets	₱5,434,637	₱396,384	₱–	₱–	₱5,831,021
Non-cash expenses other than depletion and depreciation	720,859	338,403	–	–	1,059,262

	December 31, 2013				
	Metals	Energy and Hydrocarbon	Unallocated Corporate Balances	Eliminations	Total
Revenue					
External customers	₱9,583,871	₱208,773	₱9,612	₱–	₱9,802,256
Inter-segment	–	–	–	–	–
Consolidated revenue	₱9,583,871	₱208,773	₱9,612	₱–	₱9,802,256
Results					
EBITDA	₱4,209,905	(₱294,016)	₱3,641	₱–	₱3,919,530
Interest income (expense) - net	(395,475)	5,054	121	–	(390,300)
Income tax benefit (expense)	(776,484)	14,837	(1,010)	–	(762,657)
Depreciation and depletion	(1,442,750)	(4,478)	(364)	–	(1,447,592)
Non-recurring items	(1,188,626)	181,945	95	–	(1,006,586)
Consolidated net income (loss)	₱406,570	(₱96,658)	₱2,483	₱–	₱312,395
Core net income	₱816,409	₱440,927	₱2,418	₱248,585	₱1,508,339
Consolidated total assets	₱29,938,772	₱6,010,486	₱20,366	₱3,950,921	₱39,920,545
Consolidated total liabilities	₱10,866,323	₱1,243,781	₱4,380	₱1,888,807	₱14,003,291
Other Segment Information					
Capital expenditures and other non-current assets	₱5,540,200	₱547,801	₱48	₱–	₱6,088,049
Non-cash expenses other than depletion and depreciation	1,444,597	105,377	–	–	1,549,974

The following table shows the Group’s reconciliation of core net income to the consolidated net income for the years ended December 31, 2015, 2014 and 2013.

	2015	2014	2013
Core net income	**₱905,242**	₱1,121,793	₱1,508,339
Non-recurring gains (losses):			
Foreign exchange losses	**(143,895)**	(56,505)	(180,062)
Gain on sale of assets	**107,088**	764,685	97,747
Net tax effect of aforementioned adjustments	**43,168**	(94,208)	(19,615)
Share in net loss of an associate	**(13,200)**	–	–
Net provision for impairment of asset - net	**(2,222)**	(336,059)	(303,419)
Provision for impairment of AFS investments	**–**	–	(1,006,508)
Proceeds from insurance claims	**–**	–	406,850
Provision for rehabilitation costs and others		–	(161,400)
Reorganization costs	**–**	(394,154)	–
Net income attributable to equity holders of the Parent Company	**896,181**	1,005,552	341,932
Net income attributable to NCI (Note 26)	**(120,546)**	(302,707)	(29,537)
Consolidated net income	**₱775,635**	₱702,845	₱312,395

Core net income per share is computed as follows:

	2015	2014	2013
Core net income	**₱905,242**	₱1,121,793	₱1,508,339
Divided by weighted average number of common shares outstanding during year (Note 28)	**4,940,399,068**	4,938,577,039	4,933,657,951
Core net income per share	**₱0.183**	₱0.227	₱0.306

Sales of the Parent Company are made to Pan Pacific Copper Co., Ltd. (Pan Pacific), which is covered by a Sales Agreement, and to Louis Dreyfuss Commodities Metals Suisse SA (LD Metals) for the remaining copper concentrate. Gross revenue, excluding provisional pricing adjustments, from Pan Pacific and LD Metals for the year ended December 31, 2015, 2014 and 2013 are presented below:

	2015	2014	2013
LD Metals	**₱6,109,840**	₱8,336,374	₱5,961,458
Pan Pacific	**3,128,525**	3,179,773	2,606,474
	₱9,238,365	₱11,516,147	₱8,567,932

Sales Agreement
On March 11, 2004, the Parent Company entered into a Sales Agreement with Pan Pacific covering the copper concentrates produced at the Padcal Mine. The said agreement is the subject of management review.

6. **Cash and Cash Equivalents**

Cash and cash equivalents consist of:

	2015	2014
Cash on hand	**₱2,370**	₱3,305
Cash with banks	**693,894**	719,424
Short-term deposits	**312,422**	4,509,163
	₱1,008,686	₱5,231,892

Cash with banks and short-term deposits earn interest at bank deposit rates. Short-term deposits are made for varying periods, usually of up to three months depending on the cash requirements of the Group. Interest income arising from cash with banks and short-term deposits amounted to ₱11,529, ₱16,952 and in ₱26,060 in 2015, 2014 and 2013, respectively.

7. Accounts Receivable

Accounts receivable consist of:

	2015	2014
Trade	**₱701,328**	₱893,943
Accrued interest	–	1,968
Others	**197,898**	162,566
	899,226	1,058,477
Less allowance for impairment losses	**1,747**	2,613
	₱897,479	₱1,055,864

The Parent Company's trade receivables arise from shipments of copper concentrates which are initially paid based on 90% of their provisional value, currently within one week from shipment date. The 10% final balance does not bear any interest until final settlement, which usually takes around three months from shipment date. The Group has US dollar (US$) accounts receivable amounting to US$13,194 and US$18,295 as at December 31, 2015 and 2014, respectively (see Note 23).

Accrued interest receivables arise from the Group's short-term deposits. Other receivables include advances to officers and employees, and other non-trade receivables.

The following table is a rollforward analysis of the allowance for impairment losses recognized on accounts receivable:

	2015	2014
January 1		
Trade	**₱–**	₱423
Others	**2,613**	2,770
Reversals during the year		
Trade	–	(423)
Others	**(866)**	(157)
December 31	**₱1,747**	₱2,613

The impaired receivables were specifically identified as at December 31, 2015 and 2014.

8. Inventories

Inventories consist of:

	2015	2014
Mine products - at NRV	**₱543,228**	₱643,474
Petroleum - at cost	**9,044**	18,550
Materials and supplies:		
On hand - at NRV	**1,291,969**	1,165,764
In transit - at cost	**42,303**	30,432
	₱1,886,544	₱1,858,220

As at December 31, 2015 and 2014, the cost of materials and supplies inventories on hand amounted to ₱1,408,154 and ₱1,281,949, respectively.

The following table is a rollforward analysis of the allowance for impairment losses recognized on coal and materials and supplies inventories:

	2015	2014
January 1		
Coal	**₱220,083**	₱223,242
Materials and supplies	**116,185**	197,474
Reversals during the year		
Coal	**–**	(3,159)
Materials and supplies	**–**	(78,322)
Write-off during the year		
Coal	**–**	–
Materials and supplies	**–**	(2,967)
December 31	**₱336,268**	₱336,268

Additional provision for coal inventories which is related to BEMC's closure in 2013 is included in the "Impairment loss on deferred exploration cost and others" account in the consolidated statements of income due to its non-recurring nature. In 2014, impairment losses amounting to ₱3,159 were reversed by the BEMC since it was able to sell these inventories at cost.

Materials and supplies recognized as expense amounted to ₱1,560,676, ₱1,789,423 and ₱1,656,730, for the years ended December 31, 2015, 2014 and 2013, respectively (see Note 16).

9. Other Current Assets

Other current assets consist of:

	2015	2014
Input tax recoverable - net	**₱1,366,311**	₱1,266,949
Prepaid expenses and others	**112,437**	117,558
	₱1,478,748	₱1,384,507

Allowance for impairment loss on input tax amounted to ₱99,433 as at December 31, 2015 and 2014.

10. **Property, Plant and Equipment**

Property, plant and equipment consist of:

	December 31, 2015						
	Mine, Mining and Oil and Gas Properties	**Land, Buildings and Improvements***	**Machinery And Equipment**	**Surface Structures**	**Construction in Progress**	**Non-operating Property and Equipment at Bulawan Mine**	**Total**
Cost:							
January 1	**₱11,706,548**	**₱413,492**	**₱8,403,607**	**₱186,358**	**₱502,187**	**₱2,085,073**	**₱23,297,265**
Additions	**481,968**	**87,857**	**655,715**	**2,317**	**258,472**	**3,840**	**1,490,169**
Disposals	**–**	**(42,070)**	**(361,854)**	**–**	**–**	**–**	**(403,924)**
Reclassifications	**416,966**	**–**	**–**	**–**	**(416,966)**	**–**	**–**
Effect of CTA	**31,823**	**–**	**3,852**	**–**	**–**	**–**	**35,675**
December 31	**12,637,305**	**459,279**	**8,701,320**	**188,675**	**343,693**	**2,088,913**	**24,419,185**
Accumulated Depletion and Depreciation:							
January 1	**8,316,034**	**254,055**	**5,369,828**	**133,363**	**–**	**2,085,073**	**16,158,353**
Depletion and depreciation for the year (Note 18)	**865,214**	**29,086**	**906,400**	**13,748**	**–**	**3,840**	**1,818,288**
Disposals	**–**	**(42,070)**	**(361,854)**	**–**	**–**	**–**	**(403,924)**
Effect of CTA	**15,092**	**–**	**3,324**	**–**	**–**	**–**	**18,416**
December 31	**9,196,340**	**241,071**	**5,917,678**	**147,111**	**–**	**2,088,913**	**17,591,133**
Net Book Values	**₱3,440,965**	**₱218,208**	**₱2,783,642**	**₱41,564**	**₱343,693**	**₱–**	**₱6,828,052**

**Cost of land amounts to ₱2,053. This also includes capitalized costs of mine rehabilitation of ₱18,130 and related accumulated amortization of ₱18,130.*

	December 31, 2014						
	Mine, Mining and Oil and Gas Properties	Land, Buildings and Improvements*	Machinery And Equipment	Surface Structures	Construction in Progress	Non-operating Property and Equipment at Bulawan Mine	Total
Cost:							
January 1	₱10,680,277	₱328,248	₱7,399,540	₱130,159	₱514,326	₱2,197,683	₱21,250,233
Additions	1,036,672	62,082	1,166,038	56,199	32,700	–	2,353,691
Disposals	–	–	(73,658)	–	–	(112,610)	(186,268)
Reclassifications	(10,911)	23,162	(88,537)	–	(44,839)	–	(121,125)
Other Adjustments	(3,583)	–	(3,772)	–	–	–	(7,355)
Effect of CTA	4,093	–	3,996	–	–	–	8,089
December 31	11,706,548	413,492	8,403,607	186,358	502,187	2,085,073	23,297,265
Accumulated Depletion and Depreciation:							
January 1	7,227,623	229,711	4,585,052	130,068	–	2,197,683	14,370,137
Depletion and depreciation for the year (Note 18)	1,086,277	24,344	894,549	3,295	–	–	2,008,465
Disposals	–	–	(71,464)	–	–	(112,610)	(184,074)
Reclassifications	–	–	(39,918)	–	–	–	(39,918)
Other Adjustments	–	–	(725)	–	–	–	(725)
Effect of CTA	2,134	–	2,334	–	–	–	4,468
December 31	8,316,034	254,055	5,369,828	133,363	–	2,085,073	16,158,353
Net Book Values	₱3,390,514	₱159,437	₱3,033,779	₱52,995	₱502,187	₱–	₱7,138,912

**Cost of land amounts to ₱2,053. This also includes capitalized costs of mine rehabilitation of ₱18,130 and related accumulated amortization of ₱18,130.*

Mine and mining properties as at December 31, 2015 and 2014 include mine development costs of the 908 Meter Level, 782 Meter Level and 798 Meter Level project amounting to ₱2,977,142 and ₱2,526,172, respectively. In 2011, the estimated mine life of the Parent Company's Padcal Mine was extended until 2020, or an additional three years from the original estimated mine life of until 2017. In 2015, with the discovery of additional resources, the estimated mine life of the Padcal Mine was again extended for an additional two years until 2022. Correspondingly, the extensions in mine life were considered as a change in estimate and the effect on the amortization of the depletion costs was taken up prospectively.

