Note 1 - 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.

On November 23, 2006, a Memorandum of Agreement (MOA) was signed with AMIC, JABEL and Besra Gold Inc. (formerly Olympus Pacific Minerals, Inc. (OYM)). The MOA allows Besra (40%) and a Philippine Corporation (20%) to acquire an option to earn 60% interest in Capcapo Property upon completing a specified level of expenditures on the Capcapo Property.

Besra Gold Inc. is an international mining exploration and development company focused on the mineral potential of Vietnam and the Southeast Asia. Besra has been active in Vietnam since the mid-1990s on its own account and through associated companies, New Vietnam Mining Corporation and Bong Mieu Gold Mining Corporation, and maintains an office in Danang in central Vietnam.

On September 30, 2011, the Company entered into a Joint Venture Agreement with Jabel Corporation, Olympus Pacific Minerals, Inc., Kadabra Mining Corporation and Philearth Mining Corporation to establish a business relationship whereby their assets and competencies may be pooled together to achieve a common business objective which is the exploration, development and utilization of the project tenement denominated as CAPCAPO-MPSA 144-99 CAR located in Capcapo, Licuan-Baay, Abra for gold minerals and reserves, gold equivalents and other minerals.

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.

AMIC's registered office is located at Lipcann, Bangued, Province of Abra, while business office is located at Jabel Business Center, 103 West Avenue, Quezon City (effective January 31, 2018).

The financial statements of the Company for the year ended December 31, 2018 (including the comparatives for the year ended December 31, 2017) were authorized for issue by the Board of Directors (BOD) on March 28, 2019.

Note 2 - STATUS OF OPERATIONS AND MANAGEMENT PLANS

2.1 Status of operations

AMIC has not started normal commercial extraction of mine products. As shown in the accompanying financial statements, AMIC has incurred cumulative losses of P63,417,582 and P59,672,519 as at December 31, 2018 and 2017, respectively. This condition indicates the existence of an uncertainty which may cast significant doubt about AMIC's ability to continue as a going concern. The accompanying financial statements were prepared on a going concern basis as the Company addressed the capital deficiency in its Management Plan. In addition, the Company's stockholder undertakes to provide continuing financial support so that the company is able to cover its operating costs.

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.

2.2 Management plans

The 2018 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 ($CACO_3$), 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 is 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

Note 3 – 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.ss*(See Note 10)*

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 as modified by financial assets at fair values. 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:

Change in criteria for determining when the Amortized Cost, FVOCI or FVPL categories apply to the Company's financial instruments

The Company management exercised judgement in classifying its Cash at Amortised Cost based on a business model whose objective is to collect contractual cash flows and its Accrued Expense and Other Payables and Advances from an Affiliated Company will remain as financial liabilities at amortised cost. *(See Notes 5, 9 and 15)*

Operating and Finance Leases

The Company has entered into lease agreement as a lessee. Critical judgment was exercised by management to distinguish 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 arrangement pertain to operating lease rather than finance lease because there is no transfer of risk and rewards of ownership of the properties. *(See Notes 10 and 20.5)*

Disclosure on Related Party Transactions

The Company determines the level of detail to be disclosed, in accordance with the requirements of the Philippine Financial Reporting Standards, in order to provide information in sufficient detail to the users of the financial statements to understand the effects of related party transactions on its financial statements:

i. the nature and amount of each individually significant transaction; and
ii. a qualitative or quantitative indication of the extent of transactions that are collectively, but not individually, significant.

In arriving at this judgment, the Company considers the closeness of the related party relationship and other factors relevant in establishing the level of significance of the transactions. *(See Notes 4.12 and 15)*

Income Tax Provision

The Company has no recognition of current tax provision which relates to management's interpretation of tax legislation applicable to the Company. *(See Note 11.1)*

Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies based on the certainty of the significant obligation or outflow resulting from contractual obligations, agreements, etc. and said outflow can be estimated reliably even if timing of may not be certain. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in *Note 4.13* and relevant disclosures are presented in *Note 20*.

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 value of these financial assets and liabilities would affect profit and loss and equity.

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.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in *Note 18*.

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. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of property and equipment are analyzed in *Note 7*. Actual results however may vary due to changes in estimates brought about by changes in factors mentioned above. There is no change in estimated useful lives of property, plant and equipment as of December 31, 2018 and 2017. *(See Note 4.4)*

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.

Allocation of Certain Expense

The Company exercised judgment in determining the allocation of certain expenses (salaries & wages, employee benefits, and taxes & licenses) at 20% general & administrative, and 80% deferred exploration Cost is appropriate. (See Note 8, 10, 11.2 and 12.1)

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.

Realizable Amount of Deferred Tax Assets and Liabilities

Significant management judgment is required to determine the amount of deferred tax asset that can be recognized based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The Company reviews its deferred tax assets and liabilities at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset and/or liability to be utilized.

The Company did not recognize the deferred tax on NOLCO for 2018, 2017 and 2016since they are not expecting future benefits on which to offset the deferred tax asset against Regular Income Tax. Unrecognized deferred tax on NOLCO amounts to P2,737,071 and P2,754,702 as at December 31, 2018 and 2017, respectively. *(See Note 11.1)*

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the new and amended accounting standards and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) and amendments to existing PFRS and PAS which became effective on or after January 1, 2018.

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, 2018. 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 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.

- Amendment to PFRS 15, 'Revenue from contracts with customers'

  These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

- PFRS 9 *Financial Instruments* - addresses the classification, measurement and derecognition of financial assets and liabilities.

  This standard replaces the guidance in PAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

  On adoption of PFRS 9, the Company's financial assets which are held for collection of contractual cash flows pertaining solely to principal and interest will continue to be measured at amortised cost with no material impact expected from application of the new impairment model. Its investment in equity instrument irrevocably elected to recognize dividend income on a qualifying investment in profit or loss, with no recycling of changes in fair value accumulated in equity through OCI will continue to be measured at fair value through other comprehensive income. All other investment in equity instruments will continue to be measured at fair value through profit or loss.

