

PHILIPPINE MINING DEVELOPMENT CORPORATION
(FORMERLY NATURAL RESOURCES MINING DEVELOPMENT CORPORATION)

BALANCE SHEETS

As at December 31, 2011 and 2010

(With corresponding figures for 2009)

	Notes	2011	2010	2009
ASSETS				
Current Assets				
Cash	4	50,006,867	77,484,763	22,795,004
Receivables	5	222,655	5,037,301	424,211
Inventories	3.c/6	6,044,238	4,147,162	4,152,382
Deposit for Contractual Obligation		-	-	812,400
Total Current Assets		56,273,760	86,669,226	28,183,997
Non-current Assets				
Property, Plant and Equipment - Net	3.b/7	19,326,754	21,165,458	20,787,814
Exploration and Evaluation Assets	3.a/8	255,846,902	260,779,802	264,882,761
Deferred Charges	9	5,137,255	3,637,650	4,793,491
Other Assets	10	963,394	841,086	132,378
Total Non-current Assets		281,274,305	286,423,996	290,596,444
TOTAL ASSETS		337,548,065	373,093,222	318,780,441
LIABILITIES AND NET WORTH				
Current Liabilities				
Payables	3.d/11	39,960,794	32,656,066	13,644,550
Due to NGA and GOCCs	12	16,402,142	1,349,437	1,671,367
Other Payables - Trust Liabilities	13	3,273,532	6,063,532	10,079,466
Due to employees		30,297	23,280	-
Total Current Liabilities		59,666,765	40,092,315	25,395,383
Non-current Liabilities				
Long-term Debt	14	130,000,000	146,666,665	155,000,000
Other Deferred Credits	15	4,322,550	4,322,550	4,322,550
Total Non-current Liabilities		134,322,550	150,989,215	159,322,550
Net Worth	18-20	143,558,750	182,011,692	134,062,508
TOTAL LIABILITIES AND NET WORTH		337,548,065	373,093,222	318,780,441

The notes on pages 7 to 22 form part of these financial statements.

PHILIPPINE MINING DEVELOPMENT CORPORATION
(FORMERLY NATURAL RESOURCES MINING DEVELOPMENT CORPORATION)
STATEMENTS OF REVENUES AND EXPENDITURES
For the Years Ended December 31, 2011 and 2010
(With corresponding figures for 2009)

	Notes	2011	2010	2009 As Restated
REVENUES	3.e/18			
Commitment and Royalty Fees		38,727,225	111,440,425	45,400,857
Interest Income - Net		840,746	1,079,871	80,781
Other Income	19/20	354,431	6,720,084	708,860
Foreign exchange gain			183,845	-
Total Revenues		39,922,402	119,424,225	46,190,498
EXPENDITURES	3.e/19/20	78,375,344	71,475,041	40,275,474
NET REVENUES (LOSS)		(38,452,942)	47,949,184	5,915,024

The notes on pages 7 to 22 form part of these financial statements.

PHILIPPINE MINING DEVELOPMENT CORPORATION
(FORMERLY NATURAL RESOURCES MINING DEVELOPMENT CORPORATION)
STATEMENTS OF CHANGES IN NET WORTH
For the Years Ended December 31, 2011 and 2010
(With corresponding figures for 2009)

	Notes	2011	2010	2009 As Restated
CAPITAL STOCK				
	16			
Authorized, Issued and Subscribed (125,000 shares @ P1,000 par value per share)		125,000,000	125,000,000	125,000,000
REVALUATION SURPLUS				
	17			
Appraisal Increment of Exploration and Evaluation Assets		144,415,500	144,415,500	144,415,500
DEFICIT				
Balance at Beginning of Year		(87,403,808)	(135,352,992)	(141,268,016)
Net Revenues (Loss)	18-20	(38,452,942)	47,949,184	5,915,024
Balance at End of Year		(125,856,750)	(87,403,808)	(135,352,992)
NET WORTH		143,558,750	182,011,692	134,062,508

The notes on pages 7 to 22 form part of these financial statements.