Total depreciation cost of machinery and equipment used in exploration projects amounting to ₱249,857, ₱317,909 and ₱67,967 in 2015, 2014 and 2013, respectively, are capitalized under deferred exploration costs, which relate to projects that are currently ongoing for PMC, SMMCI and PGPI.

Land, buildings and improvements include the estimated costs of rehabilitating the Parent Company's Padcal Mine from 2023 up to 2030, discounted at a rate of 2.79%. In 2015, the Parent Company performed a reassessment of its provision for mine rehabilitation costs which increased the liability and related asset by ₱100,459. Accretion of interest totaled ₱3,414 and ₱1,986 in 2015 and 2014, respectively.

The Group's provision for mine rehabilitation costs amounted to ₱134,898 and ₱31,522 as at December 31, 2015 and 2014, respectively.

Non-operating property and equipment in the Bulawan mine pertains to PGPI's fully-depreciated property and exploration equipment that are presently not in use. These assets do not qualify as assets held for sale under PFRS 5 and are thus retained as property, plant and equipment.

On July 17, 2014, the Parent Company sold its property located in Pasig City for a total amount of ₱777,445. Total gain of ₱764,685 was recognized in the consolidated statements of income after the related necessary taxes and expenses.

11. Available-for-sale (AFS) Financial Assets

AFS Financial Assets

The Group's AFS financial assets consist of quoted and unquoted investment in share of stock as follows:

	2015	2014
Investments in quoted shares	**₱33,975**	₱833,987
Investments in unquoted shares of stock	**72,712**	72,694
	₱106,687	₱906,681

AFS financial assets in quoted shares of stock are carried at fair value with cumulative changes in fair values presented as a separate account in equity. Meanwhile, AFS financial assets in unquoted shares of stock are carried at cost because fair value bases (i.e., quoted market prices) are neither readily available nor is there an alternative basis of deriving a reliable valuation at the end of the reporting period.

In 2013, the Company recognized impairment loss on quoted AFS investments to ₱1,006,508 due to a significant decline in the fair value of the quoted shares below cost recorded under "Other income (charges)" on the consolidated statements of income. On February 21, 2013, the Company sold all of its investment in PERC for ₱167,999. Gain on sale of PERC shares amounted to ₱26,867 which was recognized in the consolidated statements of income.

On February 3, 2015, the Parent Company sold its investment in quoted shares in Indophil for a consideration of ₱297,462. The transaction resulted in a gain amounting to ₱107,088 recorded under "Other income (charges)" on the consolidated statements of income.

Investment in Lepanto is reclassified as investment in an associate in 2015 (see Note 12).

As at December 31, 2015 and 2014, the cumulative change in value of AFS financial assets amounted to a decrease of ₱1,022 and ₱64,010, respectively. These changes in fair values in the same amounts have been recognized and shown as "Net unrealized gain (loss) on AFS financial assets" account in the equity section of the consolidated statements of financial position and are also shown in the consolidated statements of comprehensive income.

The following table shows the movement of the "Net unrealized loss on AFS financial assets" account:

	2015	2014
January 1	**(₱64,010)**	₱4,689
Decrease in fair value of AFS financial assets	**(23,023)**	(68,699)
Reversal of fair value changes in AFS investment subsequently accounted for as an associate (Note 12)	**193,099**	–
Realized gain on sale of AFS financial assets	**(107,088)**	–
December 31	**(₱1,022)**	(₱64,010)

12. Investment in an associate

In July 2015, the Parent Company entered into a Joint Voting Agreement (the Agreement) with another Lepanto shareholder to jointly vote their share on all matters affecting their right on Lepanto for five years from the effectivity of the Agreement. By virtue of the Agreement, the shareholding and board representation of the combined interest of PMC and the other Lepanto shareholder resulted in significant influence over Lepanto.

Lepanto is involved on 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. Lepanto is listed on the Philippine Stock Exchange (PSE). The Group's interest in Lepanto is accounted for using the equity method on the consolidated financial statements. The following table illustrates the summarized financial information of the Group's investment in Lepanto:

	2015*
Current assets	₱1,844,445
Non-current assets	14,879,042
Current liabilities	(1,008,527)
Non-current liabilities	(8,141,015)
Equity	₱7,573,945

	2015
Group's carrying amount of the investment	₱659,408

	2015*
Revenue	₱907,999
Cost and expenses	(1,391,951)
Finance costs	(18,327)
Other income (expenses)	(8,321)
Loss before income tax	(510,600)
Income tax expense	(328)
Loss for the year	₱510,928
Total comprehensive loss	₱510,928
Group's share of loss for the year	₱13,200

**Balances are based on unaudited September 30, 2015 interim financial statements submitted by Lepanto to PSE.*

13. **Deferred Exploration Costs and Other Noncurrent Assets**

Deferred exploration costs and other noncurrent assets consist of:

	2015	2014
Deferred mine exploration costs	**₱25,482,996**	₱22,054,748
Less allowance for impairment losses	**1,493,336**	1,519,542
	23,989,660	20,535,206
Deferred oil exploration costs	**5,399,948**	5,705,778
Less allowance for impairment losses	**426,313**	874,415
	4,973,635	4,831,363
Other noncurrent assets	**475,550**	450,896
	₱29,438,845	₱25,817,465

The following table is a rollforward analysis of the allowance for impairment losses recognized on deferred exploration cost and other noncurrent assets:

	2015	2014
January 1		
Deferred mine exploration cost	**₱1,519,542**	₱1,288,123
Deferred oil exploration cost	**874,415**	535,890
Provisions during the year		
Deferred mine exploration cost	**–**	231,419
Deferred oil exploration cost	**429,848**	338,525
Reversals during the year		
Deferred oil exploration cost	**(388,630)**	–
Write-off during the year		
Deferred mine exploration cost	**(26,206)**	–
Deferred oil exploration cost	**(489,320)**	–
December 31	**₱1,919,649**	₱2,393,957

Deferred Mine and Oil Exploration Costs
Deferred mine and oil exploration costs relate to projects that are ongoing. The recovery of these costs depends upon the success of exploration activities and future development of the corresponding mining properties or the discovery of oil and gas that can be produced in commercial quantities. Allowances have been provided for those deferred costs that are specifically identified to be unrecoverable. Allowances recognized are included under "Impairment loss on deferred exploration costs" in the consolidated statements of income amounting to ₱429,848, ₱569,944 and ₱297,585 in 2015, 2014 and 2013, respectively.

SC 6A (Octon Block)
The SC is located offshore North West Palawan and covers an area of 1,080 square kilometers and was entered into by the DOE and the original second parties to the contract on September 1, 1973. On July 11, 2011, PPP acquired 70% interest and operatorship of the block by carrying all costs of Phase 1 of the work program.

In 2014, Pitkin elected not to enter Phase 2 of a farm-in agreement to earn a 70% participating interest in SC 6A and reassigned its participating interest back to the farm-out partners which was approved by the DOE on March 9, 2015. As a result of the decision to exit SC 6A, Pitkin recorded an impairment loss of ₱338,525 in 2014 and subsequently written off the carrying value of the asset in 2015.

SC 40 (North Cebu)
In 2012, FEP commissioned a resource assessment study undertaken by Petroleum Geo-Services Reservoir Consultants (PGS), an independent competent person. The results of the study downgraded previously identified leads and prospects within SC 40. As a result, the carrying value of the investment in SC40 was impaired by ₱388,630 in 2012. The carrying value as at December 31, 2012 reflects the potential of a number of smaller onshore locations within SC 40.

In 2015, the management has finalized its assets review of SC 40 based on a more detailed Resource Estimation Report prepared by PGS. The updated report indicated a significant increase in resources which triggered the reassessment and reversal of the impairment recognized in 2012. The results of the assets review and the competent person report were presented to the Risk and Resource Committee of the Board in 2015. The Committee have approved and adopted the report. A reversal of impairment amounting to ₱388,630 was recognized by the Group in 2015.

SC 53 (Mindoro)
SC 53 measures 6,600 square kilometres and is mostly located in onshore Mindoro Island. The SC was entered into on July 8, 2005 between the DOE and Laxmi Organic Industries Ltd. On September 5, 2007, PPP executed a farm-in agreement with the existing partners of SC 53 and was approved by the DOE on June 11, 2008. On April 4, 2011, PPP executed a farm-out agreement whereby it transferred 35% of its participating interest to the farmee in exchange for being carried through the drilling, testing and completing of the Progreso-2 well and the acquisition, processing and interpretation of 2D onshore and offshore seismic data. The farm-out agreement was approved by the DOE on July 4, 2011.

In 2015, Pitkin recognized impairment loss amounting to ₱359,395 following Pitkin's intention in early 2016 to exit from the JV, thereby reducing the carrying value of SC 53 to nil as at December 31, 2015.

SC 72 (Reed Bank)
SC 72 was awarded on February 15, 2010. It covers an area of 8,800 square kilometers and contains the Sampaguita Gas Discovery which has the potential to contain In-Place Contingent Resources of 2.6 trillion cubic feet (TCF) as reported by Weatherford Petroleum Consultants (Weatherford) in 2012.

Based on the study, In-Place Prospective Resources totalling 5.4 TCF is expected to be drilled in the area. The results of the study were used to define the location of two wells, to be named Sampaguita-4 and Sampaguita-5, which if successfully drilled, would be expected to increase the amount of potentially recoverable resources. The drilling of two wells is part of the work programme of FEP for the second-sub-phase of SC72 which was supposed to be accomplished by August 2013. However, FEP was unable to commence the drilling programme because of maritime disputes between the Philippine and Chinese governments. The DOE has granted FEP an extension from August 2014 up to August 2015 on the grounds of force majeure to allow the completion of obligations under the SC. In the meantime, FEP recognizes its ongoing commitment to the project by continuously undertaking studies to discover the field's potential.

In 2014, the DOE granted GSEC 101 request to extend the completion date of the second Exploration Sub-Phase of SC 72 by one year to August 15, 2016. The arbitration case between the Republic of Philippines and the People's Republic of China is ongoing. The schedule of the second Sub-Phase and all subsequent Sub-Phases of the Exploration Period shall be adjusted to compensate for the Force Majeure period.

In 2015, the DOE granted Force Majeure to SC 72 work commitments. Such suspension shall be effective from December 15, 2014 until the date when DOE notifies Forum to commence drilling that should be in accordance to the final resolution on the arbitration proceedings between the Philippines and China.