An analysis of the Company's financial assets and liabilities is as follows:

	2018			2017		
	PFRS 9	**PAS 39**	**Effects**	PFRS 9	PAS 39	Effects
Financial Assets						
Cash	**P 310,130**	**P 310,130**	-	P 330,332	P 330,332	-
Financial Liabilities						
Accrued expenses and other payables	**P 857,595**	**P 857,595**	-	P 1,557,921	P 1,557,921	-
Advances from an affiliated companies	**39,217,198**	**39,217,198**	-	25,517,198	25,517,198	-
Net increase (decrease) in equity			-			-

Qualitative Analysis

Financial Assets
None of the financial assets will be reclassified in accordance with PFRS 9. The same treatment with PAS 39 is applied.

Financial Liabilities
Treatments of financial liabilities in PFRS 9 are consistent with the treatment with PAS 39, except for when Fair Value Option is used, which the Company did not apply.

Quantitative Analysis

As at reporting date, there is no effect in net equity when PFRS 9 is applied as the Company does not have any loans and receivables.

- Amendment to PFRS 2 *Classification and Measurement of Share-based Payment Transactions*.

  This *amendment* clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in PFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

  The amendment is not applicable to the Company.

- Amendments to PFRS 4, 'Insurance contracts' regarding the implementation of PFRS 9, 'Financial instruments'

  These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:

  - give all companies that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued; and

  - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until 2021. The entities that defer the application of PFRS 9 will continue to apply the existing financial instruments standard— PAS 39.

    The amendment is not applicable to the Company.

- Annual Improvements to PFRS 2014–2016 Cycle

  These amendments impact 2 standards:
  - 1, 'First-time adoption of PFRS', regarding the deletion of short- term exemptions for first-time adopters regarding PFRS 7, PAS 19, and PFRS 10 effective 1 January 2018.

  - PAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.

  - IFRIC 22 – *Foreign currency transactions and advance considerations* – the interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

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 2019

- Amendment to PFRS 9, ‘Financial instruments’, on prepayment features with negative compensation

  This amendment confirms that when a financial liability measured at amortized cost is modified without this resulting in de-recognition, a gain or loss should be recognized immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from PAS 39.

- Amendments to PAS 28

  These amendments clarify that companies account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9.

- PFRS 16, ‘Leases’
  This standard replaces the current guidance in PAS 17 and is a far-reaching change in accounting by lessees in particular.

  Under PAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). PFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

  For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees.

  Under PFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  Effective annual periods beginning on or after 1 January 2019 with earlier application permitted if PFRS 15, ‘Revenue from Contracts with Customers’, is also applied.

- IFRIC 23, ‘Uncertainty over income tax treatments’

  This IFRIC clarifies how the recognition and measurement requirements of PAS 12 ‘Income taxes’, are applied where there is uncertainty over income tax treatments. The PFRS IC had clarified previously that PAS 12, not PAS 37 ‘Provisions, contingent liabilities and contingent assets’, applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

Effective in 2021

PFRS 17, ‘Insurance contracts’

This standard replaces PFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. PFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

The standard is not applicable to the Company.

Note 4 – 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.

4.1 Financial instruments before adoption of PFRS 9 (applied up to December 31, 2017)

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: Cash loans receivables 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.

As at December 31, 2017, the Company has not designated any FAVPL, Held-to-maturity Investments, and Available-for-Sale Financial Assets.

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

For the purpose of reporting cash flows, cash includes cash on hand and in banks.

Cash in Banks represents deposits in local banks which are unrestricted and immediately available for use in current operations and earn interest based on daily bank deposit rates.

(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.

The Company has no outstanding loans and receivables as at December 31, 2017.

(c) 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.

(d) 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 Accrued Expenses, Advances from affiliated company and Other Payables.

4.2 Financial Instruments after adoption of PFRS 9

Classification and Measurement at initial recognition

Financial assets and liabilities are classified and measured at fair value at initial recognition (adjusted in some cases for transaction costs). The exception is for trade receivables that do not contain a significant financing component, as defined by PFRS 15, Revenue from Contracts with Customers. These are measured at the transaction price (e.g. invoice price excluding costs collected on behalf of third parties, such as sales taxes). As a practical expedient, it can be presumed that a trade receivable that does not have a significant financing component if the expected term is less than one year.

Financial Assets and Financial Liabilities held:

	Notes	**2018**	2017
Financial Assets		**(In Peso)**	(In Peso)
Financial Assets at amortised cost			
Cash	*5*	**310,130**	330,332
Financial Liabilities	*Notes*	**2018**	2017
Financial Liabilities at amortised cost			
Accrued Expense and Other Payables	*9*	**857,210**	1,557,920
Due to Related Parties	*15*	**39,217,198**	25,517,198
Total		**40,074,408**	27,075,118

Cost as the basis for estimating fair value

In limited circumstances, cost may provide an appropriate estimate of fair value. This would be the case if insufficient more recent information is available to measure fair value or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

Classification and Measurement after initial recognition

The basis on which financial assets are measured determines their classification.

Categories of financial instruments

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

(a) *Amortized Cost*

The asset (debt instrument) is measured at the amount recognized at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount, and any loss allowance. Interest income is calculated using the effective interest method and is recognized in profit and loss. Changes in fair value are recognized in profit and loss when the asset is derecognized or reclassified. Sale of asset, if any, are incidentally made in response to increase in asset's credit risk or to manage concentrations of credit risk.

The Company has bank deposits repayable on demand, and cash on hand in the site office and principal office.

For an instrument at Amortized Cost, the following tests have to be met:
• The objective of the entity's business model is to hold assets only to collect cash flows ("the Business Model test"), and
• The contractual cash flows of an asset give rise to payments on specified dates that are solely payments of principal and interest ("SPPI") on the principal amount outstanding ("the SPPI test"). Principal is the fair value of a financial asset at initial recognition which may change over the life of the financial instrument if there are repayments of the principal. Interest is the consideration for the time value of money, for the credit risk associated with the principal outstanding during a particular period of time, basic risks, administrative costs and profit margin. There are factors to be considered in applying the SPPI test to a financial instrument (e.g. prepayments, foreign currency or when non-payment occurs)

(b) *Financial Liabilities at Amortised Cost*

A debt instrument that meets the following two conditions must be measured at amortised cost (net of any write down for impairment) unless the asset is designated at FVTPL

Subsequent measurement of financial liabilities
PFRS 9 doesn't change the basic accounting model for financial liabilities under PAS 39. Two measurement categories continue to exist: FVTPL and amortised cost. Financial liabilities held for trading are measured at FVTPL, and all other financial liabilities are measured at amortised cost unless the fair value option is applied.

