Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

ANNUAL AUDIT REPORT

on the

PHILIPPINE MINING DEVELOPMENT CORPORATION (PMDC)

For the Year Ended December 31, 2015

Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS
Philippine Mining Development Corporation
Unit 3001-B West Tower
Philippine Stock Exchange Centre
Exchange Road, Ortigas Center, Pasig City

We have audited the accompanying financial statements of the **Philippine Mining Development Corporation (PMDC)** which comprise the balance sheets as of December 31, 2015 and 2014, and the statements of revenues and expenditures, statements of changes in net worth and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Unqualified Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **PMDC** as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with State accounting principles.

COMMISSION ON AUDIT

MERLE M. VALENTIN
OIC – Supervising Auditor
Audit Group E- Natural Resources and Technology Group
Cluster 5-Corporate Government Sector

April 8, 2016

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

PHILIPPINE MINING DEVELOPMENT CORPORATION

The Management of the **PHILIPPINE MINING DEVELOPMENT CORPORATION (PMDC)** is responsible for all information and representations contained in the Balance Sheets and the related Statements of Revenues and Expenditures and Statements of Cash Flows for the years ended December 31, 2015 and 2014. The Financial Statements have been prepared in conformity with generally accepted accounting principles in the Philippines and reflect amounts that are based on the best estimates and informed judgment of Management with appropriate consideration to materiality.

The Management of PMDC maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The Management likewise discloses to its external auditors any significant deficiency in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data and any material weakness in the external controls and that any fraud that may involve Management or other employees who exercise significant roles in internal controls.

MARY ANN P. ZARCILLA
Finance and Accounting Manager

ATTY. LITO A. MONDRAGON
President and CEO

PHILIPPINE MINING DEVELOPMENT CORPORATION

(FORMERLY NATURAL RESOURCES MINING DEVELOPMENT CORPORATION)

BALANCE SHEETS

December 31, 2015 and 2014

(In Philippine Peso)

	Note	2015	2014
ASSETS			
Current assets			
Cash	4	160,935,510	105,129,623
Receivables	5	17,651,376	69,017,519
Prepaid expenses	6	6,141,281	4,824,095
		184,728,167	178,971,237
Non-current assets			
Property, plant and equipment - net	7	22,834,449	24,432,972
Exploration and evaluation assets	8	249,269,702	250,914,002
Deferred charges	9	11,521,301	10,074,385
Other assets	10	2,193,013	2,192,779
		285,818,465	287,614,138
TOTAL ASSETS		**470,546,632**	**466,585,375**
LIABILITIES AND NET WORTH			
Current liabilities			
Payables	11	1,754,541	876,914
Due to NGA and GOCCs	12	2,772,137	31,771,263
Other payables - trust liabilities	13	5,718,869	4,199,982
		10,245,547	36,848,159
Non-current liabilities			
Long-term debt	14	137,984,185	144,431,600
Other deferred credits	15	9,322,550	9,322,550
		147,306,735	153,754,150
Total liabilities		157,552,282	190,602,309
Net worth		312,994,350	275,983,066
TOTAL LIABILITIES AND NET WORTH		**470,546,632**	**466,585,375**

The Notes on pages 9 to 28 form part of these financial statements.

PHILIPPINE MINING DEVELOPMENT CORPORATION

(FORMERLY NATURAL RESOURCES MINING DEVELOPMENT CORPORATION)

STATEMENTS OF REVENUES AND EXPENDITURES

For the Years Ended December 31, 2015 and 2014

(In Philippine Peso)

	Note	2015	2014
REVENUES	18		
Commitment and royalty fees		111,202,866	135,646,778
Interest income - net		768,812	424,681
Other income		134,246	4,758,687
Unrealized foreign exchange gain (loss)		2,847,528	(97,413)
Realized foreign exchange gain		258,192	-
		115,211,644	140,732,733
Expenditures	19	59,168,305	50,592,419
NET REVENUE BEFORE TAX		56,043,339	90,140,314
Provision for income tax	20	15,748,272	27,147,402
NET REVENUE AFTER TAX		**40,295,067**	**62,992,912**

The Notes on pages 9 to 28 form part of these financial statements.

PHILIPPINE MINING DEVELOPMENT CORPORATION

(FORMERLY NATURAL RESOURCES MINING DEVELOPMENT CORPORATION)

STATEMENTS OF CHANGES IN NET WORTH

For the Years Ended December 31, 2015 and 2014

(In Philippine Peso)

	Note	2015	2014
CAPITAL STOCK	16		
Authorized, issued and subscribed			
(125,000 shares @ P1,000 par value)			
per share		125,000,000	125,000,000
REVALUATION SURPLUS	17		
Appraisal increment of exploration and			
evaluation assets		144,415,500	144,415,500
RETAINED EARNINGS/(DEFICIT)			
Balance at beginning of year		6,567,566	(56,425,346)
Net revenue after tax		40,295,067	62,992,912
Dividends remitted to the BTr		(3,283,783)	-
Balance at end of year		43,578,850	6,567,566
NET WORTH		**312,994,350**	**275,983,066**

The Notes on pages 9 to 28 form part of these financial statements.

PHILIPPINE MINING DEVELOPMENT CORPORATION

(FORMERLY NATURAL RESOURCES MINING DEVELOPMENT CORPORATION)

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2015 and 2014

(In Philippine Peso)

	Note	2015	2014
Cash flows from operating activities			
Royalty - Dinagat Nickel Chromite Project/Communal Zone		101,465,219	81,631,314
Collection of prior year's receivable - royalty		61,784,481	16,382,538
Commitment/management fees - mining tenements		1,585,120	1,188,000
Bid documents/security and performance bond		66,626	56,589
Receipt in trust for Bureau of the Treasury (BTr) of added commitment fees		15,072,000	-
Remittance to BTr of commitment fees held in trust		(13,564,800)	-
Refund of unused cash advances and security deposit		(54,200)	(1,764,679)
Interest income from bank deposits - net of final tax		768,812	424,681
Cash paid to suppliers and employees		(44,470,635)	(35,012,668)
Settlement of prior year's payables and tax liabilities-net		(49,296,371)	(31,279,645)
Others - net		35,089	94,540
NET CASH PROVIDED BY OPERATING ACTIVITIES		73,391,341	31,720,670
Cash flows from investing activities			
Proceeds from sale of unserviceable property		467,578	-
Acquisition of property and equipment		(389,891)	(2,250,617)
Cost of incomplete construction		(206,250)	(4,453,008)
Cost of exploring mining properties		(188,394)	(214,341)
Other charges - net		-	(17,960)
NET CASH USED IN INVESTING ACTIVITIES		(316,957)	(6,935,926)
Cash flows from financing activities			
Payment of cash dividends to the BTr		(3,283,783)	-
Payment of loan to National Development Company		(16,832,242)	(26,093,958)
NET CASH USED IN FINANCING ACTIVITIES		(20,116,025)	(26,093,958)
NET INCREASE (DECREASE) IN CASH		52,958,359	(1,309,214)
Effect of exchange rate changes	18	2,847,528	(97,413)
Cash, beginning of the year		105,129,623	106,536,250
CASH, END OF YEAR	4	**160,935,510**	**105,129,623**

The Notes on pages 9 to 28 form part of these financial statements.