In 2015, the United Nations Arbitral Tribunal (Tribunal) unanimously decided that it has jurisdiction over the maritime dispute between China and the Philippines over the West Philippine Sea, and it was the proper body to decide on the case filed by the Philippines in January 2013. It also ruled that China's decision not to participate in these proceedings does not deprive the Tribunal of jurisdiction and that the Philippines' decision to commence arbitration unilaterally was not an abuse of the UNCLOS dispute settlement procedures. Further hearings were held during the 4th Quarter of 2015 and a definitive ruling is expected to be issued by the Tribunal in 2016.

The DOE has already approved the Work Program and Budget for 2016 submitted by FEP consisting of License Administration and the conduct of a geotechnical survey contingent on the lifting of the Force Majeure over SC 72.

SC 75 Area 4 (Northwest Palawan)
In September 2013, Pitkin, in consortium with Philodrill, acquired acreage on SC74 covering Area 5 North West (NW) Palawan Basin in a competitive bid under the PECR4, with operating interest of 70% and participating interest of 30%, respectively. It covers an area of 4,240 square kilometers and is located in shallow waters of the NW Palawan area.

Peru Block XXVIII
Block XXVIII was awarded to Pitkin in October 2010. It covers an area of 3,143 square kilometers located in the eastern portion of the productive Sechura Basin.

In 2015, Pitkin recognized impairment loss amounting to ₱70,453 after its exit in the exploration sub-phase 2 and surrendered the exploration contract to the Peruvian Government reducing the carrying value to nil as at December 31, 2015.

Other Noncurrent Assets
This account primarily includes the following:

a. Bank accounts that the Parent Company and PGPI maintain with Land Bank of the Philippines to establish their respective Mine Rehabilitation Funds (MRF), pursuant to the requirements of Republic Act (RA) No. 7942, otherwise known as "The Philippine Mining Act of 1995." The MRF shall be used for the physical and social rehabilitation of areas and communities affected by the Padcal, Bulawan and Sibutad Mines, and for research in the social, technical and preventive aspects of their rehabilitation. As at December 31, 2015 and 2014, the Parent Company's MRF amounted to ₱5,361 and ₱5,474, while PGPI's MRF amounted to ₱6,825 and ₱6,768, respectively.

b. The Parent Company's net excess retirement plan assets amounting to ₱285,835 and ₱363,952 as at December 31, 2015 and 2014, respectively (see Note 19).

14. Loans and Bonds Payable

	2015	2014
Current Loans		
Bank loans		
Banco de Oro (BDO)	**₱1,882,400**	₱1,341,600
Philippine National Bank (PNB)	**1,364,740**	1,788,800
Bank of the Philippine Islands (BPI)	**70,590**	827,320
Land Bank of the Philippines (LBP)	–	350,000
Total current loans	**3,317,730**	4,307,720
Noncurrent Loans		
Bonds payable	**6,259,063**	5,947,366
	₱9,576,793	₱10,255,086

Related party loans in prior years
In 2012 and 2013, the Parent Company entered into unsecured Term Loan Facility Agreements with Kirtman Limited, Maxella Limited and Asia Link B.V., companies under common control of First Pacific Company Limited (FPC Group), to finance the capital expenditures of Silangan Project and working capital requirements of the Group. The Term Loans Facility Agreements were fully settled in 2014.

Interest expense on the Term Loan Facility Agreements with Kirtman Limited, Maxella Limited and Asia Link B.V amounted to nil, ₱207,074 and ₱374,765 in 2015, 2014 and 2013, respectively.

BDO Loans
On April 25, 2013, PMC assumed the liability of BEMC for the settlement of the ₱100,000 loan from BDO at the interest rate of 4% subject to repricing. After a series of renewals, the maturity of the loan was extended to January 20, 2014. The loan was consequently renewed upon maturity for an additional 85 days until April 15, 2014 under the same terms. The loan was fully paid in July 2014.

On November 6, 2013, the Parent Company obtained unsecured short-term loans from BDO amounting to US$20,000. The original loan term carries 2.5% interest per annum and will mature on February 4, 2014. The loan was renewed upon maturity for an additional 90 days until May 5, 2014 under the same terms and was subsequently renewed several times with last renewal maturing April 28, 2015 under the same terms. Upon maturity on April 28, 2015, the Parent Company renegotiated the loan to reduce the interest rate to 2.3% per annum and new maturity date on July 27, 2015. PMC renewed the loan several times with the latest maturity date set on March 24, 2016. Partial payments amounting to US$3,000 were made in 2015 which reduced the outstanding balance to US$17,000.

On July 1, 2014, the Parent Company obtained unsecured short term loan from BDO amounting to US$10,000. The loan carries 2.5% interest per annum and will mature on September 29, 2014. The loan was renewed several times with PMC renegotiating on June 17, 2015 for a lower interest rate per annum of 2.3%. The loan was rolled several times with the latest renewal setting the maturity date on March 11, 2016. Partial payments amounting to US$4,000 were made in 2015 which reduced the outstanding balance to US$6,000.

On April 27, 2015, the Parent Company obtained a new unsecured short term loan from BDO amounting to US$17,000. The loan carries 2.3% interest per annum and will mature on July 24, 2015. The loan was renewed several times upon maturity wherein the last maturity was set on March 20, 2016.

PNB Loans

On November 6, 2013, the Parent Company obtained unsecured short-term loans from PNB amounting to US$20,000. The loan carries 2.5% interest per annum and will mature on February 4, 2014. The loan was renewed several times upon maturity for an additional 90 days or until May 5, 2014 under the same terms. Subsequent renewal followed with last renewal maturing on April 15, 2015. The loan was fully paid in 2015.

On March 19, 2014, the Parent Company obtained an unsecured short-term loan from PNB amounting to US$10,000. The loan carries 2.5% interest per annum but subject to repricing every 30 days. The loan will mature on June 19, 2014. Partial payments amounting to $1,000 was made in 2015 which reduced outstanding balance to $9,000. When the partial payment was made in July 2015, the rate was also renegotiated to 2.3%. The loan was renewed several times in 2015 with the last renewal made on January 4, 2016. The loan will mature on March 3, 2016.

On June 3, 2014, the Parent Company obtained unsecured loan from PNB amounting to US$10,000. The loan carries 2.5% interest per annum and will mature on September 23, 2014. After several maturity and renewals, the latest maturity date of the loan is set at March 21, 2016. The rate was also renegotiated to 2.3% in June 2015.

On November 24, 2015, the Parent Company obtained unsecured loan from PNB amounting to US$10,000. The loan carries 2.3% interest per annum with original maturity on February 22, 2016 and was later extended for another 90 days.

BPI Loans

On January 14, 2013 and February 18, 2013, PMC assumed the liability for the settlement of the ₱150,000 and ₱100,000 loans with BPI, previously payable by BEMC. The interest rates of the notes are at 4% per annum but subject to repricing every 30 days based on the prevailing interest rate at the date of repricing. The related interest is payable every 30 days. After a series of renewals, the maturity of the ₱150,000 and ₱100,000 loans from BPI was extended to January 30, 2014 and February 14, 2014, respectively. Interest was increased to 4.5% per annum for both loans. The

maturity dates of both loans were extended through another renewal under the increased interest rate until March 3, 2014 and March 28, 2014, respectively. These loans were both fully paid in July 2014.

On November 6, 2013, the Parent Company obtained an unsecured short-term loan from BPI amounting to US$10,000. The loan carries 2.5% interest per annum and will mature on February 6, 2014. The loan was also renewed upon maturity for an additional 45 days or until March 21, 2014 under the same terms. The loan was fully paid on March 21, 2014.

On May 12, 2014, PMC obtained an unsecured short-term loan from BPI amounting to US$10,000. The loan carries 2.5% interest per annum and will mature on June 1, 2014. After several maturity and renewals, the loan was fully settled on November 25, 2015.

On November 24, 2014, the Parent Company obtained an unsecured short-term loan from BPI amounting to US$5,000. The loan carries 2.5% interest per annum but subject to repricing every 30 days and last renewal to mature on January 23, 2015. After several maturity and renewals, the loan was fully settled on September 18, 2015.

On November 27, 2014, the Parent Company obtained an unsecured short-term loan from BPI amounting to US$3,500. The loan carries 2.5% interest per annum but subject to repricing every 30 days and last renewal to mature on January 26, 2015. The Parent Company renewed the loan several times in 2015 with the latest maturity date set on February 19, 2016. Partial payments amounting to US$2,000 were made in 2015 which reduced the outstanding balance to US$1,500.

LBP Loans
On July 14, 2014, the Parent Company obtained an unsecured short-term loan from LBP amounting to ₱100,000. The loan carries 4.5% interest per annum which will start on the date of initial borrowing and having a duration not exceeding 88 days, and will mature on October 10, 2014. This loan was renewed for another 88 days to mature on January 8, 2015. The Parent Company renewed the loan under the same terms in 2015 with partial payment amounting to ₱50,000 made on February 26, 2015 and full settlement made on March 9, 2015.

On July 28, 2014, the Parent Company obtained an unsecured short-term loan from LBP amounting to ₱250,000. The loan carries 4.5% interest per annum but subject to repricing every 90 days, and will mature on October 27, 2014. This loan was renewed for another 88 days to mature on January 23, 2015. The Parent Company renewed the loan under the same terms in 2015 with partial payment amounting to ₱100,000 made on January 23, 2015 and full settlement made on February 10, 2015.

BNP Paribas Loan
On December 21, 2012, FEP, together with Galoc Production Co. (GPC), entered into a $40,000 loan facility with BNP Paribas for the purpose of financing the development activities of SC 14C's Galoc Phase 2. On June 30, 2014, the loan was fully settled in cash and all accessory contracts are terminated.

Interest expense on the bank loans amounted to ₱108,837, ₱90,757 and ₱37,676 for 2015, 2014 and 2013, respectively. Bank interest expense capitalized as deferred exploration costs amounted to ₱76,186 in 2015.

Bonds Payable
On December 18, 2014, SMECI, with PMC as the co-issuer, issued 8-year convertible bonds with a face value of ₱7,200,000 at 1.5% coupon rate p.a. payable semi-annually. The bonds are convertible into 400,000 common shares of SMECI at ₱18 per share 12 months after the issue date ("Standstill Period"). On the last day of the Standstill Period, the Issuer shall have a one-time right to redeem the bonds from the holders in whole or in part. After the Standstill Period, the noteholders may exercise the conversion right, in whole but not in parts, at any time but no later than the maturity date. At redemption/maturity date, the bonds can be redeemed together with the principal or face value of the bonds. A 3% p.a. redemption premium based on the face value of the bonds and unpaid accrued interest (if there be any) at the relevant payment date.

At the date of issuance, the carrying amount of the bonds payable and equity conversion options amounted to ₱5,974,482 and ₱1,225,518, respectively.

Interest expense pertaining to the convertible bonds amounting to ₱433,488 and ₱14,731 in 2015 and 2014, respectively, was capitalized as deferred exploration costs.

15. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of:

	2015	2014
Trade	**₱738,635**	₱776,581
Accrued expenses	**502,524**	678,546
Accrued royalties and excise taxes	**67,890**	104,360
Withholding taxes	**59,903**	53,875
Other nontrade liabilities	**79,493**	182,393
	₱1,448,445	₱1,795,755

Trade payables are non-interest bearing and are generally settled within 30-60 day terms. Accrued expenses consist of accrued operating and administrative expenses, contracted and outside services. Other nontrade liabilities include payroll-related liabilities.

16. Costs and Expenses

Costs and expenses include the following:

	2015	2014	2013
Mining and milling costs:			
Communications, light and water	**₱1,664,852**	₱1,709,707	₱1,291,863
Depletion and depreciation (Notes 10 and 18)	**1,545,778**	1,665,523	1,339,139
Materials and supplies	**1,557,628**	1,785,909	1,580,141
Personnel (Note 17)	**822,254**	1,076,790	862,676
Contracted services	**290,567**	240,024	232,155
Others	**206,961**	241,975	151,907
	₱6,088,040	₱6,719,928	₱5,457,881

(Forward)

	2015	2014	2013
General and administrative expenses:			
Personnel (Note 17)	**₱367,077**	₱507,299	₱550,866
Contracted services	**89,764**	152,189	236,400
Taxes and licenses	**44,796**	73,951	60,592
Depreciation (Notes 10 and 18)	**22,653**	25,033	22,562
Communications, light and water	**16,153**	15,762	18,738
Donations	**9,465**	3,934	6,875
Repairs and maintenance	**5,513**	12,189	27,999
Travel and transportation	**5,033**	13,408	48,101
Office supplies	**3,048**	3,514	5,729
Others	**65,086**	135,722	333,197
	₱628,588	₱943,001	₱1,311,059

Excise taxes and royalties:			
Royalties	**₱269,380**	₱311,248	₱343,548
Excise taxes	**167,476**	195,940	192,974
	₱436,856	₱507,188	₱536,552

Other general and administrative expenses include security, janitorial and other outside services, and general miscellaneous expenses.

Starting August 1, 2012, the Parent Company suspended its operations at the Padcal Mine after the TSF No. 3 incident at the mine. Maintenance costs incurred during the suspension of operations of the Padcal Mine until March 7, 2013, which are included under "Others - net" account in the consolidated statements of income, are as follows:

	2015	2014	2013
Padcal maintenance costs:			
Personnel (Notes 17 and 19)	**₱–**	₱–	₱126,313
Depreciation (Notes 10 and 18)	**–**	–	85,891
Materials and supplies	**–**	–	70,660
Communications, light and water	**–**	–	67,213
Contracted services	**–**	–	60,580
Others	**–**	–	28,933
	₱–	₱–	₱439,590

17. **Personnel Cost**

Details of personnel costs are as follows:

	2015	2014	2013
Mining and milling costs (Note 16):			
Salaries and wages	**₱562,458**	₱733,826	₱576,940
Employee benefits	**216,887**	402,622	228,047
Retirement costs (gain) (Note 19)	**42,909**	(59,658)	57,689
	822,254	1,076,790	862,676

(Forward)

	2015	2014	2013
General and administrative expenses (Note 16):			
Salaries and wages	**₱271,338**	₱317,898	₱323,714
Employee benefits	**86,772**	191,386	211,304
Retirement costs (gain) (Note 19)	**8,967**	(1,985)	15,848
	367,077	507,299	550,866
Padcal maintenance costs (Note 16):			
Salaries and wages	–	–	73,398
Employee benefits	–	–	36,637
Retirement costs (Note 19)	–	–	16,278
	–	–	126,313
	₱1,189,331	₱1,584,089	₱1,539,855

In 2013, the Parent Company, PPP and FEP recognized retirement costs amounting to ₱448,780, ₱24,212, and ₱1,391, respectively. In 2014, PPP and FEP recognized retirement costs amounting to ₱2,939 and ₱4,788, respectively while the Parent company recognized a net retirement gain amounting to ₱69,370. In 2015, retirement costs amounted to ₱49,894 and ₱1,982 for the Parent Company and FEP, respectively (see Note 19).

18. **Depletion and Depreciation**

Details of depletion and depreciation expense are as follows:

	2015	2014	2013
Mining and milling costs	**₱1,545,778**	₱1,665,523	₱1,339,139
General and administrative	**22,653**	25,033	22,562
Padcal maintenance costs	**–**	–	85,891
	₱1,568,431	₱1,690,556	₱1,447,592

Total depreciation cost of machinery and equipment used in exploration projects amounting to ₱249,857, ₱317,909 and ₱67,967 in 2015, 2014 and 2013, respectively, are capitalized under deferred exploration costs, which relate to projects that are currently ongoing for PMC, SMMCI and PGPI.

19. **Retirement Benefits**

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

Parent Company Retirement Fund

The Parent Company has a funded, noncontributory, defined benefits retirement plan covering all of its regular employees. The pension funds are being administered and managed through the Retirement Gratuity Plan of Philex Mining Corporation, with Union Bank of the Philippines and BDO as Trustee. The retirement plan provides for retirement, separation, disability and death benefits to its members.

Changes in the net defined benefit liability (asset) of funded funds of the Parent Company are as follows:

2015

	January 1, 2015	Current service cost	Net interest	Settlement/ Curtailment	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest	Actuarial changes arising from changes in experience adjustments	Actuarial changes arising from changes in financial Assumptions	Subtotal	Contribution by employer	December 31, 2015
		Net benefit cost in charged to consolidated statements of income					Remeasurements in other comprehensive income					
Present value of defined benefit obligation	₱798,089	₱63,240	₱25,466	₱–	₱886,795	(₱13,092)	₱–	₱55,575	(₱51,185)	₱4,390	₱–	₱878,093
Fair value of plan assets	(₱1,162,041)	–	(38,812)	–	(1,200,853)	13,092	23,833	–	–	23,833	–	(1,163,928)
	(₱363,952)				(₱314,058)	₱–	₱23,833	₱55,575	(₱51,185)	₱28,223	₱–	(₱285,835)

2014

	January 1, 2014	Current service cost	Net interest	Settlement/ Curtailment	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest	Actuarial changes arising from changes in experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	December 31, 2014
		Net benefit cost in charged to consolidated statements of income					Remeasurements in other comprehensive income					
Present value of defined benefit obligation	₱1,138,837	₱71,905	₱33,064	(₱492,422)	(₱387,453)	(₱78,155)	₱–	₱130,802	(₱5,942)	₱124,860	₱–	₱798,089
Fair value of plan assets	(1,436,542)	–	(45,508)	363,591	318,083	78,155	(89,737)	–	–	(89,737)	(32,000)	(1,162,041)
	(₱297,705)				(₱69,370)	₱–	(₱89,737)	₱130,802	(₱5,942)	₱35,123	(₱32,000)	(₱363,952)

	2013										
		Net benefit cost in charged to consolidated statements of income				Remeasurements in other comprehensive income					
	January 1, 2013	Current service cost	Net interest	Subtotal	Benefits paid	Return on plan assets (excluding amount included in net interest)	Actuarial changes arising from changes experience adjustments	Actuarial changes arising from changes in financial assumptions	Subtotal	Contribution by employer	December 31, 2013
Present value of defined benefit obligation	₱1,418,115	₱88,819	₱49,395	₱138,214	(₱145,263)	₱–	(₱33,906)	(₱238,322)	(₱272,228)	₱–	₱1,138,838
Fair value of plan assets	(1,374,142)	–	(52,303)	(52,303)	116,397	(30,495)	–	–	(30,495)	(96,000)	(1,436,543)
	₱43,973			₱85,911	(₱28,866)	(₱30,495)	(₱33,906)	(₱238,322)	(₱302,723)	(₱96,000)	(₱297,705)

The fair value of net plan assets of the Parent Company by each classes as at the end of the reporting period are as follows:

	2015	2014
Assets		
Cash and cash equivalents	**₱119,321**	₱218,917
Receivables	**9,116**	8,209
Investment in debt securities	**648,793**	555,279
Investment in equity securities	**387,427**	380,264
Other investments	**–**	447
	1,164,657	1,163,116
Liabilities		
Accrued trust fees payables	**729**	1,075
	₱1,163,928	₱1,162,041

The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

Actuarial valuation assumptions	**2015**	2014
Discount rate	**4.25%**	3.34%
Future salary increases	**5.00%**	5.00%

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

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

	Increase (decrease)	Effect on defined benefit obligation
Discount rates	1.00%	(₱48,578)
	(1.00%)	52,220
Future salary increases	1.00%	₱44,396
	(1.00%)	(42,429)

Shown below is the maturity analysis of the Company's undiscounted benefit payments:

	Expected benefit payments
Less than one year	₱35,650
More than one year to five years	142,653
More than five years to ten years	1,527,811

The average duration of the defined benefit obligation at the end of the reporting period is 6.65 years.

The Parent Company's actuarial funding requirement in 2014 and 2015 is nil, however, the intention is to continue regular contributions to the fund.

Pension expense from the defined benefit retirement plan is actuarially determined using the projected unit credit method. The latest actuarial valuation report was made as at December 31, 2015.

SMMCI Retirement Fund
SMMCI has unfunded, noncontributory defined benefit retirement plan covering its regular and full-time employees. The Company also provides additional post employment healthcare benefits to certain senior employees in the Philippines.

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

Actuarial valuation assumptions	**2015**	2014
Discount rates	**5.07%**	4.60%
Future salary increases	**10.00%**	10.00%

Changes in the defined benefit liability of SMMCI are as follows:

	2015	2014
January 1	**₱19,033**	₱8,320
Current service cost	**10,907**	8,909
Interest cost	**870**	486
Subtotal	**11,777**	9,395
Remeasurements in other comprehensive income:		
Experience adjustments	**(2,460)**	(2,175)
Actuarial changes from changes in demographic assumptions	**(4,879)**	–
Actuarial changes from changes in financial assumptions	**(1,503)**	3,493
Subtotal	**(8,842)**	1,318
December 31	**₱21,968**	₱19,033

Retirement expense amounting to ₱11,777 and ₱9,395 in 2015 and 2014, respectively, were capitalized as part of the deferred mine exploration costs.

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

	Increase (decrease)	Present Value of Obligation
Discount rates	1.00%	(₱2,751)
	(1.00%)	3,394
Future salary increases	1.00%	₱3,290
	(1.00%)	(2,736)

Shown below is the maturity analysis of the undiscounted benefit payments:

	2015	2014
Less than 1 year	**₱–**	₱123
More than 1 year to 5 years	**24,793**	10,147
More than 5 years to 10 years	**20,824**	17,674
More than 10 years to 15 years	**15,181**	21,280
More than 15 years to 20 years	**115,792**	72,867
More than 20 years	**378,500**	500,595

The average duration of the defined benefit obligation at the end of the reporting period is 22.29 and 25.42 years in 2015 and 2014, respectively.

PPP Retirement Fund

PPP has an unfunded, noncontributory defined benefit retirement plan covering its regular and full-time employees.