Derecognition of financial liabilities
A financial liability should be removed from the balance sheet when, and only when, it is extinguished, that is, when the obligation specified in the contract is either discharged or cancelled or expires. Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial

liability. A gain or loss from extinguishment of the original financial liability is recognised in profit or loss.

Reclassification of Financial Assets and Financial Liabilities

The general requirements for the reclassification:
• In the rare circumstances when an entity changes its business model for managing financial assets, it must reclassify all affected financial assets according to the basic classification and measurement criteria discussed earlier.
• An entity cannot reclassify financial liabilities.
In general, reclassifications of financial assets are accounted for prospectively under IFRS 9; i.e., they do not result in restatements of previously recognized gains, losses or interest income.

Recognition and Measurement of Impairment – Expected Credit Losses

This applies to loans and receivables measured at amortized cost or FVOCI. Because every loan and receivable has at least some probability of defaulting in the future, every loan or receivable has an expected credit loss associated with it—from the moment of its origination or acquisition.

Expected credit losses are calculated by: (a) identifying scenarios in which a loan or receivable defaults; (b) estimating the cash shortfall that would be incurred in each scenario if a default were to happen; (c) multiplying that loss by the probability of the default happening; and (d) summing the results of all such possible default events. As a general rule, the maximum period to consider in measuring expected credit losses is the maximum contractual period (including extension options).

After initial recognition, the impairment allowance is adjusted, up or down, through profit or loss at each balance sheet date as the probabilities of collection and recoveries change. If the loan turns out to be fully collectible, expected losses eventually would fall to zero as the probability of non-payment declines and "impairment gains" would be recognized in profit and loss. If the loan grows riskier, the probability that a default will occur and thus expected credit losses will increase. If a default happens, and the lender suffers an actual cash shortfall, expected credit losses will equal that shortfall.

Write-offs

For assets classified as Amortized Cost, an entity must write off a loan or receivable when no reasonable expectation of recovering the asset or a portion thereof (e.g., a specified percentage) exists.

4.3 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. *(See Note 6)*

4.4 Property and equipment

This is comprised mainly of land and improvements, buildings, machineries and office equipment. Property and equipment are carried at cost, net of accumulated depreciation and any impairment in value. *(See Note 7)*

Initial Measurement

The initial cost of property 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 and equipment is 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 like of an asset, other factors, such as technical or commercial obsolescence and wear and tear while an asset remains idle, are considered.

Derecognition of property 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 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.

4.5 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 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 assets. These expenditures, amounting to P1,136,822,896 and P1,061,575,976 in 2018 and 2017, respectively, that occur are classified accordingly as tangible assets. *(See Note 8)*

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.

4.6 Impairment of Non-Financial Assets

The Company's property and equipment are subject to impairment testing.

Identifying an asset that may be impaired

At the end of each reporting period, the Company assesses whether there is any indication that any of its non-financial assets may be impaired (i.e. its carrying amount may be higher than its recoverable amount).

Indications of impairment

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately 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.

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

External sources

- market value declines;
- negative changes in technology, markets, economy or laws;
- increase in market interest rates;
- net assets of the Company higher than market capitalization

Internal sources:

- obsolescence or physical damage;
- asset is idle, part of a restructuring or held for disposal
- worse economic performance than expected
- for investments in subsidiaries, joint ventures or associates, the carrying amount is higher than the carrying amount of the investee's assets, or a dividend exceeds the total comprehensive income of the investee

Determining recoverable amount

- If fair value less costs of disposal or value in use is more than carrying amount, it is not necessary to calculate the other amount. The asset is not impaired.
- If fair value less costs of disposal cannot be determined, then recoverable amount is value in use.
- For assets to be disposed of, recoverable amount is fair value less costs of disposal.

Recognition of an impairment loss

An impairment loss is recognised whenever recoverable amount is below carrying amount. The impairment loss is recognised as an expense (unless it relates to a revalued asset where the impairment loss is treated as a revaluation decrease). Adjust depreciation for future periods.

Reversal of an impairment loss

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.

4.7 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.

Subscribed and paid-up capital 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.

4.8 Revenue and cost recognition

Revenue
Prior to adoption of PFRS 15, revenue is recognized to the extent that the revenue can be reliably measured, it is probable that the economic benefits will flow to the Company, and the revenue incurred or to be incurred can be measured reliably. 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 measure reliably and, the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Upon adoption of PFRS 15, revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services based on a five-step model:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Contract Revenues is presented as “Revenues” in the Statement of Comprehensive Income and Notes to the Financial Statements. Costs to fulfill the contract is referred to as Cost of Service as explained in subsection “*Cost and Expense Recognition*”

As at reporting date, the Company has not commenced commercial operations.

Contract Liability
This account pertains to any amount made by a customer as advance payment to the Company before the latter performs its obligation.

Cost and Expense Recognition
Costs and expenses are recognized in the Statements of Comprehensive Income 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. *(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. Total expenses classified as part of Deferred Exploration Costs amount to P76,238,259 and P73,948,949 in 2018 and 2017, respectively. *(See Note 8)*

Allocation of Expense

The Company's salaries & wages, employee benefits, and taxes and licenses as allocated as follows, 20% to general & administrative expenses and 80% to deferred exploration cost.

4.9 Employee benefits

(a) Statutory Benefits

In accordance with the provisions of the Labor Code, the Company provides 13th 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.

4.10 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.

4.11 Operating lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of the specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after the inception on the lease only if one of the following applies:

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

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) and (d) and at the date of renewal or extension period for scenario (b).

AMIC as lessee

Leases which do not transfer to AMIC substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the Statements of Comprehensive Income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed outright.

4.12 Related party transactions

Parties are considered related if one party has the ability, directly or indirectly, to control or the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

AMIC has entered into transactions principally consisting of advances. The effects of these transactions are shown under the appropriate accounts in the financial statements, particularly under the Non-current liabilities account. *(See Note 15)*

4.13 Provisions

General

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

Provision for Mine Rehabilitation and Decommissioning

AMIC will record the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailing dams dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

No provision for asset restoration and decommissioning costs have been provided during the reporting periods as it could not be reliably estimate since AMIC is still in its pre-operating stage as disclosed in its management plans in note 2.2, although AMIC conducted due diligence on the outcome of its operations but actual explorations and normal operating activities have yet to be started.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of the related ore. Over time, the discounted liability is increased for the change in the present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is to be recognized in the statement of comprehensive income as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur.

