



108132018002358



## SECURITIES AND EXCHANGE COMMISSION

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Company Information

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**SEC Registration No.** 0000025844  
**Company Name** ABRA MINING & INDL. CORP.  
**Industry Classification**  
**Company Type** Stock Corporation

**Document Information**

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended June 30, 2018  
2. Commission Identification number 25844 3. BIR Tax Identification No 000-375-930

ABRA MINING & INDUSTRIAL CORPORATION

4. Exact name of issuer as specified in its charter

Quezon City, Philippines

5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code:  (SEC Use Only)

LIPCANN, BANGUED

7. Address of issuer's principal office

2800

Postal Code

(632) 925-16-05 up to 10

8. Issuer's telephone number, including area code

not applicable

9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

<i>Title of Each Class</i>	<i>Number of shares of common stock outstanding and amount of debt outstanding</i>
<b>Capital Stock – common</b>	<b>199,294,584,200</b>

11. Are any or all of the securities listed on a Stock Exchange?

Yes  No

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

**Philippine Stock Exchange**

**common shares**

12. Indicate by check mark whether the registrant:

- (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes  No

- (b) has been subject to such filing requirements for the past ninety (90) days.

Yes  No

13. Aggregate market value of the voting stock held by non-affiliates: not applicable

## PART I--FINANCIAL INFORMATION

### Item 1. Financial Statements.

A copy of the comparative financial statements as of and for the quarters ended June 30, 2018 and 2017 is submitted as part of this report. The financial statements were prepared in accordance with the accounting standards generally accepted in the Philippines. The accounting policies and methods of computations followed in the interim financial statements are the same methods used in the audited financial statements for the year ended December 31, 2017.

### Item 2. Management's Discussion and Results of Operations.

#### RESULTS/STATUS OF OPERATIONS

AMIC has not started normal and commercial extraction of mine products. Registrant has no income from operations as there were no commercial operations yet as of the end of the year. The company records administrative costs as expenses and all other disbursements are capitalized as unamortized exploration and development costs.

The Company has not yet been successful in establishing profitable operations. For the six-months under review, the Company incurred total net loss of P1.1 Million

#### FINANCIAL CONDITION

Comparative financial condition as of June 30, 2018 & 2017 and December 31, 2018 are presented below:

	<b>June 30, 2018</b>	<b>June 30, 2017</b>	December 31, 2016
Total Current Assets	<b>6,917,663</b>	<b>7,111,018</b>	<b>7,350,135</b>
Total Non-Current Assets	<b>1,747,602,216</b>	<b>1,768,650,518</b>	1,742,061,610
<b>Total Assets</b>	<b>1,754,519,879</b>	<b>1,775,761,536</b>	<b>1,749,411,745</b>
Current Liabilities	<b>1,178,530</b>	<b>5,023,032</b>	1,557,920
Non-Current Liabilities	<b>32,188,198</b>	<b>47,110,942</b>	25,517,198
<b>Total Liabilities</b>	<b>33,366,728</b>	<b>52,133,974</b>	<b>27,075,118</b>

#### June 30, 2018 vs. June 30, 2017

Cash increase by 29.63% from P254,110 as of June 30, 2017 to P329,413 as of the end of June 30, 2018.

Property, plant and equipment decreases by 11% from 736.0 Million to P650.5 Million as of the end of June 30, 2018 .

Total liabilities also decreases by 36% or P187 Million.

Total costs and operating expenses amounts to Php1.1Million, lower by 11% or P151,303.

#### June 30, 2018 vs. December 31, 2017

Comparative data shows that supplies decreases by 6.15% or P431,553.00 from P7.0 Million to P6.9 Million as of the end of the quarter under review.

Registrant has no income from operations as there were no commercial operations yet as of the end of the year. The company records administrative costs as expenses and all other disbursements are capitalized as unamortized exploration and development costs.

**Causes for any material change/s (5%) from period to period which shall include vertical and horizontal analyses of any material item.**

**June 30, 2018 vs. June 30, 2017-Six-Months Ended**

- 9 % increase in Employee benefits  
Due to payment in payment of arrears in the benefits
- 34% Travel and Representation  
Due to visit and monitoring of the project site
- 26% decrease in Office expense  
Due to cost cutting being implemented by the management.
- 14% increase in Communication  
Due to due diligence done by management
- 65% decrease in Rent  
Mainly due to the transfer of office address with lower rental
- 42% increase in Taxes and Licenses  
Due to the increase of taxes by the local government
- 59% decrease in Professional Fee  
Due to cost cutting being implemented by the management.

**June 30, 2018 vs. June 30, 2017-Quarter Ended**

- 32.6 % increase in Employee benefits  
Due to payment in payment of arrears in the benefits
- 53.13% decrease in Rent  
Due to the transfer of office address with lower rental

Comparative Financial Ratios as of June 31, 2018 pursuant to SRC Rule 68, as amended with comparative annual figures for 2017:

Ratios	Unaudited June 30, 2018	Unaudited June 30, 2017	December 31, 2017 Audited
<b>Liquidity Ratio</b>			
<i>Current ratio</i>	5.87:1	<b>0.42:1</b>	4.72
Current Asset	<b>6,917,663</b>	<b>7,111,018</b>	7,350,135
Current Liabilities	<b>1,178,530</b>	<b>5,023,032</b>	1,557,920
<b>Leverage Ratios</b>			
<i>Solvency Ratio</i>	<b>-0.04:1</b>	<b>-0.03:1</b>	0.10:1
Net Profit (Loss) before Depreciation	<b>-1,183,477</b>	<b>-1,334,779</b>	2,625,714

Total Liabilities	<b>33,366,728</b>	<b>52,133,947</b>	27,075,118
<b>Debt to Equity Ratio</b>	<b>0.02:1</b>	<b>0.03:1</b>	0.016:1
Total Liabilities	<b>33,366,728</b>	<b>52,133,974</b>	27,075,118
Total Equity	<b>1,721,153,151</b>	<b>1,723,627,562</b>	1,722,336,627
<b>Asset to Equity Ratio</b>	<b>1.02:1</b>	<b>1.03:1</b>	1.02:1
Total Asset	<b>1,754,519,879</b>	<b>1,755,761,536</b>	1,749,411,745
Total Equity	<b>1,721,153,151</b>	<b>1,723,627,562</b>	1,722,336,627
<b>Profitability Ratio</b>			
<b>Return on Equity Ratio</b>	<b>-0.17%</b>	<b>-0.08%</b>	-0.15%
Net Loss	<b>-1,183,477</b>	<b>-1,334,779</b>	-2,625,714
Total Equity	<b>1,721,153,151</b>	<b>1,723,627,562</b>	1,722,336,627

## **INCOME STATEMENT**

For the past several years, the company has not derived any income from operations as there were no commercial operations yet. The company records administrative costs as expenses and all other disbursements are capitalized as unamortized exploration and development costs.

## **Known Trends, Events or Uncertainties**

There is no known event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation that have not been booked although, the company could be contingently liable for lawsuits and claims arising from the ordinary course of business which are not presently determinable.

There are no known significant trends, demands, commitments or uncertainties that will result in or that are reasonably likely to result in the company's liquidity increasing or decreasing in a material way. There are not material commitments for capital expenditures not reflected in the company's financial statements. There is likewise no significant seasonality or cyclicity in its business operation that would have a material effect on the company's financial condition or results of operations. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationship of the company with unconsolidated entities or other persons.

## **Financial Risk Disclosure**

1. A description of the financial instruments of the company and the classification and measurements applied for each. If material in amount, provide detailed explanation on complex securities particularly on derivatives and their impact on the financial condition of the company; NOT APPLICABLE
2. The amount and description of the company's investments in foreign securities; NOT APPLICABLE
3. The significant judgments made in classifying a particular financial instrument in the fair value hierarchy; NOT APPLICABLE
4. An explanation of how risk is incorporated and considered in the valuation of assets or liabilities; NOT APPLICABLE
5. A comparison of the fair values as of date of the recent interim financial report and as of date of the preceding interim period and the amount of gain/loss recognized for each of the said periods: NOT APPLICABLE; and
6. The criteria used to determine whether the market for a financial instrument is active or inactive, as defined under PAS 39 Financial instruments – NOT APPLICABLE

## **Financial Risk Management Objectives and Policies**

Company's principal financial instruments comprise mainly of cash and advances from affiliates. The main purpose of these financial assets is to finance company's operations. The company has other financial liability such as accrued expenses and other payables, which arise directly from its operations.

Company's risk management policy is addressed as follows:

### **Liquidity risk**

Liquidity risks or funding risks is the risks that company will encounter in raising funds to meet commitments associated with financial liabilities and to finance capital expenditures. Liquidity risks may result from difficulty 1or inability to generate cash inflows as anticipated. The company manages liquidity by regularly monitoring and evaluating its projected and actual cash flows.

### **Credit risk**

Company's credit risk relates to "cash in bank" account of company. The exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of this financial asset as stated in the following table. Given that AMIC has no outstanding receivables, it is not exposed to large concentrations of credit risk.

