

# COVER SHEET

## for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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### COMPANY NAME

C	E	N	T	U	R	Y		P	E	A	K		M	E	T	A	L	S			H	O	L	D	I	N	G	S	
C	O	R	P	O	R	A	T	I	O	N		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S		

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

1	4	0	3	-	1	4	0	4		B	D	O	-	E	q	u	i	t	a	b	l	e		B	a	n	k	
T	o	w	e	r																								
8	7	5	1		P	a	s	e	o		d	e		R	o	x	a	s										
M	a	k	a	t	i		C	i	t	y																		

Form Type

A A F S

Department requiring the report

Secondary License Type, If Applicable

### COMPANY INFORMATION

Company's email Address

acting.century@gmail.com

Company's Telephone Number/s

(02) 856-0999

Mobile Number

09195661987

No. of Stockholders

224

Annual Meeting (Month / Day)

Every June 30

Fiscal Year (Month / Day)

December 31

### CONTACT PERSON INFORMATION

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

Name of Contact Person

Hazel B. Bongon

Email Address

acting.century@gmail.com

Telephone Number/s

(02) 856-0999

Mobile Number

09195661987

### CONTACT PERSON'S ADDRESS

1403-1404 BDO-Equitable Bank Tower 8751 Paseo de Roxas Makati City.

**Note 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**Note 2:** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The Management of Century Peak Metals Holdings Corporation and Subsidiaries (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended **December 31, 2017 and 2016**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the Stockholders.

**R.G. Manabat & Co.**, the independent auditor appointed by the Stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and its report to the Stockholders, has expressed its opinion on the fairness of presentation upon completion of such audits.

Signature: WILFREDO D. KENG  
President/Chairman of the Board/Chief Executive Officer

Signature: KATRINA C. KENG  
Asst. Corporate Secretary/Corporate Information Officer

Signed this 12<sup>th</sup> day of April 2018

SUBSCRIBE AND SWORN TO ME ON APR 18 2018  
AT MAKATI CITY

DOC. NO. 59  
PAGE NO. 12  
BOOK NO. 728  
SERIES OF. 2018

[www.centurypeakmetals.com](http://www.centurypeakmetals.com)

TRUNKLINE (632) 856-0999 • FAX (632) 856-4844  
Units 1403 & 1404 Equitable Bank Tower Condominium  
8751 Paseo de Roxas, Salcedo Village, Makati City,  
Philippines

**ATTY. RUBEN T.M. RAMIREZ**  
Notary Public

Appointment No. M-127  
Until December 31, 2018  
Roll No. 29947

IBP O.R. No. 017527/CY 2018 Nov. 22, 2017  
PTR No. 8607723 / Jan. 3, 2018 / Makati  
2734 M. Aurora St., Makati City



## PRACTITIONER'S COMPILATION REPORT

To the Board of Directors and Stockholders  
CENTURY PEAK METALS HOLDINGS CORPORATION AND SUBSIDIARIES

I have compiled the accompanying financial statements of **CENTURY PEAK METALS HOLDINGS CORPORATION AND SUBSIDIARIES** based on information you have provided. These financial statements comprise the statement of financial position of **CENTURY PEAK METALS HOLDINGS CORPORATION AND SUBSIDIARIES** as at December 31, 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

I performed this compilation engagement in accordance in Philippine Standard on Related Services 4410 (Revised), Compilation Engagements.

I have applied my expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements in accordance with Philippine Financial Reporting Standards (PFRS). I have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These financial statements and accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, I am not required to verify the accuracy or completeness of the information you provided to us to compile these financial statements. Accordingly, I do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with PFRS.

  
JOSEPHINE P. YOPO

April 6, 2018

Block 33 Lot 2A, Phase 5, Parklane Country Homes  
General Trias, Cavite City

SUBSCRIBE AND SWORN TO ME ON APR 16 2018  
AT MAKATI CITY

JOC. NO. 244  
PAGE NO. 10  
BOOK NO. 726  
SERIES OF 118

  
**ATTY. RUBEN T.M. RAMIREZ**  
Notary Public  
Appointment No. M-127  
Until December 31, 2018  
Roll No. 29947  
IBP O.R. No. 017527/CY 2018 Nov. 22, 2017  
PTR No. 6607723 / Jan. 3, 2018 / Makati  
2734 M Aurora St., Makati City

**CENTURY PEAK METALS HOLDINGS CORPORATION  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2017, 2016 and 2015





R.G. Manabat & Co.  
The KPMG Center, 9/F  
6787 Ayala Avenue, Makati City  
Philippines 1226  
Telephone +63 (2) 885 7000  
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Internet [www.kpmg.com.ph](http://www.kpmg.com.ph)  
Email [ph-inquiry@kpmg.com.ph](mailto:ph-inquiry@kpmg.com.ph)

## REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors  
**Century Peak Metals Holdings Corporation and Subsidiaries**  
1403-1404 BDO-Equitable Bank Tower  
8751 Paseo de Roxas  
Makati City

### Report of Independent Auditors

#### *Opinion*

We have audited the consolidated financial statements of Century Peak Metals Holdings Corporation and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017, in accordance with Philippine Financial Reporting Standards (PFRSs).

#### *Basis for Opinion*

We conducted our audits in accordance with the Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Emphasis of Matter*

We draw attention to Note 1 to the consolidated financial statements which describes the uncertainty related to the future outcome of the regulatory actions on the renewal of the Mineral Production Sharing Agreement for the Casiguran Nickel Project of Century Peak Corporation (CPC), a subsidiary of Century Peak Metals Holdings Corporation. Our opinion is not modified in respect of this matter.

### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Emphasis of Matter section, we have determined the matter described below to be the key audit matter to be communicated in our report.

#### *Recoverability of Deferred Exploration Costs*

Refer to Notes 3 and 10 to the consolidated financial statements.

##### *The risk:*

The Group has capitalized a significant amount of deferred exploration costs related to Pinamungahan Limestone Property located in Cebu with a carrying value of P149.5 million as at December 31, 2017.

Under PFRS 6, *Exploration for and Evaluation of Mineral Resources*, the Group is required to test the amount of exploration costs for impairment when facts and circumstances suggest that the carrying amount may exceed the recoverable amount. The assessment was significant to our audit given the management judgment, complexity and the risk involved.

##### *Our response:*

We performed the following procedures, among others, in relation to the assessment of existence of facts and circumstances that suggest that the carrying amount of deferred exploration costs may exceed the recoverable amount:

- We obtained evidence that the Group has valid rights to explore in the specific area;
- We inquired and assessed management's basis on which they have determined that the exploration of mineral resources has not yet reached the stage where it can be concluded that no commercially viable quantities of mineral resources exist;
- We reviewed budgets and plans to test that the Group will incur substantive expenditure on further exploration for and evaluation of mineral resources in the specific area; and
- We reviewed minutes of Board of Directors, Stockholders and Audit Committee meetings to ensure that the Group has not resolved to discontinue activities in the specific area.





### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

### *Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.





As part of an audit in accordance with PSAs, we exercise professional judgment and maintains professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of the accounting estimates and related disclosures by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements, or if such disclosures are inadequate to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Vernilo G. Yu.

**R.G. MANABAT & CO.**



VERNILLO G. YU

Partner

CPA License No. 108798

SEC Accreditation No. 1574-A, Group A, valid until August 11, 2019

Tax Identification No. 225-454-652

BIR Accreditation No. 08-001987-35-2015

Issued December 28, 2015; valid until December 27, 2018

PTR No. 6615159MD

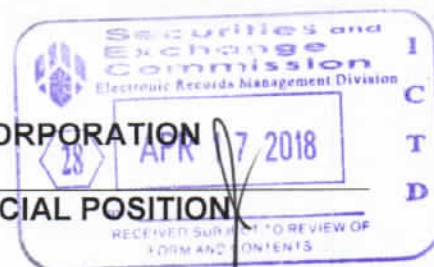
Issued January 3, 2018 at Makati City

April 12, 2018

Makati City, Metro Manila



**CENTURY PEAK METALS HOLDINGS CORPORATION  
AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**



**December 31**

	<i>Note</i>	2017	2016
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	4	P41,511,164	P48,955,032
Inventories	5	79,827,452	63,685,163
Other current assets	6	28,177,609	50,066,949
<b>Total Current Assets</b>		<b>149,516,225</b>	<b>162,707,144</b>
<b>Noncurrent Assets</b>			
Investment properties	7	21,385,768	21,385,768
Property and equipment - net	8	948,597,903	952,521,555
Explored mineral resources - net	9	1,667,832,110	1,737,031,899
Deferred exploration costs	10	149,509,242	62,329,678
Deferred tax assets - net	17	7,980,151	3,785,949
Other noncurrent assets - net	11	93,468,766	90,079,831
<b>Total Noncurrent Assets</b>		<b>2,888,773,940</b>	<b>2,867,134,680</b>
		<b>P3,038,290,165</b>	<b>P3,029,841,824</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and other current liabilities	12	P73,779,150	P92,138,870
Due to related parties	19	204,205,781	127,198,096
Income tax payable		14,042,863	8,592,605
<b>Total Current Liabilities</b>		<b>292,027,794</b>	<b>227,929,571</b>
<b>Noncurrent Liability</b>			
Provision for site rehabilitation	13	13,703,365	12,452,415
<b>Total Liabilities</b>		<b>305,731,159</b>	<b>240,381,986</b>
<b>Equity Attributable to Equity Holders of the Parent</b>			
Capital stock	18	2,820,330,450	2,820,330,450
Additional paid-in capital		1,931,550	1,931,550
Deficit		(83,138,071)	(25,258,181)
<b>Total Equity Attributable to Equity Holders of the Parent</b>		<b>2,739,123,929</b>	<b>2,797,003,819</b>
<b>Noncontrolling Interest</b>		<b>(6,564,923)</b>	<b>(7,543,981)</b>
<b>Total Equity</b>		<b>2,732,559,006</b>	<b>2,789,459,838</b>
		<b>P3,038,290,165</b>	<b>P3,029,841,824</b>

*See Notes to the Consolidated Financial Statements.*



**CENTURY PEAK METALS HOLDINGS CORPORATION  
AND SUBSIDIARIES**

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**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

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		Years Ended December 31		
	Note	2017	2016	2015
<b>REVENUES</b>	14	<b>P324,570,659</b>	P419,226,495	P230,543,893
<b>COST AND EXPENSES</b>				
Cost of sales	15	(204,707,991)	(333,595,448)	(156,718,897)
Operating expenses	16	(92,249,777)	(63,806,834)	(50,268,375)
Depletion of explored mineral resources	9	(69,199,789)	(67,348,965)	(59,146,609)
Loss on inventory write-down	5	(2,336,269)	-	(15,066,240)
<b>LOSS BEFORE OTHER INCOME (CHARGES)</b>		<b>(43,923,167)</b>	(45,524,752)	(50,656,228)
<b>OTHER INCOME (CHARGES)</b>				
Interest expense	8, 13	(1,300,956)	(1,160,871)	(2,128,387)
Foreign exchange gain (loss)	20	(563,789)	(162,448)	1,892,774
Interest income	4	31,472	10,539	45,936
Other income - net		-	-	(24,845)
		<b>(1,833,273)</b>	(1,312,780)	(214,522)
<b>LOSS BEFORE INCOME TAX</b>		<b>(45,756,440)</b>	(46,837,532)	(50,870,750)
<b>INCOME TAX EXPENSE (BENEFIT)</b>	17			
Current		15,338,594	8,592,605	7,759,410
Deferred		(4,194,202)	(551,818)	2,961,788
		<b>11,144,392</b>	8,040,787	10,721,198
<b>NET LOSS/TOTAL COMPREHENSIVE LOSS</b>		<b>(P56,900,832)</b>	(P54,878,319)	(P61,591,948)
<b>Total Comprehensive Income (Loss) Attributable to:</b>				
Equity holders of the parent company		(P57,879,890)	(P55,801,493)	(P61,755,056)
Noncontrolling interest	18	979,058	923,174	163,108
		<b>(P56,900,832)</b>	(P54,878,319)	(P61,591,948)
<b>Loss Per Share</b>				
Basic/diluted	21	(P0.0205)	(P0.0198)	(P0.0219)

*See Notes to the Consolidated Financial Statements.*

**CENTURY PEAK METALS HOLDINGS CORPORATION  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015**

	Equity Attributable to Equity Holders of the Parent					Noncontrolling Interest	Total Equity
	Capital Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Total			
Balance at January 1, 2015	P2,820,330,450	P1,931,550	P92,298,368	P2,914,560,368	(P8,630,263)	P2,905,930,105	
Net loss/total comprehensive loss for the year	-	-	(61,755,056)	(61,755,056)	163,108	(61,591,948)	
Balance at December 31, 2015	2,820,330,450	1,931,550	30,543,312	2,852,805,312	(8,467,155)	2,844,338,157	
Net loss/total comprehensive loss for the year	-	-	(55,801,493)	(55,801,493)	923,174	(54,878,319)	
Balance at December 31, 2016	2,820,330,450	1,931,550	(25,258,181)	2,797,003,819	(7,543,981)	2,789,459,838	
Net loss/total comprehensive loss for the year	-	-	(57,879,890)	(57,879,890)	979,058	(56,900,832)	
Balance at December 31, 2017	P2,820,330,450	P1,931,550	(P83,138,071)	P2,739,123,929	(P6,564,923)	P2,732,559,006	

See Notes to the Consolidated Financial Statements.