PHILIPPINE MINING DEVELOPMENT CORPORATION
(FORMERLY NATURAL RESOURCES MINING DEVELOPMENT CORPORATION)
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2011 and 2010
(With corresponding figures for 2009)

	Notes	2011	2010	2009 As Restated
Cash Flows from Operating Activities				
Royalty - Dinagat Communal Zone	2	37,913,846	7,898,804	-
Commitment/Management Fees - Mining Tenements	2	5,500,000	98,855,000	40,996,767
Interest from Bank Deposits		828,806	1,029,951	70,082
Income from Assay Charges, Auctioned Ore	18	211,578	28,900	773,871
Refund of Unused Cash Advances		164,682	328,444	244,647
Bid Documents/Security and Performance Bond ...	2	140,000	2,760,000	7,252,684
Cash Paid to Suppliers and Employees		(46,559,993)	(35,461,802)	(35,780,022)
Settlement of prior year's payables and adjustments		(211,690)	(5,788,907)	(32,805)
Commitment Charges on loan		-		(95,222)
NET CASH PROVIDED BY (USED IN) OPERATING		(2,012,771)	69,650,390	13,430,002
Cash Flows from Investing Activities				
Cost of Exploring Mining Properties		(4,196,201)	(549,391)	(2,073,814)
Acquisition of Property and Equipment		(570,006)	(2,188,802)	(5,860,797)
NET CASH USED IN INVESTING ACTIVITIES		(4,766,207)	(2,738,193)	(7,934,611)
Cash Flows from Financing Activities				
Long-term Loan from DBP	2			14,023,110
Payment of Interest on Long-term Loan - DBP		(20,698,918)	(12,222,438)	(3,889,140)
NET CASH PROVIDED BY FINANCING ACTIVITIES		(20,698,918)	(12,222,438)	10,133,970
NET INCREASE (DECREASE) IN CASH		(27,477,896)	54,689,759	15,629,361
Effect of Exchange Rate Changes				(640)
CASH, BEGINNING OF YEAR		77,484,763	22,795,004	7,166,283
CASH, END OF YEAR		50,006,867	77,484,763	22,795,004

The notes on pages 7 to 22 form part of these financial statements.

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

1. COMPANY BACKGROUND

The Philippine Mining Development Corporation (PMDC), formerly Natural Resources Mining Development Corporation (NRMDC), is a 100 percent wholly owned corporation of the National Government. Its principal stockholders are the Natural Resources Development Corporation (NRDC), the corporate arm of the Department of Environment and Natural Resources (DENR), holding 55 percent of the total capital stock, and the PNOC-Energy Development Corporation (PNOC- EDC), for the remaining 45 percent. The PMDC was incorporated as an attached agency to DENR and registered with the Securities and Exchange Commission on July 4, 2003 with Company Registration No. CS200314923 based on the authorization of the President of the Republic of the Philippines as contained in a Memorandum dated April 9, 2003. Upon the recommendation of the Secretary of Environment and Natural Resources, the PMDC was authorized by the President of the Philippines, in a memorandum dated June 9, 2005. to increase its capital stock from P100,000,000 to P125,000,000. This resulted in a revised equity structure for PMDC where DENR-NRDC holds 44 percent, PNOC-EDC, 36 percent and National Development Company (NDC), 20 percent. Also, this authorized PMDC to increase the number of its Board of Directors from nine to 11.

The PNOC-EDC holdings of 36 percent (P45 million) was subsequently turned over to the Philippine National Oil Company (PNOC), the parent firm of PNOC-EDC sometime in 2006 due to PNOC-EDC's Initial Public Offering (IPO) on November 2006. The entry of NDC, the corporate arm of the Department of Trade and Industry, facilitated the funding of the Corporation's exploration drilling program with cash infusion of P50 million in the early part of 2005, with P25 million as equity and the balance as loan. In 2006 NDC further released P25 million in the form of additional loan.

Pursuant to DENR Administrative Order No. 2003-038 and by virtue of a Memorandum of Agreement executed among DENR, PMDC (then NRMDC) and NRDC, PMDC was designated/appointed as the new implementing arm of the DENR in undertaking the mining and mineral processing operations in the 8,100 hectare Diwalwal Mineral Reservation Area located in the Municipality of Monkayo, Compostela Valley Province. Based on the Agreement, the Diwalwal Direct State Development Project was turned over from NRDC to then NRMDC, and as such, collection of the 15 percent government share from the ores extracted by the small-scale miners was later managed by the latter. In partial compliance, NRDC initially transferred P4,289,385 to PMDC, with subsequent turn-over of fund balance from the project and the documents related thereto. This collection function, however, was returned to NRDC in February 2005 by the Office of the President.

Such decision was based on the need for PMDC to focus on exploration and mining rather than the regulatory function of collection of the 15 percent share from the small-scale miners.