	<b>June 30, 2018</b>	June 30, 2017
Cash in bank	319,413	244,110

Cash in bank is considered as high grade as this pertains to demand deposits in a reputable bank.

The company continuously reviews credit policies and processes and implement various credit actions depending on assessed risks to minimize credit exposure.

### **Interest Rate Risk**

Not applicable as the Company has no interest-bearing payables.

### **Foreign Currency Rate Risk**

Not applicable.

## **PART II – OTHER INFORMATION**

None.


### **SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**Issuer: Abra Mining & Industrial Corporation**

**Signature and Title:**

  
**JEREMIAS B. BELOY**  
President/CEO

  
**AMELIA G. BELOY**  
Treasurer

**August 13, 2018**

**ABRA MINING AND INDUSTRIAL CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**

	Unaudited June 30, 2018	% to Assets	Audited December 31, 2017	Change Peso	%
<b><u>ASSETS</u></b>					
<b>Current Assets</b>					
Cash	329,413	0.02%	330,332	-919	-0.28%)
Supplies Inventory	6,588,250	0.38%	7,019,803	-431,553	-6.15%)
<b>Total Current Assets</b>	<b>6,917,663</b>	<b>0.39%</b>	<b>7,350,135</b>	<b>-432,472</b>	<b>-5.88%)</b>
<b>Non-current Assets</b>					
Property, plant and equipment, net	650,500.396	37.08%	680,390,230	-29,889,834	-4.39%
Deferred Exploration Costs	1,097,101,820	62.53%	1,061,671,380	35,430,440	3.34%
Advances to an affiliated co.	-	-	-	-	0.00%
<b>Total Non-Current Assets</b>	<b>1,747,602,216</b>	<b>99.61%</b>	<b>1,742,061,610</b>	<b>5,540,606</b>	<b>0.32%</b>
<b>Total Assets</b>	<b>1,754,519,879</b>	<b>100.00%</b>	<b>1,749,411,745</b>	<b>5,108,135</b>	<b>0.29%</b>
<b><u>LIABILITIES AND EQUITY</u></b>					
<b>Current Liabilities</b>					
Accrued expenses and other payables	1,178,530	0.07%	1,557,920	-379,390	-24.35%
<b>Non-Current Liabilities</b>					
Advances from an affiliated company	32,188,198	1.83%	25,517,198	6,671,000	26.14%
<b>Total Non-Current Liabilities</b>	<b>32,188,198</b>	<b>1.83%</b>	<b>25,517,198</b>	<b>6,671,000</b>	<b>26.14%</b>
<b>Total Liabilities</b>	<b>33,366,728</b>	<b>1.90%</b>	<b>27,075,118</b>	<b>6,291,610</b>	<b>23.24%</b>
<b>Equity</b>					
Capital Stock					
Issued and Outstanding	992,945,842	56.59%	992,945,842	-	0.00%
Subscribed and paid-up	788,967,900	44.97%	788,967,900	-	0.00%
Deficit	-60,760,591	-3.46%)	-59,577,115	-1,183,476	1.99%
<b>Total Equity</b>	<b>1,721,153,151</b>	<b>98.10%</b>	<b>1,722,336,627</b>	<b>-1,183,476</b>	<b>-0.07%</b>
<b>Total Liabilities and Equity</b>	<b>1,754,519,879</b>	<b>100.00%</b>	<b>1,749,411,745</b>	<b>5,108,135</b>	<b>1.29%</b>



**ABRA MINING AND INDUSTRIAL CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**

	Unaudited June 30, 2018	% to Assets	Unaudited June 30, 2017	Change Peso	%
<b><u>ASSETS</u></b>					
<b>Current Assets</b>					
Cash	329,413	0.02%	254,110	75,303	29.63%
Supplies Inventory	6,588,250	0.38%	6,856,908	-268,658	-3.92%
<b>Total Current Assets</b>	<b>6,917,663</b>	<b>0.39%</b>	<b>7,111,018</b>	<b>-193,354</b>	<b>-2.72%</b>
<b>Non-current Assets</b>					
Property, plant and equipment, net	650,500,396	37.08%	736,284,595	-85,784,199	-11.65%
Deferred Exploration Costs	1,097,101,820	62.53%	1,022,628,371	74,473,449	6.78%
Advances to an affiliated co.	-	-	9,737,552	-9,737,552	100%
<b>Total Non-Current Assets</b>	<b>1,747,602,216</b>	<b>99.61%</b>	<b>1,768,650,518</b>	<b>-21,048,302</b>	<b>1.19%</b>
<b>Total Assets</b>	<b>1,754,519,879</b>	<b>100.00%</b>	<b>1,775,761,536</b>	<b>-21,241,656</b>	<b>-1.20%</b>
<b><u>LIABILITIES AND EQUITY</u></b>					
<b>Current Liabilities</b>					
Accrued expenses and other payables	1,178,530	0.07%	5,023,032	-3,844,502	-76.54
<b>Non-Current Liabilities</b>					
Advances from an affiliated company	32,188,198	1.83%	47,110,942	-14,922,740	-31.68%
<b>Total Non-Current Liabilities</b>	<b>32,188,198</b>	<b>1.83%</b>	<b>47,110,942</b>	<b>-14,922,740</b>	<b>-31.68%</b>
<b>Total Liabilities</b>	<b>33,366,728</b>	<b>1.90%</b>	<b>52,133,974</b>	<b>-18,767,246</b>	<b>-36%</b>
<b>Equity</b>					
Capital Stock					
Issued and Outstanding	992,945,842	56.59%	992,945,842	-	0.00%
Subscribed and paid-up	788,967,900	44.97%	788,967,900	-	0.00%
Deficit	-60,760,591	-3.46%	-58,286,180	-2,474,410	4.25%
<b>Total Equity</b>	<b>1,721,153,151</b>	<b>98.10%</b>	<b>1,723,627,562</b>	<b>-2,474,411</b>	<b>-0%</b>
<b>Total Liabilities and Equity</b>	<b>1,754,519,879</b>	<b>100.00%</b>	<b>1,775,761,536</b>	<b>-21,241,657</b>	<b>1.21%</b>

**ABRA MINING AND INDUSTRIAL CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**

	<b>Unaudited June 30, 2018</b>	% to Assets	<b>Unaudited March 31, 2018</b>	Change Peso	%
<b><u>ASSETS</u></b>					
<b>Current Assets</b>					
Cash	254,110.00	0.01%	357,250.00	(103,140.00)	(28.87%)
Supplies Inventory	6,856,907.87	0.39%	7,152,000.00	(295,092.13)	(4.13%)
<b>Total Current Assets</b>	<b>7,111,017.87</b>	<b>0.40%</b>	<b>7,509,250.00</b>	<b>(398,232.13)</b>	<b>(5.30%)</b>
<b>Non-current Assets</b>					
Property, plant and equipment, net	736,284,595.00	41.46%	751,333,595.00	(15,049,000.00)	(2.00%)
Deferred Exploration Costs	1,022,628,370.93	57.59%	1,005,859,611.00	16,768,759.93	1.67%
Advances to an affiliated co.	9,737,552.00	0.55%	9,737,552.00	-	0.00%
<b>Total Non-Current Assets</b>	<b>1,768,650,517.93</b>	<b>99.60%</b>	<b>1,766,930,758.00</b>	<b>1,719,759.93</b>	<b>1.10%</b>
<b>Total Assets</b>	<b>1,775,761,535.80</b>	<b>100.00%</b>	<b>1,774,440,008.00</b>	<b>1,321,527.80</b>	<b>0.07%</b>
<b><u>LIABILITIES AND EQUITY</u></b>					
<b>Current Liabilities</b>					
Accrued expenses and other payables	5,023,032.00	0.28%	5,641,026.00	(617,994.00)	(10.96%)
<b>Non-Current Liabilities</b>					
Advances from an affiliated company	47,110,942.00	2.65%	44,610,942.00	2,500,000.00	5.60%
<b>Total Non-Current Liabilities</b>	<b>47,110,942.00</b>	<b>2.65%</b>	<b>44,610,942.00</b>	<b>2,500,000.00</b>	<b>5.60%</b>
<b>Total Liabilities</b>	<b>52,133,974.00</b>	<b>2.94%</b>	<b>50,251,968.00</b>	<b>1,882,006.00</b>	<b>3.75%</b>
<b>Equity</b>					
Capital Stock					
Issued and Outstanding	992,945,842.00	55.92%	992,945,842.00	-	0.00%
Subscribed and paid-up	788,967,900.00	44.43%	788,967,900.00	-	0.00%
Deficit	(58,286,180.20)	(3.28%)	(57,725,702.00)	(560,478.20)	0.97%
<b>Total Equity</b>	<b>1,723,627,561.80</b>	<b>97.06%</b>	<b>1,724,188,040.00</b>	<b>(560,478.20)</b>	<b>(0.03%)</b>
<b>Total Liabilities and Equity</b>	<b>1,775,761,535.80</b>	<b>100.00%</b>	<b>1,774,440,008.00</b>	<b>1,321,527.80</b>	<b>0.07%</b>