For closed sites, changes to estimated costs are to be recognized immediately in the statement of comprehensive income.

Environmental funds committed for use in satisfying environmental obligations are to be included within ‘other noncurrent assets" in the statement of financial position.

However, AMIC has yet to provide Rehabilitation trust funds committed for use in satisfying environmental obligations as the entity is still in its pre-operating stage. The entity has yet to reasonably estimate and determined the probability of the said events and, therefore, shall be including the account in succeeding reporting period.

4.14 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.

4.15 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. *(See Note 11.1)*
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.

4.16 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 (P), 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 at December 31, 2018 and 2017.

4.17 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 – FINANCIAL ASSETS AT AMORTISED COST - CASH

As at December 31, 2018, and 2017, Cash consists of the following:

	2018	2017
Cash On hand	**P 300,000**	P 29,332
Cash In bank	**10,130**	301,000
	P 310,130	P 330,332

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 Manila office and plant sites in Abra to defray small amounts of expenses.

Note 6 - SUPPLIES INVENTORY

This account consists of the following:

	2018	2017
Mechanical parts	**P 4,939,517**	P 4,968,257
Furnace materials	**1,854,621**	1,854,621
Construction supplies	**167,952**	167,952
Electrical supplies	**22,924**	22,924
Office supplies	**6,049**	6,049.00
	P 6,991,063	P 7,019,803

Supplies inventory in 2018 and 2017 was measured on an item by item or individual basis with no inventory write-down as cost of each item in the inventory account is lower than the Net Realizable Value (NRV). NRV of supplies amounted to P7,900,526.

Note 7 - PROPERTY, PLANT AND EQUIPMENT, NET

Reconciliation of the cost, accumulated depreciation and carrying amounts at the beginning and end of 2018 and 2017 of property and equip ment are as follows:

	Land and Improvements	Buildings	Machinery and Equipment	Office Equipment	Total
COST					
At January 1, 2017	P 206,998,697	P 49,084,464	P 1,001,235,092	P 11,342,344	P 1,268,660,597
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
At January 1, 2018	206,998,697	49,084,464	1,001,235,092	11,342,344	1,268,660,597
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
At December 31, 2018	206,998,697	49,084,464	1,001,235,092	11,342,344	1,268,660,597

ACCUMULATED DEPRECIATION AND IMPAIRMENT					
As at January 1, 2017	-	40,971,638	470,013,020	11,342,344	522,327,002
Charge for the year		1,877,128	64,066,237		65,943,365
Eliminated on disposal	-	-	-	-	-
As at January 1, 2018	-	42,848,766	534,079,257	11,342,344	588,270,367
Charge for the year		1,877,128	64,066,237		65,943,365
Eliminated on disposal	-				-
As at December 31, 2018	-	44,725,894	598,145,494	11,342,344	654,213,732
CARRYING AMOUNT					
As at December 31, 2017	P 206,998,697	P 6,235,698	P 467,155,835	-	P 680,390,230
As at December 31, 2018	**P 206,998,697**	**P 4,358,570**	**P 403,089,598**	**-**	**P 614,446,865**

Land improvements

Land improvements pertain to clearing and leveling of the land incurred in 2005 to prepare the land for its intended use in mining operations and capitalized as part of the land and not subject to depreciation/amortization. Mining properties and rights acquired, if any, included in this account shall be subject to depletion upon start of operations.

Buildings

The buildings constructed/acquired in the year 2000 located at the mine sites are being depreciated based on their useful life and capitalized as part of deferred exploration costs since AMIC is still in its operating stage.

Machineries and Equipment

During the year 2014, the Company entered into several Conditional Deeds of Sale with Jabel Corporation for the purchase of various imported machineries and equipment for P74,457,308. The contracts include installation, repairs, retooling and construction cost. Payment is on a deferred basis within a 10 month-period. After conducting due diligence verifying their specification and condition these machineries and equipment were found to be suitable to the Company's mining and milling operations.

In 2015, the Company needed to purchase certain machineries and equipment. Jabel Overseas Corporation (Jabel), a stockholder, was willing to acquire the necessary machineries and equipment in as much as it owed the Company for its subscriptions. This asset was offered at a value of P30,220.64 in a bidding at the Subic Freeport and covered by a certificate of award which were installed at the property of AMIC in its Gold-Copper and Magnetic Processing Plant in Bucay, Abra. The value of these machineries and equipment as stated were evaluated by licensed engineer based on cost of acquisition, cost of hauling, engineering and installation, cost of design and engineering, building, foundations, installation and other structures and cost of substation construction, including 3-phase, 13.8 kv High Voltage Wiring and High/Low Voltage Substation with 3 units of 250kvz/440/220VAC 3-Phase stepdown transformers. Jabel, which has the license and permit to enter in the bidding acted for and in behalf of AMIC as the marketing arm and as its main funder. In ordinary course of business of AMIC, paid such acquisition. This was accordingly taken up in AMIC's books of accounts as a set off to Jabel's obligation for its unpaid subscription of AMIC's share of P30M and the excess was charged to advances to affiliates. This process was undertaken to speed up the transaction in lieu of having Jabel remit its payment of its subscriptions to AMIC and thereafter disbursing the same back to Jabel.

Property, plant and equipment are subject to annual impairment testing and whenever there is an indication of impairment. No impairment losses were recognized in 2018 and 2017 as the carrying values of the property and equipment are lower than their recoverable amounts.

No item of property and equipment was pledged to collateralize any liability as at December 31, 2018 and 2017.

The depreciation charges for the period ended December 31, 2018 and 2017 both amounted to P65,943,365.