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

MINING PROPERTY

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

The mining assets of the North Davao Mining Corporation were transferred to PMDC to facilitate their promotion as investment target. These assets are the subject of a preliminary evaluation and assessment by the Mines and Geosciences Bureau for copper/gold potentials which was covered by a Memorandum of Agreement.

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

In terms of mining claims, a total of 65 mining property all over the Philippines have been identified by the DENR for PMDC's assessment and marketing efforts. Applicable DENR Memorandum Order (DMO) No. 2005-03 (dated February 1, 2005) and DMO No. 200513 (dated August 5, 2005) were the basis for the cancellation of the mining tenements and subsequent transfer to the PMDC for the latter's diligence and marketing efforts.

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

2. STATUS OF OPERATIONS

The Change in Corporate Business Model

PMDC was initially setup by the National Government for instituting a large tonnage, scientifically based gold mining and refining operation in the Mt. Diwalwal Gold Rush area (located in Monkayo, Compostela Valley, Davao under Region 11). Dovetailing with this economic goal are the objectives of enabling development of the mining community and arresting the environmental degradation brought about by illegal mining and gold recovery operations in said area. However, shortfalls in equity requirements due to inability of PMDC shareholders to increase current equity to level required by DBP (in support of a bank loan that will be used to fund infrastructure needs, please see Note 14) necessitated the change in business model from the traditional miner-operator, to a royalty business scheme.

The royalty business model enables PMDC to earn from marketing of mining areas even as it is still in assessment of whether it should pursue the traditional miner and gold refiner option. Currently, PMDC is compensated by commitment fees, i.e., upfront fees based on performance milestones as agreed prior to bidding process. The fees represent the payment for privilege to explore/study potentials of the mineral area. Upon commercial operation, PMDC is compensated over the life of the mine by agreed percentage of gross revenues of the partner from their sales of minerals or end-products of the minerals/ores extracted/ processed.

Subsequently, PMDC monitors and supervises the conduct of the evaluation and later development and operations of the partners by way of required submissions of technical and financial reports, augmented from time to time by periodic visits by PMDC Officers and staff on said partner's activities.

Thus, for the years 2010-2011, PMDC's corporate focus were on the continuation of the offering and awards of the mineral tenements earlier transferred to it by the MGB/DENR, the refinement of its business model in accordance with the on-going revisit by the Aquino Administration of the Philippine Minerals Policy guiding the nation's exploitation of its mineral resources.

ACCOMPLISHMENTS FOR CY 2010-2011

For CY 2010, PMDC's major corporate accomplishments are:

- The successful bidding out of the project tenements of copper-gold possibilities in Higanteng Bato and Letter V areas (both located within the Diwalwal Mineral Reservation). Each area comprised over a thousand hectares of land awaiting geologic review. The smaller areas in Cebu of Pinamungahan (limestone) and Toledo (copper) likewise were also bidded out. Another promising gold area in Itogon, Benguet, rounded up the awards list for the year.
2. The Batong Buhay mining claim was earlier covered by the decision on November 16, 2009 wherein the PMDC Board approved the Joint Operating Agreement (JOA) between the PMDC and the Balatoc Tribe for the latter to undertake the operations of the former Batong Buhay Gold Mines, with an area of 492 hectares, situated In Bgy. Balatoc, Municipality of Pasil, Kalinga Province.
 3. Continued to implement its Corporate Social Responsibility (CSR) agenda focusing on providing medical and dental services to the community, provided school supplies and backpacks to day-care pupils in Diwalwal with the participation of the private sector. Local Government Units and the Department of Health; augmented by periodic provisions of basic medicines needed by the communities in Diwalwal and Kalinga locations.
 4. From the Dinagat Nickel-Chromite Projects, particularly in Parcels 1 (Loreto area) and 2B (Libjo, Basilisa area), volume of chromite ores in 3,837 dry metric tons (DMT) and volume of lateritic nickel ores in 117,288.96 DMT, respectively were extracted and shipped out by AAM-PHIL Exploration and Development Natural Resources Corp. (assignment from United Philippines and China Mining Corp. to AAM-PHIL was approved in 2006).