PHILIPPINE MINING DEVELOPMENT CORPORATION

(FORMERLY NATURAL RESOURCES MINING DEVELOPMENT CORPORATION)

STATEMENTS OF COMPARISON OF BUDGETS AND ACTUAL AMOUNTS EXPENDED

For the Years Ended December 31, 2015 and 2014

(In Philippine Peso)

	2015			2014		
	Budget	Actual	Actual vs. Budget under/(over)	Budget	Actual	Actual vs. Budget under/(over)
Projected receipts						
Royalty - nickel and chromite	113,947,343	109,914,866	4,032,477	125,000,000	134,458,778	(9,458,778)
Commitment fees	-	1,288,000	(1,288,000)	-	1,188,000	(1,188,000)
Interest income - net of withholding taxes	424,680	768,812	(344,132)	-	424,681	(424,681)
Foreign exchange gain (loss) - translation adjustment	-	3,105,720	(3,105,720)	-	(97,413)	97,413
Others - net	-	134,246	(134,246)	-	4,758,687	(4,758,687)
Output value added tax (VAT) absorbed by PMDC	-	-	-	(13,392,857)	-	(13,392,857)
	114,372,023	115,211,644	(839,621)	111,607,143	140,732,733	(29,125,590)
Projected cash disbursements						
Employees compensation and benefits	22,323,183	21,989,710	333,473	24,440,144	21,170,299	3,269,845
Interest charges/surcharge	10,397,386	10,384,827	12,559	11,110,489	11,110,487	2
Business expenses	12,202,984	10,217,443	1,985,541	21,509,930	3,554,109	17,955,821
Other employees' costs	10,183,874	2,519,013	7,664,861	9,101,945	2,363,128	6,738,817
Rentals, insurance, taxes and licenses	3,891,184	4,512,208	(621,024)	5,421,820	3,547,232	1,874,588
Purchase of services and utilities	2,599,801	4,060,943	(1,461,142)	3,497,268	2,427,241	1,070,027
Materials and supplies	1,671,409	888,241	783,168	2,440,752	1,278,122	1,162,630
Maintenance and repairs	396,013	259,771	136,242	226,200	360,012	(133,812)
Bank charges and others	100,000	7,078	92,922	8,801	11,417	(2,616)
Miscellaneous expenses	360,000	454,850	(94,850)	15,308,460	1,013,801	14,294,659
	64,125,834	55,294,084	8,831,750	93,065,809	46,835,848	46,229,961
Pretax income	50,246,189	59,917,560	(9,671,371)	18,541,334	93,896,885	(75,355,551)
Provision for income tax	13,819,481	15,748,272	(1,928,791)	4,311,000	27,147,402	(22,836,402)
NET INCOME	**36,426,708**	**44,169,288**	**(7,742,580)**	**14,230,334**	**66,749,483**	**(52,519,149)**

Notes: Not included in the above figures are:

Budgets for Capital Outlay in CYs 2015 and 2014 amounting to P877,000 and P2,937,121, respectively.

Depreciation Expenses in CYs 2015 and 2014 in the amounts of P3,874,221 and P3,756,571, respectively.

The Notes on pages 9 to 28 form part of these financial statements.

PHILIPPINE MINING DEVELOPMENT CORPORATION
(FORMERLY NATURAL RESOURCES MINING DEVELOPMENT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
(All Amounts in Philippine Peso unless otherwise stated)

1. GENERAL/CORPORATE INFORMATION

The Philippine Mining Development Corporation (PMDC), formerly Natural Resources Mining Development Corporation (NRMDC), is a 100 per cent wholly owned corporation of the National Government. Its original principal stockholders were the Natural Resources Development Corporation (NRDC), the corporate arm of the Department of Environment and Natural Resources (DENR), which held 55 per cent of the total capital stock, and the Philippine National Oil Company-Energy Development Corporation (PNOC-EDC), for the remaining 45 per cent. The PMDC was incorporated as an attached agency of DENR and registered with the Securities and Exchange Commission (SEC) on July 4, 2003 with Registration No. CS200314923 based on the authorization of the President of the Republic of the Philippines as contained in a Memorandum dated April 9, 2003. Upon the recommendation of the Secretary of DENR, the PMDC was authorized by the President of the Philippines, in a Memorandum dated June 9, 2005, to increase its capital stock from P100 million to P125 million. This resulted in a revised equity structure for PMDC where DENR-NRDC holds 44 per cent, PNOC-EDC 36 per cent and National Development Company (NDC) 20 per cent. Also, this authorized PMDC to increase the number of its Board of Directors (BOD) from 9 to 11.

The PNOC-EDC holdings of 36 per cent (P45 million) was subsequently turned over to the PNOC, the parent firm of PNOC-EDC sometime in 2006 due to PNOC-EDC's Initial Public Offering (IPO). The entry of NDC, the corporate arm of the Department of Trade and Industry, facilitated the funding of the Corporation's exploration drilling program with cash infusion of P50 million in the early part of 2005, P25 million of which as equity and the balance of P25 million in the form of loan. Additional loan of P25 million was released in 2006 by NDC.

Pursuant to DENR Administrative Order No. 2003-038 and by virtue of a Memorandum of Agreement executed among DENR, PMDC (then NRMDC) and NRDC, PMDC was designated/appointed as the new implementing arm of DENR in undertaking the mining and mineral processing operations in the 8,100 hectares Diwalwal Mineral Reservation area located in the Municipality of Monkayo, Compostela Valley Province. Based on the Agreement, the Diwalwal Direct State Development Project was turned over from NRDC to then NRMDC, now PMDC, and as such, collection of the 15 per cent government share from the ores extracted by the small-scale miners was later managed by the latter. In partial compliance, NRDC initially transferred P4.289 million to PMDC, with subsequent turn-over of fund balance from the project and the documents related thereto. This collection function, however, was returned to NRDC in February 2005 by the Office of the President. Such decision was based on the need for PMDC to focus on exploration and mining rather than the regulatory function of collection of the 15 per cent share from the small-scale miners.

Primarily, PMDC was created to conduct and carry on the business of exploring, developing, mining, concentrating, converting, smelting, treating and otherwise developing, producing and dealing in gold, silver, copper, iron and any and all kinds of minerals, mineral deposits, substances and mineral resources.

Mining Property

The National Government considered PMDC as a vehicle for re-starting and re-opening of mining projects presently with the Department of Finance – Privatization and Management Office (DOF-PMO). Of the six projects initially identified to be possible points of cooperation and focus for PMDC's attention, only the North Davao and Batong Buhay mining projects are slated for commercial development. Consequently, these projects were transferred to PMDC.