**CENTURY PEAK METALS HOLDINGS CORPORATION  
AND SUBSIDIARIES**

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**CONSOLIDATED STATEMENTS OF CASH FLOWS**

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		Years Ended December 31		
	Note	2017	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss before income tax		(P45,756,440)	(P46,837,532)	(P50,870,750)
Adjustments for:				
Depreciation, amortization and depletion	8, 9	138,326,065	108,924,383	118,243,056
Provision for impairment loss on advances to third parties	6	12,165,560	-	-
Loss on inventory write-down	5	2,336,269	-	15,066,240
Interest expense	8, 13	1,300,956	1,160,871	2,128,387
Unrealized foreign exchange loss (gain)		(7,728)	162,448	(540,892)
Interest income	4	(31,472)	(10,539)	(45,936)
Loss on disposal of equipment		-	-	1,276,421
Gain on disposal of assets held for sale		-	-	(722,317)
Operating income before working capital changes		108,333,210	63,399,631	84,534,209
Decrease (increase) in:				
Trade receivables		-	63,776,444	192,817,411
Inventories		(18,478,558)	120,960,256	(78,651,088)
Due from related parties		-	-	20,288,939
Other current assets		17,842,737	(32,336,139)	(11,455,459)
Decrease in accounts payable and other current liabilities		(18,359,720)	(29,503,419)	(89,642,016)
Net cash generated from operations		89,337,669	186,296,773	117,891,996
Interest received		31,472	10,539	45,936
Income taxes paid		(9,888,336)	(46,931)	-
Interest paid		(50,006)	(24,375)	(1,095,615)
Net cash provided by operating activities		79,430,799	186,236,006	116,842,317
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of property and equipment	8	(73,321,581)	(54,995)	(8,054,709)
Decrease (increase) in:				
Deferred exploration costs	10	(87,179,564)	(30,710,826)	(31,618,852)
Other noncurrent assets		(3,388,935)	(29,050,147)	1,265,518
Net cash used in investing activities		(163,890,080)	(59,815,968)	(38,408,043)

Forward



Years Ended December 31				
	Note	2017	2016	2015
CASH FLOWS FROM A FINANCING ACTIVITY				
Increase (decrease) in due to related parties		P77,007,685	(P87,648,788)	(P168,352,067)
NET INCREASE (DECREASE) IN CASH		(7,451,596)	38,771,250	(89,917,793)
EFFECT OF EXCHANGE RATE CHANGES IN CASH		7,728	(162,448)	734,188
CASH AT BEGINNING OF YEAR		48,955,032	10,346,230	99,529,835
CASH AT END OF YEAR	4	P41,511,164	P48,955,032	P10,346,230

See Notes to the Consolidated Financial Statements.

**CENTURY PEAK METALS HOLDINGS CORPORATION  
AND SUBSIDIARIES**

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**1. Corporate Information**

Century Peak Metals Holdings Corporation (CPMHC or the "Parent Company"), was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 30, 2003.

On April 14, 2008, the SEC approved the amendment of the Parent Company's Articles of Incorporation changing its primary purpose to include promoting, operating, managing, holding, acquiring or investing in corporations or entities that are engaged in mining activities or mining-related activities. The Parent Company further expanded its primary purpose by including investing in real estate development and energy. The amended Articles of Incorporation was approved by the SEC on March 18, 2010.

The Parent Company listed its common shares of stock with the Philippine Stock Exchange (PSE) on October 6, 2009.

The Parent Company operates as the holding company of the following subsidiaries:

	<b>Percentage of Ownership <sup>(a)</sup></b>	
	<b>Direct</b>	<b>Indirect</b>
Century Peak Corporation (CPC)	<b>100.00</b>	-
Century Peak Mineral Development Corporation (CPMDC) <sup>(c)</sup>	<b>100.00</b>	-
Century Peak Cement Manufacturing Corporation (CPCMC) <sup>(c)</sup>	<b>100.00</b>	-
Century Sidewide Smelting Incorporated (CSSI) <sup>(b)</sup>	<b>60.00</b>	-
Century Hua Guang Smelting Incorporated (CHGSI) <sup>(b)</sup>	<b>55.00</b>	-
Century Summit Carrier, Inc. (CSCI) <sup>(d)</sup>	-	<b>80.00</b>

<sup>(a)</sup>Based on the Parent Company's interest in the issued and outstanding shares of the subsidiaries.

<sup>(b)</sup>CSSI and CHGSI have not yet started commercial operations.

<sup>(c)</sup>CPMDC and CPCMC were incorporated in 2015 and have not yet started commercial operations.

<sup>(d)</sup>Owned by the Parent Company through CPC.

The registered office address of the Parent Company and its subsidiaries (collectively referred to as the "Group") is at 14/F Equitable Tower, 8751 Paseo de Roxas, Salcedo Village, Makati City.

The Parent Company's subsidiaries were all incorporated in the Philippines and registered with the SEC. Their principal activities are as follows:

CPC and CHGSI	Invest in and engage in the business of operating and mining of any mineral resources in the Philippines such as iron, ore, copper, gold, silver, lead, manganese, chromites, nickel, etc.
CSSI	Invest in and engage in the business of operating and mining of any mineral resources in the Philippines and to engage in the business of managing, administering solid waste disposal system.
CPMDC	Engage in the business of operating and mining any mineral resources in the Philippines, such as limestone, lime, silica, iron ore, copper, gold, silver, lead, manganese, chromites, nickel, among other minerals, both metallic and non-metallic; prospecting, exploring, milling, concentrating, converting, smelting, treating, refining, manufacturing, and preparing for market, whether export or domestic, such mineral resources and producing and dealing in all its products and by-products of every kind and description and by whatsoever process, the same can be or may hereafter be produced.
CPCMC	Engage in the business of manufacture, production and merchandising, whether export or domestic, of cement, cement products and by-products, including its derivatives and any and all kinds of minerals and building materials.
CSCI	Engage in the business of operating barges, steamships, motorboats and other kinds of water crafts for the transportation of cargoes and passengers.

#### Mineral Rights of CPC

The table below summarizes CPC's mineral rights:

Tenement Designation	Area Covered (in Hectares)	Location
Mineral Production Sharing Agreement (MPSA) 010-92-X	1,198	Casiguran, Loreto, Dinagat Islands
MPSA-283-2009-XIII-SMR	3,188	Libjo (Albor), Dinagat Islands
Application for Mineral Production Sharing Agreement (APSA) 086-XIII	718	Acoje, Loreto, Dinagat Islands

MPSA-010-92-X or the "Casiguran Nickel Project," was acquired by CPC from Casiguran Mining Corporation by virtue of a deed of assignment on May 29, 2006, which was approved by the Department of Environment and Natural Resources (DENR) on December 11, 2006. In addition, MPSA-283-2009-XIII-SMR or the "Rapid City Parcel II Prospect" ("Rapid City") was approved by the DENR on June 19, 2009.

The Acoje Property is covered by APSA-086-XIII and Environmental Compliance Certificate (ECC) No. 008-345-301C. APSA-086-XIII is still under final evaluation with the Mines and Geosciences Bureau (MGB) Central Office as at December 31, 2017.



#### DENR Mining Audit

##### Mining Audit

On a letter dated October 3, 2016, the DENR notified CPC of the results, findings and recommendations of the mining audit conducted for the operations in Loreto and Libjo, Dinagat Islands pursuant to the DENR Memorandum Circular No. 2016-01 regarding Audit of All Operating Mines and Moratorium on New Mining projects issued on July 29, 2016.

On a letter dated October 25, 2016, CPC responded by submitting a complete update on the DENR recommendations and changes implemented by CPC.

On January 16, 2017, a Memorandum to the Secretary, was submitted by the DENR's Technical Review Committee, which is tasked to review the results of the mining audit report and submitted comments and explanation of CPC, recommending the suspension of the CPC's Environmental Compliance Certificate (ECC), Ore Transport Permit and/or Mineral Export permit pertaining to its mining operations in Loreto and Libjo, Dinagat Islands and fined CPC for various violations.

On February 2, 2017, the DENR released a list of mining firms for closure and suspension. CPC was excluded on the aforementioned list.

CPC has not received any formal letter from the DENR pertaining to the suspension of its ECC, Ore Transport Permit and/or Mineral Export permit.

On February 15, 2018, DENR issued a list of companies with denied or rejected MPSA. CPMHC or any of its subsidiaries is not included in the mentioned report.

##### *DENR Adverse Findings on the Cement and Limestone Project*

On December 14, 2016, the DENR issued a Notice of Adverse Findings (NAF) with regards to CPC's ECC-CO-1505-0017 for the proposed Cement and Limestone project (the "Project") in Pinamungahan, Cebu.

On a letter dated December 23, 2016, CPC responded to the issued NAF by the DENR indicating that the Project's ECC should not be cancelled nor suspended as CPC has substantively complied with the conditions set forth in the ECC.

CPC has not received any formal letter from the DENR pertaining to their reply on the NAF.

#### The Smelting Plant Project

##### CHGSI

CHGSI was registered and incorporated with the SEC on January 14, 2008. The principal activities of CHGSI are to invest in and engage in the business of operating and mining mineral resources in the Philippines such as iron ore, copper, gold, silver, lead, manganese, chromites, nickel, etc.; prospecting, exploring, milling, concentrating, converting, smelting, treating, refining, and manufacturing; preparing for the market, whether export or domestic; and producing and dealing in all its products and by-products of every kind and description and by whatsoever process the same can be or may be hereafter be produced.

On October 28, 2009, CHGSI was registered with Philippine Economic Zone Authority (PEZA) under Republic Act (RA) No. 7916 as an ecozone export enterprise engaged in the production of ferro-nickel (pig iron) at the Leyte Industrial Development Estate - Special Economic Zone (LIDE-SEZ).

By virtue of its PEZA registration, CHGSI is entitled, among other incentives, to four (4) years income tax holiday (ITH), which shall be reckoned upon its start of commercial operations, as well as tax and duty free importation of its capital equipment and raw materials, subject to its compliance with the terms and conditions of its registration.

#### CSSI

In 2011, the Parent Company entered into a partnership with Sidewide Resources (H.K.) Limited, a subsidiary of Chaoyang Saiwai Mining Co., Ltd of P. R. China., a group that owns an iron powder processing plant, electric furnace smelting plant, and primarily does mineral ore trading. It is the Parent Company's plan to set up electric furnaces in the future to enhance the production of its nickel pig iron. From this formed partnership, CSSI is incorporated.

As at December 31, 2017, CSSI has not yet started with its commercial operation.

#### Mining Operations

CPC has mining activities in selected areas covered by its MPSA in the province of Dinagat Islands.

There are two Geologic Resource Evaluation Reports for the Casiguran Nickel Project and a Resource Evaluation Report for the Rapid City Parcel II Prospect, which were prepared by Dr. Carlo A. Arcilla, an accredited competent person in accordance with the definition of the Philippine Mineral Reporting Code.

Based on the reports, the Casiguran Nickel Project and Rapid City Parcel II Prospect have a combined indicated and measured resource of 9,897,000 dry metric tons (DMT) with a grade of 1.02% nickel (at 0.8% nickel cut-off) and 9,067,000 DMT with a grade of 1.07% nickel (at 0.8% nickel cut-off), respectively. These represent 100,000 metric tons of pure nickel and 3.5 million tons of iron and 90,000 tons of pure nickel and 3.8 million tons of iron for the Casiguran Nickel Project and Rapid City Parcel II Prospect, respectively, subject to mining plans and metal recovery parameters.

Management looks forward to continue developing and exploring these mineral properties either on its own or with joint venture partners.

#### *Extension of Mineral Production Sharing Agreement (MPSA) 010-92-X (Casiguran Nickel Project)*

On May 11, 2016, CPC filed an application for renewal for MPSA No. 010-92-X at the MGB Regional Office No. XIII, set to expire on May 6, 2017.

In response to the initial filing for renewal, MGB Regional Office No. XIII has directed CPC last January 11, 2017 to submit certain requirements. CPC subsequently refiled its application for renewal on August 15, 2017.