The cost of defined benefit pension plans and other post-employment medical benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension and post-employment medical benefit obligations for the defined benefit plans are shown below:

Actuarial valuation assumptions	2014
Discount rates	3.50 - 5.77%
Future salary increases	5.00%

Present value of defined benefit obligation:

	2014
Net benefit cost in consolidated statements of comprehensive income	
January 1	₱15,623
Current service cost	5,132
Interest cost	2,595
Subtotal	23,350
Re-measurements in OCI	
Experience adjustments	2,267
Actuarial changes from changes in financial assumptions	(1,065)
Subtotal	1,202
Ending balance	₱24,552

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

		Present Value of Obligation
	Increase (decrease)	2014
Discount rates	1.00%	₱23,638
	(1.00%)	26,326
Future salary increases	1.00%	26,271
	(1.00%)	23,668
Turnover rate	1.00%	23,570
	(1.00%)	25,602

Shown below is the maturity analysis of the undiscounted benefit payments:

	2014
Less than 1 year	₱–
More than 1 year to 5 years	27,050
More than 5 years to 10 years	16,527

PPP terminated all of its employees in 2015. FEP also terminated its employees and were rehired the PPC in August 2015. These resulted in absolute and full extinguishment of the obligation of the PPP to pay retirement benefits under the existing regulatory framework. Consequently, the outstanding retirement benefits liabilities of the PPP and FEP at the date of extinguishment were recognized as gain in the statement of comprehensive income. Gain on extinguishment of retirement benefits liability of PPP and FEP amounted to ₱3,463 and ₱24,893, respectively.

The retirement benefits liability amounting to nil and ₱24,552 as at December 31, 2015 and 2014, respectively, are recorded under ‘Pension obligation’ in the consolidated statements of financial position.

20. **Financial Instruments**

Fair Values of Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, short-term bank loan, accounts payable and accrued liabilities, dividends payable and subscriptions payable, approximate their fair values because of their short-term nature. Quoted AFS financial assets are carried at fair value based on the quoted values of the securities. Unquoted AFS financial assets are carried at book value since fair value cannot be readily determined based on observable market data.

The fair value measurement of the quoted financial assets is categorized as under Level 1 under fair value hierarchy.

21. **Financial Risk Management Objectives and Policies and Hedging Activities**

Financial Risk Management Objectives and Policies

The Group’s principal financial instruments, other than derivatives, comprise mainly of cash and cash equivalents, accounts receivable, AFS financial assets, short-term bank loan and accounts payable and accrued liabilities. The main purpose of these financial instruments is to provide financing for the Group’s operations and capital intensive projects.

The BOD is mainly responsible for the overall risk management and approval of the risk strategies and principles of the Group. The BOD has approved its formalized hedging policy in relation to entering into commodity derivatives in order to manage its financial performance.

Financial Risks
The main risks arising from the Group's financial instruments are credit and concentration risks, liquidity risk and market risk. The market risk exposure of the Group can be further classified to foreign currency risk, interest rate risk, equity price risk and commodity price risk. The BOD reviews and approves the policies for managing these risks and they are summarized as follows:

Credit and Concentration Risks
Credit risk is the risk where the Group could incur a loss if its counterparties fail to discharge their contractual obligations. To avoid such losses, the Group's primary credit risk management strategy is to trade only with recognized, creditworthy third parties. At present, 60% of the Parent Company's annual production of concentrates is sold to Pan Pacific Copper Co., Ltd. The balance of the Parent Company's annual production of concentrates is contracted with LD Metals which is covered by several short-term agreements up to March 2018.

Credit risk may also arise from the Group's other financial assets, which comprise of cash and cash equivalents. The Group's exposure to credit risk could arise from default of the counterparty, having a maximum exposure equal to the carrying amount of these instruments.

The table below summarizes the Group's exposure to credit risk for the components of the consolidated statements of financial position as of December 31, 2015, and 2014:

	2015	2014
Cash and cash equivalents:		
Cash with banks	**₱693,894**	₱719,424
Short-term deposits	**312,422**	4,509,163
Accounts receivable:		
Trade	**701,328**	893,943
Accrued interest	**–**	1,968
Others	**61,842**	107,593
Gross maximum credit risk exposure	**₱1,769,486**	₱6,232,091

The following tables show the credit quality of the Group's financial assets by class as at December 31, 2015 and 2014 based on the Group's credit evaluation process:

	December 31, 2015			
	Neither Past Due nor Impaired		**Past Due and Individually Impaired**	
	High-Grade	**Standard**		**Total**
Cash and cash equivalents:				
Cash with banks	**₱693,894**	**₱–**	**₱–**	**₱693,894**
Short-term deposits	**312,422**	**–**	**–**	**312,422**
Accounts receivable:				
Trade	**701,328**	**–**	**–**	**701,328**
Accrued interest	**–**	**–**	**–**	**–**
Others	**61,842**	**–**	**1,747**	**63,589**
Total	**₱1,769,486**	**₱–**	**₱1,747**	**₱1,771,233**

	December 31, 2014			
	Neither Past Due nor Impaired		Past Due and Individually	
	High-Grade	Standard	Impaired	Total
Cash and cash equivalents:				
Cash with banks	₱719,424	₱–	₱–	₱719,424
Short-term deposits	4,509,163	–	–	4,509,163
Accounts receivable:				
Trade	893,943	–	–	893,943
Accrued interest	1,968	–	–	1,968
Others	159,953	–	2,613	162,566
Total	₱6,284,451	₱–	₱2,613	₱6,287,064

Credit quality of cash and cash equivalents and accounts receivable are based on the nature of the counterparty and the Group's evaluation process.

High-grade credit quality financial assets pertain to financial assets with insignificant risk of default based on historical experience.

The Group has no past due but not impaired financial assets as at December 31, 2015 and 2014.

Liquidity Risk

Liquidity risk is the risk where the Group becomes unable to meet its obligations when they fall due under normal and stress circumstances. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group addresses liquidity concerns primarily through cash flows from operations and short-term borrowings, if necessary.

The tables below summarize the maturity profile of the Group's financial assets that can be used by the Group to manage its liquidity risk and the maturity profile of the Group's financial liabilities, based on contracted undiscounted repayment obligations (including interest) as at December 31, 2015 and 2014, respectively:

	December 31, 2015			
	On Demand	**Within 1 Year**	**More than 1 Year**	**Total**
Loans and receivables:				
Cash and cash equivalents	**₱1,008,686**	**₱–**	**₱–**	**₱1,008,686**
Accounts receivable:				
Trade	**–**	**701,328**	**–**	**701,328**
Others	**–**	**61,842**	**–**	**61,842**
AFS financial assets:				
Quoted equity investments	**33,975**	**–**	**–**	**33,975**
Unquoted equity investments	**72,712**	**–**	**–**	**72,712**
Total undiscounted financial assets	**₱1,115,373**	**₱763,170**	**₱–**	**₱1,878,543**

(Forward)

	December 31, 2015			
	On Demand	**Within 1 Year**	**More than 1 Year**	**Total**
Other financial liabilities:				
Short-term loans				
Principal	**₱–**	**₱3,317,730**	**₱–**	**3,317,730**
Interest	**–**	**81,730**	**–**	**81,730**
Long-term loans				
Principal	**–**	**–**	**7,200,000**	**7,200,000**
Interest	**–**	**–**	**756,000**	**756,000**
Accounts payables and accrued liabilities	**–**	**1,318,165**	**–**	**1,318,165**
Dividends payable	**479,652**	**–**	**–**	**479,652**
Subscriptions payable	**21,995**	**–**	**–**	**21,995**
Total undiscounted financial liabilities	**₱501,647**	**₱4,717,625**	**₱7,956,000**	**₱13,175,272**

	December 31, 2014			
	On Demand	Within 1 Year	More than 1 Year	Total
Loans and receivables:				
Cash and cash equivalents	₱5,231,892	₱–	₱–	₱5,231,892
Accounts receivable:				
Trade	–	893,943	–	893,943
Accrued interest	–	1,968	–	1,968
Others	–	107,593	–	107,593
AFS financial assets:				
Quoted equity investments	833,987	–	–	833,987
Unquoted equity investments	72,694	–	–	72,694
Total undiscounted financial assets	₱6,138,573	₱1,003,504	₱–	₱7,142,077
Other financial liabilities:				
Short-term loans				
Principal	₱–	₱4,307,720	₱–	₱4,307,720
Interest	–	134,258	–	134,258
Long-term loans				
Principal	–	–	7,200,000	7,200,000
Interest	–	–	864,000	864,000
Accounts payables and accrued liabilities	–	1,003,504	–	1,003,504
Dividends payable	488,818	–	–	488,818
Subscriptions payable	21,995	–	–	21,995
Total undiscounted financial liabilities	₱510,813	₱5,445,482	₱8,064,000	₱14,020,295

Market Risks

Foreign Currency Risk

Foreign currency risk is the risk where the value of the Group's financial instruments diminishes due to unfavorable changes in foreign exchange rates. The Parent Company's transactional currency exposures arise from sales in currencies other than its functional currency. All of the Parent Company's sales are denominated in US dollar. Also, the Parent Company is exposed to foreign exchange risk arising from its US dollar-denominated cash and cash equivalents, trade receivables and loans payable. For the years ended December 31, 2015, 2014 and 2013, the Group recognized net foreign exchange losses of ₱132,391, ₱56,374 and ₱173,972, respectively, arising from the translation of these foreign currency-denominated financial instruments.

As the need arises, the Group enters into structured currency derivatives to cushion the effect of foreign currency fluctuations.

The following tables summarize the impact on income before income tax of reasonably possible changes in the exchange rates of US dollar against the Peso. The reasonable movement in exchange rates was determined using 1-year historical data.

Year Ended December 31, 2015	
US$ Appreciate (Depreciate)	**Effect on Income before Income Tax**
4%	**(₱123,005)**
(4%)	**123,005**

Year Ended December 31, 2014	
US$ Appreciate (Depreciate)	Effect on Income before Income Tax
4%	(₱5,728)
(4%)	5,728

There were no outstanding dollar derivatives as of December 31, 2015 and 2014.

Interest Rate Risk
Interest rate risk arises from the possibility that changes in interest rates would unfavorably affect future cash flows from financial instruments. The Group's exposure to the risk in changes in market interest rates relates primarily to the Parent Company's loans from related parties in 2014. From the variable interest rates of loans in 2014, the Group's borrowings as at December 31, 2015 are all under fixed interest rates.

The Group relies on budgeting and forecasting techniques to address cash flow concerns. The Group also keeps its interest rate risk at a minimum by not borrowing when cash is available or by prepaying, to the extent possible, interest-bearing debt using operating cash flows.