The mining assets of the North Davao Mining Corporation were transferred to PMDC to facilitate their promotion as investment target, which is covered by a Trust Agreement between DOF-Privatization Council and PMDC. These assets are the subject of a preliminary evaluation and assessment by the Mines and Geosciences Bureau (MGB) for copper/gold potentials.

The mining asset of the Batong Buhay Mining Corporation is located at the Municipality of Pasil, Kalinga, Apayao Province. The transfer price of the mineral claim from the Development Bank of the Philippines (DBP)/Philippine National Bank (PNB) was P4.9 billion after shutdown in 1985.

In terms of mining claims, a total of 65 mining property all over the Philippines have been identified by the DENR for PMDC's assessment and marketing efforts. Applicable DENR Memorandum Order Nos. 2005-03 and 2005-13 dated February 1, 2005 and August 5, 2005, respectively, were the basis for the cancellation of the mining tenements and subsequent transfer to PMDC for the latter's diligence and marketing efforts.

PMDC does not directly develop and technically evaluate the economic potentials of said mining claims and property. Rather, PMDC collates and compiles all the technical and relevant data already in the government databases, offers the areas to investors for their own evaluation and business assessment, and then conducts public biddings for said areas in accord with the Procurement Law. The highest responsive offers to the PMDC offers are then selected for due award, after review by PMDC Management and its BOD.

2. STATUS OF OPERATIONS

The Change in Corporate Business Model

PMDC was initially set-up by the National Government for instituting a large tonnage, scientifically based gold mining and refining operation in the Mt. Diwalwal Gold Rush area (located in Monkayo, Compostela Valley, Davao under Region XI). Dovetailing with this economic goal are the objectives of enabling development of the mining community and arresting the environmental degradation brought about by illegal mining and gold recovery operations in said area. However, shortfalls in equity requirements due to inability of PMDC's shareholders to increase current equity to level with the requirement of the DBP necessitated the change in business model from the traditional miner-operator, to a royalty business scheme.

The royalty business model enables PMDC to earn from marketing of mining areas even as it is still in assessment of whether it should pursue the traditional miner and gold refiner option. Currently, PMDC is compensated by commitment fees, i.e., upfront fees based on performance milestones as agreed prior to bidding process. The fees represent the payment for privilege to explore/study potentials of the mineral area. Upon commercial operation, PMDC is compensated over the life of the mine by agreed percentage of gross revenues of the partner from their sales of minerals or end-products of the minerals/ores extracted/processed. This aspect though is partly covered by an Audit Observation Memorandum (AOM) issued by the Commission on Audit (COA) in calendar year (CY) 2014, particularly on the applicability of Value Added Tax (VAT) on PMDC's royalty revenues from AAM-PHIL Exploration and Development Natural Resources Corporation (AAM-PHIL). To-date, PMDC has formally communicated with the Bureau of Internal Revenue (BIR) seeking clarification on this policy matter, of which the BIR has not yet responded to PMDC's inquiries. Please refer also to Note 21, item h for the latest developments on these matters.

Subsequently, PMDC monitors and supervises the conduct of the evaluation and later development and operations of the partners by way of required submissions of technical and financial reports, augmented from time to time by periodic visits by PMDC Officers and staff on said partners' activities. The monitoring activity is a continuing effort by the PMDC technical staff on the activities of the partner-operators, as required per contract as well as ISO quality procedures.

Thus, from 2010 onwards, PMDC's corporate efforts were on the continuation of the offering and awards of the mineral tenements earlier transferred to it by the DENR-MGB, the refinement of its business model in accordance with the on-going revisit, and refinement by the Aquino Administration of the Philippine Minerals Policy guiding the nation's exploitation of its mineral resources.

<u>Accomplishments for CY 2015</u>

Hereunder are PMDC's major corporate accomplishments, grouped accordingly, during the year. These disclosures are more detailed in accord with the COA's requirements for the current audit.

I. <u>Project monitoring and operations, including disclosures on exports of ores</u>

a. The Corporation had been monitoring all the awarded projects by assigned Project Managers (PMs), including the provision of technical and support assistance to partners/operators.

Of the 28 awarded projects, two are under operational stage: the Dinagat Nickel Chromite Parcel 1 (Loreto) and Parcel 2B (Libjo, Basilisa area). Of the balance, 24 projects are in active exploration status while 2 projects are having technical issues and under litigation.

b. From the Dinagat Nickel-Chromite Projects, particularly in Parcels 1 (Loreto area) and 2B (Libjo, Basilisa area), a total volume of 693,586 metric tons (MTs) of lateritic nickel ore were planned for extraction and shipping in 2015. From Parcel 1, a total of 239,947.54 MTs were extracted and shipped, representing 80 per cent of the target volume of 300,000 MTs. From Parcel 2B, a total of 443,586 MTs were likewise extracted and shipped, representing 112.7 per cent of the parcel's target of 393,586 MTs. The said total tonnage of 683,533.54 MTs was duly billed for the corresponding royalties due to PMDC for the year. The operator of the said Project is the AAM-PHIL (assignment from United Philippines and China Mining Corporation to AAM-PHIL was approved in 2006).

In terms of actual boatloads, the Parcel 1 tonnage is comprised of 239,947.54 MTs or approximately five shipments at the loading level of 50,000 MTs per vessel. Parcel 2B's tonnage is comprised of 443,586 or approximately nine shipments at the loading level of 50,000 MTs per vessel. These exports of raw nickel ores were valued at a price of US$14/wet MT, in accordance with the May 28, 2015 agreed reference price for nickel ore exports between AAM-PHIL and the PMDC. As in previous years, the buyer of the ores is, Crown Group Universal Limited, a Hong-Kong based entity. It will be noted that AAM-PHIL's exports of raw ores are likewise subject to the weather window of May to November, as the ocean's conditions only during this time permit actual loading of barges and the export vessel to Lianyungan Port in China (distance of 1,755 nautical miles from the Dinagat, Surigao Port of the Philippines). For the period of December to April, weather conditions in the area are not conducive to raw ores vessel loading and docking operations. This aspect is one of the major constraints in exports of mineral resources from the Surigao area.

It will be noted that the raw exports of ores by the partner are covered by various documents, which are listed as follows:

i. From the regional MGB office, the Ore Transport Permit (OTP) and Mineral Ore Export Permit (MOEP) which the MGB issues to document the tonnage, source parcel and allows the movement of the ores from the stockpile to the port (for OTP), and from the port to the vessel. These documents are also used by the AAM-PHIL in paying related excise taxes to the BIR;

ii. From the vessel/shipping company, the draft survey reports and shipment documents are used for comparison purposes of the tonnage as loaded in the vessel and unloaded at the port;

iii. From the laboratory doing the assay/chemical testing of the ores as to the quality, grade and type of the ores shipped which are compared to the specifications in the MGB documents; and

iv. Finally, in further support of the export shipments, AAM-PHIL has also submitted corresponding commercial invoices (on per shipment basis) showing the tonnage exported, the price in US$/MT applied (as per the sales agreement mentioned above) and corresponding revenues of the partner (upon which the PMDC royalty rates will be imposed). These individual commercial invoices are duly tied up with PMDC billings.