On September 12, 2017, MGB Regional Office No. XIII through its letter, informed CPC that its application has not been endorsed to MGB Central Office for further review and evaluation pending the remaining mandatory requirements.



As at report date, outstanding requirements for submission to MGB include Local Government Unit (LGU) project approval/endorsement in the form of a resolution from the Sangguniang Bayan of Loreto, Dinagat Islands and from Sangguniang Barangay of Barangay Panamaon, Loreto, Dinagat Islands. Currently, CPC is in the process of obtaining the required endorsements from the Sangguniang Bayan of Loreto and Sangguniang Barangay of Panamaon through implementation of the remaining Social Development and Management Program (SDMP) as required by the Sangguniang Barangay, which is expected to be completed by the end of April 2018.

Management believes that full implementation and completion of these projects will cause the issuance of the required endorsement based on management's discussions with the Sangguniang Barangay. MPSA renewal would depend on the approval of MGB.

Nevertheless, MGB issued a certification dated April 5, 2018, stating that CPC is the holder/operator of the valid and subsisting mining tenements subject for renewal. Given these conditions, management believes that MGB will approve the renewal of the MPSA.

*Registration of CPC with the Board of Investments (BOI)*

On May 7, 2010, CPC was registered with the BOI with Certificate of Registration No. 2010-093 (the "BOI Registration"), on its mining and extraction of nickel ore at Casiguran, Loreto, Dinagat Islands (the "Project"), as a new project on a Non-Pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226).

As a BOI-registered entity, CPC is entitled to the following incentives, among others:

- a. Tax credit on taxes and duties paid on raw materials and supplies in producing its export product for a period of ten (10) years from start of commercial operations;
- b. Importation of consigned equipment for a period of ten (10) years from date of registration;
- c. Exemption from wharfage dues, any export tax, duties, imposts and fees for a ten (10) year period from date of registration; and
- d. Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

On January 14, 2015, BOI granted CPC's request to amend the Specific Terms and Conditions of its BOI Registration, which entitled the Project to a one-year ITH incentive covering taxable year 2014 only.

The Cement and Limestone Project

*CPCMC and CPMDC*

Through MPSA-045-96-VII and MPSA-046-96-VII expiring in 2021, the Group has 4,795 hectares in Pinamungahan, Cebu to mine limestone. An initial resource assessment conducted in 2012 on an 81 hectare area estimate as indicated limestone resource of 34,000,000 metric tons (see Note 22).

In April and July 2015, the Group was able to obtain the ECC for the Cement Plant/Power Plant and Limestone Quarry Project, respectively.

CSCI

On December 8, 2011, CSCI was registered with the Maritime Industry Authority with Certificate No. DSO-2006-003-086 (2014) under Marina Circular 2006-003, which is valid until December 7, 2017.

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## **2. Basis of Preparation**

### Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

The consolidated financial statements were approved and authorized for issue by the Group's Board of Directors (BOD) on April 6, 2018.

### Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis of accounting.

### Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. All financial information presented in Philippine peso has been rounded-off to the nearest peso, unless otherwise indicated.

### Basis of Consolidation

The consolidated financial statements include the accounts of the Group from the date control was obtained by the Parent Company. Equity attributed to the equity holders of the Parent Company is based on its share in net profits and net assets of the investees in accordance with the investees' Articles of Incorporation.

The consolidated financial statements reflect the consolidated accounts of the Group. Intra-group balances and any unrealized gains and losses or income and expenses arising from intra-group transactions are eliminated in the consolidation.

The consolidated financial statements of the Group are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances.

A subsidiary is an entity that is controlled by the Parent Company and whose accounts are included in the consolidated financial statements. Control exists when the Parent Company is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date control ceases.

### Noncontrolling Interest

Noncontrolling interest represents the interests not held by the Parent Company in its subsidiaries.



#### Use of Estimates and Judgments

The preparation of the consolidated financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the consolidated financial statements. The judgments and estimates used in the accompanying consolidated financial statements are based on management's evaluation of relevant facts and circumstances as of the date of the Group's consolidated financial statements. Actual results may differ from these estimates.

Judgments, estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

#### Judgments

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

##### *Determining whether an Arrangement Contains a Lease*

The Group uses its judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement at inception date and makes assessment of whether the arrangement is dependent on the use of a specific asset or assets, the arrangement conveys a right to use the asset and the arrangement transfers substantially all the risks and rewards incidental to ownership to the Group.

##### *Operating Lease - The Group as Lessee*

The Group has entered into various arrangements covering the lease of its warehouse, equipment and residence of officers. In determining whether all significant risks and rewards of ownership remain with the lessor or transferred to the lessee, the following factors are considered:

- a. the ownership of the asset does not transfer at the end of the lease term;
- b. there is no option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- c. the lease term is not for the major part of the economic life of the asset even if title is not transferred;
- d. at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- e. the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

The Group has determined that the lessors retain all the significant risks and rewards of ownership of the properties and, as such, accounts for the agreements as operating leases.



#### *Distinguishing between Property and Equipment and Investment Property*

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production and supply of goods and services or for administrative purposes. If these portions can be sold separately (or lease out separately under finance lease), the Group accounts for the portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

The Group has determined the parcels of land held for capital appreciation as investment properties (see Note 7), while the land held for the construction of the smelting plant is classified under property and equipment (see Note 8).

#### *Classifying Financial Instruments*

The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either 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 consolidated statements of financial position.

In addition, the Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent 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.

Financial assets are classified as financial assets at fair value through profit or loss (FVPL), held-to-maturity (HTM) investments, loans and receivables and available-for-sale (AFS) financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities.



#### Estimates and Assumptions of Uncertainties.

The key assumptions and estimation uncertainties concerning the future and other key sources of estimation uncertainty as of reporting date that have the most significant risk of resulting in a material adjustment to the carrying amounts of assets, liabilities and equity within the next financial year are as follows:

#### *Estimating Net Realizable Value of Inventories*

In determining the net realizable value of inventories, the Group considers inventory obsolescence based on specific identification and as determined by management for inventories estimated to be unsaleable in the future. The Group adjusts the cost of inventories to the net realizable value at a level considered adequate to reflect any market decline in the value of the recorded inventories. The Group reviews, on a continuous basis, the product movement, changes in customer demands and introduction of new products to determine whether these items should still be used in operations or otherwise disposed of, and identifies inventories which are to be written-down to net realizable values. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in inventory obsolescence and market decline would increase recorded operating expenses and decrease current assets.

Inventories amounted to P79.8 million and P63.7 million as at December 31, 2017 and 2016, respectively. The loss on inventory write-down amounted to P2.3 million, nil and P15.1 million for the years ended December 31, 2017, 2016 and 2015, respectively (see Note 5).

#### *Estimating Recoverable Reserves*

Recoverable reserves and resource estimates for development projects are, to a large extent, based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of costs based upon anticipated tonnage and grades of ores to be mined and processed, the configuration of the ore body, expected recovery rates from the ore, estimated operating costs, estimated climatic conditions and other factors. Proven reserve estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured.

All proven reserve estimates are subject to revision, either upward or downward, based on new information, such as from block grading and production activities or from changes in economic factors, including product prices, contract terms or development plans.

Estimates of reserves for undeveloped or partially developed areas are subject to greater uncertainty over their future life than estimates for reserves for areas that are substantially developed and depleted. As an area goes into production, the amount of proven reserves will be subject to future revision once additional information becomes available. As those areas are further developed, new information may lead to revisions. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amount and timing of recorded depletion expenses for any period would be affected by changes in these factors and circumstances.

The carrying amount of mine site development cost amounted to P366.1 million and P384.0 million as at December 31, 2017 and 2016, respectively (see Note 8).

The carrying amount of explored mineral resources amounted to P1,667.8 million and P1,737.0 million, as at December 31, 2017 and 2016, respectively (see Note 9).



Estimated remaining reserve amounted to 17.9 million wet metric ton (WMT) and 18.6 million WMT as at December 31, 2017 and 2016, respectively.

*Estimating Provision for Site Rehabilitation*

In determining the provision for mine rehabilitation, the Group considers factors that affect the calculation of the ultimate liability. These factors include, but not limited to, the extent and costs of rehabilitation activities, technological changes, regulatory changes and changes in discount rates. The Group reviews and updates these factors on a continuous basis. It is possible that future results of operations could be materially affected by change in the provision for site rehabilitation brought about by the changes in the factors mentioned.

As at December 31, 2017 and 2016, the provision for site rehabilitation costs amounted to P13.7 million and P12.5 million, respectively (see Note 13).

*Estimating Allowance for Impairment Losses on Advances to Third Parties and Input Value-added Tax (VAT)*

The Group maintains an allowance for impairment losses at a level considered adequate to provide for probable unrecoverable amounts of advances to third parties and input VAT. The level of this allowance is evaluated by management on the basis of factors that affect the recoverability of the account.

Management has provided an allowance for advances to third parties and input VAT amounting to P21.3 million and P9.1 million as at December 31, 2017 and 2016, respectively. The carrying amount of advances to third parties amounted to P23.7 million and P41.6 million as at December 31, 2017 and 2016, respectively (see Note 6). The carrying amount of input VAT as at December 31, 2017 and 2016 amounted to P51.9 million and P51.1 million, respectively (see Note 11).

*Estimating Useful Lives of Property and Equipment*

The useful life of each of the Group's property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any property and equipment and intangible asset with definite useful life would increase the recorded operating expenses and decrease noncurrent assets.

In 2016, CPC changed the estimated useful life (EUL) of transportation and field equipment from 4-10 years to 4-15 years due to the limited equipment usage and dedicated maintenance implemented by CPC. There was no change in the EUL of the Group's property and equipment in 2017.

The carrying amount of property and equipment as at December 31, 2017 and 2016, amounted to P948.6 million and P952.5 million, respectively (Note 8).



#### *Estimating Allowance for Impairment Loss on Nonfinancial Assets*

The Group assesses at each reporting date whether there is an indication that nonfinancial assets may be impaired. Determining the amount of the assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Further events could cause the Group to conclude that these assets are impaired. Any resulting impairment loss could have material impact on the financial position and performance of the Group.

The preparation of the estimated future cash flows involves estimations and assumptions. While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Group's assessment of the recoverable amounts and may lead to future additional impairment.

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

As at December 31, 2017 and 2016, management assessed that there are no impairment indicators relating to the Group's nonfinancial assets. Accordingly, the Group did not recognize any impairment losses on its nonfinancial assets in 2017 and 2016.

The carrying amounts of the Group's nonfinancial assets are as follows:

	2017	2016
Investment properties	P21,385,768	P21,385,768
Property and equipment - net	948,597,903	952,521,555
Explored mineral resources - net	1,667,832,110	1,737,031,899
Deferred exploration costs	149,509,242	62,329,678
	<b>P2,787,325,023</b>	<b>P2,773,268,900</b>

#### *Estimating Realizability of Deferred Tax Assets*

The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces the carrying amounts to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact of deferred tax accordingly. The Group's assessment on the recognition of deferred tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Group's past results and future expectations on revenues and expenses.

Recognized deferred tax assets amounted to P8.0 million and P3.8 million as at December 31, 2017 and 2016, respectively (see Note 17).



#### *Provision and Contingencies*

The Group is involved in certain claims, which arise in the normal course of business. The management believes that the claims lack legal basis and will contest any future proceedings. The estimate of the probable costs for the resolution of these possible claims is based upon an analysis of potential results. Currently, the Group does not believe these claims will have a material adverse effect on the Group's consolidated financial statements. It is possible that future financial performance could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 22).

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### **3. Summary of Significant Accounting Policies**

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, and have been applied consistently by the Group, except for the changes in accounting policies as explained below.

#### Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Group has adopted the following amendments to standards and new interpretation starting January 1, 2017 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards and interpretation did not have any significant impact on the Group's consolidated financial statements.

- *Disclosure Initiative (Amendments to PAS 7 Statement of Cash Flows)*. The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - e.g., by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.
- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12)*. The amendments clarify that:
  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;
  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;
  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.



### Recognition of Financial Instruments

*Date of Recognition.* The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. The Group determines the classification of its financial assets and liabilities on initial recognition and, where applicable and appropriate, re-evaluates this designation at each reporting date. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulations or convention in the marketplace.

*Initial Recognition of Financial Instruments.* Financial instruments are recognized initially at fair value, which 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 a measurement date. The fair value of a financial instrument on initial recognition is normally the transaction price (i.e., the fair value of the consideration given or received). If a financial asset is not subsequently accounted for at fair value through profit or loss (FVPL), the initial measurement includes transaction costs that are directly attributable to the asset's acquisition or origination.

The Group classifies its financial assets in the following categories: held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, FVPL financial assets and loans and receivables. The Group classifies its financial liabilities as either FVPL financial liabilities or other financial liabilities. The classification depends on the Group's business model for managing financial instruments and the contractual cash flow characteristics of the financial instruments. The management determines the classification of its financial assets and liabilities at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

As at December 31, 2017 and 2016, the Group has no designated FVPL financial assets and liabilities and HTM investments.