Note 8 - DEFERRED EXPLORATION COSTS

This account consists of the following:

	2018	2017
Depreciation and amortization	**P 463,023,585**	P 397,080,219
Salaries and wages of technical personnel	**124,480,584**	119,815,377
Special services	**95,984,687**	93,425,390
Repairs and maintenance	**93,537,685**	91,866,978
Roads, trials and bridges	**68,347,514**	68,347,514
Professional fees	**64,907,011**	64,213,663
Traveling and representation	**61,220,515**	60,836,273
Geo-chemical, physcial lease and topo survey	**36,327,122**	36,327,122
Geologic mapping	**32,641,805**	32,641,805
Drilling	**32,003,203**	32,003,203
Trenching,drifting and test pitting	**23,257,520**	23,257,520
Rentals	**21,121,724**	21,121,724
Supplies inventory consumed	**13,888,793**	13,566,701
Milling	**4,397,753**	4,397,753
Dogholing	**2,056,235**	2,056,235
Mine and ore delivery	**618,499**	618,499
	P 1,137,814,235	P 1,061,575,976

Exploration and mine development costs pertain to costs incurred by AMIC for the development, exploration and administration of mining properties situated in Abra. AMIC has evaluated that these costs meet the criteria to be capitalized and determined that the probability of future benefits on the extent of exploration and development will be realized once the mining operations start.

The Mineral Production Sharing Agreement MPSA-143-99-CAR approved on December 29, 1999 with corresponding Environmental Compliance Certificate (ECC Ref. No. 0103-095-302) approved on October 29, 2002 and the Declaration of Mining Project Feasibility also approved on August 30, 2007 warrants the capitalization of these expenditures for exploration and development. The approved mining claims are located within the municipal jurisdiction of Bucay and cover an aggregate area of about 672 hectares.

Depreciation Costs

AMIC, in accounting all of its exploration and development activities, considered these costs as tangibles. This includes acquisition of several mining equipment and machineries which are capitalized through depreciation charges.

Additional Costs during the year

Additional costs charged to deferred exploration cost includes depreciation, salaries and wages (20%), employee benefits (20%), taxes and license (20%), repairs and maintenance, travelling cost, professional fees, geological mapping cost, supplies used which are directly related to the exploration and development activities and allocated portion of the Company's general and administrative overhead costs related to mining operations which are being deferred as the Company's management exercised judgment that they will benefit when the Company commence actual normal operations. *(See Note 4.5)*

Note 9 – FINANCIAL LIABILITIES AT AMORTISED COST - ACCRUED EXPENSES AND OTHER LIABILITIES

This account had a balance amounting to P857,595 and P1,557,921 as of December 31, 2018 and 2017, respectively, consists of amount due to employees representing compensation claims and various statutory obligations such as withholding taxes, SSS, Pag-ibig and Philhealth payables. Accrued expenses include audit fee and other accrual of general and administrative expenses.

Accrued expenses are expected to be settled within the next reporting period of AMIC. Due to their short duration, the carrying amounts of accrued expenses and other liabilities represent a reasonable approximation of their fair values.

Note 10 – GENERAL AND ADMINISTRATIVE EXPENSES

This account consists of the following:

	2018	2017	2016
Salaries and Employee Benefits	**1,166,302**	1,318,795	1,134,331
Travel and representation	**500,201**	336,060	180,720
Rent *(Notes 18.6)*	**180,000**	145,399	105,956
Taxes and Licenses *(Note 11.2)*	**175,929**	119,254	184,743
Professional Fee	**173,337**	214,095	341,355
Repairs and maintenance	**154,993**	479,198	141,419
Utilities expense	**152,197**	39,493	109,483
Office expense	**80,523**	24,011	83,043
Communication	**74,485**	8,703	46,840
Special services	-	28,887	
Fines and Penalties	-	-	133,049
Miscellaneous	**95,756**	7,222	329,501
	P 2,753,723	P 2,721,118	P 2,790,440

10.1 Miscellaneous Expense

Miscellaneous expenses amounting to P95,756 and P7,222 in 2018 and 2017, respectively comprised of the following expenses incurred representing bank charges, PSE disclosure seminar fees, office meeting expenses as snacks, notarization on documents, donations to civic and church organizations, facilitation and representation expenses and other small items disbursed from the petty cash funds.

Note 11 – INCOME TAXES

11.1 Current and Deferred Taxes

AMIC's is yet to have a taxable transaction. No revenue generated yet in operation.

AMIC did not recognize deferred tax assets on the related Net-Operating Loss Carry over (NOLCO) for the year and previous years because management identified those future economic benefits will not be realized from them. The details of the NOLCO not recognized are as follows:

	2018		2017	
YEAR	**Tax Base**	**DTA**	Tax Base	DTA
2018	**P 2,753,723**	**P 826,117**	-	-
2017	**2,721,117**	**816,335**	2,721,117	816,335
2016	**2,657,391**	**797,217**	2,657,391	797,217
2015	-		3,803,832	1,141,150
	P 8,132,231	**P 2,439,669**	P 9,182,340	P 2,754,702

11.2 Supplementary Information in compliance with RR15-2010

In compliance with the requirements set forth by RR 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

Value Added tax

AMIC has no vatable transaction during the year.

AMIC has no importation of goods, hence, no landed cost, customs duties and tariff fees were paid/accrued during the taxable period.

Withholding Taxes Payable

	Remitted	Accrued
Expanded		
Remittance of W/T Payable, Dec. 31, 2017	P 1,887	
Remittance of W/T Payable (January to November, 2018)	22,300	P 1,950

There's no withholding tax on compensation since the compensation is not subject to withholding.

Taxes and Licenses

		2018		2017		2016
PSE-Annual Fee	**P**	**267,575**	P	288,960	P	572,950
Firearms licenses		**205,300**		-		-
LTO Registration		**113,519**		100,883		100,913
Mining Taxes and Others		**82,000**		70,500		11,860
Business Permits		**74,085**		102,086		117,034
Real Property Tax		**68,112**		17,467		115,068
Brgy Clearance		-		10,000		3,000
Community Tax Certificate		-		6,375		2,890
Others		**69,052**		-		-
Total payments made	**P**	**879,643**	P	596,271	P	923,715
Multiply by: Company allocation rate		**20%**		20%		20%
Total expense charged to General & Adminstration expense	**P**	**175,929**	P	119,254	P	184,743

No Documentary stamp tax paid/incurred on loans and deposit instruments during the taxable period.

11.3 Letter of Authority

The Company did not receive any Letter of Authority from the Bureau of Internal Revenue.

11.4 Uncertain Tax Position

The Company has not identified any significant component of the financial statements that may hold uncertain tax position under the tax laws of the Philippines.