These documents are all collated/secured at different points by the partner prior to their being able to bill the buyer of the ores, and are then submitted to PMDC for its own review and validation for subsequent preparation of the PMDC billing statement for royalty purposes.

Finally, in CY 2015, PMDC noted that AAM-PHIL has completed about two shipments of nickel ores of approximately 54,428.63 MTs originating from the parcel 2B area as per the covering OTP/MOEP forms issued by the MGB. These shipments are not yet accrued in the financial statements pending PMDC's own review and validation of the shipping and laboratory assay documents.

c. As earlier disclosed, the North Davao Mining area was publicly bidded out on October 19, 2009 but the winning bidder, Asia Alliance, Inc., was unable to pay the offered commitment fees to PMDC in the subsequent periods. The said award is presently stalled as a court case is currently pending. Still, Management is confident that the resolution of the issues that cloud the Project would be resolved accordingly. As noted in the 2014 Notes to Financial Statements, Management had informed the PMDC BOD of current updates to the Project. The PMDC BOD in its December 2014 meeting has decided to seek the concurrence or advice of the DOF-PMO for the handling of the said Project. To-date, the DOF-PMO has not yet formally replied to PMDC's inquiries.

II. <u>Community-support</u>

PMDC continued to implement its Corporate Social Responsibility (CSR) agenda focusing on providing medical and dental services to the community, provision of school supplies and backpacks to day-care pupils in Diwalwal with the participation of the private sector, Local Government Units (LGUs) and the Department of Health (DOH). The Corporation has been distributing school supplies for elementary students since CY 2013 and intends to do so in the future.

For CY 2015, the two-classroom one-storey school building constructed at Mt. Diwata was completed and turned over to the Compostela Valley Division of the Department of Education (DepEd) and to Mt. Diwata Elementary School. On the other hand, the school building project at Dinagat, Surigao del Norte is still on-going. Moreover, the potable water system that will provide the water needs of the community in Dinagat, Surigao del Norte area was started last January 2015 and will be turned over in March 2016.

Continuing food assistance support to the local community health center, LGUs and the Armed Forces of the Philippines (AFP)/Philippine National Police (PNP) contingents securing the Project area had been followed by the Corporation. The services of the lone midwife assisting the Mt. Diwata Health Center continue to-date. Previously, PMDC had also initiated efforts with the DepEd for the deployment of day care teachers in the area, with the goal of assuring the basic educational needs of school-age children of the community. Likewise, periodic provision of medical supplies to Diwalwal and the Kalinga locations in particular is being observed by the Corporation. PMDC has also initiated the Agro-Reforestation Program in relation to the National Greening Program within the Lake Leonard Watershed, Maco, Compostela Valley as well as the Diwalwal Project. In terms of number of hectares reforested since 2014, about 20 hectares were completed for the Diwalwal Project accordingly. Said program is on-going along with the nurturing of seedlings in the modest tree nursery area in the Project.

III. Corporate systems development and ISO certification

PMDC has continued the pursuit of its accreditation and implementation of the Quality Management System (QMS) under the ISO 9001:2008 program. The process involves the contract monitoring and project management as the core business processes of the Corporation. A maiden audit of the QMS was initiated during CY 2012 under the supervision of the Development Academy of the Philippines (DAP) and the results taken up in an end of the year Management Review (MR) session.

Subsequently, quality reviews were conducted on various dates, i.e. mid-May 2013 and January 2015 by third party accredited auditors. The results of said external review and inputs on further refinement of the prototype Quality Manual were provided. Refinement of the reference documents and manual is on-going, along with training of PMDC personnel to man the system. These aspects dovetail with on-going plans for the certification audit.

As of CY 2015, PMDC has selected TUV Rhineland as its accredited auditor for the certification process. The certification audit, i.e. Stage 2 level, was conducted in March 2015 and successfully resulted in PMDC's QMS to be ISO certified as per Certificate of Registration No. 01-100-1432-671, effective for the period of June 15, 2015 to June 14, 2018. PMDC's own Internal Quality Audit (IQA) team and the designated Quality Management Representative (QMR) conducted series of internal audits and management reviews to ensure the sustained and reliable functioning of the certified system during the year.

TUV Rhineland, the external auditor, is scheduled to conduct a surveillance audit in March 2016 accordingly.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Exploration and evaluation assets

These are initially carried at acquisition cost subject to revaluation after conducting an assessment for impairment of the assets, which is dependent on the result of exploratory drilling indicating sufficient data from which technical feasibility and commercial viability can be determined.

The assets are consequently carried at replacement cost retrospective as at November 15, 2007 after appraisal made by a reputable independent appraiser using the replacement cost as basis of valuation.

Lease-to-purchase mining equipment is carried at "exercise price" or future value at the end of the rental period, or two years, net of interest at the rate of 11 per cent, which is charged to operations.

PMDC also has a Jumbo Drill, a tunnel boring equipment, included in its exploration and development assets. This idle and intended for sale equipment has been depreciated in accordance with International Financial Reporting Standards (IFRS) No. 6. Please refer also to Note 8.

3.2 Property, plant and equipment (PPE)

These assets are carried at cost less accumulated depreciation. The initial cost of PPE comprises its purchase price and any directly attributable costs of bringing the asset to its intended use.

The cost of maintenance and repair is charged to expense as incurred while significant betterments are capitalized.

Depreciation and amortization are computed on the straight-line method based on the following estimated useful life of the property items net of 10 per cent salvage value:

Exploration, machinery and equipment	2-10 years
Furniture, fixtures and equipment	3-10 years
Transportation equipment	5 years
Laboratory equipment	5-10 years

Incomplete construction is stated at cost and is depreciated only when the assets are already completed and/or put into operational use.

With regard to PPE – computer peripherals, the preloaded softwares, such as, but not limited to operating systems which are included in the cost of the computer hardware are treated as part of the cost of the hardware. Softwares separately purchased are recorded under Maintenance and Other Operating Expenses (MOOE) as Supplies and Materials – IT software.

3.3 Prepaid expenses

The cost of supplies and materials purchased for stock is recorded using the Periodic Inventory Method (expense method) where such items are recognized in the expense account (if consumables), or asset account (incomplete construction) as soon as physically delivered and received. A physical inventory before year–end determines the still unused items/stocks on hand which are reflected as asset account.

3.4 Liabilities

These are recognized in the period in which the obligation is incurred. Current liabilities are expected to be settled in the normal course of the Corporation's operating cycle or when it is due to be settled within twelve months after the balance sheet date.

3.5 Income and expenses

These are recorded using the accrual basis of accounting.