*Loans and Receivables.* Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS or FVPL financial assets. Such assets are recognized initially at fair value. After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment losses, if:

- the loans and receivables are held within a business model whose objective is to hold such assets in order to collect contractual cash flows; and
- the contractual terms of the loans and receivables give rise, on specified dates, to cash flows that are solely payments of principal and interest.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through amortization process. Loans and receivables are classified as current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

Loans and receivables comprise of cash and rehabilitation funds.

Cash includes cash on hand and in banks, which is stated at face value.



*AFS Financial Assets.* AFS securities are financial assets which are designated as such, or do not qualify to be classified or have not been classified under any other financial category. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. These include debt and equity securities.

After initial measurement, AFS financial assets are subsequently measured at fair value. Changes in fair value, other than impairment losses, and foreign currency differences on AFS equity securities are recognized in other comprehensive income as "Unrealized gains or losses on AFS securities" and are presented within equity. The losses arising from the impairment of such securities are recognized in profit or loss. When the security is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is transferred to profit or loss. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in profit or loss.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of unobserved inputs such as in the case of unquoted equity instruments, these financial assets are allowed to be carried at cost less impairment, if any.

This category includes equity securities not held for control or significant influence over the investee.

*Other Financial Liabilities.* This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

The financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Included in this category are the Group's accounts payable and other current liabilities (other than liabilities covered by other PFRSs, such as income tax payable) and amounts due to related parties that meet the above definition.

#### *'Day 1' Profit*

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss. In cases where no observable data are used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

#### *Offsetting Financial Instruments*

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



## Derecognition of Financial Assets and 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 right to receive cash flows from the asset has 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 right to receive cash flows from the asset and either has: (a) transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the 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 pay.

### Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, with the difference in the respective carrying amounts recognized in profit or loss.

### Determination of Fair Values

The Group's accounting policies require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes, when necessary, based on the estimated amounts that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique. When applicable, 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. Information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and



- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Transfers between levels of the fair value hierarchy are recognized at the end of the reporting period during which the change has occurred.

#### Inventories

Inventories, which consist of nickel and chromite ores, are measured at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. The Group uses the average method of inventory costing. Under the average cost formula, the cost of each item is determined from the average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the period. The average may be calculated on a periodic basis, or as each additional shipment is received, depending upon the circumstances of the entity.

Cost represents the average cost and comprises direct materials, labor and production overhead expenditure, including depreciation and amortization incurred in converting materials to finished products.

#### Investment Properties

Investment properties are measured initially at cost, including transaction costs. The Group's investment properties are held either to earn rental income or for capital appreciation or both. Subsequent to initial recognition, investment properties are carried at cost less any impairment in value.

Investment properties are derecognized when these have been disposed or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

#### Explored Mineral Resources

Explored mineral resources represent the Group's intangible asset for its right to mine certain areas. Such intangible asset, which has a definite useful life, was acquired by the Group in relation to its acquisition of a group of assets.

Explored mineral resources are initially recognized at fair value based on the cash flow generation of the relevant mineral property covered by the acquired MPSA which is the deemed cost, subsequently stated at initial amount less accumulated amortization and accumulated impairment losses, if any.



Amortization of explored mineral resources is calculated using the units-of-production method based on estimated recoverable reserves, as this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset, and is directly charged as an expense during the period.

Amortization shall begin when the nickel ore extraction begins or when the mine site is in the condition when it is capable to operate in the manner intended by management, whichever is earlier. Amortization shall cease at the earlier of the date that the intangible assets is classified as held for sale in accordance with PFRS 5 and the date that asset is derecognized.

The estimated recoverable reserves and the amortization method are reviewed periodically to ensure that the estimated recoverable reserves and method of depletion are consistent with the expected pattern of economic benefits from the explored mineral resources. If the estimated recoverable reserve is different from previous estimates, the basis of depletion shall be changed accordingly.

#### Property and Equipment

Property and equipment, except for land, are carried at cost less accumulated depreciation and amortization, depletion and impairment losses, if any. Land is carried at cost less any impairment in value.

Initially, an item of property and equipment is measured at its cost, which consists of its purchase price and any directly attributable cost in bringing the asset to the location and condition for its intended use. Subsequent costs (including costs of replacing a part of an item of property and equipment) that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Group. The carrying amount of the replaced part is derecognized. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.

Mine site development costs represent the cost of road network, pier, stockyard and other costs incurred in constructing the production infrastructure for the intended mining operations. When exploration results are positive or commercially viable, cost incurred for development of mining properties are deferred as incurred.

Depletion of mine site development cost is computed based on ore extraction over the estimated volume of proven and probable ore reserves, as estimated by the Group's geologist and certified by an independent geologist, or over the estimated life of specific components whichever results in a shorter period of depletion.

Depreciation and amortization is computed using the straight-line method over the EUL of the assets. Depreciation, amortization and depletion commences once the assets become available for use.

	Number of Years
Transportation and field equipment	4 - 15
Office equipment	3 - 5
Office space and improvements	25

The assets' residual values, useful lives and depreciation, amortization and depletion methods are reviewed annually and adjusted, if appropriate, to ensure that the methods and period of depreciation, amortization and depletion are consistent with the expected pattern of economic benefits from items of property and equipment. Any change in the expected residual values, EUL and methods of depreciation, amortization and depletion is adjusted prospectively from the time the change was determined necessary.



When an asset is disposed of, or is retired from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation, amortization, depletion and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognized in profit or loss.

Construction in progress represents property and equipment under construction and is stated at cost. This includes cost of construction and other direct costs. Assets under construction are transferred to the related property and equipment account when the construction and installation and related activities necessary to prepare the property and equipment for the intended use are completed, and the property and equipment are ready for services. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use but tested for impairment losses.

#### Deferred Exploration Costs

All costs directly attributable to the exploration and evaluation of mineral resources are deferred on a project by project basis until commencement of commercial mining operations or until an impairment is considered necessary. The recoverability of the amounts recorded as deferred exploration costs is dependent on the existence of economically recoverable reserves and future profitable production from the mineral properties.

Deferred exploration costs are provided with appropriate allowance for impairment losses when properties are abandoned or when cost exceeds net realizable value. No depletion and amortization expense is included in profit or loss for the cement project since the project has not yet reached commercial mining operations.

#### Impairment

##### *Financial Assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset (an incurred "loss event") and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

If there is an objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of the discounting is not material. The carrying amount of the asset is reduced through the use of an allowance account. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. The financial assets, together with the associated allowance accounts, is written-off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group. Impairment loss is recognized in profit or loss.



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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, either directly or by adjusting an allowance account. Any subsequent reversal is recognized in profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

#### *Nonfinancial Assets*

The carrying amounts of the Group's nonfinancial assets, such as property and equipment, deferred exploration costs, explored mineral resources, investment properties and other noncurrent assets, are reviewed at each reporting date to determine whether there is any indication that an asset may be impaired, or whether there is any indication that an impairment loss previously recognized for an asset in prior periods may no longer exist or may have decreased. If any such indication exists and when the carrying amount of an asset exceeds its estimated recoverable amount, the asset or cash-generating units (CGU) to which the asset belongs is written-down to its recoverable amount. Recoverable amounts are estimated for individual assets or investments or, if it is not possible, for the CGU to which the asset belongs.

The recoverable amount of a nonfinancial asset is the greater of the asset's fair value less costs of disposal and its value in use. The fair value is the amount obtainable from the sale of the asset in an orderly transaction between market participants at a measurement date, less the costs of disposal. Value in use is the present value of the future cash flows expected to be delivered from an asset or CGU. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is recognized in profit or loss in the year in which it arises. A previously recognized impairment loss is reversed only if there has been a change in estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any accumulated depreciation and amortization for property and equipment, net of any depletion for mine site development cost) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in profit or loss. After such reversal, the depreciation, amortization and depletion expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.



### Equity

Capital stock is measured at par value for all shares issued and outstanding. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct cost incurred related to the equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to additional paid-in capital. If additional paid-in capital is not sufficient, the excess is charged to deficit.

Retained earnings represents the accumulated income (losses) of the Group.

### Revenue

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

#### *Sale of Nickel Ore*

Revenue from sale of nickel is recognized in profit or loss on the date that minerals are delivered to the customer. Revenue is the fair value of the consideration received or receivable, net of taxes, such as VAT (if applicable).

#### *Incentive Revenue*

Incentive revenue is recognized upon delivery of goods to the customer and when amount is fixed and determinable.

#### *Interest Income*

Interest income is recognized on a time-proportion basis using the effective interest method.

#### *Other Income*

Other income pertains to non-recurring gains recognized in profit or loss such as disposal of assets and investment properties. Income is earned when risks and rewards over the assets are transferred to the buyer.

### Expenses

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

#### *Cost of Sales*

Cost of sales is recognized when the expense is incurred and is reported in the consolidated financial statements in the periods to which it relates.

#### *Operating Expenses*

Expenses incurred in the general administration of the day-to-day operation of the Group are generally recognized when the service is rendered or the expense is incurred.

### Employee Benefits

#### *Short-term Employee Benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### Taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case it is recognized in equity or in other comprehensive income.

#### *Current Tax*

Current tax assets and liabilities for the current period are measured at the amount expected to be paid to the tax authority. The tax rates and tax laws used to compute this amount are those that are enacted or substantively enacted by the end of the reporting period.

#### *Deferred Tax*

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and the carryforward tax benefits of unused net operating loss carryover (NOLCO), if any, and unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax. Deferred tax is not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for carryforward tax benefits of unused NOLCO, unused tax credits from excess MCIT and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recognized.

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



In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

#### *VAT*

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of sales tax recoverable from, or payable to, the tax authority is included as part of receivables or payables in the Group's consolidated statements of financial position.

#### *Final Tax*

Final tax represents tax on interest income derived from bank deposits. Final tax is recognized in profit or loss in the same period when the related interest income is recognized and is withheld by the depository bank for remittance to the taxing authority.

#### Segment Reporting

An operating segment is a component of an entity that: (a) engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (c) for which discrete financial information is available.

#### Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing the profit (loss) applicable to common stock by the weighted average number of common shares outstanding during the period, with retroactive adjustments for any stock dividends declared.

Diluted earnings (loss) per share is calculated by dividing the profit (loss) attributable to common equity holders by the weighted average number of common shares outstanding during the year, adjusted for the effects of any potentially dilutive common shares.

#### Foreign Currency Transactions

The functional and presentation currency of the Group is the Philippine peso. Transactions in foreign currencies are recorded in Philippine peso based on the exchange rates prevailing at the transaction dates. Foreign currency denominated monetary assets and liabilities are translated into Philippine peso using the prevailing exchange rate at the reporting date. Exchange gains or losses arising from translation of foreign currency denominated items at rate different from those at which they were previously recorded are recognized in profit or loss.

#### Interest Expense

Interest expense comprises interest expense on bank deposit, net foreign currency gains on asset and liabilities and dividend income. Interest expense is recognized in statements of comprehensive as it accrues, using the effective interest method and is presented net of final tax. Dividend income, if any, is recognized in statements of comprehensive income on the date that the Group's right to receive payment is established.

Interest expense comprises interest expense on borrowings and net foreign currency loss on financial assets and liabilities. All interest expense are recognized in profit or loss as they accrue.

#### Provisions

A provision is a liability of uncertain timing or amount. It is 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.

Provisions are revisited at each reporting date and adjusted to reflect the current best estimate. 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 the current market assessment of the time value of money, and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense in the statements of comprehensive income.

#### Provision for Site Rehabilitation

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailing dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the ground/environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mine assets. Overtime, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statements of comprehensive income as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur.



### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They 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 are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

### Events After the Reporting Date

Post year-end events that provide additional information about the Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed when material.

### Standards Issued but Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2015. However, the Group has not applied the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

### *Effective January 1, 2018*

- *PFRS 9, Financial Instruments (2014)*. PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

Based on the currently available information and may be subject to changes arising from reasonable and supportable information being made available to the Group in 2018, the Group does not expect significant impact on its statements of financial position except for the effect of classification of the financial assets and applying the impairment requirements.

- *PFRS 15, Revenue from Contracts with Customers* replaces PAS 11, *Construction Contracts*, PAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The Group is currently assessing the potential impact of PFRS 15 and plans to adopt this new standard on the required effective date.

- *Transfers of Investment Property (Amendments to PAS 40, Investment Property)* amends the requirements on when an entity should transfer a property asset to, or from, investment property. A transfer is made when and only when there is an actual change in use - i.e., an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer.