**ABRA MINING AND INDUSTRIAL CORPORATION**

**COMPREHENSIVE INCOME**

**Quarter Ended**

	<b>Unaudited June 30, 2018</b>	Unaudited June 30, 2017	Change Peso	%
<b>Revenue</b>	-	-	-	0%
Employee Benefits	286,443	216,018	70,425	32%
Depreciation and amortization	22,040	118,000	60	0.27%
Travel and representation	21,980	21,980	-3,081.00	-12.29%
Office expense	15,666	16,320	-654	-4.17%
Communication	14,047	14,371	-325	-2.26%
Repairs and maintenance	20,854	20,648	206	1%
Rent	45,000	96,000.00		
Special Services	18,416		18,416	
Taxes and licenses	15,059	14,533	525	3%
Miscellaneous	2,616	2,667	51	-1%
Utilities Expense	26,297	25,277	1,020	3.87%
Professional Fee	14,660	14,665	-5	-0.03%
Total General & Administrative Expenses	481,098	560,478	-79,380	-14%
Profit before Tax	-481,098	-560,478	79,380	-16.49%
Income Tax (expenses) Benefit	-	-	-	-
Profit (loss) After Tax	-481,098	-560,478	79,380	-16.49%
Other Comprehensive Income-Net	-	-	-	-
Total Comprehensive Income				
<b>Net Loss</b>	<b>-481,098</b>	<b>-560,478</b>	<b>79,380</b>	<b>-16.49%</b>
<b>Loss per share</b>	<b>-0.00027</b>	<b>-0.00031</b>		

**ABRA MINING AND INDUSTRIAL CORPORATION**  
**COMPREHENSIVE INCOME**  
**SIX MONTHS ENDED**

	<b>Unaudited June 30, 2018</b>	Unaudited June 30, 2017	Change Peso	%
<b>Revenue</b>	-	-	-	0%
Employee Benefits	504,993	463,155	41,838	9%
Depreciation and amortization		118,000	-118,000	-100%
Travel and representation	158,587	118,434	40,153	34%
Office expense	54,913	74,519	-19,606	-26%
Communication	33,718	29,561	4,156	14%
Repairs and maintenance	54,120	55,731	-1,610	-3%
Rent	45,000	126,770	-81,770	-65%
Special Services	27,863		27,863	
Taxes and licenses	168,561	118,472	50,089	42%
Miscellaneous	12,525	21,087	-8,562	-41%
Utilities Expense	59,391	53,836	5,555	10%
Professional Fee	63,806	155,215	-91,409	-59%
Total General & Administrative Expenses	1,183,477	1,334,780	151,303	-11%
Profit before Tax	-1,183,477	-1,334,780	151,303	-11%
Income Tax (expenses) Benefit	-	-	-	-
Profit (loss) After Tax	-1,183,477	-1,334,780	151,303	-11%
Other Comprehensive Income-Net	-	-	-	0.00%
Total Comprehensive Income	-1,183,477	-1,334,780	151,303	-11%
<b>Net Loss</b>	<b>-1,183,477</b>	<b>-1,334,780</b>	<b>151,303</b>	<b>-11%</b>
<b>Loss per shares</b>	<b>-0.00066</b>	<b>-0.00075</b>		

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**ABRA MINING AND INDUSTRIAL CORPORATION**

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**STATEMENTS OF CASH FLOWS****Quarter Ended**

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QUARTER ENDED	Unaudited June 30, 2018	Unaudited June 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Total Losses	-481,097.58	560,478.20
Depreciation and amortization		
Net Cash before working capital changes		
(Increase)/Decrease in:		
Supplies Inventory	155,057.00	295,092.13
Increase/(Decrease) in:		
Accrued expenses and other payables	-213,058.68	-617,994.00
Accrued retirement benefits	-	-
<b>Net Cash provided (used in)</b>		
<b>By operating activities</b>	<b>-539,099.27</b>	<b>-883,380.07</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease in Property, Plant and Equipment	15,000,000.00	15,049,000.00
Increase in Deferred exploration costs	-17,510,762.34	-16,768,759.93
<b>Net Cash used in Investing Activities</b>	<b>-2,510,762.34</b>	<b>1,719,759.93</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from advances from affiliate	3,021,000.00	2,500,000.00
Proceeds from collections of subscribed receivable	-	-
<b>Net Cash provided in Financing Activities</b>	<b>3,021,000.00</b>	<b>2,500,000.00</b>
Net increase/(decrease) in Cash	-28,861.60	-103,140.00
Cash, Beginning	358,274.75	357,250.00
<b>Cash, Ending</b>	<b>329,413.14</b>	<b>254,110.00</b>

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**ABRA MINING AND INDUSTRIAL CORPORATION**

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**STATEMENTS OF CASH FLOWS****Six Months Ended**

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	Unaudited June 30, 2018	Unaudited June 30, 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Total Losses	-1,183,476.58	-1,334,779.20
Adjustment for:		
<i>Depreciation and amortization</i>		
Net Cash before working capital changes (Increase)/Decrease in:		
Supplies Inventory	431,553.00	380,474.13
Increase/(Decrease) in:		
Accrued expenses and other payables	-379,389.62	-2,280,380.00
Accrued retirement benefits	-	-
<b>Net Cash provided (used in)</b>		
<b>By operating activities</b>	<b>- 1,131,313.21</b>	<b>-3,234,685.07</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease in Property, Plant and Equipment	29,889,834.00	10,049,000.00
Increase in Deferred exploration costs	-35,430,440.46	-34,943,567.93
<b>Net Cash used in Investing Activities</b>	<b>-5,540,606.46</b>	<b>-24,894,567.93</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from advances from affiliate	6,671,000.00	28,036,513.00
<b>Net Cash provided in Financing Activities</b>	<b>6,671,000.00</b>	<b>28,036,513.00</b>
Net increase/(decrease) in Cash	-919.66	-92,740.00
Cash, Beginning	330,331.75	346,850.00
Cash, Ending	<b>329,412.08</b>	<b>254,110.00</b>

**ABRA MINING AND INDUSTRIAL CORPORATION**  
**STATEMENTS OF CHANGES IN EQUITY**

	<b>Unaudited June 30, 2018</b>	Unaudited June 30, 2017	Audited December 31, 2017
<b>Capital Stock</b>	1,721,634,249.06	1,724,188,040.00	1,724,962,340.00
Collection of Subscription Receivable		-	-
Balance, December 31	1,721,634,249.06	1,724,188,040.00	1,724,962,340.00
<b>DEFICIT</b>			
Less: Net Operating loss for the period	-481,097.58	-560,478.00	-2,625,714.00
Balance, end of the period	-481,097.58	-560,478.00	-2,625,714.00
<b>Total Equity</b>	<b>1,721,153,151.47</b>	<b>1,723,627,562.00</b>	<b>1,722,336,626.00</b>

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## ABRA MINING AND INDUSTRIAL CORPORATION

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### Notes to Financial Statements As of June 30, 2018

#### CORPORATE INFORMATION

Abra Mining and Industrial Corporation (AMIC or the Company) is licensed to engage in the exploration, development, exploitation, process, manufacture, extract, mill and sale of cement and metal concentrate, marble, building materials and other minerals such as copper, gold, silver, iron, lead, etc. processing and manufacture of non-metals for industrial and commercial purposes at wholesale only.

AMIC was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on September 28, 1964. In the late 60's the Company's cement projects were shelved in favor gold mining due to the surplus in cement manufacturing and discovery of huge high grade vein deposit in the mountains of the Cordillera. AMIC listed its shares of stock in the Philippine Stock Exchange (PSE) on December 24, 1969.

AMIC has the sole and exclusive rights over the tenements by virtue of the Amended Operating Contract for Capcapo between Jabel Corporation and the Company signed on November 18, 1996.

In April, 1998, the Mineral Production Sharing Agreement (MPSA) was approved and issued to AMIC (144-99-CAR) and JABEL (141-99-CAR) PER HR762.

AMIC's registered office is located at Lipcann, Bangued, Province of Abra, while, business office is located at Suite 3, 3<sup>rd</sup> Floor, Jafer Center Building, 118 West Avenue, Quezon City.

On September 26, 2014, the Securities and Exchange Commission approved the AMIC's extension of corporate life for another fifty (50) years from the date of expiration which is September 28, 2014.

#### STATUS OF OPERATIONS AND MANAGEMENT PLANS

##### Status of operations

AMIC has not started normal commercial extraction of mine products

The realization of AMIC's mine projects is dependent upon future events including its successful mining operations. The eventual outcome of these matters cannot be determined at this time.

##### Management plans

The 2017 Management Plan is the continuity of the integrated five-tiered long-term Management Program of Abra Mining that is fitting and responsive to the present challenges of the mining industry. Even though the mining industry in our country is presently experiencing uncertainty and unprecedented regulatory scrutiny aggravated by the adverse effect of depressed commodities prices and consequences of the cyclical economic downturns, calamities and financial collapse of other industries, we still foresee the forthcoming bright future of our country's mining industry.