4. CASH

This account is composed of the following:

	2015	2014
Cash in bank:		
Land Bank of the Philippines (LBP)		
DECS (DepEd)	13,311,988	4,139,419
North Avenue Branch (Peso)	762,578	1,511,680
North Avenue Branch (Dollar)	51,160,338	63,392,581
North Avenue Branch (Savings)	-	7,120,000
Special saving accounts:		
Bajada Branch	101,586	115,186
Development Bank of the Philippines (DBP)		
Camp Aguinaldo	4,308,030	3,568,546
Camp Aguinaldo (Savings)	91,000,000	25,000,400
Special collecting officer:		
Davao Field Office	-	22
Petty cash fund:		
Head Office	50,000	50,000
Diwalwal/Davao Field Office	220,490	219,914
North Davao	9,500	9,500
Dinagat	11,000	2,375
	160,935,510	**105,129,623**

Cash included in the Statement of Cash Flows comprises the following balance sheet amounts:

	2015	2014
Cash on hand and in banks	158,087,982	105,227,036
Effect of exchange rate changes – (loss)/gain	2,847,528	(97,413)
	160,935,510	**105,129,623**

The dollar deposit amounting to US$1,084,686.81 was translated using bank closing rate as at December 31, 2015 of P47.166 to US$1.00 as sourced from the Bangko Sentral ng Pilipinas (BSP) website.

5. RECEIVABLES

For CYs 2015 and 2014, royalty receivables due from AAM-PHIL's completed ore shipments amounted to P16,143,687 and P64,382,431, respectively. In addition, details of non-trade receivables are as follows:

	2015	2014
Local travel	100,343	106,673
Other business expense	15,300	129,735
Receivable from officers and employees	10,097	12,291
Deferred income tax – to be applied to income tax payments	754,378	2,818,476
Fuel withdrawals (for hauling activities) and others	86,804	86,804
Input tax – net	467,599	1,338,191
Other receivables	73,168	142,918
	1,507,689	**4,635,088**

6. PREPAID EXPENSES

This account consists of:

	2015	2014
Materials and supplies	4,636,383	4,822,433
Taxes	13,105	-
Others	1,491,793	1,662
	6,141,281	**4,824,095**

Materials and supplies were subjected to physical count last November 27, 2015 by the PMDC Field Office personnel. From the results of physical count, ocular inspection and reconciliation, a total of P186,050 worth of spare parts was expensed in CY 2015.

7. PROPERTY, PLANT AND EQUIPMENT

This account consists of:

	Mine develop-ment equipment	General plant, medical & safety equipment	Office equipment and furniture	Transport-ation equipment	Communi-cation equipment	Mabatas Interim dam facility	Construction in progress	Total
At Cost:								
1/1/2015	9,734,552	4,595,447	2,820,978	5,219,436	6,505,415	8,658,872	4,714,004	42,248,704
Additions	137,500	27,214	75,566	-	159,498	-	196,429	596,207
Reclassification (a)	-	-	(41,249)	-	(253,028)	-	-	(294,277)
Adjustments	-	-	(1,358)	-	70,884	-	-	69,526
12/31/2015	9,872,052	4,622,661	2,853,937	5,219,436	6,482,769	8,658,872	4,910,433	42,620,160
Accumulated depreciation:								
1/1/2015	8,077,058	1,531,204	1,808,397	3,096,384	3,302,689	-	-	17,815,732
Depreciation for the year (Note 19)	273,237	422,744	175,254	526,472	832,214	-	-	2,229,921
Reclassification (a)	-	-	(32,217)	-	(227,725)	-	-	(259,942)
12/31/2015	8,350,295	1,953,948	1,951,434	3,622,856	3,907,178	-	-	19,785,711
Net book value 12/31/2015	**1,521,757**	**2,668,713**	**902,503**	**1,596,580**	**2,575,591**	**8,658,872**	**4,910,433**	**22,834,449**
Net book value 12/31/2014	**1,657,494**	**3,064,243**	**1,012,581**	**2,123,052**	**3,202,726**	**8,658,872**	**4,714,004**	**24,432,972**

(a) Reclassification of unserviceable property to Other Assets – Items for Disposal (Note 10)

Mine development equipment account pertains to equipment used with regard to tunnel activities. These include:

a. Scientific equipment which refers to technical equipment in the Assay Laboratory used for determining the ore grade of mineral samples provided for analysis;

b. Drilling equipment which refers to specialized equipment such as handheld pneumatic drills and other earth boring equipment used for boring holes and supporting drilling operations in the tunnel; and

c. Heavy equipment relates to equipment intended for mine activities such as hauling of ore and raw materials.

General plant, medical and safety equipment accounts include the following:

a. General plant facilities account relates to structures in support of field activities;

b. Medical and dental equipment pertains to the wheelchair, blood pressure monitor and minor support equipment for handling emergency medical aspects; and

c. Safety and fire-fighting equipment relates to fire extinguishers, emergency lights and other minor support equipment to ensure personnel safety and adherence to local regulations, which include general mechanical and electrical equipment intended for tunnel activities and support of lighting, water pump operations, etc.

Office equipment and furniture account refers to usual office facilities in support of office operations.

Transportation equipment account pertains to motor vehicles assigned at the Head Office, Davao Project Office as well as the service motorcycles used in project areas for monitoring.

Communication equipment refers to telephone and facsimile machines to enable linkages between the Field and Head offices. This includes computer and peripherals which relate to office computers and printers used for enabling staff and technical work.

The construction of the Mabatas Interim Dam Facility was started in 2003 in consonance with the thrust of DENR to ensure environmental protection and non-recurrence of high mercury levels.

For CY 2015, the Corporation has construction in progress with a total value of P4,910,433. This consists of fit-out and renovation costs for the 30th floor Philippine Stock Exchange Tektite Office of the Corporation on account of need for more space to accommodate additional personnel and technical equipment (P3,784,481); installation of Computerized Accounting System (P883,929) and the North Davao sub-office renovation work (P242,023).

8. EXPLORATION AND EVALUATION ASSETS

This consists of:

	2015	2014
Victory tunnel and mining equipment	225,193,750	225,193,750
Quasar jumbo drill	18,270,000	18,270,000
Diamond core drilling	19,174,042	19,174,042
Metallurgical feasibility study – Diwata Gold Project	1,867,474	1,867,474
Underground rehabilitation of Victory tunnel	385,286	385,286
	264,890,552	264,890,552

		2015	2014
Less:	Accumulated depreciation (quasar jumbo drill), 12/31/2014	13,976,550	12,332,250
	Depreciation expense (Note 19)	1,644,300	1,644,300
		15,620,850	13,976,550
		249,269,702	**250,914,002**

The acquisition of the Victory tunnel and mining equipment for use in conducting and expediting core drilling at the 600-meter-level of the Diwalwal Mineral Reservation area was covered by a Memorandum of Agreement (MOA) executed on December 23, 2003 by and between PMDC (then NRMDC) and JB Management Mining Corporation (JBMMC).

Based on the projected appraisal value of the assets as determined by a reputable independent appraiser in November 2007, the Victory tunnel and mining equipment, in 2006 and 2007, were carried at replacement cost retrospective as at December 23, 2003 for P179,012,500 which increased to P224,415,500 on November 15, 2007. Comparative data is consequently updated restating the value of these assets.