The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. An entity may apply the amendments to transfers that occur after the date of initial application and also reassess the classification of property assets held at that date or apply the amendments retrospectively, but only if it does not involve the use of hindsight.

- *Philippine Interpretation IFRIC-22, Foreign Currency Transactions and Advance Consideration*. The interpretation clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

The interpretation is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.



Effective January 1, 2019

- *PFRS 16, Leases* supersedes *PAS 17, Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of PFRS 16.

The Group is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date.

- *Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in *PAS 12 Income Taxes* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Company's chosen tax treatment. If it is not probable that the tax authority will accept the Company's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value. The interpretation also requires the reassessment of judgements and estimates applied if facts and circumstances change - e.g., as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

The interpretation is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

#### 4. Cash

	2017	2016
Cash in banks	P41,466,164	P48,910,032
Cash on hand	45,000	45,000
	<b>P41,511,164</b>	<b>P48,955,032</b>

Cash in banks earns interest at the prevailing bank deposit rates. Interest income earned amounted to P31,472, P10,539 and P45,936 in 2017, 2016 and 2015, respectively.

The Group's exposures to credit risk and foreign currency risk are disclosed in Note 20 to the consolidated financial statements.

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**5. Inventories**

	2017	2016
Nickel ore at NRV	<b>P79,827,452</b>	P61,348,894
Chromite at cost	-	2,336,269
	<b>P79,827,452</b>	P63,685,163

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Inventories with cost of P82.2 million as at December 31, 2017 were written down to their NRV of P79.8 million. The loss on inventory write-down to NRV amounted to P2.3 million in 2017.

In 2017, 2016 and 2015, the cost of inventories recognized in profit or loss amounted to P204.7 million, P333.6 million and P156.7 million respectively (see Note 15).

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**6. Other Current Assets**

	2017	2016
Advances to:		
Third parties	<b>P35,875,070</b>	P41,626,169
Employees	<b>2,392,900</b>	3,126,649
Prepaid expenses	<b>2,075,199</b>	5,314,131
	<b>40,343,169</b>	50,066,949
Allowance for impairment loss on advances to third parties	<b>(12,165,560)</b>	-
	<b>P28,177,609</b>	P50,066,949

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Advances to third parties include operations costs incurred, the cost of which will be deducted against billings. The Group has recognized provision for impairment loss on its advances to third parties amounting to P12.2 million in 2017 due to the management's assessment as to the recoverability of such accounts.

Prepaid expenses primarily consists of prepaid taxes, insurance, supplies and various items that are individually immaterial.

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**7. Investment Properties**

Investment properties consist of two parcels of land with carrying amount of P21.4 million as at December 31, 2017 and 2016. Fair values, which represent the price that would be received to sell the investment properties in an orderly transaction between market participants at the measurement date on February 28, 2011, amounted to P35.4 million.

The non-recurring fair values of investment properties are determined by the Group through an independent property appraiser using the market data approach. In this approach, the values of the parcels of land are based on sales and listings of comparable property registered within the vicinity. The comparison is premised on the factors of location, size and share of the lot, time element and others.

As at December 31, 2017 and 2016, the investment properties are idle and did not earn any income nor incur any related expenses, except for real property tax amounting to P0.02 million in 2017, 2016 and 2015.



## 8. Property and Equipment

Movements of this account are presented below:

	Land	Mine Site Development Cost	Transportation and Field Equipment	Office Space and Improvements	Office Equipment	Construction in Progress	Total
<b>Cost</b>							
January 1, 2016	P40,221,355	P421,154,027	P871,110,639	P37,860,004	P8,475,909	P213,406,430	P1,592,228,364
Additions	-	-	-	-	54,995	-	54,995
Disposal	-	-	-	1,792,800	-	(1,792,800)	-
December 31, 2016	40,221,355	421,154,027	871,110,639	39,652,804	8,530,904	211,613,630	1,592,283,359
Additions	51,152,612	-	21,490,270	-	668,699	-	73,321,581
December 31, 2017	91,383,967	421,154,027	892,600,909	39,652,804	9,199,603	211,613,630	1,665,604,940
<b>Accumulated Depreciation, Amortization and Depletion</b>							
January 1, 2016	-	27,559,928	344,043,460	8,403,622	6,736,036	-	386,743,046
Depreciation, amortization and depletion	-	9,627,173	43,279,891	2,247,844	844,095	-	55,999,003
December 31, 2016	-	37,187,101	387,323,351	10,651,466	7,580,131	-	442,742,049
Depreciation, amortization and depletion	-	17,888,922	56,266,351	2,247,842	842,118	-	77,245,233
December 31, 2017	-	55,076,023	443,589,702	12,899,308	8,422,249	-	519,987,282
<b>Allowance for Impairment Loss as at December 31, 2016 and 2017</b>	-	-	-	-	146,932	196,872,823	197,019,755
<b>Carrying Amount</b>							
December 31, 2016	P40,221,355	P383,966,926	P483,787,288	P29,001,338	P803,841	P14,740,807	P952,521,555
December 31, 2017	P91,383,967	P366,078,004	P449,011,207	P26,753,496	P630,422	P14,740,807	P948,597,903

In 2017, 2016 and 2015, depreciation and amortization expense allocated to inventories amounted to P8.1 million, P14.4 million and P43.7 million, respectively.

In 2017, the Group has purchased transportation equipment on installment payment basis. Interest expense incurred in 2017 amounted to P50,006.

In 2014, the Group has purchased multiple excavating equipment on installment payment basis. Interest expense in relation to the transaction amounted to P24,375 and P1.1 million in 2016 and 2015, respectively.

### *Allowance for Impairment Losses on Property and Equipment*

The Group has recognized provision for impairment losses on its property and equipment amounting to P197.0 million in 2013, following the impairment of some equipment, construction in progress and parcels of land of CHGSI in Leyte caused by typhoon Yolanda in November 2013.

## 9. Explored Mineral Resources

	2017	2016
Cost	<b>P2,016,756,977</b>	P2,016,756,977
Allowance for accumulated depletion	<b>(348,924,867)</b>	(279,725,078)
	<b>P1,667,832,110</b>	P1,737,031,899

The movements in the allowance for accumulated depletion as at December 31 are as follows:

	2017	2016
Balance at beginning of year	<b>P279,725,078</b>	P212,376,113
Depletion for the year	<b>69,199,789</b>	67,348,965
Balance at end of year	<b>P348,924,867</b>	P279,725,078

Explored mineral resources are part of the group of assets that CPC acquired in 2008, in exchange for shares of stock of the Parent Company. At acquisition date, these explored mineral resources were measured based on the expected cash flows from the explored area of about 400.0 hectares or 42.0% of total area covered by the MPSA.

The financial model yielded an expected net present value (NPV) on CPC's group of assets amounting to P2.0 billion using an investment hurdle rate of 36.6%. The NPV computation assumed an average selling price of USD 27,500.0 per metric ton of pure nickel, which considered a 16.2% discount to London Metal Exchange quoted prices; a 15-year production and selling period with a maximum annual production yield of 2.0 million metric tons; and an average production cost of USD 6.4 per wet metric ton. The valuation was prepared by Asian Alliance Investment Corporation (AAIC), an independent financial advisor. Subsequently, the Parent Company appointed Multinational Investment Bancorporation (MIB), another independent financial advisor, to render fairness opinion to the valuation. The result of MIB's report dated April 9, 2008 fairly approximated that of AAIC's report.

For purposes of computing the NPV using discounted cash flow method, the valuation of intangible assets involves the extraction of non-replaceable resource.

The assumptions used in the valuation included a number of market factors that are subject to market risk, such as commodity risk and currency risk. Significant changes in the commodity prices and foreign exchange rates would affect the fair value of the explored mineral resource.

#### 10. Deferred Exploration Cost

Deferred exploration costs pertains to expenditures related to exploration for economic mineral deposits. This includes, among others, costs of exploration and mining rights acquisition, geological, geochemical and geophysical surveys, drilling, labor, materials and supplies, professional fees, community relations, and environmental management expenditures attributable to the cement project.

As at December 31, 2017 and 2016, the expenditures of the Group amounted to P149.5 million and P62.3 million, respectively. Exploration activities are covered by a Joint Operating Agreement entered by the Group through CPC (see Note 22).

#### 11. Other Noncurrent Assets

	2017	2016
Input VAT	<b>P50,314,952</b>	P39,753,779
Deferred input VAT	<b>10,721,153</b>	20,452,497
Allowance for impairment losses on input VAT	<b>(9,128,237)</b>	(9,128,237)
	<b>51,907,868</b>	51,078,039
Rehabilitation funds	<b>40,060,898</b>	37,501,792
AFS financial assets	<b>1,500,000</b>	1,500,000
	<b>P93,468,766</b>	P90,079,831

Deferred input VAT pertains to the unamortized input VAT from purchase of field and transportation equipment.



Rehabilitation funds were set up by the Group to ensure availability of financial resources for the satisfactory compliance with and performance of activities of its Environmental Protection and Enhancement Program during the specific phases of its mining projects. The funds also include a Social Development Management Program fund under a Memorandum of Agreement with the Development Bank of the Philippines (DBP).

The Group's rehabilitation funds are deposited with DBP and earn interest at the respective bank deposit rates. The fund balance is compliant with the required balance of MGB as at December 31, 2017 and 2016.

AFS financial assets pertain to the Parent Company's 3.0% ownership interest in Century Peak Property Development, Inc. (CPPDI) representing 15,000 shares at P100.00 par value, which are measured at cost less impairment, if any, in the absence of fair value.

## 12. Accounts Payable and Other Current Liabilities

	2017	2016
Accounts payable	<b>P65,355,324</b>	P33,608,971
Accrued contractors' fees	<b>8,071,106</b>	8,071,106
Unearned revenue	-	50,210,141
Others	<b>352,720</b>	248,652
	<b>P73,779,150</b>	P92,138,870

The Group's accounts payable are usually paid within one year.

Unearned revenue refers to customer's advance payment on the shipments which was not delivered as at year-end.

Accrued contractor's fees pertain to outstanding payables to previously engaged contractor. Such amount is being negotiated by both parties.

The Group's exposure to liquidity risk is disclosed in Note 20 to the consolidated financial statements.

## 13. Provision for Site Rehabilitation

The movements in this account are as follows:

	2017	2016
Balance at beginning of year	<b>P12,452,415</b>	P11,315,919
Accretion of interest	<b>1,250,950</b>	1,136,496
Balance at end of year	<b>P13,703,365</b>	P12,452,415

A provision is recognized for the estimated rehabilitation costs of the Group's mine site upon termination of the MPSA, which is 25 years. The provision is calculated by the Group's engineers based on an estimate of the expected cost to be incurred to rehabilitate the mine site. The provision is presented at discounted value using the Philippine bond yield of 9.93% as the effective interest rate. The accretion of interest is recognized as part of "Interest expense" account in profit or loss.

#### 14. Revenues

	2017	2016	2015
Sale of nickel ore	<b>P324,570,659</b>	P403,549,720	P184,067,912
Incentive revenue from sale of nickel ore	-	15,676,775	46,190,267
Income from charter services	-	-	285,714
	<b>P324,570,659</b>	P419,226,495	P230,543,893

In 2016 and 2015, the Group has entered into an incentive revenue agreement with a customer, whereas the customer agreed to give incentive in the form of additional payment for shipping and documentation assistance and shipping nickel ore with better quality as stipulated in the sales and purchase contract.

#### 15. Cost of Sales

This account consists of:

	Note	2017	2016	2015
Depreciation, depletion and amortization	8	<b>P66,780,640</b>	P91,278,766	P56,366,455
Rental		<b>36,769,349</b>	49,541,383	14,598,274
Fuel and oil		<b>28,364,930</b>	61,247,961	33,039,467
Contractors' fees		<b>28,191,729</b>	81,561,662	29,048,257
Labor cost		<b>24,336,335</b>	19,306,026	9,628,900
Materials		<b>10,724,037</b>	14,982,234	6,870,934
Utilities		<b>1,469,470</b>	2,040,720	1,509,979
Taxes and licenses		<b>593,173</b>	1,132,609	1,656,309
Transportation expense		<b>485,354</b>	1,088,651	419,807
Other charges		<b>6,992,974</b>	11,415,436	3,580,515
		<b>P204,707,991</b>	P333,595,448	P156,718,897

Rental expenses consist of various lease agreements with third parties with terms of less than one (1) year.

Other charges include survey fees and various items that are individually immaterial.