Priorities in its five-year management program have been updated to fast-track commercial operations with the least gestation period starting with the Baticang Lime Kiln Plant in Bucay, Abra. The construction shall commence upon availability of funds to use the Company's Limestone Deposit for the production of Lime ( $\text{CaCO}_3$ ), Ground Calcium Carbonate (GCC) and Precipitated Calcium Carbonate (PCC). The primary objective of the project is to commission the operation to make productive use of its proven limestone resources and the feasibility study has already been completed including the necessary market research for the commercialization of these limestone products. This project was largely isolated from the rest to provide the Company with high returns at the least capital cost and notably with plant construction and commissioning much faster than the hard rock projects. The project has already been designed and plant construction will commence upon availability of funds which is presently under negotiation with a none-operating equity participating



foreign funder. This lime project becomes an integral part of the Patok reopening in that it will also supply the lime requirements of the Patok plant. In the meantime, the Baticang plant can supply the lime requirements of the surrounding areas, being the only producer in Northern Luzon where all the other mines in the Baguio Mining District can procure their supplies including the agricultural and aquaculture requirements of the northern region.

Simultaneously, with the emergence of the Baticang Lime Plant another project in the vicinity is the newly constructed and installed Baticang Magnetite and Gold-Copper Plant that can be put in operation with minimal fund retooling. This project has been envisioned to last longer mainly due to the demand for steel and iron derivatives. Though the viability of the company's mineral tenement has been ascertained years before, the company launched a more detailed exploration program to ascertain the feasibility of the reserve compliant with international standards as regards the content of indispensable quantity of the black material Magnetite Iron Sand and the Precious Metals. In the past, the magnetite sand industry was in a booming market in the late 70's and early 80's which gave hope to the company's vision of regaining its heydays of mining. The Company's integrated plans of large scale Magnetite Operation, will run on multiple dredging operation to produce 200 mtpd of magnetite iron sand in its initial stages gradually expanding to bigger capacities. This production shift would be considered reticent enough to relaunch the operations and focus the research activities to recover the finer gold values and other precious metals by centrifugal gravity separation without use of toxic chemicals. In its pilot operation, the company's efforts have been focused on maximizing the alluvial mineral resources to recover not only Magnetite Iron Sand but also the more valuable Precious Metal values. Although the recovery of the very fine gold is very difficult. Management plan is to implement a more efficient recovery of the magnetite iron sand and that of the finer gold particles. The company therefore engaged in an endless research and analysis with constant monitoring for the perpetual refinement and improvement of plant design for these types of deposits. This is just one way the Company can stay ahead in conjunction with the implementation of the essential recovery plant expansion program spread-out over the years as aided by engineering research, analysis and innovation. Efforts have also been made to contact buyers of the ever-increasing stockpile of R & D magnetite. Due to the depressed price of iron ore, the company has ventured to advance its R & D by conversion of the magnetite iron sand into pellets and/or pig iron in pursuit of higher values for its product thereby resulting in additional cash flow.

The third tier in the company's five-year management plan is the re-opening of the *Patok Gold Operation that can be commissioned immediately upon availability of funds*. This Patok Gold Project was the main Company operation back in the late 70's and early 80's when it was sidetracked due primarily to the unsettling oil embargo of the 80's when at one point in our history fuel was being rationed. The Patok property is targeted to be likely at the third or even at the second level of our management program pending hefty capital infusion and budget availability. The Patok project enjoys a relatively easier and faster development in that an ore of high grade have already been blocked and readily accessible by reopening the previous tunnel. Another windfall factor is that it qualifies for the government program for "*Certificate of Non-Coverage*". This program entitles old mines to immediately restart operation by allowing them to run while their ECC papers are being processed. Time is of the essence in that it takes quite a long time to secure the ECC approval, seven years to be exact, as in the Company's Alluvial Project. The Patok property is just a few aerial kilometers southwest of the Capcapo Copper-Gold Mine.

The five-year management plan has been modified to conform with the new development of the Capcapo Copper-Gold Project where AMIC signed a Joint Venture Agreement ("JVA") with a Canadian Strategic Partner, formerly Olympus Pacific Minerals, Inc. now Besra Gold Incorporated (BESRA). The aforementioned JVA was finally terminated by both Parties due to inability of BESRA to properly pursue and actively launch the detailed exploration program to advance the project into operational stage because of their internal corporate operational problem coupled by the uncertainty of the local mining industry. At this juncture AMIC can now entertain a more abled multinational strategic partner who have been clamoring to take over and pursue this world class mine discoveries as declared by BESRA. It took three (3) years for AMIC to convince BESRA to disengage in the Capcapo Copper-Gold Project as it uncertain about relinquishing the project because of their knowledge that it is a world class mine discovery. In their last-ditch efforts, BESRA even asked AMIC for a certain percentage stake in the new JVA because they know that someday this will be a large mine operation but AMIC declined all these provisions of the Deed of Termination to give a clean slate of the Capcapo Copper-Gold Mine for the incoming strategic partner. A brief review of the former JVA status of the project starts on November 23, 2006, after the signing of the MOA, drilling started in early 2007. This was abruptly interrupted by the nearby community's clamor for a Free & Prior Informed Consent (FPIC). Even though all of the project tenement documentations including MPSA have been issued by DENR with the concurrence of NCIP. However, by law, an FPIC is only needed if the mineral tenement is part of an Indigenous People's (IP) territorial domain. The project tenement was never the IP's domain and that the area is widely covered by tax declarations that have already and mostly acquired by our group of companies. This fact is the main premise why the Company was able to obtain an MPSA. Furthermore, there were no host communities within the Capcapo mineral tenement and that the neighboring communities started seeking IP recognition only in 2010 after learning of the very positive results of the drilling. Fifteen (15) drill holes have been drilled to date, including eight drill holes by OYM/BEZ, yielding very encouraging results to validate the Company's Capcapo tenement. The project documents are all in order from the MPSA to the NCIP approval, with no less than the Chairman of the National Commission of Indigenous People (NCIP) affixing his signature. Notwithstanding the Company's signed papers categorically stating there are no *Indigenous People*

(IP) in the tenement area, in our partner's efforts to appease and maintain diplomatic relations with this small community it decided to temporarily halt further drillings in the area and conducted the requisite Community Relations Program in lieu of the *Free & Prior and Informed Consent (FPIC)* before the resumption of the detailed drilling program. This act of riposte will hopefully educate the community about the benefits of mining development in their underprivileged region while at the same time cleaning up misconceptions and smear campaigns that opposing minority group is feeding them while we maintain vital presence in the area.

The former Joint Venture (JV) group consequently commissioned an experienced consultant team knowledgeable in the steps and platforms of community relations in the mining industry to continue the community relations where it was abruptly suspended a couple years before the JVA signing. This step increases our chances for faster and smoother working relations within the nearby communities. A consultative body in community relations was also formed by the commissioned consultant team to educate the community about the benefits of mining development in their underprivileged region. At the same time clearing up misconceptions and smear campaigns that opposing minority group is feeding them while we maintain vital presence in the tenement area and now in the final stages of the program. The program of BESRA has been suspended from early 2013 until today and AMIC is mulling over to entertain a new strategic partner with another foreign multinational mining company who is interested and possess the requisite funding to carry on the project. Since the former JVA has been terminated AMIC can now deal with another party which signified their interest in our brownfield mining project.

Tier five of the Company's management program is also unchanged with the gradual expansion and constant refinement of the Alluvial Plant Operation from its present linear processing system to a non-linear modular processing design for continuous operations. Thereafter, when capital is available, the Company plans to employ multi cluster bulk material dredging operation of continuous system along the lengthy Abra River towards sea. Bulk dredging is a reliable and more fitting method for this type of deposit. It is highly efficient and exceedingly productive operating system for alluvial flood plains but may prove to be more expensive due to huge capital cost which can be offset by higher revenue for the company. This method entails a lot of capital as is a need to increase plant capacity as well as its bulk production which can be extremely profitable as the deposit may warrant. This method is further down the line of our five-year tiered management plan and right now is made part of the program to integrate a multi-processing recovery system of operation. The design incorporates the three-line gravity concentrating system of recovery for the precious metal.