PMDC has continued and where applicable, expanded the said efforts well into the subsequent year. Specifically, for CY 2011, the accomplishments are:

1. PMDC was able to award a total of three mining property during the year. These mining property are:
 - Opol Gold (Misamis Oriental)
 - Opol Chromite (Misamis Oriental)
 - Paracale Gold (Camarines Norte)
2. As earlier disclosed, the North Davao Mining area was publicly bidden out on October 19, 2009 but the winning bidder, Asia Alliance Inc. was unable to pay the offered commitment fees to the PMDC in the subsequent periods. The said award is presently stalled as a court case is currently pending. Still, management is confident that the resolution of the issues that cloud the project would be resolved accordingly.
3. For CY 2011, AAM-PHIL of the Dinagat Nickel Chromite Project extracted and shipped out lateritic nickel ores from Parcel 1 with volume of 221,513.09 DMT and in Parcel 2B with volume of 145,601.62 DMT.
4. PMDC continued to implement its Corporate Social Responsibility (CSR) agenda focusing on providing medical and dental services to the community, provided school supplies and backpacks to day-care pupils in Diwalwal with the participation of the private sector, Local Government Units and the Department of Health. Periodic food assistance support was likewise extended to the local community health center, local government units, and the AFP/PNP contingents securing the project area. The services of the lone mid-wife assisting the Mt. Diwata Health Center continues to-date, although the physician previously assigned to the facility has already left. Finally, PMDC has also initiated efforts with the DEPED for the deployment of day care teachers in the area, with the goal of assuring the basic educational needs of school-age children of the community.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES a.

Exploration and Evaluation Assets

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

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

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

Property, Plant and Equipment

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

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

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

Exploration, Machinery and Equipment	2-10 years
Furniture, Fixtures and Equipment	3-10 years
Transportation Equipment	5 years
Laboratory Equipment	5-10 years

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

d. Inventory — Supplies and Materials

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

Liabilities

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

e. Income and Expenses

These are recorded using the accrual basis of accounting.

4. CASH

This account is composed of the following:

Particulars	2011	2010	2009
Cash in Bank:			
Land Bank of the Philippines			
DECS	16,278,018	1,124,745	6,096,512
DECS- Special Savings Accts.	20,000,000	15,076,769	-
North Avenue Branch (Peso)	2,548,001	404,281	5,307,088
North Avenue Branch (Dollar)	9,732,322	8,110,547	26,125
Special Saving Accounts			
North Avenue	-	49,905,921	-
Bajada Branch	378,023	207,285	163,496
Development bank of the Philippines			
Camp Aguinaldo	801,115	2,442,931	10,966,516
Petty Cash Fund			
Special Collecting Officer	1,000	590	-
Head Office	50,000	-	35,899
Davao Field Office	212,438	211,694	199,368
Dinagat	5,950	-	-
Total Cash	50,006,867	77,484,763	22,795,004

Petty Cash Fund is granted for emergency purchases in the amount of P50,000 for Head Office, P40,000 for the Diwalwal Depot Office and P20,000 for Davao Field Office.

Cash included in the cash flow statement comprises the following balance sheet amounts:

Particulars	2011	2010	2009
Cash on Hand and in Banks	50,006,867	77,484,763	22,795,644
Effect of Exchange Rate Changes	-	-	(640)
Total Cash	50,006,867	77,484,763	22,795,004

5. RECEIVABLES

This comprises mainly of cash advances to employees and non-trade receivables from contractors (for fuel withdrawals). For CY 2010, royalty from Dinagat Nickel Chromite (Parcels 1 and 2B) was also part of the account, detailed as follows:

Particulars	2011	2010	2009
Dinagat Royalty	-	4,186,621	-
Commitment Fee Receivable	-	500,000	-
Advance Expense Funds:			
Local Travel	102,116	138,803	170,868
Emergency Laborers Payroll	-	-	4,014
Other Business Expense	22,714	85,517	111,878
Receivable from Officers and Employees	16,339	53,074	40,822
Fuel Withdrawals (for hauling activities) and Others	81,486	73,286	96,629
Total Receivables	222,655	5,037,301	424,211

6. INVENTORY — SUPPLIES AND MATERIALS

This account consists of P82,110 representing office supplies inventory for Manila Office as at December 31, 2011, P5,962,128 and P4,147,162 representing inventory of supplies and materials on stock at the Depot warehouse as at December 31, 2011 and 2010, respectively. These items are mostly construction materials for concreting of tunnel, tires of Load-Haul-Dump (LHD)/Low Profile Truck (LPT) vehicles, water pipes and other mining supplies, small parts and materials. Thus, for 2011, total supplies and materials amounted to P6,044,238.