11.5 Recent Tax Regulations

The following are the major changes brought by new tax regulations that are relevant to the Company:

a) On December 19, 2017, President Rodrigo Duterte signed into law package 1 of the Tax Reform for Acceleration and Inclusion ("TRAIN") bill of or Republic Act No. 10963. The law contains amendments to several provisions of the National Internal Revenue Code of 1997 on individual income taxation, passive income for both individuals and corporations, estate tax, donor's tax, value added tax (VAT), excise tax, and documentary stamp tax ("DST"), among others. The said law shall be in effect starting on January 4, 2018.

b) REVENUE REGULATIONS NO. 3-2015 issued on March 13, 2015 implements the provision of Republic Act No. 10653, more particularly on the increase to P 82,000.00 of the total amount of exclusion from gross income for 13th month pay and other benefits beginning January 1, 2015, and shall in no case apply to other compensation received by an employee under an employer-employee relationship, such as basic salary and other allowances.

c) REVENUE REGULATIONS NO. 5-2015 issued on March 17, 2015 amends Revenue Regulations (RR) No. 6-2014 and imposes penalties to taxpayers mandatorily covered by the Electronic Filing and Payment System (eFPS) or Electronic Bureau of Internal Revenue Forms (eBIRForms) who failed to file tax returns under the electronic systems of the BIR.

d) REVENUE REGULATIONS NO. 12-2014 amends Section 2.58.5 of Revenue Regulation No. 2-98 Requirements of deductibility. Any income payment which is otherwise deductible under the Code shall be allowed as a deduction from the payors' gross income only if it shown that the income tax required to be withheld has been paid to the Bureau in accordance with Secs. 57 and 58 of the Code. "No deduction will also be allowed notwithstanding payments of withholding tax at the time of the audit investigation or reinvestigation/reconsideration in cases where no withholding of tax was made in accordance with Secs. 57 and 58 of the Code."

Note 12 - EMPLOYEE BENEFITS

12.1 Short Term Employee Benefits

The Company provides short term employee benefits in the form of salaries, wages, thirteen month and other benefits amounting to P5,831,510 and P6,593,975 for the years 2018 and p2017, respectively.

Short term employee benefits are allocated to deferred exploration cost and to general and administrative expenses as follows:

	2018	2017
Deferred Exploration Cost *(Note 8)*	**P 4,665,208**	P 5,275,180
General and Administrative Expenses *(note 10)*	**1,166,302**	1,318,795
	P 5,831,510	P 6,593,975

12.2 Post -employment Benefits

In the previous years, the Company used to set up the retirement liability in accordance with RA 7641. Starting 2015, the management determined that the Company is not required to set up provisional liability under the same law since the Company's number of manpower does not exceeds ten as set in the labor code.

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

Note 13 – LOSS PER SHARE

Basic Loss per share were computed as follows:

	2018	2017	2016
Loss after Tax for the year	**(P 2,753,723)**	(P 2,721,118)	(P 2,790,440)
Outstanding share capital	**99,294,584,200**	99,294,584,200	99,294,584,200
Loss per share	**(P 0.000028)**	(P 0.000027)	(P 0.000028)

Note 14 – EQUITY

On August 22, 1987, the board of directors and stockholders of the Company approved the increase of the corporation's authorized capital stock from Fifty Million Pesos (P50,000,000) divided into Five Billion (5,000,000,000) common shares, with a par value of One Centavo (P0.01) per share to One Billion Pesos (P1,000,000,000) divided into One Hundred Billion (100,000,000,000) common shares with a par value of One Centavo (P0.01) per share. The application for increase in authorized was approved by SEC on March 26, 1991.

On October 8, 1993, the Company filed registration statement with SEC in accordance with Securities Regulation Code for the registration of a total of 95 billion common shares. On December 23, 1993, received the permit to offer securities for sale issued by SEC.

On March 25, 1996, the Company filed an application with the Philippine Stock Exchange ("PSE") for the listing and trading of 95billion common shares at an offer price of P0.01 per share. The application for listing was approved by Board of Directors of PSE in September, 1996.

On September 14, 2007, the board of directors and stockholders of the Company approved the increase of the corporation's authorized capital stock from One Billion Pesos (P1,000,000,000) divided into One Hundred Billion (100,000,000,000) common shares with a par value of One Centavo (P0.01) per share to Five Billion Pesos (P5,000,000,000) divided into Five Hundred Billion (500,000,000,000) common shares with a par value of One Centavo (P0.01) per share. The application for increase in authorized was approved by SEC on November 27, 2007.

As of December 31, 2018 and 2017, the Company has total number of 865 stockholders respectively, holding the mentioned registered securities.

14.1 Capital Stock

The details of AMIC's equity as of December 31, 2018 and 2017 are as follows:

		2018		2017
Authorized Capital Stock				
Par value – ₱0.01 per share;				
500,000,000,000 common shares	**P**	**5,000,000,000**	P	5,000,000,000
Subscribed Capital Stock:				
Beginning Balance	**P**	**1,992,945,842**	P	1,992,945,842
	P	**1,992,945,842**	P	1,992,945,842
Paid and unissued subscriptions				
Beginning Balance	**P**	**788,967,900**	P	788,967,900
Additions		-		-
	P	**788,967,900**	P	788,967,900
Issued and Outstanding				
Beginning Balance	**P**	**992,945,842**	P	992,945,842
Additions				
Total issued, outstanding, capital stock	**P**	**992,945,842**	P	992,945,842

	2018	2017
Subscription Receivable		
Balance, January 1	**P 211,032,100**	P 211,032,100
Collections during the year		
Balance, December 31	**P 211,032,100**	P 211,032,100

Note 15 – FINANCIAL LIABILITIES AT AMORTISED COST - RELATED PARTY TRANSACTIONS

AMIC's related party transactions involved the stockholders and AMIC's key management personnel.

The following are AMIC's related party transactions:

	Transaction Values		Due from(to) Related Parties		
	2018	2017	**2018**	2017	**Conditions**
Advances to Stockholder					
Jabel Overseas Corp.	-	P 9,737,552	-	-	Non-interest Bearing, Unsecured
Advances from Stockholder					
Jabel Overseas Corp.	**13,700,000**	P 6,442,769	**36,055,698**	P 22,355,698	Non-interest Bearing, Unsecured
Discovery Mines Inc.	-	-	**3,161,500**	3,161,500	Non-interest Bearing, Unsecured
	P 13,700,000	P 6,442,769	**P 39,217,198**	P 25,517,198	

The above advances are classified as non-current in as much as the Company was given the unconditional right to defer settlement of the liability for at least 3 years from 2017.