The first line will consist of rotating circular trammel grizzly (RCTG) as primary de-rocker in-line with three unit of Pan American Placer Jig, in series with two units vibrating sluice boxes. The RCTG Machine is mainly a gravel and sand washing machine, consisting of a bin/grizzly, a belt conveyor, two units of water-sprayed trammels and an apron feeder for feeding to the jig. For handling and material flow, the dredge machine will feed the bin while its grizzly will reject oversize materials. The second line will require the resumption of the magnetite sand in the Alluvial Plant. However, the plant will undergo major revisions underneath the three magnetic separators, including the additions of Five more magnetic separators as one (1) cluster. As usual, the magnetic separators will produce rough magnetite sand and its tailings pump-fed into the IHC Jig to recover the precious metals along with the magnetite sand. For the third line gravity concentration, the process will use *Centrifugal Force Technology*. Five centrifugal machines using this technology will be used for feeds derived from the tails of the magnetic separators as part of the cluster. The tailings feed, however, will have to be screened to minus 14 mesh as required by the machine. The tailings of the concentrators will be discharged onto the third line of sluice boxes, thence into the tailings pond. There will be several clusters to be deployed along the river to outturn commercial production of magnetite iron sand and the jig and centrifugal concentrates will be delivered to land base processing plant to recover the precious metals.

Finally, the company has embarked on a capital raising endeavor to raise the necessary funding for the projects on the pipeline. To achieve this goal faster, the company seeks to engage the services of investment houses and investment managers to arrange meetings and, hopefully, close deals with foreign companies that fit into the Company's mission-vision and management plan. Presently, these groups are engaged by AMIC in the ongoing negotiations for private placement from non-equity operating foreign funders. Presently we are seriously negotiating with a credible foreign non-operating equity funder that can provide the capital requirement of the several mine projects and pursue the opportunities to explore additional mine reserves in the expansive land areas surrounding these great mine discoveries. This availment will provide secure capital resources for the requisite capital deployment needed in this challenging time where venture capital for sustainable growth is difficult to acquire due to reluctance of banks and financial funders to position their resources at this time of economic uncertainty. Raising capital through the international stock markets are worrisome because of China's economic woes and a slump of their Stock Market that can drag the entire world equity markets where speculative money can be battered heavily causing jitters to deal in new investments. The present volatile situation is expected to aggravate the unpredictable global financial condition that will impair the sourcing of funds and bound to be very difficult and tough. It is therefore prudent to set-up a funding credit line at this hard time to cushion the intensive commercial development of the mine and the flexibility to sustain growth in this uncertain economic situation. Their engagement will also help the Company

tap their services when the planned primary and secondary offerings will be undertaken and even other private placements including road show presentations by the company for further fund raising.

## **BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS**

### *(a) Presentation of Financial Statements*

The accounting records of the Company are maintained in Philippine Pesos (₱) which is the Company's functional currency. All financial information presented in Philippine Peso is rounded to the nearest peso except when otherwise stated.

Assets and liabilities are presented in the Statements of Financial Position in a current/noncurrent distinction and in the order of liquidity.

The Statements of Comprehensive Income presents an analysis of expenses using a classification based on their functions. A detailed breakdown of the aggregated expenses is shown in the notes to Financial Statements according to the nature of the expenses.

The Company changes the presentation of its financial statements only if the changed presentation provides information that is reliable and more relevant to its users and the revised structure is likely to continue so that comparability is not impaired.

### *(b) Statement of Compliance*

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB). PFRS consist of:

- (i) PFRS – corresponding to International Financial Reporting Standards;
- (ii) Philippine Accounting Standards (PAS) – corresponding to International Accounting Standards; and,
- (iii) Interpretations to existing standards – representing interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC), of the IASB which are adopted by the FRSC.

### *(c) Basis of Measurement*

These financial statements have been prepared on the historical cost basis, except for the revaluation of its financial assets valued at profit or loss. The financial statements are prepared on the accrual basis of accounting and on the assumption that the Company is a going concern and will continue operation for the foreseeable future.

### *(d) Use of judgments and estimates*

The preparation of the Company's financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

### ***Critical Management Judgments in Applying Accounting Policies***

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

#### *Determination of Functional Currency*

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Peso. The Peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the revenue, costs and expenses of the Company.

#### *Classification of Financial Instruments*

The Company classifies a financial instrument, or its components, on initial recognition as a financial asset, liability or equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, liability or equity instrument.

The substance of a financial instrument, rather than its legal form, governs its classification in the Statement of Financial Position.

AMIC determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every reporting date.

The Company's financial instruments includes cash, advances to stockholders and financial liabilities.

#### *Operating and Finance Leases*

The Company has entered into various lease agreements as either a lessor or a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. The Company determined that the lease arrangements pertain to operating lease rather than finance lease because there is no transfer of risk and rewards of ownership of the properties.

#### *Key Sources of Estimation Uncertainty*

The *estimates and associated assumptions* are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### *Valuation of Financial Assets and Financial Liabilities*

The Company carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument. The amount of changes in fair value would differ if the Company utilized different valuation methods and assumptions. Any change in fair the value of these financial assets and liabilities would affect profit and loss and equity.

#### *Impairment of Non-Financial Assets*

The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

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

The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash generating unit to which the asset belongs.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets or holding of an investment, the Company is required to make estimates and assumptions that can materially affect the financial statements.

### *Fair Value Measurements and Valuation Processes*

Some of the Company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a valuation committee, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages third party qualified valuers to perform the valuation. The valuation committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation committee's findings to the board of directors of the company every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities.

### *Useful Lives of Property and Equipment*

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use.

### *(e) Changes in Accounting Policies*

The Company changes an accounting policy only if the change is (a) required by a Standard or an Interpretation; or (b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the Company's financial position, financial performance or cash flows.

### ***Impact of New Amendments and Interpretations to Existing Standards***

There are new and revised accounting standards, amendments and interpretations to existing standards that have been published by IASB and adopted by FRSC which are mandatory for accounting periods on or after January 1, 2016. Except as otherwise stated, the adoption of the new standards, amendments and interpretations, did not have a significant effect on the Company's financial statements. These standards are as follows:

#### *Effective in 2016*

- Annual Improvements to PFRS 2012–2014 Cycle
  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations- Changes in methods of disposal*. The amendment adds specific guidance in PFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued. The amendment is not applicable to the Company.
  - PFRS 7 and PFRS 1, *Servicing contracts and Applicability of the amendments to PFRS 7 to condensed interim financial statements*. The amendment adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required. This results to consequential amendments to PFRS 1. As consequence of this amendments, it also clarifies the applicability of the amendments to PFRS 7 on offsetting disclosures to condensed interim financial statements. The amendment is not relevant to the Company.
  - PAS 19, *Employee Benefits- Discount rate: regional market issue*. The amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level). The amendment is not applicable to the Company.
  - PAS 34, *Interim Financial Reporting-Disclosure of information 'elsewhere in the interim financial report'*. The amendment clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference.
- PFRS 11 *Joint Arrangements, Amendments regarding the accounting for acquisitions of an interest in a joint operation*. These amendments clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business, as defined in PFRS 3, is required to apply all of the principles on business combinations accounting in PFRS 3 and other PFRSs with the exception of those principles that conflict with the guidance in PFRS 11.
- PFRS 14, *Regulatory Deferral Accounts*. This Standard is intended to allow entities that are first-time adopters of PFRS,

and that currently recognize regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to PFRS.

Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. This standard requires disclosures on the nature of, and risks associated with, the entity's rate regulation and the effects of that rate regulation on its financial statements.

The Standard can be applied in an entity's first annual PFRS financial statements retrospectively for periods beginning on or after 1 January 2016. Earlier application is permitted. Application of the standard is voluntary. However, an entity that elects to apply the standard in its first PFRS financial statements continues to apply it in all its subsequent financial statements. The standard is not applicable to the Company.

- PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*. The amendments provide additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. It explains that expected future reductions in selling prices could be indicative of a higher rate of consumption of the future economic benefits embodied in an asset.

#### *Amendments to PAS 16, Property, Plant and Equipment*

The requirements of PAS 16 are amended to clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. This is because such methods reflect a pattern of generation of economic benefits that arise from the operation of the business of which an asset is part, rather than the pattern of consumption of an asset's expected future economic benefits.

#### *Amendments to PAS 38, Intangible Assets*

The requirements of PAS 38 are amended to introduce a rebuttable presumption that a revenue-based amortization method for intangible assets is inappropriate for the same reasons as in IAS 16. However, there are limited circumstances when the presumption can be overcome:

- The intangible asset is expressed as a measure of revenue (the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold); and
- it can be demonstrated that revenue and the consumption of economic benefits of the intangible asset are highly correlated (the consumption of the intangible asset is directly linked to the revenue generated from using the asset).

These amendments are not relevant to the Company.

- PAS 27, *Separate Financial Statements (as amended in 2011)-Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements*. These amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements as follows:

- at cost,
- in accordance with PFRS 9 Financial Instruments (or PAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted PFRS 9),
- or using the equity method as described in IAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments. The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to PAS 27, there are consequential amendments to PAS 28 to avoid a potential conflict with PFRS 10 Consolidated Financial Statements and to PFRS 1 First-time Adoption of International Financial Reporting Standards.

The amendments are effective for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments are to be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments are not relevant to the Company.

- PAS 41 and PAS 16 -*Amendments bringing bearer plants into the scope of PAS 16*. These amendments bring bearer plants, which are used solely to grow produce, into the scope of PAS 16 so that they are accounted for in the same way as

property, plant and equipment. Definition of a 'bearer plant' is introduced into both standards. A bearer plant is defined as "a living plant that is used in the production or supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales."