The following table illustrates the sensitivity to reasonably possible change in interest rates, with all other variables held constant, of the Group's 2014 income before income tax. The change in market interest rates is based on the annualized volatility of the 6-month benchmark rate:

Year Ended December 31, 2014	
Change in Market Rate of Interest	Effect on Income before Income Tax
Decrease by 1.0%	₱102,551
Decrease by 0.5%	51,275
Increase by 1.0%	(₱102,551)
Increase by 0.5%	(51,275)

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

Equity Price Risk
Equity price risk is the risk where the fair values of investments in quoted equity securities could increase or decrease as a result of changes in the levels of equity indices and in the value of individual stocks. Management monitors the movement of the share prices pertaining to the Group's investments. The Group is exposed to equity securities price risk because of investments held by the Parent Company and PPC, which are classified in the consolidated statements of financial

position as AFS financial assets (see Note 11). As of December 31, 2015 and 2014, investments in quoted shares totaling ₱33,975 and ₱833,987 represent 0.08% and 1.87% of the total assets of the Group, respectively. Reasonable possible changes were based on an evaluation of data statistics using 1-year historical stock price data.

The effect on equity, as a result of a possible change in the fair value of the Group's quoted equity instruments held as AFS financial assets as at December 31, 2014 and 2013 that could be brought by changes in equity indices with all other variables held constant are as follows:

	December 31, 2015	
Currency	**Change in Quoted Prices of Investments Carried at Fair Value**	**Effect on Equity**
Peso	**Increase by 21%**	**₱7,474**
	Increase by 41%	**14,949**
	Decrease by 21%	**(7,474)**
	Decrease by 41%	**(14,949)**

	December 31, 2014	
Currency	Change in Quoted Prices of Investments Carried at Fair Value	Effect on Equity
Australian dollar (AU$)	Increase by 48%	(AU$4,141)
	Decrease by 95%	(8,195)
Peso	Increase by 21%	₱100,696
	Increase by 41%	196,597
	Decrease by 21%	(100,696)
	Decrease by 41%	(196,597)

Commodity Price Risk

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

The following table shows the effect on income before income tax should the change in the prices of copper and gold occur based on the inventory of the Company as at December 31, 2015. The change in metal prices is based on 1-year historical price movements.

December 31, 2015	
Change in Metal Prices	**Effect on Income before Income Tax**
Gold:	
Increase by 12%	**₱41,536**
Decrease by 12%	**(41,536)**
Copper:	
Increase by 21%	**₱40,613**
Decrease by 21%	**(40,613)**

There were no outstanding gold and copper derivatives as at December 31, 2015.

As at December 31, 2014, there were outstanding gold derivatives designated as cash flow hedges wherein fair value changes are reported under equity. The following table summarizes the impact on equity of reasonably possible change in the prices of gold and copper.

	December 31, 2014
Change in Metal Prices	Effect on Equity
Gold:	
Increase by 12%	₱43,903
Decrease by 12%	(43,903)
Copper:	
Increase by 13%	₱35,553
Decrease by 13%	(35,553)

Derivative Financial Instruments

Gold Derivatives
In December 2014, the Parent Company has entered into gold collar contracts covering 3,000 ounces of monthly gold production for the first quarter of 2015 at an average strike price of US$1,200 per ounce for the put options and US$1,210 per ounce for the call options. Also in May 2015, the Company concluded hedging contracts covering 3,000 ounces per month starting May to September 2015 at an average strike price of US$1,200 per ounce for the put options and US$1,230 per ounce for the call options. These contracts were designated as cash flow hedges.

In June 2014, the Company entered into gold collar hedging contracts covering 6,000 ounces of monthly production for the third quarter of 2014 at an average strike price of US$1,262.50 per ounce for the put options and US$1,325.50 per ounce for the call options. Similarly in September 2014, the Company concluded gold collar hedging contracts covering 9,000 ounces of monthly production for the fourth quarter of 2014 at an average strike price of US$1,200 per ounce for the put options and US$1,270 per ounce for the call options. These contracts were also designated as cash flow hedges.

There were no outstanding gold derivatives as at December 31, 2015.

Embedded Derivatives
As at December 31, 2015 and 2014 the Parent Company has embedded derivatives, which is represented by price exposure relative to its provisionally priced commodity sales contracts (see Notes 5 and 7). Mark-to-market gains and losses from open or provisionally priced sales are recognized through adjustments to revenue in the consolidated statements of income and to trade receivables in the consolidated statements of financial position. The Parent Company determines mark-to-market prices using the forward price for quotational periods after the consolidated statements of financial position date stipulated in the contract. The effect of these fair value adjustments arising from embedded derivatives amounted to a net loss of ₱152,906 and ₱138,679 in 2015 and 2014, respectively, which were included under revenue and adjusted against receivables.

Fair Value Changes on Derivatives
Fair value changes of derivatives that are not designated as accounting hedges flow directly to the consolidated statements of income, while those which are designated as accounting hedges go to equity. Realized gains and losses on settlement are adjusted to the related revenue accounts.

The details of the net changes in the fair values of all derivative instruments as at December 31, 2015 and 2014 are as follows:

	2015	2014
January 1	**₱7,766**	₱–
Premiums paid	**–**	–
Net changes in fair values of derivatives:		
Designated as accounting hedges	**–**	7,766
Not designated as accounting hedges	**–**	–
		7,766
Fair value of settled instruments	**(7,766)**	–
December 31	**₱–**	₱7,766

Hedge Effectiveness of Cash Flow Hedges
Below is a rollforward of the Parent Company's cumulative translation adjustments (CTA) on cash flow hedges for the years ended December 31, 2015 and 2014:

	2015	2014
January 1	**₱7,766**	₱–
Changes in fair value of cash flow hedges	–	7,766
Transferred to consolidated statements of income	**(7,766)**	–
December 31	**₱–**	₱7,766

22. Capital Management

The Group maintains a capital base to cover risks inherent in the business. The primary objective of the Group's capital management is to optimize the use and earnings potential of the Group's resources, ensuring that the Group complies with externally imposed capital requirements, if any, and considering changes in economic conditions and the risk characteristics of the Group's activities. No significant changes have been made in the objectives, policies and processes of the Group from the previous years.

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

	2015	2014
Capital stock	**₱4,940,399**	₱4,940,399
Additional paid-in capital	**1,142,722**	1,117,627
Retained earnings:		
Unappropriated	**5,496,271**	4,712,032
Appropriated	**10,000,000**	10,000,000
	₱21,579,392	₱20,770,058

23. **Foreign Currency-Denominated Monetary Assets and Liabilities**

The Group's foreign currency-denominated monetary assets and liabilities as at December 31, 2015 and 2014 follow:

	2015		2014	
	US$	**Peso Equivalent**	US$	Peso Equivalent
Assets				
Cash and cash equivalents	**$8,914**	**₱419,493**	$67,776	₱3,030,943
Trade receivables	**13,194**	**620,910**	18,295	818,152
	22,108	**1,040,403**	86,071	3,849,095
Liabilities				
Accounts payable	**680**	**32,001**	773	34,569
Bank loan	**70,500**	**3,317,730**	88,500	3,957,720
	71,180	**3,349,731**	89,273	3,992,289
Liabilities	**($49,072)**	**(₱2,309,328)**	($3,202)	(₱143,194)

The exchange rates of the Peso to US dollar were ₱47.06 as at December 31, 2015 and ₱44.72 to US$1 as at December 31, 2014.

24. **Related Party Transactions**

Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, 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 entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

Companies within the Group in the regular conduct of business, enters into transactions with related parties which consists of advances, loans, reimbursement of expenses, regular banking transactions, leases and management and administrative service agreements.

Intercompany transactions are eliminated in the consolidated financial statements. The Group's does not have significant related party transactions except for the settlement of loans from FPC Group as disclosed in Note 14.

Compensations of Key Management Personnel

Compensations of the members of key management personnel follow:

	2015	2014	2013
Short-term employee benefits	**₱107,909**	₱112,498	₱100,521
Pension costs	**5,240**	5,094	7,719
	₱113,149	₱117,592	₱108,240

25. **Income Taxes**

a. The components of the Group's net deferred income tax assets (liabilities) are as follows:

	2015	2014
Deferred income tax assets on:		
Provision for losses and others	**₱140,505**	₱270,984
Unrealized foreign exchange losses - net	**69,214**	65,432
Unamortized past service costs	**42,079**	51,981
Accumulated accretion of interest on provision for mine rehabilitation costs	**7,480**	6,456
Pension obligation	**5,993**	5,917
Allowances for:		
Unrecoverable deferred mine and oil exploration costs	**16,303**	24,159
Disallowable claims receivable	**24,761**	24,095
Total deferred income tax assets	**306,335**	449,024
Deferred income tax liabilities on:		
Difference in fair value and carrying value of the net assets of subsidiary acquired	**(2,645,504)**	(2,645,504)
Accelerated depreciation	**(1,318,640)**	(1,346,332)
Mine inventory at year-end	**(42,848)**	(57,515)
Gain on dilution on interest	**(126,615)**	(126,615)
Net retirement plan assets	**(92,376)**	(111,214)
Unrealized foreign exchange gain	**(13,520)**	(12,761)
Total deferred income tax liabilities	**(4,239,503)**	(4,299,941)
Net deferred income tax liabilities	**(₱3,933,168)**	(₱3,850,917)

b. A reconciliation of the Group's provision for income tax computed at the statutory income tax rates based on income before income tax to the provision for income tax is as follows:

	2015	2014	2013
Provision for income tax computed at the statutory income tax rates	**₱342,669**	₱316,285	₱322,516
Additions to (reductions in) income tax resulting from:			
Unrecognized DTA, NOLCO and excess MCIT	**54,960**	287,310	406,144
Nondeductible expenses and non-taxable income - net	**(35,103)**	(254,813)	35,906
Stock-based compensation expense	**7,529**	7,742	25,240
Interest income already subjected to final tax	**(3,459)**	(5,087)	(7,818)
Effect of difference in tax rates and others - net	**–**	–	(19,331)
Provision for income tax	**₱366,596**	₱351,437	₱762,657

c. As at December 31, 2015 and 2014, no deferred income tax assets were recognized on deductible temporary differences amounting to about ₱2,655,280 and ₱2,472,080, respectively.

d. As at December 31, 2015, significant respective NOLCO and MCIT of the Parent Company's subsidiaries for which no deferred income taxes were recognized are as follows:

PPC and subsidiaries:
As at December 31, 2015, the PPC and subsidiaries' NOLCO that can be claimed as deduction from future taxable income and excess MCIT that can be deducted against income tax due are as follows:

Year Incurred	Available Until	NOLCO	Excess MCIT
2013	2016	₱109,821	₱1,022
2014	2017	516,164	1,428
2015	2018	1,367	937
		₱627,352	₱3,387

The following are the movements of the PPC and subsidiaries' NOLCO and excess MCIT for the years ended December 31:

	NOLCO		Excess MCIT	
	2015	2014	**2015**	2014
Beginning balance	**₱702,425**	₱291,483	**₱2,742**	₱1,316
Additions	**1,367**	516,164	**937**	1,428
Applications	**(25, 911)**	(36,474)	–	–
Expirations	**(50,529)**	(68,748)	**(292)**	(2)
Ending balance	**₱627,352**	₱702,425	**₱3,387**	₱2,742

SMMCI
As at December 31, 2015, SMMCI's NOLCO and excess MCIT that can be claimed as deduction from future taxable income are as follows:

Year Incurred	Available Until	NOLCO Amount	NOLCO Tax Effect	Excess MCIT
2013	2016	₱24,187	₱7,256	₱–
2014	2017	11,149	3,345	71
2015	2018	56,590	16,977	–
		₱91,926	₱27,578	₱71

The following are the movements of the SMMCI's NOLCO and excess MCIT for the years ended December 31:

	NOLCO		Excess MCIT	
	2015	2014	**2015**	2014
At January 1	**₱68,724**	₱77,243	**₱74**	₱3
Additions	**56,590**	11,149	–	71
Expirations	**(33,388)**	(19,668)	**(3)**	–
At December 31	**₱91,926**	₱68,724	**₱71**	₱74

PGPI
As at December 31, 2015, PGPI's NOLCO and excess MCIT that can be claimed as deduction from future taxable income are as follows:

Year Incurred	Available Until	NOLCO	Excess MCIT
2013	2016	₱92,882	₱22
2014	2017	32,567	–
2015	2018	34,459	188
		₱159,908	₱210

The following are the movements in NOLCO and excess MCIT for the years ended December 31:

	NOLCO		Excess MCIT	
	2015	2014	**2015**	2014
Beginning balance	**₱160,788**	₱164,715	**₱46**	₱52
Additions	**34,459**	32,567	**188**	–
Expirations	**(35,339)**	(36,494)	**(24)**	(6)
Ending balance	**₱159,908**	₱160,788	**₱210**	₱46

26. **Equity**

Capital Stock
The details of the Parent Company's capital stock follow:

	Number of Shares	
	2015	2014
Authorized common stock - ₱1 par value	**8,000,000,000**	8,000,000,000
Issued, outstanding and fully paid:		
January 1	**4,940,399,068**	4,936,996,068
Issuance during the year	–	3,403,000
December 31	**4,940,399,068**	4,940,399,068

Below is a summary of the capital stock movement of the Parent Company:

Year	Date of Approval	Change in Number of Authorized Capital Stock	New Subscriptions/ Issuances***
1956	November 26, 1956	60,000,000	20,590,250
1957			30,539,750
1958			107,035
1959			1,442,500
1960	September 12, 1960	30,000,000	10,997,397
1961			1,238,500
1962			9,737,294
1963	December 16, 1993	90,000,000*	103,258,378
1964	March 6, 1964	220,000,000	65,339,520
1965			61,546,755

(Forward)

Year	Date of Approval	Change in Number of Authorized Capital Stock	New Subscriptions/ Issuances***
1966			60,959,182
1969	September 22, 1969	600,000,000	182,878,280
1970			274,317,420
1971	August 20, 1971	1,000,000,000	411,476,131
1973		4,000,000,000****	2,623,160,332
1974			1,543,035,476
1978			540,062,420
1981	August 4, 1981	5,000,000,000	1,485,171,655
1983			742,006,977
1985			815,707,473
1986			3,923,841,215
1987	August 14, 1987	9,000,000,000	3,867,787,326
1989	July 11, 1989	20,000,000,000	5,028,123,524
1990	June 27, 1990	(38,000,000,000)**	(20,549,744,536)
1991			375,852,233
1992			162,869,258
1993			179,156,183
1995			403,849
1997			985,928,483
1999	May 23, 1997	3,000,000,000	–
2007			10,781,250
2008			912,279,662
2009	May 22, 2009	3,000,000,000	1,019,753,789
2010			21,525,999
2011			7,619,783
2012			3,276,075
2013			3,969,250
2014			3,403,000
2015			–
		8,000,000,000	**4,940,399,068**

*This is the result of the change of par value from ₱0.10 to ₱0.05.
**This is the result of the change in par value from ₱0.05 to ₱1.00.
***Information on issue/offer price on public offering not available or information not applicable since the shares were not issued in relation to a public offering.
****Information on date of approval not available.

As at December 31, 2015 and 2014, the Parent Company's total stockholders is 44,296 and 44,386, respectively.

Retained Earnings

Retained earnings consist of the following:

	2015	2014
Retained earnings:		
Unappropriated	**₱5,408,240**	₱4,610,889
Cumulative actuarial gains	**88,031**	101,143
Total Unappropriated	**5,496,271**	4,712,032
Appropriated	**10,000,000**	10,000,000
Ending balance	**₱15,496,271**	₱14,712,032

On December 13, 2013, the Parent Company's BOD approved the appropriation of ₱10,000,000 of the unappropriated retained earnings for purposes of mine development and construction of the Silangan Project from 2016 to 2018.

On February 26, 2014, the BOD of the Parent Company approved the declaration of cash dividend of ₱0.05 per share as regular dividend to all stockholders at record date of March 12, 2014.

On October 29, 2014, the BOD of the Parent Company approved the declaration of cash dividend of ₱0.03 per share as regular dividend to all stockholders at record date of November 12, 2014.

On February 25, 2015, the BOD of the Parent Company approved the declaration of cash dividend of ₱0.02 per share as regular dividend to all stockholders at record date of March 11, 2015.

The Parent Company's retained earnings available for dividend distribution amounted to ₱6,117,846 and ₱4,235,911 as at December 31, 2015 and 2014, respectively.

NCI

NCI consist of the following:

	Percentage of Ownership		**Amount**	
	2015	2014	**2015**	2014
NCI on net assets of:				
PPC	**35.3%**	35.2%	**₱641,864**	₱617,807
BEMC	**35.3%**	35.2%	**(249,565)**	(251,157)
FEC	**66.8%**	66.8%	**118,607**	98,765
FEP and its subsidiaries	**62.3%**	68.4%	**163,852**	(80,005)
PPP and its subsidiaries	**65.4%**	65.6%	**2,046,600**	3,057,212
LMC	**0.7%**	0.7%	**(239)**	(219)
			₱2,721,119	₱3,442,403

Transactions with NCI are disclosed in Note 2.

Financial information of subsidiaries that have material non-controlling interests are provided below:

Income (loss) allocated to material NCI:

	2015	2014
PPP and its subsidiaries	**(₱351,239)**	(₱326,008)
PPC	**22,299**	7,698

Other comprehensive income allocated to material NCI:

	2015	2014
PPP and its subsidiaries	**₱524**	₱7,903
PPC	–	–

The summarized financial information of these subsidiaries are provided below:

Statements of comprehensive income as of December 31, 2015:

	PPP	**PPC**
Revenue	**₱–**	**₱–**
Cost of sales	**–**	**–**
General and administrative expenses	**(109,721)**	**(35,822)**
Other income (charges)	**(427,215)**	**102,302**
Interest expense	**–**	**–**
Income (loss) before tax	**(536,936)**	**66,480**
Provision for (benefit from) income tax	**(14)**	**–**
Net income	**(536,950)**	**66,480**
Other comprehensive income (loss)	**(6,010)**	**–**
Total comprehensive income (loss)	**(₱542,960)**	**(₱66,480)**
Attributable to non-controlling interests	**(₱355,639)**	**(₱24,467)**

Statements of comprehensive income as of December 31, 2014:

	PPP	PPC
Revenue	₱–	₱–
Cost of sales	–	–
General and administrative expenses	(167,102)	(23,287)
Other income (charges)	(327,327)	45,151
Interest expense	–	–
Income before tax	(494,429)	21,864
Provision for income tax	–	–
Net income	(494,429)	21,864
Other comprehensive income	9,308	–
Total comprehensive income	(₱485,121)	₱21,864
Attributable to non-controlling interests	(₱317,754)	₱7,718

Statements of financial position as at December 31, 2015:

	PPP	**PPC**
Current assets	**₱281,920**	**₱1,045,869**
Noncurrent assets	**189,509**	**3,009,190**
Current liabilities	**(7,343)**	**(2,198,851)**
Noncurrent liabilities	**–**	**(122,399)**
Total equity	**464,086**	**1,733,809**
Attributable to:		
Equity holders of the Parent Company	**₱160,110**	**₱1,121,774**
Non-controlling interests	**303,976**	**612,035**

Statements of financial position as at December 31, 2014:

	PPP	PPC
Current assets	₱1,818,056	₱833,241
Noncurrent assets	567,738	3,639,570
Current liabilities	(25,747)	(2,692,539)
Noncurrent liabilities	(20,964)	(112,889)
Total equity	2,339,083	1,667,383
Attributable to:		
Equity holders of the Parent Company	₱804,644	₱1,080,464
Non-controlling interests	1,534,439	586,919

Statements of cash flows as of December 31, 2015:

Activities	**PPP**	**PPC**
Operating	**(₱234,888)**	**(₱23,188)**
Investing	**55,464**	**644,844**
Financing	**(1,332,272)**	**(490,398)**
Net increase (decrease) in cash and cash equivalents	**(₱1,511,696)**	**₱131,258**

Statements of cash flows as of December 31, 2014:

Activities	PPP	PPC
Operating	(₱196,275)	(₱14,106)
Investing	(112,817)	7,459
Financing	(513,737)	95,044
Net increase (decrease) in cash and cash equivalents	(₱822,829)	₱88,397

Statements of cash flows as of December 31, 2013:

Activities	PPP	PPC
Operating	(₱194,886)	(₱30,281)
Investing	1,824,363	(1,265,347)
Financing	332,985	1,303,935
Effect of exchange rate changes on cash	–	21
Net increase in cash and cash equivalents	₱1,962,462	₱8,328

27. **Share-based Payments**

2006 Parent Company Stock Option Plan (SOP)

On June 23, 2006, the Parent Company's stockholders approved and ratified the stock option plan of the Parent Company as approved by the Parent Company's BOD on March 31, 2006. Among the salient terms and features of the stock option plan are as follows:

i) Participants: directors, officers, managers and key consultants of the Company and its significantly-owned subsidiaries;
ii) Number of shares: up to 3% of the Company's issued and outstanding shares;
iii) Term: Five years from adoption date;
iv) Exercise price: Average stock price during the last 20 trading days prior to the date of grant multiplied by a factor of 0.8, but in no case below par value; and

v) Vesting period: Up to 16.67% in six months from grant date; up to 33.33% in 1 year from grant date; up to 50% in 1.5 years from grant date; up to 66.67% in 2 years from grant date; up to 83.35% in 2.5 years from grant date; and up to 100% in 3 years from grant date.

On March 8, 2007, the stock option plan was approved by the Philippine SEC.

A total of two confirmed new grants for 15,000,000 shares were awarded on June 24 and December 7, 2009.

For the year ended December 31, 2010, three confirmed new grants were endorsed. A total of 9,950,000 shares were awarded on May 25, September 28 and November 23, 2010.