The Quasar jumbo drill is a tunnel boring equipment (purchased through the paid up DBP loan) designed to facilitate industrial level drilling of holes and enlarging physical openings in support of tunnel construction and accessing underground minerals. The equipment was only used for less than one year, and since then has been idle due to management policy change from the miner-direct operator model to the royalty business model currently in place (see Note 2 - Status of Operations).

The jumbo drill is depreciated for the reporting period of CYs 2010-2015 in accordance with the COA's input on cognizance of equipment decline in value notwithstanding its currently idled nature. Thus, total depreciation on said asset amounted to P15,620,850 covering the period of CYs 2010-2015. The depreciation charge is reported as part of the regular expenditures in the Statements of Revenues and Expenditures.

Said equipment is intended to be sold by Management, following public bidding requirements, due to lack of plans to utilize such in the near-term. To date, there have been at least three attempts to bid out the equipment, but all these exercises have failed due to limited potential users of said specialized mining equipment (for mining/tunneling purposes) as well as perceived lower market value vis-à-vis the COA and third party accredited appraisers' price settings. PMDC has again requested for the COA's technical assistance in determining applicable floor prices as the equipment remains open for disposal.

The metallurgical feasibility study pertains to the study undertaken to determine the economic viability of separating and recovering gold values from the Diwata Gold Project. The study provides essential information regarding the most viable technical method/s to separate and/or extract gold values from the bulk ore.

The capitalized costs for the Victory tunnel and related mining equipment, diamond core drilling, metallurgical feasibility study and previous underground rehabilitation of the Victory tunnel are intended to be recovered from the potential commitment fees that could be realized should the 729 hectares gold rich be allowed by the National Government for bidding by qualified third parties. The diamond core drilling results document the potential gold recoveries (in terms of grams/MT) at the test depths in the area; and the metallurgical feasibility study formed part of the data inputs in the pre-feasibility study developed and submitted to the Board of Investments (BOI) by the PMDC Management in line with the PMDC's application for registration as a bulk gold miner on May 30, 2008 as per Certificate of Registration (COR) 2008-111. Unfortunately, said COR and related tax incentives were not availed of as PMDC was not able to secure appropriate capital levels to be able to function as a bulk gold miner and refiner.

9. DEFERRED CHARGES

This pertains to costs incurred in connection with the exploration and development of mineral resources in the North Davao Project. The North Davao Project area has been turned over to the PMDC by the DOF–PMO. PMDC was granted on April 7, 2006 the right to develop and manage the property by way of a Trust Agreement with then existing Privatization Council (PrC) and a MOA dated July 4, 2006 with the DOF-PMO.

The said mining claim has earlier been bidded out to a total of eight bidders on October 19, 2009 for development. The winning bidder, Asia-Alliance Mining Resources Corporation (AAMRC) (highest bid of US$28.5 million), however, failed to comply with the conditions of the Notice of Award dated November 6, 2009 as per PMDC Board Resolution No. BD-34-09. Subsequently, AAMRC filed a civil case against PMDC before the Regional Trial Court (RTC) of Pasig City, Branch 167, docketed as Civil Case No. 72373, entitled "*Asia-Alliance Mining Resources Corp. vs. Philippine Mining Development Corporation* for *Specific Performance, Injunction and Damages with Prayer for Temporary Restraining Order*," to prevent the PMDC from proceeding with the bidding process in the North Davao Mining Project in accord with Republic Act (RA) No. 9184, otherwise known as Government Procurement Reform Act.

In the most recent developments, AAMRC and PMDC have jointly discussed the amicable resolution of the case, with the intent of AAMRC to pay the amount of US$28.5 million bid in an escrow account in any Philippine Universal bank in favor of PMDC. This will be subject to certain legal and permit related conditions that must be satisfied by both parties. On December 4, 2014 PMDC-BOD meeting, it was decided that since the property is one of the idle assets under the stewardship of the DOF-PMO, the PMDC will submit the related documents for the proposed settlement of the case to the DOF-PMO for the latter's review and due deliberation.

Pending the hoped resolution and approval of DOF-PMO of the joint agreement between PMDC and AAMRC for the settlement of the case and subsequent award of the Project to AAMRC, the disposition of the deferred costs in connection with North Davao Mining Project viability assessment could not be resolved yet (between PMDC and AAMRC). To-date, the PMDC has not received any formal communications from the DOF-PMO as to the status of the proposed settlement for the case.

10. OTHER ASSETS

This account pertains to costs representing down payment for contractual obligations, guarantee deposits for services, account of contract on rental of office spaces/ warehouse and deposit on returnable containers. Details of the account are as follows:

	2015	2014
Items for disposal	1,220,845	1,509,946
Guarantee deposit for leasehold contracts	818,293	537,855
Deposit for account of contract	128,375	119,478
Deposit on returnable containers	25,500	25,500
	2,193,013	**2,192,779**

The items for disposal mainly consist of deemed non-usable spare parts and consumable supplies, including some fixed assets. Retired physical assets which are transferred from PPE account to Other Assets account amounted to P34,335 and P392,041 in 2015 and 2014, respectively, representing net book value thereof. The reclassification to this account is intended to ensure that all PPE and supplies reported in the balance sheet are useful for operations.

The retired assets are mainly composed of non-working office and computer equipment and a second-hand motor vehicle marked for disposal, as repairing these assets is uneconomical.

11. PAYABLES

This consists of:

	2015	2014
Accounts payable and accrued liabilities	1,718,810	864,043
Due to employees	35,731	12,871
	1,754,541	**876,914**

12. DUE TO NGA AND GOCCs

This includes mandatory obligations to a National Government Agency (NGA) and various Government-Owned and Controlled Corporations (GOCCs), itemized as follows:

	2015	2014
Bureau of Internal Revenue (BIR) -		
Income tax payable (Note 20)	135,404	19,352,711
Value added tax (VAT) payable (Note 21)	1,810,507	11,340,248
Employee income tax payable	427,049	653,246
Withholding tax payable – e-VAT/creditable income tax	230,811	250,184
Expanded withholding tax payable	86,218	94,809
Social Security System -		
Premium contributions payable - employees' share	16,489	16,925
Loans payable	20,683	18,501
Pag-IBIG Fund -		
Contributions payable	5,792	5,391
Loans payable	16,384	15,326
Calamity loans payable	346	868
PhilHealth -		
Contributions payable- employees' share	22,454	23,054
	2,772,137	**31,771,263**

13. OTHER PAYABLES – TRUST LIABILITIES

The composition of the account is detailed below.

	2015	2014
Performance bonds for awarded contracts	5,143,637	3,627,450
Bid surety from qualified bidders	57,000	57,000
Sale of bid documents and others to fund Bid and Awards Committee (BAC) honoraria - net	37,700	35,000
Royalty allocation for any claimants	480,532	480,532
	5,718,869	**4,199,982**

For the most part, these are related to routine procurement transactions of the Corporation.

In the case of the royalty allocation, this consists of allocation of one per cent to any claimants who may later establish their vested rights out of the 15 per cent government share and service fee of service contractors in connection with the Diwalwal Direct State Development Project including any incidental production from the Victory tunnel.