## 16. Operating Expenses

This account consists of:

	Note	2017	2016	2015
Taxes and licenses		P18,816,700	P1,087,036	P3,933,119
Royalty tax		16,228,533	23,903,434	11,799,046
Salaries, wages and employee benefits		14,196,338	8,247,604	9,449,300
Provision for impairment loss	6	12,165,560	-	-
Professional fees		7,468,949	4,386,528	2,091,069
Excise tax		7,294,078	8,263,157	5,119,296
Office supplies		3,580,346	2,111,473	1,197,987
Service fee		2,841,663	4,274,203	2,037,338
Depreciation and amortization	8	2,345,636	2,347,613	2,729,992
Association dues		1,125,920	965,451	891,185
Representation		1,064,001	623,970	386,550
Utilities		851,226	736,317	816,069
Transportation and travel		704,039	772,621	192,081
Repairs and maintenance		170,943	237,200	99,551
Insurance		62,671	89,338	162,437
Fuel and oil		61,153	36,765	12,832
Customs and brokerage fees		1,495	2,070	-
Demurrage fees		-	3,162,835	4,928,139
Testing and sampling costs		-	373,087	2,780,161
Others		3,170,526	2,186,132	1,642,223
		P92,249,777	P63,806,834	P50,268,375

Others include bank charges and various items that are individually immaterial.

## 17. Income Taxes

The reconciliation of income tax expense (benefits) computed at the statutory tax rates to income tax expense (benefits) recognized in profit or loss is summarized as follows:

	2017	2016	2015
Loss before income tax	(P45,756,440)	(P46,837,532)	(P50,870,750)
Income tax expense computed at statutory tax rates of 30%	(P13,726,932)	(P14,051,260)	(P15,261,225)
Income tax effects of:			
Effect of change in unrecognized deferred tax assets	2,007,982	22,007,910	21,444,171
Nondeductible expenses	584,000	87,299	4,552,033
Interest income subjected to final tax	(9,442)	(3,162)	(13,781)
	(P11,144,392)	P8,040,787	P10,721,198

The components of the Group's deferred tax assets recognized in the consolidated statements of financial position are as follows:

2017	January 1	Recognized in Profit or Loss	December 31
Provision for site rehabilitation - net	P3,735,725	P375,285	P4,111,010
Unrealized foreign exchange loss	50,224	169,249	219,473
Provision for impairment loss	-	3,649,668	3,649,668
Deferred tax asset	P3,785,949	P4,194,202	P7,980,151

2016	January 1	Recognized in Profit or Loss	December 31
Provision for site rehabilitation - net	P3,394,776	P340,949	P3,735,725
Unrealized foreign exchange loss (gain)	(160,645)	210,869	50,224
Net deferred tax assets	P3,234,131	P551,818	P3,785,949

Deferred tax asset arising from NOLCO of other entities in the Group totaling P31.3 million and P29.3 million as at December 31, 2017 and 2016, respectively has not been recognized as management believes that it is not probable that sufficient taxable income will be available against which these may be utilized.

As at December 31, 2017, the Group has NOLCO which can be claimed as deduction against future taxable income as follows:

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2017	P -	P11,164,820	P -	P11,164,820	2022
2016	8,882,120	-	-	8,882,120	2021
2015	11,239,366	-	-	11,239,366	2020
2014	9,167,936	-	(9,167,936)	-	2019
	P29,289,422	P11,164,820	(P9,167,936)	P31,286,306	

Under Section 244 of National Internal Revenue Code of 1997, the net operating loss of a business or enterprise for any taxable year immediately preceding the current taxable year which had not been previously offset as deduction from gross income, shall be carried over as a deduction from gross income for the next three (3) consecutive taxable years immediately following the year of such loss. Provided, that for mines other than oil and gas wells, a net operating loss without benefits of incentives provided for under Executive Order No. 226, As Amended, incurred in any of the first ten (10) years of operation may be carried over as a deduction from taxable income for the next five (5) years immediately following the year of such loss. Following this NIRC, CPC could carry over its NOLCO for five (5) years, while the other subsidiaries of the Group could carry over its NOLCO for three (3) years.



## 18. Equity

### Capital Stock

	Number of Shares	Amount
Authorized, P1.0 par value	P3,575,000,000	P3,575,000,000
Issued and outstanding	P2,820,330,450	P2,820,330,450

On June 5, 2008, CPMHC filed with the PSE an application for listing by way of introduction of up to a total of 2,820,330,450 common shares of the capital stock of CPMHC. The listing application was approved by the PSE on July 22, 2009. No offer price has been set since no initial public offering of shares to be conducted as the subject shares sought to be registered will be listed by way of introduction.

CPMHC has 224 and 220 holders of common equity securities as at December 31, 2017 and 2016, respectively.

CPMHC is compliant with the minimum public float of 10% that is required by the PSE, where CPMHC's shares are traded.

### Noncontrolling Interest (NCI)

The following table summarizes the information relating to each Group's subsidiaries:

	2017		
	CHGSI	CSSI	CSCI
NCI percentage	45	40	20
Current assets	P1,751,294	P207,757,217	P76,431,736
Noncurrent assets	54,740,974	-	144,101,980
Current liabilities	183,998,756	87,778,122	202,896,280
Net assets (liabilities)	(P127,506,488)	P119,979,095	P17,637,436
Carrying amount of NCI	(P57,377,920)	P47,991,638	P3,527,487
Revenue	P -	P -	P15,300,000
Net income (loss)/total comprehensive income (loss)	(P17,061)	(P23,519)	P4,980,717
Net income (loss)/total comprehensive income (loss) allocated to NCI	(P7,677)	(P9,408)	P996,143
Cash flows from operating activities	P -	(P23,519)	P -
Cash flows from a financing activity	-	15,481	-
Net decrease in cash	P -	(P8,038)	P -

	2016		
	CHGSI	CSSI	CSCI
NCI percentage	45	40	20
Current assets	P1,750,745	P207,765,255	P55,088,081
Noncurrent assets	54,740,974	-	146,291,772
Current liabilities	183,981,146	87,762,641	188,620,133
Net assets (liabilities)	(P127,489,427)	P120,002,614	P12,759,720
Carrying amount of NCI	(P57,370,242)	P48,001,046	P2,551,944
Revenue	P -	P -	P15,300,000
Net income (loss)/total comprehensive income (loss)	(P75,771)	(P81,773)	P4,949,900
Net income (loss)/total comprehensive income (loss) allocated to NCI	(P34,097)	(P32,709)	P989,980
Cash flows from operating activities	(P12,722)	(P26,463)	(P21,038,879)
Cash flows from a financing activity	-	6,539	20,188,003
Net decrease in cash	(P12,722)	(P19,924)	(P850,876)

## 19. Related Party Transactions

The following are the significant related party transactions and balances:

Category/Transaction	Year	Note	Amount of the Transaction	Outstanding Balance	Terms	Conditions
				Due to Related Parties		
<i>Stockholder Advances*</i>	2017	a	P77,007,685	P204,205,781	Due on demand; noninterest-bearing	Unsecured
	2016		-	127,198,096		
<i>Key Management Personnel Short-term benefits</i>	2017		1,444,565	-		
	2016		2,030,000	-		
<b>TOTAL</b>	<b>2017</b>			<b>P204,205,781</b>		
<b>TOTAL</b>	<b>2016</b>			<b>P127,198,096</b>		

- a. Noninterest-bearing cash advances from stockholders were used by the Group to finance its working capital requirements.

### Reconciliation of Opening and Closing Balances

	Amount
Opening balance	P127,198,096
Advances received during the year	77,007,685
Ending balance	P204,205,781

Outstanding balance of due to stockholders are to be settled through cash.



- b. On April 14, 2016, the Board of Directors executed a Memorandum of Agreement whereby the Group has committed to legally transfer and/or assign its payables and receivables from entities under common control to the stockholder.

As at December 31, 2017 and 2016, the total receivables and payables eliminated amounted to P908.8 million and P895.0 million, respectively.

## 20. Financial Risk and Capital Management Objectives and Policies

### Financial Risk Management

#### *Overview*

The Group's financial instruments consist of cash, rehabilitation funds, AFS financial assets, due to related parties and accounts payable and other current liabilities. The main purpose of these financial instruments is to finance the Group's current operations. The main risks arising from the use of these financial instruments are credit risk, liquidity risk and market risk.

#### *Risk Management Framework*

The BOD and management have overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

There were no changes in the Group's objectives, policies and processes for managing the risk and the methods used to measure the risk from previous year.

#### Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's bank deposits and trade debtors and is monitored on an ongoing basis. The objective is to reduce the risk of loss through default by counterparties. The risk is managed by spreading financial transactions, including bank deposits, across an approved list of high quality banks.

#### *Exposure to Credit Risk*

The carrying amounts of financial assets, which are classified as loans and receivables, represent the maximum credit exposure. Credit risk at the reporting date is as follows:

	<i>Note</i>	<b>2017</b>	<b>2016</b>
Cash in banks	4	<b>P41,466,164</b>	P48,910,032
Rehabilitation funds	11	<b>40,060,898</b>	37,501,792
		<b>P81,527,062</b>	P86,411,824

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base have less of an influence on credit risk.

The Group maintains a defined credit policy to ensure that the credit is given only to customers with an appropriate credit history. As such, the Group normally does not obtain collateral from its customers.

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of trade receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The table below shows aging analysis of financial assets as at December 31, 2017 and 2016:

		2017			
	Neither Past Due nor Impaired	Past Due but not Impaired			
		1 - 180 Days	Over 180 Days	Subtotal	Total
Cash in bank	P41,466,164	P -	P -	P -	P41,466,164
Rehabilitation funds	40,060,898	-	-	-	40,060,898
	P81,527,062	P -	P -	P -	P81,527,062
		2016			
	Neither Past Due nor Impaired	Past Due but not Impaired			
		1 - 180 Days	Over 180 Days	Subtotal	Total
Cash in banks	P48,910,032	P -	P -	P -	P48,910,032
Rehabilitation funds	37,501,792	-	-	-	37,501,792
	P86,411,824	P -	P -	P -	P86,411,824

The Group believes that the unimpaired amounts of not past due and past due are collectible, based on historic payment behavior and extensive analysis of customers counterparties credit risk.

Cash in banks and rehabilitation funds are of high grade quality. High grade cash in banks and rehabilitation funds are invested and deposited in reputable local banks. Standard grade quality financial assets are those assessed as having minimal to regular instances of payment default due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

The credit qualities of cash in banks and rehabilitation funds that were neither past due nor impaired are based on the credit standing or rating of the counterparty.

As at December 31, 2017 and 2016, the Group does not expect any counterparty to fail to meet its obligations, thus, related risk is deemed to be insignificant.

#### Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources. Cash balances are managed with two main objectives: maintain maximum liquidity and minimize the cost of borrowing.



#### *Exposure to Liquidity Risk*

The following tables summarize the maturity of the Group's financial liabilities as at December 31, 2017 and 2016 based on contractual repayment arrangements:

	2017		
	Carrying Amount	Contractual Cash Flows	Within One Year
Accounts payable and other current liabilities*	P73,426,430	P73,426,430	P73,426,430
Due to related parties	204,205,781	204,205,781	204,205,781
	<b>P277,632,211</b>	<b>P277,632,211</b>	<b>P277,632,211</b>

\*Excludes non-financial liabilities amounting to P0.4 million.

	2016		
	Carrying Amount	Contractual Cash Flows	Within One Year
Accounts payable and other current liabilities*	P41,680,077	P41,680,077	P41,680,077
Due to related parties	127,198,096	127,198,096	127,198,096
	<b>P168,878,173</b>	<b>P168,878,173</b>	<b>P168,878,173</b>

\*Excludes non-financial liabilities amounting to P50.5 million.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

#### Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

#### *Exposures to Foreign Currency Risk*

The Group's currency exposure relates mainly to foreign currency transactions in which trade receivables have to be collected and paid.

The following table shows the Group's significant foreign currency-denominated monetary assets and liabilities and their U.S. dollar equivalents as at December 31, 2017 and 2016:

	2017		2016	
	U.S. Dollar	Philippine Peso	U.S. Dollar	Philippine Peso
Cash in banks	\$36,288	P1,837,207	\$23,418	P1,164,343

### Sensitivity Analysis

The following table demonstrates the sensitivity of the Group's income before tax to a reasonably possible change in the foreign currency rates, with all variables held constant.

Currency	2017		2016	
	Strengthening (Weakening) of PHP	Increase (Decrease) in Income before Income Tax	Strengthening (Weakening) of PHP	Increase (Decrease) in Income before Income Tax
USD	(1%) 1%	P18,372 (18,372)	(5%) 5%	P2,268,865 (2,268,865)

This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period.

The following are the significant exchange rates applied during the year:

	As at December 31, 2017		As at December 31, 2016	
	Average Rate	Closing Rate	Average Rate	Closing Rate
USD	49.95	49.93	47.50	49.60

For the years ended December 31, 2017, 2016 and 2015, foreign exchange gain (loss) recognized in profit or loss amounted to (P0.6 million), (P0.2 million) and P1.9 million, respectively.