7. PROPERTY, PLANT AND EQUIPMENT

This account consists of:

Particulars	Mabatas Interim Dam Facilities	Property and Equipment	Incomplete Construction	Total
Cost:				
January 1, 2010	8,658,872	22,959,408	-	31,618,281
Additions		920,354	-	920,354
Adjustments	-	19,300	-	19,300
December 31, 2010	8,658,872	23,899,062	-	32,557,935
Additions	-	2,804,324	-	2,804,324
Adjustments	-	(29,909)	-	(29,909)
December 31, 2011	8,658,872	26,673,477	-	35,332,349
Less Accumulated Depreciation:				
January 1, 2010	-	10,830,467	-	10,830,468
Depreciation 2010	-	2,682,725	-	2,682,725
Adjustments	-	95,591	-	95,591

Particulars	Mabatas Interim Dam Facilities	Property and Equipment	Incomplete Construction	Total
December 31, 2010	-	13,608,783	-	13,608,783
Depreciation 2011 Adjustments	-	2,423,293 (26,481)	-	2,423,293 (26,481)
December 31, 2011	-	16,005,595	-	16,005,595
Net Book Value - Dec. 31, 2011	8,658,872	10,667,882	-	19,326,754
Net Book Value - Dec. 31, 2010	8,658,872	10,290,279	2,216,307	21,165,458
Net Book Value - Dec. 31, 2009	8,658,872	12,128,942		20,787,814

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

8. EXPLORATION AND EVALUATION ASSETS This

consists of:

Particulars	2011	2010	2009
Victory Tunnel & Mining Equipment	225,193,750	225,193,750	225,193,750
Quasar Jumbo Drill	18,270,000	18,270,000	18,270,000
Diamond Core Drilling	19,174,042	19,174,042	19,174,042
Metallurgical Feasibility Study — Diwata Gold Project	1,867,474	1,867,474	1,859,683
Underground Rehabilitation of Victory Tunnel	385,286	385,286	385,286
Total	264,890,552	264,890,552	264,882,761
Less Accumulated Depreciation	9,043,650	4,110,750	-
Total Exploration and Evaluation Assets	255,846,902	260,779,802	264,882,761

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

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

For CY 2009, there was a major repair of Load-Haul-Dump (LHD) loader 301, amounting to P778,250 (a mining equipment that is part of the list mining equipment covered by MOA with JBMMC).

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

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

Said equipment is depreciated for the reporting period of CY 2010-2011 in accordance with the COA's input on cognizance of equipment decline in value notwithstanding its currently idled nature. Thus, total depreciation on said asset amounted to P9,043,650 for the 2010-2011 period. The depreciation charge is reported as part of the regular expenditures in the revenues and costs statements. Refer also to Note 20 on reclassification of accounts.

9. DEFERRED CHARGES

This pertains to costs incurred in connection with the exploration and development of mineral resources in the North Davao, Batong Buhay and other projects planned for privatization. Breakdown of the account is as follows:

Particulars	2011	2010	2009
North Davao Mining Project	5,137,255	3,612,650	2,833,331
Mining Tenements	-	-	44,703
Batong Buhay and Other Projects	-	-	1,693,379
Higanteng Bato area	-	-	78,048
Letter V area	-	-	144,030
Area 729 Project	-	25,000	-
Total Deferred Charges	5,137,255	3,637,650	4,793,491

10. OTHER ASSETS

This pertains to costs representing guarantee deposits for services, account of contract on rental of office spaces/warehouse and deposit on returnable containers. Details of the account as at year-end 2011 and 2010 are as follows:

Particulars	2011	2010	2009
Guarantee Deposit for Leasehold			
Contracts	818,416	711,108	-
Deposit for Account of Contract	119,478	104,478	106,878
Deposit on Returnable Containers	25,500	25,500	25,500
Total Other Assets	963,394	841,086	132,378

11. PAYABLES

This consists of:

Particulars	2011	2010	2009
Accounts Payable and Accrued Liabilities	2,403,461	1,908,272	3,474,048
Interest costs on NDC loans (Note 14)	33,533,333	27,449,999	10,158,332
Other fees due to NDC	4,024,000	3,294,000	-
Due to Employees	-	3,795	12,170
Total Payables	39,960,794	32,656,066	13,644,550

12. DUE TO NGA AND GOCCs

This includes mandatory obligations to various agencies of the government itemized as follows:

Particulars	2011	2010	2009
<i>Bureau of Internal Revenue -</i>			
Accrual of 2% Minimum Corporate Income tax for CY 2011	776,318	-	-
Withholding Income Tax Payable	362,072	685,834	960,480
Expanded Withholding Tax	337,619	338,164	377,653
Value Added Tax	14,901,174	251,446	305,731
<i>Social Security System -</i>			
Premium Contributions Payable - Employees' Share	(5,540)	9,327	(228)
Loans Payable	(1,051)	10,287	(1,229)
<i>PAG-IBIG Fund</i>			
Contributions Payable	8,401	10,096	6,634
Loans Payable	11,732	24,616	10,857
<i>PHILHEALTH</i>			
Contributions Payable- Employees' Share	11,417	19,667	11,469
Total Due To NGA	16,402,142	1,349,437	1,671,367

13. OTHER PAYABLES — TRUST LIABILITIES

This consists of the royalty allocation of one percent to any claimants who may later establish their vested rights out of the 15 percent government share and service fee of service contractors in connection with the Diwalwal Direct State Development Project including incidental production from the Victory tunnel. For both years of 2011 and 2010 ended at December 31, the liability stood at P480,532.

This account also covers receipts from contractors representing performance bonds for awarded contracts, bid surety from qualified bidders and sale of bid documents to fund BAC Honoraria in the total amount of P2,793,000 for 2011, and P5,583,000 for 2010.

14. LONG-TERM DEBT

This consists of:

Particulars	2011	2010	2009
JB Victory Tunnel	55,000,000	55,000 000	55,000,000
National Development Corporation (NDC)	50,000,000	50,000,000	50,000,000
Development Bank of Philippines	25,000,000	41,666,665	50,000,000
Total Long-Term Debt	130,000,000	146,666,665	155,000,000

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

The P50,000,000 payable to NDC consisted of two P25,000,000 loans granted in August 2005 and November 2006. These loans carry two year terms, and subject to 12 percent interest per annum, payable in semi-annual installments. As at December 2011, interest costs incurred amounted to P19,433,333 for the first P25 million loan and P14,100,000 for the second P25 million loan or a total of P33,533,333.

The said two NDC loans were initially classified in the current liabilities section in CY 2007 financial reporting, on account of their existing terms of two years. However, PMDC is presently in on-going talks with NDC for the possible restructuring of the said loans. Previously, PMDC Management had intended to settle the loans on the presumption of the successful bidding out and receipt of expectedly significant commitment fees from the planned awards of the North Davao Mining project: the gold rich 729 hectare portion in Diwalwal area: and royalty shares from the attainment of large tonnage chromite and lateritic nickel ore shipments of the Dinagat Nickel Chromite Project. As these revenue generating efforts were not realize as expected, PMDC was not able to realize the amount needed for settlement of the loans, thus the on-going discussions. In July 4, 2012, NDC management advised PMDC that the NDC Board had not yet taken up the loan restructuring issue.

Of the P50,000,000 loan from DBP, (the 1st tranche) P35,976,890 (net of other charges/fees by the bank) was released starting July 2, 2008 for purchase of mining equipment, assay laboratory equipment, timbering and concreting materials in the Victory tunnel and working capital for PMDC operations. As at December 31, 2011 the balance of the loan is P25,000,000.

15. OTHER DEFERRED CREDITS

For CY 2011 and CY 2010, the account has a balance of P4,322,550, representing P3,000,000 advances from the Pacific Nickel Corporation (Parcel 2A Dinagat Nickel-Chromite Project) and the amount of P1,322,550 represents sale from the disposal of unserviceable mining equipment covered by the MOA between PMDC and JBMMC. Pending final decision by the court on the reformation of instrument, which may give PMDC authority to sell in part or whole the equipment contained as part of the Victory Tunnel, income to PMDC from such sale is deferred.

16. CAPITAL STOCK

The initial 100,000 shares of stock (par value of P1,000/share) were fully subscribed by PNOC-EDC and DENR-NRDC. As at December 31, 2003, PNOC-EDC has fully paid its 45,000 shares worth P45,000,000 while DENR-NRDC has fully paid P55 000 000 worth of subscribed stocks in April 20, 2007 under Cash Receipt No. 1912.