14. LONG-TERM DEBT

This consists of:

	2015	2014
JBMMC Victory tunnel	55,000,000	55,000,000
National Development Company (NDC)	82,984,185	89,431,600
	137,984,185	**144,431,600**

The nature and details of each loan and current status are as follows:

a. The balance of P55,000,000 represents the remaining amount payable to JBMMC for the Victory tunnel and mining equipment as contained in the MOA dated December 23, 2003. It is payable in 30 equal semi-annual payments for a period of 15 years, but shall commence only upon communication in writing by PMDC to JBMMC of its intention to undertake full mining operations by utilizing the Victory tunnel after PMDC's drilling and exploration. On January 11, 2008, the reformation of the MOA was filed by JBMMC to address the issue on the supposed correct quantity of mining and other equipment actually sold to PMDC. To date, the case is still pending in court.

b. The P50,000,000 payable to NDC consisted of two P25,000,000 loans granted in August 2005 and November 2006. These loans carry two-year terms, and subject to 12 per cent interest per annum, payable in semi-annual installments. As at December 31, 2015, interest costs incurred totaled P10,384,827.

The two NDC loans were initially classified in the current liabilities section in CY 2007 financial reporting, on account of their existing terms of two years. However, PMDC is presently in on-going talks with NDC for the possible restructuring of the said loans. Previously, PMDC Management intended to settle the loans on the presumption of the following steps: i.e., successful bidding out and receipt of expectedly significant commitment fees from the planned awards of the North Davao Mining Project; the gold rich 729 hectares portion in Diwalwal area; and royalty shares from the attainment of large tonnage chromite and lateritic nickel ore shipments of the Dinagat Nickel Chromite Project. As these revenue-generating efforts were not realized as expected, PMDC was not able to generate the amount needed for settlement of the loans, thus, the on-going discussions. On July 4, 2012, NDC Management advised PMDC that the NDC Board has not yet taken up the loan restructuring issue and waiver of penalties, pending submission of PMDC's 5-year financial projections (this was submitted to NDC on February 21, 2013). Subsequently, both PMDC and NDC Managements, on a presentation to NDC Board on May 28, 2013, collectively agreed to revise the said loan agreements to consider the following terms:

b.1 Consolidation of the principal (P50,000,000) and interest (P47,768,000 – composed of interest as of December 31, 2012 and total interest for the period of January – December 2013) components into a total of P97,768,000, which will be the basis for settlement;

b.2 Agreement on a 10-year (or 120 months) period to settle the revised loan by fixed monthly payments of P1,402,687 with a 12 per cent annual interest rate, with the payments commencing in July 2013 up to June 2023; and

b.3 Subsequent to the settlement of said revised loan of P97,768,000, is the settlement for a period of 39 months (or 3.25 years) of the accrued penalties on the original loans worth P54,611,477. Payments will be made monthly in the amount of P1,400,000 commencing in July 2023 (one month after the completion of the revised loan) up to June 2026.

The said revised loan agreement was formally signed late January 2014 after due recycling between PMDC and NDC Managements as well as the receipt of the desired legal opinion from the Office of the Government Corporate Counsel (OGCC). Accordingly, PMDC commenced a total payment for the 2013 affected installments (July – December 2013 and January - February 2014) of P11,221,494 (principal and interest) to NDC, documented by Disbursement Voucher (DV) No. 1771 dated February 20, 2014 and Check Voucher No. 189339 dated February 25, 2014. Subsequently, for CY 2015, the payments for the NDC monthly installments were carried out in accordance with the agreed upon loan repayment schedule. Thus, out of the 120 months of agreed installments, PMDC, as of the end of CY 2015, has already paid 30 installments thereof.

15. OTHER DEFERRED CREDITS

For CYs 2015 and 2014, the account included a balance of P4,322,550, representing P3,000,000 advances from the Pacific Nickel Corporation (Parcel 2A Dinagat Nickel-Chromite Project) and the amount of P1,322,550 from the proceeds of the sale/disposal of unserviceable mining equipment covered by a MOA between PMDC and JBMMC. Pending final decision by the court on the reformation of instrument, which may give

PMDC authority to sell in part or whole the equipment contained as part of the Victory tunnel, income to PMDC from such sale is deferred.

The balance of P5,000,000 emanated from the advance royalties paid in CY 2013 by the Cagayan based developer's intent on dredging of a part of the Cagayan coastline. The proposed project's contractual arrangements are currently being worked out by the concerned parties.

16. CAPITAL STOCK

The initial 100,000 shares of stock (par value of P1,000 per share) were fully subscribed by PNOC-EDC and DENR-NRDC. As at December 31, 2003, PNOC-EDC had fully paid its 45,000 shares worth P45,000,000, while DENR-NRDC had fully paid P55,000,000 worth of subscribed stocks on April 20, 2007 under Cash Receipt No. 1912. The PNOC-EDC shares were turned over to PNOC, the parent firm of PNOC-EDC, in 2006.

In 2005, the Corporation's shares of stock was increased to 125,000 with NDC acquiring the additional 25,000 shares equivalent to P25,000,000 duly subscribed and paid for. NDC's subscription, which was approved by its BOD under Resolution Nos. 02-05-19 and 02-05-23, was covered by a Subscription Agreement dated March 22, 2005, while its advance of P25,000,000 against future subscription in the then NRMDC, now PMDC, was supported by an Agreement dated August 12, 2005.

17. REVALUATION SURPLUS

This account represents the projected appraisal increment in the value of the Victory tunnel and mining equipment in the amount of P144,415,500, between the acquisition cost of P80,000,000 and the replacement cost of P224,415,500, retrospective as at November 15, 2007.

18. REVENUES

The Corporation mainly derived its revenues from commitment fees from the awarded mining tenements, royalties from the Dinagat Nickel-Chromite Project, and other items, as follows:

	2015	2014
Commitment and royalty fees:		
Royalty - Dinagat Nickel and Chromite Project	109,914,866	134,458,778
Commitment fees – mining tenements	1,288,000	1,188,000
	111,202,866	135,646,778
Interest income (net of final tax)	768,812	424,681
Other income	134,246	4,758,687
Unrealized foreign exchange gain (loss)	2,847,528	(97,413)
Realized foreign exchange gain	258,192	-
	115,211,644	**140,732,733**

Unrealized foreign exchange gain (loss) represents effect of translation of dollar deposit to year-end exchange rate. Realized foreign exchange gain pertains to translation adjustment on set-up of receivables and amount collected from AAM-PHIL.