On January 5, 2011, a new stock option grant was given following the terms of the approved plan. A total of 6,000,000 options were awarded vesting every 6 months up to January 5, 2014. The Company uses the Customized Binomial Lattice Model to compute for the fair value of the options together with the following assumptions:

	January 5, 2011
Spot price per share	₱15.40
Time to maturity	5 years
Volatility*	54.57%
Dividend yield	1.93%
Suboptimal exercise behavior multiple	1.5
Forfeiture rate	2%

	2010		
	May 25	September 28	November 23
Spot price per share	₱11.00	₱14.88	₱14.00
Time to maturity	5 years	5 years	5 years
Volatility*	54.57%	55.09%	54.98%
Dividend yield	2.69%	2.00%	2.12%
Suboptimal exercise behavior multiple	1.5	1.5	1.5
Forfeiture rate	2%	2%	2%

**Volatility is calculated using historical stock prices and their corresponding logarithmic returns.*

The following table shows the movements in 2015 and 2014 of the 2006 Parent Company SOP:

	Number of Options		Weighted Average Exercise Price	
	2015	2014	**2015**	2014
January 1	**₱5,368,150**	₱9,001,400	**₱11.78**	₱11.35
Exercised	–	(3,403,000)	–	10.79
Forfeited	**(853,150)**	(230,250)	**9.54**	9.54
December 31	**₱4,515,000**	₱5,368,150	**₱12.20**	₱11.78

The number of unexercised vested stock options as at December 31, 2015 and 2014 are 4,515,000, and 5,368,150, respectively.

2011 Parent Company SOP

On April 27, 2011, the BOD approved the 2011 SOP of the Company, which was concurrently approved by the shareholders on June 29, 2011. Among the salient terms and features of the stock option plan are as follows:

i) Option Grant Date is the date on which option is awarded under the Parent Company 2011 SOP, provided such award is subsequently accepted by eligible participant.
ii) The vesting percentage and vesting schedule of the options granted under the 2011 Parent Company SOP shall be determined by the Compensation Committee of the Board.
iii) 246,334,118 shares representing 5% of the Parent Company's outstanding capital stock shall be initially reserve for exercise of options to be granted.
iv) The exercise price for the options granted under the 2011 Parent Company SOP shall be determined by the Compensation Committee of the Board but shall not be lower than the highest of: (i) the closing price of the shares on PSE on the Option Grant Date, (ii) the average closing price of the shares on the PSE for the 5 business days on which dealings in the shares are made immediately preceding the Option Grant Date; and (iii) the par value of shares.
v) Any amendments to the 2011 Parent Company SOP shall be deemed adopted and made effective upon approval by shareholders owning at least two-thirds of the outstanding capital stock of the Parent Company and, to the extent legally necessary, by the SEC.

On March 5, 2013, the Parent Company received the SEC resolution approving the 2011 SOP.

The Parent Company granted 40,410,000 options under the 2011 SOP.

The Parent Company uses the Customized Binomial Lattice Model to compute for the fair value of the options together with the following assumptions:

Spot price per share	₱17.50
Exercise price per share	₱24.05
Time to maturity	7 years
Risk-free rate	3.3435%
Volatility*	49.8731%
Dividend yield	1.0031%

**Volatility is calculated using historical stock prices and their corresponding logarithmic returns.*

The following table shows the movements in 2015 of the 2011 SOP of the Parent Company:

	Number of Options 2015	Weighted Average Exercise Price 2015
January 1	**₱28,250,000**	**₱24.05**
Granted	**6,250,000**	**16.45**
Forfeited	**(11,630,000)**	**24.05**
December 31	**₱22,870,000**	**₱21.97**

The following table shows the movements in 2014 of the 2011 SOP of the Parent Company:

	Number of Options	Weighted Average Exercise Price
	2014	2014
January 1	₱29,910,000	₱24.05
Forfeited	(1,660,000)	24.05
December 31	₱28,250,000	₱24.05

The number of unexercised vested stock options totaled to 20,432,500, 21,347,500 and 14,955,000 in 2015, 2014 and 2013, respectively.

The total share-based compensation expense for the 2006 and 2011 SOP in 2015, 2014 and 2013 amounted to ₱25,095, ₱25,808 and ₱84,133, respectively. The corresponding share-based option reserve included under Additional Paid-in Capital as at December 31, 2015 and 2014 amounted to ₱351,911 and ₱326,816, respectively.

28. **Basic/Diluted Earnings Per Share**

Basic earnings per share are computed as follows:

	2015	2014	2013
Net income attributable to equity holders of the Parent Company	**₱896,181**	₱1,005,552	₱341,932
Divided by weighted average number of common shares outstanding during year	**4,940,399,068**	4,938,577,039	4,933,657,951
Basic earnings per share	**₱0.181**	₱0.204	₱0.069

Diluted earnings per share amounts are calculated as follows:

	2015	2014	2013
Net income attributable to equity holders of the Parent Company	**₱896,181**	₱1,005,552	₱341,932
Divided by weighted average number of common shares adjusted for the effect of exercise of stock options	**4,940,399,068**	4,938,577,039	4,933,657,951
Diluted earnings per share	**₱0.181**	₱0.204	₱0.069
Weighted average number of common shares adjusted for the effect of exercise of stock options	**4,940,399,068**	4,938,577,039	4,933,657,951

The Parent Company considered the effect of its potentially dilutive stock options outstanding as at December 31, 2015, 2014 and 2013 (see Note 26). The stock options outstanding are anti-dilutive. The effect of the conversion option of the convertible bonds is anti-dilutive as at December 31, 2015 and 2014.

29. Farm-in Agreement with Manila Mining Corporation (MMC)

On May 11, 2011, the Parent Company entered into a farm-in agreement with MMC and to acquire up to 60% of the outstanding capital stock of Kalayaan Copper Gold Resources, Inc. (Kalayaan), a wholly owned subsidiary of MMC. The Parent Company purchased from MMC 125,000 shares of Kalayaan representing 5% of the outstanding capital stock for US$25,000 or ₱1,071,521. Further, the Parent Company will subscribe to additional 3,437,500 shares of Kalayaan, representing 55% of outstanding capital stock, subject to the condition that the Parent Company will fulfill the subscription services within the earlier of 3 years following the execution of the agreement or expiry of the term of the exploration permit.

Upon acquisition of 5% stake over Kalayaan, MMC, under the Operating Agreement, grants the Parent Company exclusive, irrevocable and unconditional rights:

a. To conduct exploration and pre-development;
b. To perform all activities necessary to complete a final feasibility study for the project; and,
c. To possess and/or exercise all of Kalayaan's surface rights, to exercise, utilize and enjoy all the rights, benefits, privileges, and perform all the obligations of Kalayaan under and in relation to the exploration permit and the mineral rights, provided that Kalayaan shall remain liable for all accrued obligations under the exploration permit as at the date of the agreement.

The transaction was recorded by allocating the US$25,000 to Investment in AFS pertaining to the 5% interest in Kalayaan and to the exploration rights acquired. The acquisition cost is then allocated by valuing the investment in AFS at ₱100 and the deferred exploration cost at ₱1,071,421.

As at December 31, 2015, the Company is undergoing discussions with MMC to revise, and consequently, extend the term of the farm-in agreement on the Kalayaan Project.

30. Joint Ventures with Anglo

In order to accelerate exploration, the Parent Company and PGPI entered into separate joint ventures with Anglo covering the Parent Company's Baguio District and PGPI's Surigao del Norte mineral tenements, respectively. Shareholders agreements were executed on September 2, 1999, pursuant to which Anglo is to fund all exploration costs up to feasibility studies, if warranted, in return for equity in the tenements.

The exploration work of Anglo led to the discovery of the Boyongan copper-gold deposit in August 2000. In 2001, Anglo exceeded the US$2,200 threshold of expenditures and earned a 40% equity interest in the Surigao del Norte tenements, now referred to as the Silangan Project.

On April 10, 2000 and December 29, 1999, final government approval of the Parent Company and PGPI's respective mining tenements in the form of MPSA were granted. For the Surigao del Norte joint venture, SMECI (60% owned by PGPI and 40% owned by Anglo) and SMMCI (then wholly-owned by SMECI) were organized in 1999 and 2000, respectively. In 2000, the Parent Company

and PGPI transferred their respective rights and interest in the MPSAs to SMMCI. SMECI started to be consolidated in 2009.

In December 2001, Anglo purchased from PGPI an effective 10% equity interest in SMMCI for US$20,000, plus additional payments of up to US$5,000 should there be an increase in metal content of the deposit or from any subsequent discovery within the surrounding tenements on the basis of feasibility studies. Benefits from subsequent discovery of minerals by SMMCI that will increase the value of its shares will inure to Anglo. Conversely, the risk of decrease in the value of SMMCI shares will be suffered by Anglo.

Anglo completed its pre-feasibility study of the Boyongan deposit in December 2007 which concluded that a mining operation based on the currently defined resources, proposed mining and processing methods, assumed long-term copper and gold prices, and estimated capital and operating costs would not provide an acceptable rate of the return on the project investment. The Parent Company, however, had differing points of view from Anglo on a number of assumptions and conclusions made in the feasibility study. The Parent Company thus asserted its position that given the results of the study, as provided for under the terms of the joint venture agreements, Anglo should return the Boyongan property to the Parent Company, which Anglo contested.

Anglo claimed that other mineralized centers have been discovered in the vicinity, currently then the subject of intensive exploration and delineation drilling program which Anglo wanted to continue throughout 2008. Anglo also reported that there was geologic evidence for two additional porphyry copper-gold targets within two kilometers of Boyongan which Anglo planned to test. These recent discoveries and their impact were not included in the Boyongan pre-feasibility study.

On September 25, 2008, the BOD approved the Parent Company to pursue the acquisition of the 50% equity interest over the Silangan Project through SMECI and SMMCI from Anglo. The acquisition, which was consummated on February 6, 2009, was executed through a share and asset purchase agreement for a total consideration of US$55,000 (or ₱2,619,375) broken down as follows: US$24,695 (or ₱1,176,114) for the shares, US$43 (or ₱2,020) for the project properties, US$27,053 (or ₱1,288,416) for the receivables and US$3,209 (or ₱152,825) for the payment of loans of Anglo to the joint venture companies. This acquisition effectively gave the Parent Company, together with PGPI, which currently owns the other 50% interest, control over the property.

On December 7, 2011, the Parent Company entered into an agreement with Anglo and Anglo American Exploration (Philippines), Inc. (AAEPI) where the Parent Company agreed to buy and Anglo agreed to sell all Anglo's rights, interests and obligations in MECI for US$25. In addition, AAEPI agreed with the Parent Company that all of its rights, interests and title in and to its receivable to MECI will be assigned to the Parent Company for a consideration amounting to US$175. The purchase of share and assignment of receivable will become effective and legally enforceable only upon fulfillment of the closing obligations. The term to fulfill the closing obligations expired in 2013.

31. Other Matters

a. The Group is currently involved in certain legal, contractual and regulatory matters that require the recognition of provisions for related probable claims against the Group. Management and the Group's legal counsel reassess their estimates on an annual basis to consider new relevant information. The disclosure of additional details beyond the present disclosures may seriously prejudice the Group's position and negotiation strategies with respect to these matters. Thus, as

allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only a general description is provided.

b. In 2014, the Parent Company recognized additional provision amounting to ₱394,154 for its manpower right-sizing program (MRP), which brought down overall manpower headcount by 512 employees.

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32. Notes to Consolidated Statements of Cash Flows

The principal non-cash investing activities of the Group follows:

a. In 2015 and 2014 total depreciation expense that was capitalized as part of deferred mine exploration costs amounted to ₱249,857 and ₱317,909, respectively.