The scope sections of both standards are then amended to clarify that biological assets except for bearer plants are accounted for under PAS 41 while bearer plants are accounted for under PAS 16. Amendments also clarify that produce growing on bearer plants continues to be accounted for under IAS 41 and that government grants related to bearer plants no longer fall into the scope of PAS 41 but need to be accounted for under PAS 20 Accounting for Government Grants and Disclosure of Government Assistance.

On the initial application of the amendments, entities are permitted to use the fair value of items of bearer plant as their deemed cost as at the beginning of the earliest period presented. Also, an entity need not disclose the quantitative information required by paragraph 28(f) of PAS 8 for the current period. However, entities are required to provide these disclosures for each prior period presented. These amendments are not relevant to the Company.

#### Future Changes in Accounting Policies

The Company will adopt the following revised standards, interpretations and amendments when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended standards and interpretations to have significant impact on its financial statements.

#### *Effective in 2017*

- PAS 7, Disclosure Initiative. This amendment aims at clarifying PAS 7 and assist preparers of the financial statements in presenting changes in liabilities arising from financing activities. The disclosure initiative states that:

a) An entity shall disclose the following changes in liabilities arising from financing activities: (1) changes from financing cash flows; (2) changes arising from obtaining or losing control of subsidiaries or other businesses; (3) the effect of changes in foreign exchange rates; (4) changes in fair values; and (5) other changes.

b) The disclosure requirement also applies to changes in financial assets (for example, assets that hedge liabilities arising from financing activities) if cash flows from those financial assets were, or future cash flows will be, included in the cash flows from financing activities

c) To fulfill the requirement, the Company may provide a reconciliation between the opening and closing balance in the statement of financial position for liabilities arising from financing activities. Where an entity discloses such a reconciliation, it shall provide sufficient information to enable users of the financial statements to link items included in the reconciliation to the statement of financial position and the statement of cash flows.

d) If an entity provides the disclosure required, in combination with disclosures of changes in other assets and liabilities, it shall disclose the changes in liabilities arising from financing activities separately from changes in those other assets and liabilities.

- PAS 12, Recognition of Deferred Tax Assets for Unrealized Losses. 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. Therefore, assuming that the tax base remains at the original cost of the debt instrument, there is a temporary difference.

#### *Effective in 2018*

- IFRS 15, *Revenue from Contracts with Customers*. This standard will supersede PAS 18 'Revenue', PAS 11 'Construction Contracts' and a number of revenue-related interpretations. Application of the standard is mandatory for all PFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. It also provides a model for the recognition and measurement of sales of some non-financial assets including disposals of property, equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognize revenue. The core principle is that an entity will recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

This new standard provides a single, principles based five-step model to be applied to all contracts with customers. The five steps are: Identify the contract with the customer, Identify the performance obligations in the contract, Determine the transaction price, Allocate the transaction price to the performance obligations in the contracts, and Recognize revenue when (or as) the entity satisfies a performance obligation. For each step of the model, the standard requires entities to exercise

judgement and to consider all relevant facts and circumstances when applying the model to contracts with their customers.

In addition to the five-step model, the standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

On 28 May 2014, the IASB issued IFRS 15 with an effective date of 1 January 2017 with earlier application permitted. On September 11, 2015, amendments were issued changing the mandatory effective date of IFRS 15 from annual periods beginning on or after 1 January 2017 to annual periods beginning on or after 1 January 2018. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

The Standard is not applicable to the Company.

- *PFRS 9 Financial Instruments -Finalized version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.*  
*Historical Background*

The original version PFRS 9 was issued in 2009 which covers the new classification and measurement model of financial assets followed by requirements for financial liabilities and derecognition added in 2010. In 2011, amendments to the standard was issued in deferring the effectivity date of both versions, which is January 1, 2013, to January 1, 2015. However, in 2013, amendments were issued to introduce the new hedge accounting model and removed the mandatory effective date for PFRS 9 which will be set once the standard is complete with a new impairment model and finalization of any limited amendments to classification and measurement.

#### *Finalization of the PFRS 9*

On July 1, 2014, finalized version of PFRS 9 'Financial Instruments' was issued in order to bring together the classification and measurement, impairment and hedge accounting to replace PAS 39 'Financial Instruments: Recognition and Measurement'. This finalized version of PFRS 9 adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income (FVTOCI) category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics test.

- Expected loss impairment model

The impairment model in PFRS 9 is based on the concept of providing for expected losses at inception of a contract, except in the case of purchased or originated credit-impaired financial assets, where expected credit losses are incorporated into the effective interest rate.

- Limited amendments to classification and measurement of financial assets

The final version of PFRS 9 introduces a new classification and measurement category of

FVTOCI for debt instruments that meet the following two conditions:

*Business model test:* The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

*Cash flow characteristics test:* The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Additional guidance

The final Standard also adds guidance on how to determine whether financial assets are held under a business model that is 'hold to collect' or 'hold to collect and sell' with examples and explanations of the types and levels of sales that are acceptable for such business models.

In addition to guidance on the business model test, the Standard adds guidance on the contractual cash flow characteristics test to clarify that in basic lending arrangements the most significant elements of interest are consideration for the time value of money and credit risk. If the time value of money element is modified (e.g. interest rate resets every month to a one-year rate), an entity is required to assess the modified element against new criteria introduced by the amendment.

The application guidance also introduces an additional exception that allows certain additional prepayment features to meet the contractual cash flow characteristics requirements to qualify for amortized cost or FVTOCI measurement.



The final versions amendments PFRS 9 have no significant effect on the Company's financial statements.

#### *With No Mandatory Effective Dates*

PFRS 10 and PAS 28, *Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture*. These amendments address a conflict between the requirements of PAS 28 'Investments in Associates and Joint Ventures' and PFRS 10 'Consolidated Financial Statements' and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

This amendments to standards was previously effective on a prospective basis to transactions occurring in annual periods beginning on or after 1 January 2016 but deferred indefinitely on December 17, 2015.

These amendments are not applicable to the Company.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies used in the preparation of these financial statements are summarized below. The policies have been consistently applied to all years presented unless otherwise stated.

### ***Financial instruments***

#### *Date of Recognition*

The Company recognizes a financial asset or a financial liability in the Statement of Financial Position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and de-recognition, as applicable, is done using settlement date accounting. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned.

#### *Initial recognition of financial instruments*

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit or loss, includes transaction cost.

Subsequent to initial recognition, the Company classifies its financial instruments in the following categories: financial assets and financial liabilities at FVPL, loans and receivables, held-to-maturity investments, AFS financial assets, and other financial liabilities. The classification depends on the purpose for which the instruments are acquired and as liabilities were incurred or whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this classification at reporting date.

#### *Determination of fair value*

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions) without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

#### *'Day 1' Profit*

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in the Company's Statement of Comprehensive Income unless it qualifies for recognition as some other type of asset. In cases where use is made

of data which is not observable, the difference between the transaction price and model value is only recognized in the Company's Statement of Comprehensive Income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit amount.

### Financial Assets and Financial Liabilities

This category consists of financial assets or financial liabilities that are held for trading or designated by management as at FVPL on initial recognition. Derivatives instruments, except those covered by hedge accounting relationships, are classified under this category.

Financial assets or financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at FVPL are recorded in the Statement of Financial Position at fair value, with changes in the fair value recorded in the Company's Statement of Comprehensive Income. Interest earned or incurred is recorded in investment income or interest expense, respectively, while dividend income is recorded when shareholders' right to receive the payment has been established under the investment income account.

### *Offsetting*

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

### *I. Financial Assets*

Financial assets include cash and other financial instruments. Financial assets, other than hedging instruments, are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

The foregoing categories of financial instruments are more fully described below.

#### *(a) Cash and cash equivalents*

This category includes cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. As of December 31, 2016 and 2015, the Company's cash consist only the Cash on hand and Cash in Bank.

#### *(b) Financial Assets at Fair Value through Profit or Loss*

This category includes financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling it in the near term or if so designated by management. All derivatives fall into this category, except for those designated and effective as hedging instruments. Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months from the reporting date.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at fair value through profit or loss) may be reclassified out of fair value through profit or loss category if they are no longer held for the purpose of being sold or repurchased in the near term.

The Company has no financial asset at fair value through profit or loss.

*(b) Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held for trading designated as AFS investments or designated at FVPL. This accounting policy relates to the statement of financial position captions 'cash' that comprises cash held in banks. Loans and receivables are classified as current when these are expected to be realized within one (1) year after the end of each reporting period or within AMIC's normal operating cycle, whichever is longer. All others are classified as non-current.

After initial measurement, receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment losses. Amortized costs are calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR.

*(c) Held-to-maturity Investments*

This category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as held-to-maturity if the Company has the positive intention and ability to hold them until maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are included in non-current assets in the Statement of Financial Position, except those maturing within 12 months of the reporting date.