19. EXPENDITURES

This consists of:

	2015	2014
PERSONAL SERVICES		
Salaries and wages	17,978,761	19,296,566
Other compensation	3,167,207	1,053,226
Personnel benefits contributions	843,742	820,507
Other employee costs	2,519,013	2,363,128
	24,508,723	23,533,427
MAINTENANCE AND OTHER OPERATING EXPENSES		
Business expenses	10,217,443	3,554,109
Rentals, insurance, taxes and licenses (Note 21, item f)	4,512,208	3,547,232
Purchased services and utilities	4,060,943	2,427,241
Depreciation (Notes 7 and 8)	3,874,221	3,756,571
Materials and supplies	888,241	1,278,122
Maintenance and repairs	259,771	360,012
Miscellaneous expense	454,850	1,013,801
	24,267,677	15,937,088
FINANCIAL EXPENSES		
Interest charges/surcharge	10,384,827	11,110,487
Bank charges and others	7,078	11,417
	10,391,905	11,121,904
	59,168,305	**50,592,419**

20. PROVISION FOR INCOME TAX AND INCOME TAX PAYABLE

For CYs 2015 and 2014, provisions for income tax of P15,748,272 and P27,147,402, respectively, were set up in the Statements of Revenues and Expenditures, and net income tax payables of P135,404 and P19,352,711 were reported in the CYs 2015 and 2014 Balance Sheets as part of current liabilities under Due to NGA and Due to GOCCs account (Note 12).

The computation for the income tax provision, as well as the liability recognized for the government, is shown below:

	2015	2014
Pre-tax income	56,043,339	90,140,314
Add (Less):		
Interest income already subjected to final tax	(768,812)	(424,681)
Foreign exchange gain (loss) on realignment of dollar deposit to year-end exchange rate	(2,847,528)	97,413
SSS penalty on prior years' late remittance	67,242	-
VAT penalty on prior years' late remittance	-	678,294
Taxable income, BIR basis	52,494,241	90,491,340
Tax due using BIR rate of 30 per cent	15,748,272	27,147,402
Less: Quarterly tax payment inclusive of creditable tax withholding	(15,612,868)	(7,794,691)
Income tax payable (Note 12)	**135,404**	**19,352,711**

21. OTHER DISCLOSURES [as required under BIR Revenue Regulation (RR) No. 15-2010]

In compliance with the requirements set forth by BIR RR No.15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable years of 2015 and 2014. The Corporation has also included further disclosures on tax related matters arising from the COA's AOM provided in the course of their review of the financial statements of PMDC. These are included in the appropriate sections.

a. The Corporation is VAT-registered with VAT output tax declarations of P11,135,090 for 2014 and P15,669,998 for 2015 based on the amount reflected in the revenues of the Corporation of P92,792,418 for 2014 and P130,583,317 for 2015. These were reported to BIR per the Quarterly VAT forms submitted on various dates in CYs 2014 and 2015.

PMDC has no zero-rated/exempt revenues for the taxable year.

b. The amount of VAT Input taxes claimed are broken down as follows:

	2015	**2014**
Current year's purchases:		
On purchases of capital goods:		
Not exceeding P1 million	39,857	250,976
Exceeding P1 million	-	-
Domestic purchases of goods other than capital goods	94,189	221,495
Domestic purchases of services	2,670,451	3,070,074
	2,804,497	**3,542,545**

c. There are no importations made by the Corporation during the taxable year.

d. The Corporation had no excise tax due on sales of minerals for both years as it is not engaged in sales of such minerals. The Corporation, as stated in Note 2 is engaged in promotion and marketing of the government's idled mining claims to the private sector for their technical diligence, investment and eventual operations.

e. There are no documentary stamp taxes paid/accrued by the Corporation during the taxable year as PMDC has not secured any indebtedness nor issued any shares of stock for funding needs.

f. PMDC incurred a total of P4,512,208 and P3,547,232 on rentals, insurance, taxes, fees and licenses for CYs 2015 and 2014, respectively. Separately, the insurance expense for CY 2015 amounted to P1,155,630, while for CY 2014 it amounted to P124,799. Details are summarized below:

	2015	**2014**
Rentals, use of power, light and water at PSE Tektite Office; fees/dues/other charges for parking space, insurance costs and rentals of motor vehicle and microcomputers and office equipment as well as web hosting costs	3,543,271	2,574,963
Fidelity bonds and premiums	400,285	98,651
	3,943,556	2,673,614

	2015	2014
Taxes, fees and licenses:		
Motor vehicle registration	24,427	33,777
Notarial and legal fees	14,569	1,605
Documentary stamp taxes	-	245
SEC listing and registration/BIR fees	500	500
Business taxes, business permits and barangay clearance and other fees	460,591	744,419
Real property taxes	68,565	93,072
	568,652	873,618
	4,512,208	**3,547,232**

The amount of withholding taxes paid/accrued for the year amounted to:

	2015	2014
Income taxes withheld on compensation	3,199,344	3,642,357
Creditable income taxes withheld (expanded)	559,154	684,217
	3,758,498	**4,326,574**

g. In addition to CY 2007 assessment detailed in the preceding years' notes, BIR had also filed a Warrant of Distraint and/or Levy (WDL) totaling P11,048,658 for CY 2006 applicable to VAT (total inclusive of penalties and interest of P2,871,445) and Income Tax items (total also inclusive of penalties and interest of P8,177,213). The assessment pertains to purchases of goods and services in 2006 for which PMDC had not made the applicable withholdings and remittances. From BIR's computerized matching (of sales and purchases of vendor/contractor entities and PMDC), these non-withholdings were deduced to have sales equivalent of 50 per cent, from which VAT and income tax assessments were based. PMDC contested the assessment in its detailed July 7, 2011 explanatory package to the BIR; however, the latter maintained its position and issued on August 1, 2011 (received on August 17, 2011 by PMDC) the WDL for P11.048 million.

PMDC Management completed the following courses of action with regard to the CY 2006 assessments, namely:

i. For the 2006 deficiency VAT Assessment of P2,871,445, PMDC paid a total of P2,193,151 (basic and interest components) by e-payment mode on June 13, 2011. The surcharge of P678,294 was requested for abatement but the BIR subsequently denied it on September 11, 2014. PMDC settled the said surcharge again by e-payment method on October 9, 2014 accordingly.

ii. For the 2006 deficiency income tax assessment of P8,177,213 (basic tax component of P3,956,716), PMDC paid a compromise amount of 40 per cent of the basic tax or P1,582,686 on April 30, 2012. Subsequently, the BIR issued a Notice of Denial dated January 28, 2016 for the amount of P6,594,527 (net of the previous payment of P1,582,686). PMDC Management, noting that the BIR in the exchange of communications from the time of the assessment did not consider that PMDC had not realized any revenue from the procurement of the goods and services which the BIR incorrectly deduced as intended for sales, will contest the BIR position with the help of the OGCC.

h. Further, for CY 2011, BIR, in its April 11, 2012 Collection Letter, also assessed PMDC a total of P4,841,392 for VAT. Out of this assessment, PMDC paid in protest and for tolling future penalty purposes, a total of P3,890,065 (basic tax of P3,705,308 and interest of P184,757), even as its appeal to the Court of Tax Appeals (CTA) on applicability of VAT assessment is on-going. Similar to CY 2007 assessment, PMDC had also filed an application for abatement of surcharges and penalties in the amount of P951,327. To-date, there is no communication yet from the BIR on this matter.