### Capital Management

The primary objective of the Group's capital management is to maximize the value of its capital for the benefit of its shareholders and other stakeholders. In order to achieve the objective, the management of the Group reviews its operations and financial performance with the forecasts on a regular basis to ensure that appropriate measures can be taken on a timely and effective manner. In addition, management of the Group also meets regularly to review the Group's capital requirement and the reasonableness of the level of its capital to be maintained.

The Group monitors capital on the basis of the debt-to-equity ratio which is calculated as total debt divided by total equity. Total debt is equivalent to total liabilities. Total equity comprises all components of equity including capital stock, additional paid-in capital and retained earnings (deficit).

	2017	2016
Total liabilities	P305,731,159	P240,381,986
Total equity	2,732,559,006	2,789,459,838
Debt-to-equity ratio at December 31	0.11:1	0.09:1

There were no changes in the Group's approach to capital management during the year. The Group is not subject to externally-imposed capital requirements.

### Fair Values

The fair values of cash, due to related parties, rehabilitation funds, AFS financial assets and accounts payable and other current liabilities approximate their carrying amounts.



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

*Cash and Rehabilitation Funds*

The carrying amounts approximate fair values considering that these instruments are subject to an insignificant risk of change in value.

*Due to Related Parties, and Accounts Payable and Other Current Liabilities*

The carrying amounts approximate fair values due to the short-term nature of such instruments. Management believes that the effect of discounting cash flows from these instruments using the prevailing market rate is not significant.

*AFS Financial Assets*

The Group holds an investment in equity shares of CPPDI, which is classified as AFS. Quoted market price of these shares are not available since these shares are not listed on any stock exchange in 2017 and 2016, and there were no recent observable transactions.

## 21. Loss Per Share Computation

The following table presents information necessary to calculate earnings per share:

	2017	2016	2015
Loss attributable to equity holders of the Parent Company (a)	(P57,879,890)	(P55,801,493)	(P61,755,056)
Weighted average number of common shares outstanding (b)	2,820,330,450	2,820,330,450	2,820,330,450
Basic/diluted loss per share (a/b)	(P0.0205)	(P0.0198)	(P0.0219)

The Parent Company has no dilutive shares for the years ended December 31, 2017, 2016 and 2015.

## 22. Commitments and Contingencies

*Contingencies*

CPC is currently involved in certain claims by regulatory agencies. The management believes that the claims lack legal basis and will contest any future proceedings. The estimate of the probable costs for the resolution of these possible claims is based upon an analysis of potential results. Management does not believe that such assessment will have material adverse effect on the Group's consolidated financial statements. It is possible, however, that future financial performance could be affected by changes in the estimates or in the effectiveness of the strategies relating to this assessment.

*Joint Operating Agreement with Philippine Mining Development Corporation (PMDC)*

On November 18, 2010, CPC entered into a joint operating agreement with the PMDC, whereby CPC will act as the operator in the exploration, development, mining operation and utilization of the limestone and associated mineral deposits in Toledo and Pinamungahan, Cebu owned by PMDC. The mineral deposit has a total area of 4,795 hectares and is covered by MPSA-045-96-VII and MPSA-046-96-VII.

The agreement has a term of 25 years and will entitle PMDC to a fixed annual royalty rate of 3% of gross sales from the limestone project, whereas CPC shall be entitled to all the risks and rewards in the mining operations. By virtue of the Agreement, CPC shall not acquire any title or ownership over the contract nor the mining area.

The pre-operation and exploration activities are ongoing as at December 31, 2017.

*Time Charter Agreement*

In 2014, CPC entered into a charter agreement with Century Summit Carrier Incorporated, subsidiary company. The charter agreement shall be effective from April 1, 2014 to August 31, 2014, subject to renewal on a monthly basis, unless a different period is agreed upon by the parties.

On April 1, 2016, the charter agreement was subsequently renewed for a period of five years.

Rental expense amounting to P15.3 million is recognized in the statement of comprehensive income in 2017 and 2016.





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## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders  
**Century Peak Metals Holdings Corporation and Subsidiaries**  
1403-1404 BDO-Equitable Bank Tower  
8751 Paseo de Roxas  
Makati City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Century Peak Metals Holdings Corporation and Subsidiaries (the "Group") as at and for the years ended December 31, 2017 and 2016, included in this Form 17-A, and have issued our report thereon dated April 12, 2018.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group's management. Such additional components include:

- Map of the Conglomerate
- Schedule of Philippine Financial Reporting Standards
- Supplementary Schedules of Annex 68-E
- Reconciliation of Retained Earnings Available for Dividend Declaration

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the basic consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

**R.G. MANABAT & CO.**

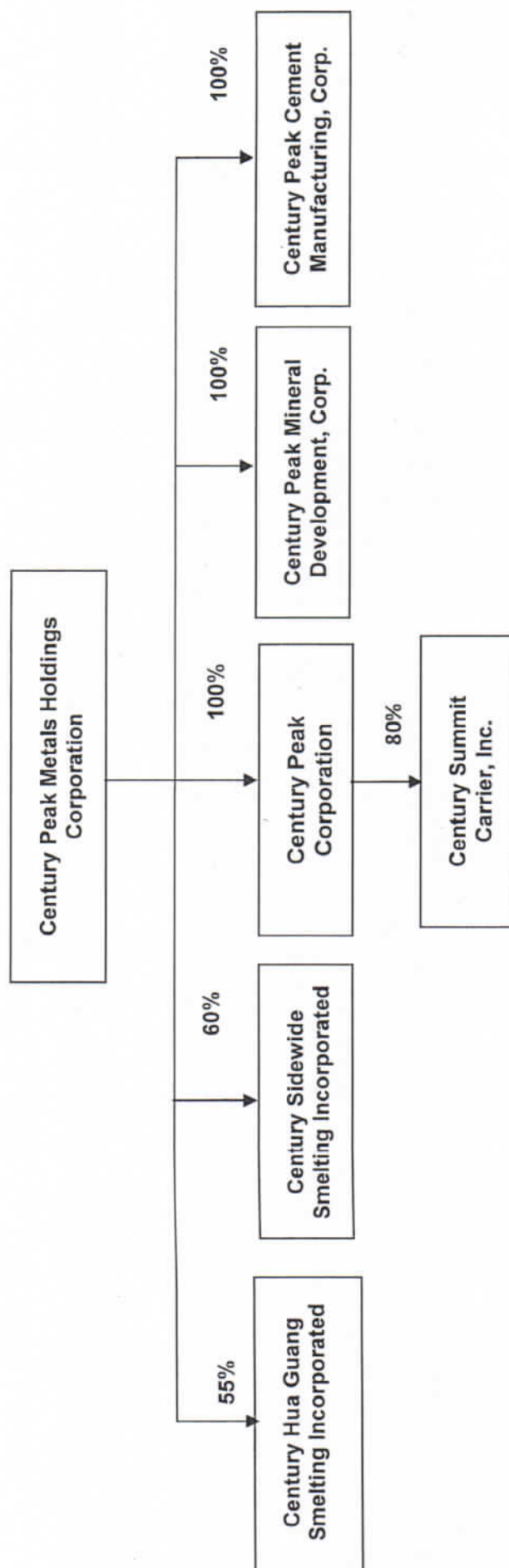
VERNILO G. YU  
Partner  
CPA License No. 108798  
SEC Accreditation No. 1574-A, Group A, valid until August 11, 2019  
Tax Identification No. 225-454-652  
BIR Accreditation No. 08-001987-35-2015  
Issued December 28, 2015; valid until December 27, 2018  
PTR No. 6615159MD  
Issued January 3, 2018 at Makati City

April 12, 2018  
Makati City, Metro Manila

# CENTURY PEAK METALS HOLDINGS CORPORATION AND SUBSIDIARIES

## Company Structure

As at December 31, 2017



- A. Century Sidewide Smelting Incorporated has been incorporated on September 6, 2011
- B. Century Summit Carrier, Inc. has been incorporated on September 29, 2011
- C. Century Peak Mineral Development, Corp. has been incorporated on September 17, 2015
- D. Century Peak Cement Manufacturing, Corp. has been incorporated on September 17, 2015



# CENTURY PEAK METALS HOLDINGS CORPORATION AND SUBSIDIARIES

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓	-	-
<b>PFRSs Practice Statement Management Commentary</b>		-	-	✓
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards	-	-	✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	-	-	✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	-	-	✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	-	-	✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	-	-	✓
	Amendments to PFRS 1: Government Loans	-	-	✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1	-	-	✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption	-	-	✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: PFRS version that a first-time adopter can apply	-	-	✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Deletion of short-term exemptions for first-time adopters	-	✓	-
<b>PFRS 2</b>	Share-based Payment	-	-	✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations	-	-	✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	-	-	✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Meaning of 'vesting condition'	-	-	✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions	-	✓	-
<b>PFRS 3 (Revised)</b>	Business Combinations	-	-	✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration	-	-	✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements	-	-	✓
<b>PFRS 4</b>	Insurance Contracts	-	-	✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	-	-	✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts	-	✓	-

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	-	-	✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Changes in method for disposal	-	-	✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓	-	-
PFRS 7	Financial Instruments: Disclosures	✓	-	-
	Amendments to PFRS 7: Transition	✓	-	-
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓	-	-
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓	-	-
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓	-	-
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓	-	-
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓	-	-
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓	-	-
	Annual Improvements to PFRSs 2012 - 2014 Cycle: 'Continuing involvement' for servicing contracts	-	-	✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Offsetting disclosures in condensed interim financial statements	-	-	✓
PFRS 8	Operating Segments	✓	-	-
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Disclosures on the aggregation of operating segments	✓	-	-
PFRS 9	Financial Instruments (2014)	-	✓	-
	Amendments to PFRS 9: Prepayment Features with Negative Compensation	-	✓	-
PFRS 10	Consolidated Financial Statements	✓	-	-
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓	-	-
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities	-	-	✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	-	✓	-
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception	-	-	✓
PFRS 11	Joint Arrangements	-	-	✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	-	-	✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	-	-	✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓	-	-
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓	-	-
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities	-	-	✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception	-	-	✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Clarification of the scope of the standard	✓	-	-
PFRS 13	Fair Value Measurement	✓	-	-
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Measurement of short-term receivables and payables	✓	-	-
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope of portfolio exception	-	-	✓
PFRS 14	Regulatory Deferral Accounts	-	-	✓
PFRS 15	Revenue from Contracts with Customers	-	✓	-
PFRS 16	Leases	-	✓	-
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓	-	-
	Amendment to PAS 1: Capital Disclosures	✓	-	-
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	-	-	✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓	-	-
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements	✓	-	-
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	-	-	✓
	Amendments to PAS 1: Disclosure Initiative	✓	-	-
PAS 2	Inventories	✓	-	-
PAS 7	Statement of Cash Flows	✓	-	-
	Amendments to PAS 7: Disclosure Initiative	✓	-	-
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓	-	-
PAS 10	Events after the Reporting Period	✓	-	-
PAS 11	Construction Contracts	-	-	✓
PAS 12	Income Taxes	✓	-	-
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets	-	-	✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓	-	-

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓	-	-
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment	✓	-	-
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)	-	-	✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓	-	-
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants	-	-	✓
PAS 17	Leases	✓	-	-
PAS 18	Revenue	✓	-	-
PAS 19 (Amended)	Employee Benefits	✓	-	-
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	-	-	✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Discount rate in a regional market sharing the same currency - e.g. the Eurozone	-	-	✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance	-	-	✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓	-	-
	Amendment: Net Investment in a Foreign Operation	-	-	✓
PAS 23 (Revised)	Borrowing Costs	✓	-	-
PAS 24 (Revised)	Related Party Disclosures	✓	-	-
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'	✓	-	-
PAS 26	Accounting and Reporting by Retirement Benefit Plans	-	-	✓
PAS 27 (Amended)	Separate Financial Statements	-	-	✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities	-	-	✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements	-	-	✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	-	-	✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	-	✓	-
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception	-	-	✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Measuring an associate or joint venture at fair value	-	✓	-
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures	-	✓	-
PAS 29	Financial Reporting in Hyperinflationary Economies	-	-	✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓	-	-
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	-	-	✓
	Amendment to PAS 32: Classification of Rights Issues	-	-	✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓	-	-
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions	✓	-	-
PAS 33	Earnings per Share	✓	-	-
PAS 34	Interim Financial Reporting	✓	-	-
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities	✓	-	-
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Disclosure of information 'elsewhere in the interim financial report'	✓	-	-
PAS 36	Impairment of Assets	✓	-	-
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓	-	-
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓	-	-
PAS 38	Intangible Assets	✓	-	-
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)	-	-	✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓	-	-
PAS 39	Financial Instruments: Recognition and Measurement	✓	-	-
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓	-	-
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	-	-	✓
	Amendments to PAS 39: The Fair Value Option	-	-	✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	-	-	✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓	-	-
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓	-	-
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	-	-	✓
	Amendment to PAS 39: Eligible Hedged Items	-	-	✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	-	-	✓
PAS 40	Investment Property	✓	-	-
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)	✓	-	-
	Amendments to PAS 40: Transfers of Investment Property	-	✓	-