Held-to-maturity investments are measured at amortized cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognized in profit or loss.

*(d) Available-for-sale Financial Asset* This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are presented as Available for Sale Financial Assets account in the Statement of Financial Position.

All financial assets within this category are subsequently measured at fair value, unless otherwise disclosed, with changes in value recognized in equity, net of any effects arising from income taxes. Gains and losses arising from securities classified as available-for-sale are recognized in the Statement of Comprehensive Income when they are sold or when the investment is impaired. In the case of impairment, the cumulative loss previously recognized directly in equity is transferred to the Statement of Comprehensive Income.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment) and its current fair value; less any impairment loss previously recognized in profit or loss, is transferred from equity to the Statement of Comprehensive Income. Reversals in respect of equity instrument classified as available-for-sale are not recognized in profit. Reversal of impairment losses on debt instrument are recognized in the Statement of Comprehensive Income if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the Statement of Comprehensive Income.

Impairment losses recognized on financial assets are presented as part of Other Expenses in the Statement of Comprehensive Income.

For investments that are actively traded in organized financial markets, fair value is determined by reference to stock exchange-quoted market bid prices at the close of business reporting date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured. In the Statement of Comprehensive Income, all income and expenses relating to financial assets recognized in profit or loss are presented as Other Income and Finance Costs, respectively.

*(e) Assets carried at amortized cost*

If there is objective evidence that an impairment loss on loans and receivable carried at amortized cost has been incurred, the amount of 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 rates (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss, if any, is recognized in the Statement of Comprehensive Income.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Objective evidence includes observance data that comes to the attention of the management about loss events such as, but not limited to significant financial difficulty of the counterparty, a breach of contract, such as default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial reorganization. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk and 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 recognized are not included in a collective assessment of impairment. The impairment assessment is performed at each reporting date. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past-due status and term.

If, in a subsequent period, the amount of the impairment loss decrease and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the Statements of Comprehensive Income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are 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 Company. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance for impairment losses account. If a future write-off is later recovered, the recovery is recognized in the Statements of Comprehensive Income under "Other income" account. Any subsequent reversal of an impairment loss is recognized in the statements of comprehensive income under "Provision for (reversal of) impairment losses" account, to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.

*(f) Assets carried at cost*

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

*Impairment of Financial Assets*

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Derecognition of 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 where:

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

Where the Company has transferred its 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

Company's continuing involvement in the asset.

On derecognition of a financial asset, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that had been recognized directly in equity shall be recognized in Statement of Comprehensive Income.

## *II. Financial Liabilities*

Financial liabilities include interest-bearing loans and borrowing, trade and other payables and finance lease liabilities, due to related parties and other non-current liabilities, which are measured at amortized cost using the effective interest rate method.

Financial liabilities are recognized when the Company becomes a party to the contractual agreements of the instrument. All interest-related charges are recognized as an expense in the Statement of Comprehensive Income under the caption Finance Costs. Interest-bearing loans and borrowings are raised for support of long-term funding of operations. They are recognized at proceeds received, net of direct issue costs.

### *Initial recognition of Financial Liabilities*

Financial liabilities are initially recognized at their fair value and subsequently measured at amortized cost less settlement payments, except when these are payable within one year in which case they are stated at their nominal values. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the Company Statement of Comprehensive Income.

Dividend distributions to shareholders are recognized as financial liabilities when the dividends are approved by the shareholders.

### *Initial recognition of Financial Liabilities*

Financial liabilities are initially recognized at their fair value and subsequently measured at amortized cost less settlement payments. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effects of restatement of foreign currency-denominated liabilities are recognized in the Company's Statement of Comprehensive Income.

Dividend distributions to shareholders are recognized as financial liabilities when the dividends are approved by the shareholders.

### *Derecognition of Financial Liabilities*

Financial liabilities are derecognized from the Statement of Financial Position only when the obligations are extinguished either through discharge, cancellation or expiration. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Company's Statement of Comprehensive Income.

### *Other Financial Liabilities*

Other financial liabilities are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. They arise when the Company owes money, goods or services directly to a creditor with no intention of trading the payables. Other liabilities are carried at cost or amortized cost in the Statement of Financial Position. Amortization is determined using the effective interest rate method. Other liabilities are included in current liabilities if maturity is within 12 months from the reporting date and will form part of non-current liabilities if beyond 12 months.

The Company's other financial liabilities includes Salaries payable, Statutory Benefits Payable, Accrued Expenses, Advances from affiliated company, Accrued benefit obligation and other payables.

### *Supplies inventory*

Supplies are valued initially at cost and subsequently at the lower of cost and net realizable value (NRV). Cost is determined using the first-in, first-out (FIFO) method. NRV is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. In circumstances where NRV will be lower than its cost, inventories are written-down

to net realizable value, on an item by item or individual basis, in view that assets shall not be carried in excess of amounts expected to be realized from their sale or use.

### ***Property, plant and equipment***

This is comprised mainly of land and land improvements, buildings, equipment and machineries. Property, plant and equipment are carried at cost, net of accumulated depreciation and any impairment in value.

#### *Initial Measurement*

The initial cost of property, plant and equipment comprises its purchase price, including import duties and nonrefundable purchase taxes and all directly attributable cost necessary to bring an asset to its working condition and location for its intended use.

When a mine construction project moves into production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs which qualify for capitalization relating to mine site additions or improvements, underground mine development or mineable reserve development.

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

#### *Subsequent Measurement*

Following initial recognition at cost, property are carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Depletion of mine and mining properties is computed based on mineral extraction over the estimated volume of proved and probable mineral reserves as estimated by the Company's geologist and certified by an independent geologist. This has yet to be objectively determined by AMIC as of the reporting period.

#### *Depreciation*

Depreciation is computed on the straight-line method over the estimated useful lives of the assets, as follows:

Building	35 years
Office equipment	5 years
Machinery and equipment	5 – 20 years

The future economic benefits embodied in the asset are consumed by the Company through its use. In determining the useful life of an asset, other factors, such as technical or commercial obsolescence and wear and tear while an asset remains idle, are considered.

Depreciation relative to the building and machinery and equipment commissioned at the plant site are capitalized or part of deferred exploration cost while the Company is still in its non-operating stage.

#### *Construction in Progress*

Construction in-progress represents work under construction and is stated at cost. Construction in-progress is not depreciated until such time that the relevant assets are completed and available for use. As of the quarter under review, AMIC has no construction-in-progress.

#### *Derecognition of property, plant and equipment*

An item of *property* and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of assets (calculated as the difference between the net disposal proceeding and the carrying amount of the item) is included in the statements of comprehensive income in the year the item is derecognized.

#### *Impairment of property, plant and equipment*

The assets' residual values, if any, and useful lives and methods of depletion and depreciation are reviewed and adjusted, if appropriate, at the reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

### ***Deferred exploration costs***

#### *Measurement at recognition*

Pre-license costs are expensed in the period in which they are incurred. Once the legal right to explore has been acquired, exploration and evaluation expenditure is deferred as asset when future economic benefit is more likely than not to be realized. These costs include materials and fuels used, surveying costs, drilling costs and the depreciation on the equipment and machineries being used. AMIC capitalizes any further evaluation costs incurred to exploration and evaluation assets up to the point when a commercial reserve is established.

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

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

#### *Measurement after recognition*

After initial recognition, AMIC applies the cost model to the exploration and evaluation of assets. Once commercial reserves are established, exploration and evaluation assets are tested for impairment and transferred to mine and mining properties. No amortization is charged during the exploration and evaluation phase. However, prior to reclassification, fulfillment of exploration and evaluation expenditure is assessed for impairment. If the area is found to contain no commercial reserves, the accumulated costs are expensed.

#### *Impairment of deferred exploration costs*

A valuation allowance is provided for unrecoverable deferred exploration costs based on AMIC's assessment of the future prospects of the exploration project. Full provision is made for the impairment unless it is probable that such costs are expected to be recouped through successful exploration and development of the area of interest, or alternatively, by its sale. If the project does not prove to be viable, all recoverable cost associated with the project and the related impairment provisions are written-off. When a project is abandoned, the related deferred exploration costs are written-off.

#### *Asset restoration and decommissioning costs*

As at reporting period, the Company did not provide any provision for asset restoration and decommissioning cost because actual explorations and normal operating activities have yet to be started. These costs could not be reliably estimated.

### ***Impairment of Non-Financial Assets***

The Company's Non-financial assets are subject to impairment testing. Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separate identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal evaluation of discounted cash flow. Impairment loss is charged pro-rata to the other assets in the cash-generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

## **Equity**

*Issued and Outstanding Capital Stock* classified as common shares of the entity is determined using the par value of shares that have been issued.

*Paid and unissued shares* represents balance of subscriptions paid but not yet sufficient for shares to be issued.

*Deficit* represents accumulated losses incurred by the Company. This may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

## **Prior Period Adjustments**

Errors can arise in respect of the recognition, measurement, presentation or disclosure of elements of financial statements. Potential current period errors discovered in that period are corrected before the financial statements are authorized for issue. However, material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected in the comparative information presented in the financial statements for that subsequent period.