15.1 Advances to Stockholder

A roll-forward analysis of the total funding provided to its stockholder, Jabel Overseas Corporation, is as follows:

	2018	2017
Balance, January 1	-	P 9,737,552
Cash Collections	-	(9,737,552)
Termination of JV *(Note 9.2)*	-	-
Balance, December 31	-	(P 0)

Initial deposit of Besra Gold Inc.

The initial deposit of Besra Gold Inc. in 2011 amounting to USD300,000 or its peso equivalent of P12,357,600 was received by Jabel Overeseas Corporation. During the reporting period, the Company recognized a prior period adjustment to recognize the receivable from JABEL and a liability to the NEWCo mentioned in the Joint Venture Agreement disclosed in *Note 18.4*. The liability is recognized as part of Other Payables in *Note 8 "Accrued Expenses and other Payables"*.

On March 31, 2017, parties to the agreement unanimously agreed to terminate their Joint Venture Agreement. After accounting for the total expenditures incurred against the USD300K, the Company and JABEL were relieved of any liability to the joint venture. *(See Note 8.2)*

15.2 Advances from stockholder

The Company relies on the support of its stockholders for its working capital requirements while it is not yet in operation. The rollforward of the balances is as follows:

	2018	2017
Balance, January 1	**P 22,355,698**	P 15,912,929
Cash advances	**13,700,000**	6,442,769
Balance, December 31	**P 36,055,698**	P 22,355,698

Discovery Mines, Inc.

Advances from a stockholder amounting to P3,161,500 were obtained in 2014 for temporary working capital requirements. Discovery Mines, Inc. owns 3.122% of the Company's stockholdings.

Discovery Mines, Incorporated is organized and incorporated under the Philippine laws on April 18, 2000 whose primary purpose is to search for, explore, purchase, lease or otherwise acquire, own, work, operate, sell, lease, mortgage or otherwise dispose of, and deal with mining and water rights and claims and interest therein; and to conduct such activities or acts necessary or incidental to the maintenance of such mining claims, concessions or properties so acquired or held by the corporation to extent permitted by applicable laws and rules and regulations.

The Company has an unconditional right to defer settlement of liability for at least twelve months after the reporting period.

15.3 Key management personnel

The Company only paid out allowances to an engineer and honorarium to their directors during special meeting. Allowances and honorarium amount to P164,300 and P192,100 in 2018 and 2017, respectively.

Note 16 - 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's 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%.

Capital for the reporting periods under review is summarized as follows:

		2018		2017
Total liabilities	**P**	**40,074,793**	P	27,075,118
Total equity		**1,718,496,160**		1,722,241,223
Debt to Equity ratio		**.023 : 1.00**		0.015 : 1.00

AMIC's is able to keep its debt to equity ratio policy at below 7%.

AMIC's manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

Note 17 – 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.

17.1 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.

The table below summarizes the maturity profile of AMIC's financial liabilities as of December 31, 2018 and 2017 based on undiscounted payments:

2018		**On Demand**		**120 days and more**		**Total**
Accrued expenses and other payables	**P**	**857,595**	**P**	**-**	**P**	**857,595**
Advances from an affiliated company		**-**		**39,217,198**		**39,217,198**
Total	**P**	**857,595**	**P**	**39,217,198**	**P**	**40,074,793**

2017		On Demand		120 days and more		Total
Accrued expenses and other payables	P	1,557,920	P	-	P	1,557,920
Advances from an affiliated company		-		25,517,198		25,517,198
Total	P	1,557,920	P	25,517,198	P	27,075,118

17.2 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.

	2018	2017
Cash in bank	**10,130**	301,447

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

17.3 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.

Note 18 – FAIR VALUE MEASUREMENT

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market condition regardless of whether that price is directly observable or estimated using another valuation technique.

The fair values of financial assets at fair value through profit or loss are based on quoted market prices published at the close of trading day by the local exchange.

Fair value hierarchy

In determining the fair value of its assets and liabilities, the Company takes into account the following:

- characteristics of the asset and liability being measured that a market participant would take into account when pricing the asset or liability at measurement date

- for a non-financial asset, the valuation premise that is appropriate for the measurement
- The principal or most advantageous market for the asset or liability
- The valuation technique appropriate for the measurement considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability; and
- The level of hierarchy within which the inputs are categorized.

A fair value of a non-financial asset takes into account the highest and best use of the asset. The fair value of a liability reflects non-performance risk including an entity's own risk and assuming the same non-performing risk before and after the transfer of liability.

The different levels of financial instruments carried at fair value, by valuation method have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at reporting date, the Company does not have any financial instruments or non-financial asset subject to fair value measurement.

Note 19 – EVENTS AFTER REPORTING DATE

There were no other material events that occurred subsequent to December 31, 2018 that were not reflected in the financial statements for the period.

Note 20 – COMMITMENTS AND CONTINGENCIES

20.1 Legal Claims

As of December 31, 2018, there are no pending claims and legal actions against or involving the Company other than those arising from the normal course of business.

20.2 Mineral Production Sharing Agreements

On December 17, 1999, the Mineral Production Sharing Agreement (MPSA) was approved and issued to Jabel Corporation for a total area of 297 has at Sitio Patok-Pias, Baay-Licuan, Abra.

On December 29, 1999, the Mineral Production Sharing Agreement (MPSA) was approved and issued to AMIC (144-99-CAR) for a total area of 672 has at Baticang, Bucay, Abra and to JABEL (141-99-CAR) for a total area of 756 has at Licuan-Baay, Abra. The term of agreements shall be for twenty-five (25) years renewable upon mutual agreement. The aggregate total of the exploration and environmental work programs of the MPSA 144-99-CAR and MPSA 141-00-CAR amounts to P2,741,000 and P8,515,000, respectively.

On November 21, 2002, the Mineral production Sharing Agreement (MPSA) was approved and issued to Discovery Mines, Inc. for a total area of 2,673 has at Santa and Caoayan, Ilocos Sur. The aggregate total of the exploration and environmental work programs of the MPSA 175-2002-I amounts to P4,965,000.