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 41	Agriculture	-	-	✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants	-	-	✓
<b>Philippine Interpretations</b>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓	-	-
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments	-	-	✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓	-	-
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓	-	-
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	-	-	✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies	-	-	✓
IFRIC 9	Reassessment of Embedded Derivatives	-	-	✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	-	-	✓
IFRIC 10	Interim Financial Reporting and Impairment	✓	-	-
IFRIC 12	Service Concession Arrangements	-	-	✓
IFRIC 13	Customer Loyalty Programmes	-	-	✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	-	-	✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	-	-	✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	-	-	✓
IFRIC 17	Distributions of Non-cash Assets to Owners	-	-	✓
IFRIC 18	Transfers of Assets from Customers	-	-	✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	-	-	✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	-	-	✓
IFRIC 21	Levies	-	-	✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration	-	✓	-
IFRIC 23	Uncertainty over Income Tax Treatments	-	✓	-
SIC-7	Introduction of the Euro	-	-	✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities	-	-	✓
SIC-15	Operating Leases - Incentives	✓	-	-
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders	-	-	✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	-	-	✓
SIC-29	Service Concession Arrangements: Disclosures	-	-	✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services	-	-	✓
SIC-32	Intangible Assets - Web Site Costs	-	-	✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
<b>Philippine Interpretations Committee Questions and Answers</b>				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts	-	-	✓
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements	-	-	✓
PIC Q&A 2007-01-Revised	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full	-	-	✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]	-	-	✓
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)	-	-	✓
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying NPAE	-	-	✓
PIC Q&A 2008-01-Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations	-	-	✓
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20	-	-	✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern	-	-	✓
PIC Q&A 2009-02	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines	-	-	✓
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines	-	-	✓
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	✓	-	-
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan	-	-	✓
PIC Q&A 2011-01	PAS 1.10(f) - Requirements for a Third Statement of Financial Position	-	-	✓
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations	-	-	✓
PIC Q&A 2011-03	Accounting for Inter-company Loans	✓	-	-
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares	-	-	✓
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost	-	-	✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of Investment properties - asset acquisition or business combination?	-	-	✓
PIC Q&A 2012-01	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements	-	-	✓
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building	-	-	✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs	-	-	✓
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013	-	-	✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PIC Q&A 2013-03 (Revised)	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law	-	-	✓
PIC Q&A 2015-01	Conforming Changes to PIC Q&As - Cycle 2015	-	-	✓
PIC Q&A 2016-01	Conforming Changes to PIC Q&As - Cycle 2016	-	-	✓
PIC Q&A 2016-02	PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity	-	-	✓
PIC Q&A 2016-04	Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-Completion Contracts	-	-	✓
PIC Q&A 2017-01	Conforming Changes to PIC Q&As - Cycle 2017	-	-	✓
PIC Q&A 2017-02	PAS 2 and PAS 16 - Capitalization of operating lease cost as part of construction costs of a building	-	-	✓
PIC Q&A 2017-03	PAS 28 - Elimination of profits and losses resulting from transactions between associates and/or joint ventures	-	-	✓
PIC Q&A 2017-04	PAS 24 - Related party relationships between parents, subsidiary, associate and non-controlling shareholder	✓	-	-
PIC Q&A 2017-05	PFRS 7 – Frequently asked questions on the disclosure requirements of financial instruments under PFRS 7, Financial Instruments: Disclosures	✓	-	-
PIC Q&A 2017-06	PAS 2, 16 and 40 – Accounting for Collector's Items	-	-	✓
PIC Q&A 2017-07	PFRS 10 – Accounting for reciprocal holdings in associates and joint ventures	-	-	✓
PIC Q&A 2017-08	PFRS 10 – Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture	-	-	✓
PIC Q&A 2017-09	PAS 17 and Philippine Interpretation SIC-15 - Accounting for payments between and among lessors and lessees	-	-	✓
PIC Q&A 2017-10	PAS 40 - Separation of property and classification as investment property	-	-	✓
PIC Q&A 2017-11	PFRS 10 and PAS 32 - Transaction costs incurred to acquire outstanding non-controlling interest or to sell non-controlling interest without a loss of control	-	-	✓
PIC Q&A 2017-12	Subsequent Treatment of Equity Component Arising from Intercompany Loans	-	-	✓
PIC Q&A 2018-01	Voluntary changes in accounting policy	✓	-	-
PIC Q&A 2018-02	Non-controlling interests and goodwill impairment test	✓	-	-
PIC Q&A 2018-03	Fair value of PPE and depreciated replacement cost	✓	-	-
PIC Q&A 2018-04	Inability to measure fair value reliably for biological assets within the scope of PAS 41	-	-	✓



PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PIC Q&A 2018-05	Maintenance requirement of an asset held under lease	✓	-	-
PIC Q&A 2018-06	Cost of investment in subsidiaries in SFS when pooling is applied	-	-	✓
PIC Q&A 2018-07	Cost of an associate, joint venture, or subsidiary in separate financial statements	-	-	✓
PIC Q&A 2018-08	Accounting for the acquisition of non-wholly owned subsidiary that is not a business	-	-	✓
PIC Q&A 2018-09	Classification of deposits and progress payments as monetary or non-monetary items	-	-	✓
PIC Q&A 2018-10	Scope of disclosure of inventory write-down	-	-	✓

**Legend:**

**Adopted** - means a particular standard or interpretation is relevant to the operations of the entity (even if it has no effect or no material effect on the financial statements), for which there may be a related particular accounting policy made in the financial statements and/or there are current transactions the amounts or balances of which are disclosed on the face or in the notes of the financial statements.

**Not Adopted** - means a particular standard or interpretation is effective but the entity did not adopt it due to either of these two reasons: 1) The entity has deviated or departed from the requirements of such standard or interpretation; or 2) The standard provides for an option to early adopt it but the entity decided otherwise.

**Not Applicable** - means the standard or interpretation is not relevant at all to the operations of the entity.

CENTURY PEAK METALS HOLDINGS CORPORATION AND SUBSIDIARIES

SCHEDULE A. FINANCIALS ASSETS

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Valued based on market quotation at balance sheet date (iii)	Income received and accrued
Century Peak Property Development, Inc.	15,000 shares	P1,500,000	Not applicable	Nil
Development Bank of the Philippines	P40,060,898	40,060,898	Not applicable	Nil
Unionbank	2,116,070	2,116,070	Not applicable	Nil
Security Bank	113,830	113,830	Not applicable	Nil
Asia United Bank	745,832	745,832	Not applicable	Nil
Banco De Oro	38,021,097	38,021,097	Not applicable	Nil
Bank of China	452,031	452,031	Not applicable	Nil
Sterling Bank of Asia	17,304	17,304	Not applicable	Nil
<b>Totals</b>		<b>P83,027,062</b>		



CENTURY PEAK METALS HOLDINGS CORPORATION AND SUBSIDIARIES

SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES).

Name and Designation of debtor (i)	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
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NOT APPLICABLE

**CENTURY PEAK METALS HOLDINGS CORPORATION AND SUBSIDIARIES**

**SCHEDULE C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS**

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected (i)	Amounts written off (ii)	Current	Not Current	Balance at end of period
Century Peak Corporation	P337,353,791	P -	P -	P -	P337,353,791	P -	P337,353,791
Century Peak Metals Holdings Corporation	209,987,240	9,812,358	-	-	219,799,598	-	219,799,598
Century Summit Carrier, Inc.	166,415,792	-	-	-	166,415,792	-	166,415,792
Century Hua Guang Smelting Incorporated	182,829,908	71,771	-	-	182,901,679	-	182,901,679
Century Sidewide Smelting Inc.	6,539	70,171	-	-	76,710	-	76,710
Century Peak Minerals Development Corp.	219,080	1,830,159	-	-	2,049,239	-	2,049,239
Century Peak Cement Manufacturing Corp.	504,773	-	(285,693)	-	219,080	-	219,080
<b>Totals</b>	<b>P897,317,123</b>	<b>P11,784,459</b>	<b>(P285,693)</b>	<b>P -</b>	<b>P908,815,889</b>	<b>P -</b>	<b>P908,815,889</b>



**CENTURY PEAK METALS HOLDINGS CORPORATION AND SUBSIDIARIES**  
**SCHEDULE D. INTANGIBLE ASSETS - OTHER ASSETS**

Description (i)	Beginning balance	Additions at cost (ii)	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions) (iii)	Ending balance
Explored Mineral Resources	P1,737,031,899	P -	P69,199,789	P -	P -	P1,667,832,110
<b>Totals</b>	<b>P1,737,031,899</b>	<b>P -</b>	<b>P69,199,789</b>	<b>P -</b>	<b>P -</b>	<b>P1,667,832,110</b>

**CENTURY PEAK METALS HOLDINGS CORPORATION AND SUBSIDIARIES**

**SCHEDULE E. LONG TERM DEBT**

Title of issue and type of obligation (i)	Lender	Outstanding Balance	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)	Interest Rates	Number of Periodic Installments	Final Maturity
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**NOT APPLICABLE**



CENTURY PEAK METALS HOLDINGS CORPORATION AND SUBSIDIARIES  
SCHEDULE F. INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED PARTIES)

Name of Related Parties (i)	Balance at beginning of period	Balance at end of period (ii)
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NOT APPLICABLE

CENTURY PEAK METALS HOLDINGS CORPORATION AND SUBSIDIARIES  
SCHEDULE G. GUARANTEES OF SECURITIES OF OTHER ISSUERS

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is filed	Nature of guarantee (ii)
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NOT APPLICABLE



## CENTURY PEAK METALS HOLDINGS CORPORATION AND SUBSIDIARIES

## SCHEDULE H. CAPITAL STOCK

Title of Issue (2)	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by affiliates (3)	Directors, officers and employees	Others
Common Shares	3,575,000,000	2,820,330,450	-	-	P1,406,581,500	P1,413,748,950
<b>Totals</b>	<b>3,575,000,000</b>	<b>2,820,330,450</b>	<b>-</b>	<b>-</b>	<b>P1,406,581,500</b>	<b>P1,413,748,950</b>

**CENTURY PEAK METALS HOLDINGS CORPORATION**  
**SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE**  
**FOR DIVIDEND DECLARATION**  
**For the Year Ended December 31, 2017**

Unappropriated Retained Earnings (Deficit), January 01, 2017	(P154,388,074)
Adjustments:	
Unappropriated Retained Earnings (Deficit), as adjusted, January 01, 2017	(154,388,074)
<b>Net Loss for the current year based on the face of Audited Financial Statements</b>	<b>(11,104,551)</b>
<b>Less: Non-actual/unrealized income net of tax</b>	
Deferred tax benefit	-
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-
Fair value adjustment of Investment Property resulting to gain	-
Adjustment due to deviation from PFRS/GAAP - gain	-
Equity in net income of associate/joint venture	-
Fair value adjustments (M2M gains)	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
<b>Add: Non-actual losses</b>	
Deferred tax expense	-
Unrealized foreign exchange loss - net (except those attributable to Cash and Cash Equivalents)	-
Loss on fair value adjustment of investment property (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Depreciation on revaluation increment (after tax)	-
<b>Net Loss Actual/Realized</b>	<b>(11,104,551)</b>
<b>Add (Less):</b>	
Dividend declaration during the period	-
Appropriation of Retained Earnings during the period	-
Reversal of appropriations	-
Effect of prior period adjustments	-
Treasury shares	-
<b>TOTAL RETAINED EARNINGS (DEFICIT) AVAILABLE FOR DIVIDEND DECLARATION, DECEMBER 31, 2017</b>	<b>(P165,492,625)</b>



**CENTURY PEAK METALS HOLDINGS CORPORATION AND SUBSIDIARIES**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**

	December 31	
	2017	2016
<b>ASSETS</b>		
Current ratio (Current assets over current liabilities)	0.51:1.00	0.71:1.00
Solvency ratio (Net income plus depreciation, depletion, amortization and loss on inventory write-down over total liabilities)	0.27:1.00	0.12:1.00
Debt-to-equity ratio (total liabilities over total equity)	0.11:1.00	0.09:1.00
Asset-to-equity ratio (Total assets over total equity)	1.11:1.00	1.09:1.00
Interest rate coverage ratio (Earnings before interest and taxes over interest expense)	- 34.17:1.00	- 39.35:1.00
Operating profit margin (Operating income over net sales)	- 14%	- 11%
Net profit margin (Net income over net sales)	- 18%	- 13%