The Company corrects a prior period error by retrospective restatement except when it is impracticable to determine either the period-specific effects or the cumulative effect of the error. When it is impracticable to determine the period-specific effects of the error on comparative information for one or more prior periods presented, the restatement of the opening balances of assets, liabilities and equity shall be made for the earliest period for which retrospective restatement is practicable. When it is impracticable to determine the cumulative effect, at the beginning of the current period, of an error on all prior periods, restatement of the comparative information to correct the error prospectively shall be made from the earliest date practicable.

## **Revenue and cost recognition**

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

- On sale of goods – revenue shall be recognized when AMIC has transferred to the buyer the significant risks and rewards of ownership of the goods and the amount of revenue can be measured reliably.
- On rendering of services – revenue shall be recognized when the stage of completion of the transaction at the reporting period can be measured reliably and, the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

*Costs and expenses* are recognized upon utilization of the service or at the date they are incurred. These are decreases in economic benefits during the accounting period in form of outflows or depletions of assets or occurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when the expense arises following the accrual basis of accounting. These are presented as General and Administrative Expenses in the Statement of Comprehensive Income. (See Note 10)

## **Deferred Expenses**

Certain expenses of the Company such as depreciation of assets located and used at the mining sites, the salaries and wages of technical personnel working at the site, professional fees, repairs and maintenance, special services, travelling expenses, rentals and supplies consumed are capitalized as part of Deferred Exploration Costs .

## **Employee benefits**

### **(a) Statutory Benefits**

In accordance with the provisions of the Labor Code, the Company provides 13<sup>th</sup> month pay and memberships in the Social Security System (SSS), Home Development Mutual Fund and Philhealth to all employees.

### **(b) Termination Benefits**

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either: (a) terminating the employment of current employees



according to a detailed formal plan without possibility of withdrawal; or (b) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to present value.

(c) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the reporting date. They are included in Other Payables account in the Statement of Financial Condition at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

(d) *Retirement Benefits*

AMIC has yet to establish a formal retirement plan, however, in the earlier years it accrues the estimated cost of retirement benefits required by the provisions of Republic Act (R.A.) No. 7641. The management determines that the company is not required to set up provisional liability under the same law. Therefore, the company is not required to set up a retirement liability.

In case of retirement, employees shall be entitled to receive such retirement benefits as may have been earned under existing laws.

***Earnings (Loss) per share***

Basic earnings per share is computed by dividing the net income for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares issued and outstanding during the year after considering the retroactive effect, if any, of stock dividends declared during the year, excluding treasury shares.

Diluted earnings per share is calculated by dividing the net income or loss for the year by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares and adjusted for the effects of all dilutive potential common shares, if any.

In determining both the basic and diluted earnings per share, the effect of stock dividends, if any, is accounted for retroactively.

***Contingencies***

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

***Income Taxes***

*Current Income Tax*

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

AMIC has yet to have a taxable transaction.

*Deferred Income Tax*

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

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits from excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carry-over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits from excess MCIT over RCIT and unused NOLCO can be utilized except:

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

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

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

Deferred income tax relating to items recognized directly in equity is recognized in equity and as other comprehensive income in the statement of comprehensive income and not in the statement of income.

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

### ***Functional Currency and Foreign Currency Transactions***

#### ***(a) Functional and Presentation Currency***

**Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in Philippine Pesos (₱), the Company’s functional currency.**

#### ***(b) Transaction and Balances***

**The accounting records of the Company are maintained in Philippine Pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.**

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Comprehensive Income.

### ***The Effects of Changes in Foreign Exchange Rates***

Provides certain restrictions in allowing the capitalization of foreign exchange differentials. Under prevailing circumstances, the adoption will not have a material effect on the Company's financial condition, results of operations and cash flows as March 31, 2018.

### ***Events after the Reporting Date***

Events after the reporting date are those events, favorable and unfavorable, that occur between the reporting date and the date when the financial statements are authorized for issue.

The Company adjusts the amounts recognized in the financial statements to reflect adjusting events after the reporting date. Non-adjusting events are not recognized in the financial but are disclosed in the notes to financial statements.

### **Note 5 - CASH**

As of June 30, 2018 and 2017, Cash consists of the following:

	<u>2018</u>	<u>2017</u>
Cash On hand	<b>P 319,413</b>	P 244,110
Cash In bank	<b>10,000</b>	10,000
	<b><u>P 329,413</u></b>	<b><u>P 254,110</u></b>

Cash in bank represents a current account which does not earn interest and used for AMIC's regular disbursements. Cash on hand pertains to petty cash funds maintained by the Company's various plant sites; Bangued, Bucay, Capcapo, Patok including Manila office to defray small amounts of expenses.

### **ACCRUED EXPENSES AND OTHER PAYABLES**

This account consists of the following:

	<u>2018</u>	<u>2017</u>
Deferred exploration	<b>1,097,101,820.00</b>	1,061,671,380.00

### **GENERAL AND ADMINISTRATIVE EXPENSES**

This account consists of the following:

	<u>30-Jun-18</u>	<u>30-Jun-17</u>
Employee Benefits	<b>P 504,993.00</b>	P 463,155.00
Professional Fee	<b>63,806.00</b>	155,215.00
Taxes and Licenses	<b>168,561.00</b>	118,472.00
Travel and representation	<b>158,587.00</b>	118,434.00
Repairs and maintenance	<b>54,120.00</b>	55,731.00
Utilities expense	<b>59,391.00</b>	53,836.00
Rent	<b>45,000.00</b>	126,770.00
Office Supplies	<b>54,913.00</b>	74,519.00
Communication	<b>33,718.00</b>	29,561.00
Depreciation and amortization	<b>-</b>	118,000.00
Special Services	<b>27,863.00</b>	-
Miscellaneous	<b>12,525.00</b>	21,087.00
	<b><u>P 1,183,477.00</u></b>	<b><u>1,334,780.00</u></b>

### ***Capital Stock***

The details of AMIC's equity as at June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
<b><i>Authorized Capital Stock</i></b>		
Par value – ₱0.01 per share; 500,000,000,000 common shares	<b>P 5,000,000,000</b>	P 5,000,000,000
<b><i>Issued and Outstanding</i></b>		
Beginning Balance	<b>P 992,945,842</b>	P 992,945,842
	<b>P 992,945,842</b>	P 992,945,842
<b><i>Subscribed and Paid-Up</i></b>		
Beginning Balance	<b>P 788,967,900</b>	P 758,967,900
Additions		
	<b>P 788,967,900</b>	P 788,967,900

## CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

AMIC's capital objective is to maintain and safeguard its ability to continue as a going concern entity and provide its stockholders a satisfactory return. AMIC sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities.

AMIC manages advances from affiliates, paid-up capital and deficit as capital. The Company's management structure consists of its working directors who are responsible for taking the initiative in developing and maintaining a sound capital management system.

AMIC's management monitors capital on the basis of the carrying amount of equity as presented on the face of the Statements of Financial Position. Thus, AMIC's strategy is to maintain debt to equity ratio not exceeding 7%.

## RISK MANAGEMENT OBJECTIVE AND POLICIES

AMIC is exposed to a variety of financial risks which result from both its operating and investing activities. AMIC's risk management is coordinated with its management, in close cooperation with the BOD, and focuses on actively securing the AMIC's short- to medium-term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

AMIC's risk management policies are established to identify and analyze the risks faced by AMIC, 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 AMIC's business activities. AMIC, 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.

AMIC's risk management policy are described below.

### ***Liquidity risk***

Liquidity risks or funding risks is the risks that AMIC will encounter in raising funds to meet commitments associated with financial liabilities and to finance capital expenditures. Liquidity risks may result from AMIC's inability to raise funds to finance its operations and exploration costs through sales of its equity or availability of debt financing on acceptable terms. AMIC manages liquidity by regularly monitoring and evaluating its projected and actual cash flows.

In support of its operations, AMIC relies on advances from its shareholders.

### ***Credit risk***

AMIC's credit risk relates to "cash in bank" account of AMIC. The exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of this financial asset as stated in the following table. Given that AMIC has no outstanding receivables, it is not exposed to large concentrations of credit risk.

	<b>2018</b>	2017
<b>Cash in bank</b>	<b>319,413</b>	244,110

Cash in bank is considered as high grade as this pertains to demand deposits in a reputable bank.

### ***Market Risk***

#### ***a) Cash Flow and Fair Value Interest Rate Risks***

Cash flow and fair value interest rate risks policies are to ensure short to medium-term liquidity.

Interest risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Interest rate risk is managed by targeting a desired return, which is reviewed periodically, based on the Company's long-term view on interest rates.

Currently, the Company has no financial liabilities with floating interest rates.

#### ***b) Foreign Currency Risk***

The AMIC has no significant exposure to foreign currency risks as most transactions are denominated in Philippine Peso, its functional currency.