20.3 Memorandum of Agreement and Supplement to Memorandum of Agreement

On November 23, 2006, a Memorandum of Agreement and Supplement to Memorandum of Agreement [“MOA”] was entered into by the Company, Olympus Pacific Minerals Inc.(OYM) and Jabel Corporation that allows the Grantee (defined as “Olympus Pacific Minerals Inc. and a Philippine national”) to acquire an option to earn a 60 percent interest in AMIC’s Capcapo mining tenement (the “Property”) located in the Province of Abra upon completing a specified level of expenditures on the property.

The MOA is a binding agreement that is conditional on OYM's completion of a due diligence program to validate historical drilling information. Under the MOA, the parties will form a joint venture corporation ("Newco") that will develop, manage and conduct mining operations on the Property. Newco and Jabel will become co-holders of the titles to the Property. Although Jabel's name will remain on the Capcapo Property titles, Jabel's only economic interest in the Property will be a royalty. Aside from the royalty, all of the Capcapo Property's proceeds shall flow through Newco. .

Upon full exercise of the option, Newco will be 40% owned by Kadabra Mining Corp. (“Kadabra”), 20% owned by a Philippine national that will yet be identified ("Philco"), and 40% owned by the Company.

Under the MOA, once the due diligence procedures are completed with the drilling information being validated and a formal agreement is signed, a cash payment of U.S. $200,000 is required to be made by the Grantee to the Company. Six months after the signing of the formal agreement, the Grantee is required to issue OYM’s common shares to the Company with a total value of U.S. $350,000, based on the average of the trading price of OYM’s common shares for the five trading days preceding the date of the signing of the formal agreement. Once the Grantee has spent U.S. $3 million on exploration and development work on the property, the Grantee will issue to the Company further common shares of OYM with a total value of U.S. $450,000 based on the average of the trading price of OYM’s common shares for the five trading days preceding their date of issuance. To earn the 60% interest, a cumulative spending of U.S. $6 million by the Grantee on exploration and development must occur by the end of the 5^{th} year after the signing of the formal agreement. The Grantee earns a 20% interest after the first U.S. $1 million is spent, an additional 20% interest after an additional U.S. $2 million has been spent and an additional 20% interest after an additional U.S. $3 million has been spent. Once the 60% interest has been earned, a new joint venture company (“NEWCO”) would be formed of which the Grantee would hold a 60% interest. If the Grantee obtains less than the 60% interest, the Grantee would share in less than 60% of the results of the joint venture. One year after full commercial production is achieved on the property, a royalty would be paid to Jabel, the underlying title holder of the property, equal to either 3% of gross value of production or 6% of annual Profit of NEWCO, as defined in the agreement, whichever is higher.

20.4 Joint Venture Agreement

On September 30, 2011, the Company entered into a Joint Venture Agreement with Jabel Corporation, Olympus Pacific Minerals, Inc.(now Besra Gold, Inc.), Kadabra Mining Corporation and Philearth Mining Corporation for the purpose of the Exploration, Development and Utilization of the Mineral Resources in Capcapo, Licuan-Baay, Abra.

Besra Gold Inc. (formerly Olympus Pacific Minerals Inc.) paid the Company USD300,000 upon signing the agreement and will pay an additional USD400,000, after getting access to the property, to acquire a 60% interest in the property. Jabel Corporation which jointly owns the mining claims, will earn royalty paid on either 3% of the gross production value from the mine or 6% of the annual profit from the JV, whichever is higher. Besra must also pay the Company

USD2Million plus 2 million Besra shares, or common shares valued at USD5Million, whichever is less, every time daily production rates are achieved or mineral reserves are defined. The USD300,000 was deposited/received by Jabel Corporation. *(See Notes 8 & 12.22.2)*

Jabel Corporation (JABEL), a corporation duly organized under the laws of the Philippines and domiciled in the Philippines. Jabel holds the tenements (area covered under Capcapo MPSA 144 and the Capcapo Extension)

Besra Gold, Inc. (formerly Olympus Pacific Minerals, Inc.), is an international mining exploration and development company focused on the mineral potential of Vietnam and the Southeast Asia. Besra has been active in Vietnam since the mid-1990s on its own account and through associated companies.

Kadabra Mining Corporation, corporation organized and existing under the laws of the Philippines and a wholly-owned subsidiary of Besra Gold, Inc. (formerly Olympus Pacific Minerals, Inc. (OYM).

Philearth Mining Corporation is a corporation in the process of being organized under the laws of the Philippines.

20.5 Lease commitment

On July 10, 2015, AMIC renewed lease agreement with Jafer Realty Corporation to lease its office space for another year from August 1, 2015 to July 31, 2017 and was further extended until May 30, 2018 only. The agreement requires a fixed monthly rental of P37,733.85 plus 12% VAT, 3-months' deposit and one month advance. The property for lease, at all times, shall be, and will remain the sole and exclusive property of the lessor and no title shall pass to AMIC. As to the cost of utilities and maintenance, the Company shares 20% of the monthly cost.
The contract was no longer extended from June to December 2018 so the rental rate for the remaining seven (7) months doubled to P75,467.70 before they transferred to a new office space effective January 1, 2018.

On January 3, 2018, AMIC entered into contract of lease with JABEL Corporation to lease a portion of the property owned by the latter with an area of 103 sqm. The term of this rental is for five (5) years, commencing on January 1, 2018, renewable at the point of JABEL. AMIC requires to pay monthly rental of P15,000, exclusive of VAT, payable every sixth (6^{th}) day of the month. Increase of 20% on rental fees shall be imposed after the end of two (2) years starting on the second year.

In 2017, total rent incurred amounts to P812,042 inclusive of VAT and expanded withholding tax. Total rent charged to general and administrative expenses amounted to P162,408 representing 20% of the total rent.

In 2018, total rent incurred amounts to P180,000, exclusive of VAT. *(See Note 10)*

20.6 Others

The Company makes various commitments and incurs certain contingent liabilities that are not given recognition in the accompanying financial statements. The Company's management is of the opinion that losses, if any, that may arise from these commitments and contingencies will not have a material effect on the Company's financial statements.

Note 21 – NOTES TO CASH FLOWS

The Company's significant cash flow activities during the year is from financing activities. Representing advances received from stockholders amounting to P13,700,00 for use as working capital. (see note 15)