In 2005, the Corporation's shares of stock was increased to 125,000 with NDC acquiring the additional 25,000 shares equivalent to P25,000,000 duly subscribed and paid for. Its subscription, which was approved by its Board of Directors in its Resolutions No. 02-0519 and 02-05-23, was covered by a Subscription Agreement dated March 22, 2005, while its advance of P25,000,000 against future subscription in NRMDC was supported by an Agreement dated August 12, 2005.

17. REVALUATION SURPLUS

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

18. REVENUES

The Corporation mainly derived its revenues from commitment fees from the Awarded Mining Tenements, royalty and commitment fees from the Dinagat Nickel-Chromite project, and other items, as follows:

Particulars	2011	2010	2009 As Restated
Commitment and Royalty Fees:			
Commitment Fees — Mining Tenements	5,000,000	99,355,000	45,400,857
Royalty - Dinagat Nickel and Chromite Project	33,727,225	12,085,425	-
Other Income	354,431	6,720,084	708,860
Interest Income (net of final tax)	840,746	1,079,871	80,781
Foreign exchange gain	-	183,845	
Total Revenues	39,922,402	119,424,225	46,190,498

Also, for reporting purposes, all prior year related items of revenue have been reclassified to current period reporting (prospective basis) in line with Note 20 in accordance with Philippine Accounting Standard (PAS) No. 8.

19. EXPENDITURES

This consists of:

Particulars	2011	2010	2009 As Restated
Employee Compensation and Benefits	16,950,450	17,027,209	18,337,347
Purchased Services and Utilities (for CY 2011, includes COA audit fees accrual)	3,155,407	4,912,970	3,578,100
Materials and Supplies	(1,007,664)	1,606,444	1,503,200
Rentals, Insurance, Taxes, and Licenses	20,496,983	6,323,065	2,186,300
Other Employee Costs	2,064,265	3,084,490	2,036,183
Business Expenses	3,317,353	2,737,005	1,557,332
Depreciation	7,329,468	6,880,093	2,830,900
Maintenance and Repairs	184,708	294,392	250,381
Miscellaneous Expense	84,936	1,104,096	868,493
Interest Charges/Surcharge	10,022,455	25,214,992	7,112,558
Bank Charges	413,162	612,396	14,040
Foreign Exchange Loss	338,585	-	640
Provision for income taxes	15,025,236	1,677,889	-
Total Expenditures	78,375,344	71,475,041	40,275,474

Similar to the revenues, for reporting purposes, all costs applicable to prior years have been reclassified to current period reporting (prospective basis) in line with Note 20 in accordance with Philippine Accounting Standard (PAS) No. 8.

20. RECLASSIFICATION OF ACCOUNTS

For the reporting periods of Calendar Years 2011, 2010 and 2009, PMDC has restated items previously summarized in the Statement of Changes in Net Worth under the heading of Correction of Prior Period Errors. The account consists of all the expense and revenue items that relate to previous years. Starting CY 2011, PMDC in its reporting protocol will consider said prior year transactions as part of current reporting (prospective basis) in line with applicable provisions of Philippine Accounting Standard (PAS) No. 8.

21. OTHER DISCLOSURES (as required per BIR RR No. 15-2010)

In compliance with the requirements set forth by the RR 15-2010 hereunder are the information on taxes, duties, and license fees paid or accrued during the taxable years of 2010-2011.

- a. The company is a VAT-registered company with VAT output tax declarations of P11,893,774 for 2010 and P4,154,451 for 2011 based on the amount reflected in the revenues of the company of P99,114,785 for 2010, and P34,620,424 for 2011. The said amount was reported to the BIR per Quarterly Value-Added tax forms submitted on January 25, 2011 for 2010 and January 24, 2012 for 2011, respectively.

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

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

	2011	2010
Beginning of the year		
Current year's purchases:		
Domestic purchases of good other than capital goods	166,047	446,545
Domestic purchases of services	283,095	481,758
Total	449,142	928,303

- c. There are no importations made by the company during the taxable year.
- d. The company had no excise tax due on sales of minerals as it is not engaged in sales of such minerals. The company, as stated in Notes to FS Nos. 2 and 18, is engaged in promotion and marketing of the government's idled mining claims to the private sector for their technical diligence, investment and eventual operations.
- e. There are no documentary stamp taxes paid/accrued by the company during the taxable year as PMDC has not secured any indebtedness nor issued any shares of stock for funding needs.
- f. PMDC incurred a total of P20,496,983 and P6,323,065 on rentals, insurance, taxes fees and licenses for calendar years 2011 and 2010, respectively. Details is as follows:

Particulars	2011	2010
Rentals, use of power, light and water at PSE Tektite Office; fees/dues/other charges for parking space, and rentals of motor vehicle and microcomputers and office equipment as well as web hosting costs	2,104,674	2,354,856
Fidelity bonds and premiums	55,591	24,851
DBP fees on loan imposition	196,956	325,601
NDC loan related fees	730,000	-
Subtotal - Rentals, Insurance, Taxes and Licenses	3,087,221	2,705,308
Taxes, fees and licenses:		
VAT costs for 2010 and 2011. and accrual for 2006	16,865,930	3,294,000
Occupational	6,180	3,480
Motor Vehicle Registration	35,820	57,656
Notarial and legal fees	7,342	3,960
Registration fees (Mines Bureau related)	-	2,750
Registration and filing fees - Batong Buhay Project area	-	63,570

Particulars	2011	2010
SEC listing and registration/BIR fees	129,502	1,700
Death certificates		660
Business permits and Barangay clearance	360,865	4,858
Business taxes	4,123	185,123
<i>Subtotal — Taxes, Licenses & fees</i>	17,409,762	3,617,757
Total	20,496,983	6,323,065

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

Tax/Related BIR Form	2011	2010
Income taxes withheld on compensation (1604C F)	2,816,412	2,599,248
Creditable income taxes withheld (expanded) (1604-E)	175,248	326,329
Total	2,991,660	2,925,577

h. The BIR issued a preliminary assessment notice dated January 6, 2011 to the company for various internal revenue tax liabilities noted from the BIR's audit of the 2007 calendar year financial statements of the company. The audit and discussions with the PMDC officials were completed sometime 2010, prior to the issuance of the said preliminary assessment notice on January 2011.

i. Various Bureau of Internal Revenue assessments, inclusive of the penalties and interest as of January 17, 2012 is as follows:

Item Assessed for CY 2007	Amount	Status
Minimum Corporate Income Tax for 2007 (principal and interest only) — remaining balance representing additional deficiency interest after PMDC payment of P768,848.96 (April 16, 2011 initial computation)	3,841	Pending
Value Added tax plus penalties	6,470,315	Pending
Withholding tax — compensation	2,945,181	Pending
Expanded withholding tax	2,136,306	Pending
Final withholding tax - VAT	3,014,702	Pending
Excise tax - principal & interest — remaining balance after PMDC payment of P7,276.30 (see note below)	6,526	Pending
Documentary stamp tax (DST) — JBMMC share (see note below). The PMDC paid the DST of P261,875 3,434,252 for its 2005 increase in capital stock		Pending
Total	18,011,123	

* Pending as the reconciliation and review of the variances is still on-going with the BIR. See also item j below for PMDC effort for relief.

With regard to the portion of the documentary stamp tax (DST) assessment, a portion of such was due to the issuance of a MOA with the JB Management Mining Corporation (JBMMC) for the 2003 purchase of the Victory Tunnel of the Diwalwal Mineral Reservation area, intended for the PMDC's core drilling and gold reserves' validation efforts. Accordingly, in January 2011 PMDC

informed the JBMMC of said requirement for the JBMMC to pay the DST, it being the selling entity of the facility to the PMDC.

The PMDC, also, in its own letter dated January 3, 2011 to the BIR Large Taxpayers Service (received by the BIR on January 14, 2011), had paid by way of the e-payment mode of the Minimum Corporate Income Tax, Excise Tax, and Documentary Stamp Tax (DST) applicable for the increase in PMDC capital stock on 2005 for a total amount of P1,038,000. The other issues, i.e. the VAT items, are still being discussed with the BIR officials as of this time.

In addition to the CY 2007 assessment detailed above, the BIR had also filed a Warrant of Distraint and/or Levy (WDL) totaling P11,048,658 for CY 2006 applicable to VAT (total inclusive of penalties and interest of P2,871,445) and Income Tax items (total also inclusive of penalties and interest of P8,177,213). The assessment pertains to purchases of goods and services in 2006 for which the PMDC had not made the applicable withholdings and remittances. From the BIR's computerized matching (of sales and purchases of vendor/contractor entities and PMDC), these non-withholdings were deduced to have a sales equivalent of 50 percent, from which the VAT and income tax assessments were based. PMDC contested the assessment in its detailed July 7, 2011 explanatory package to the bureau, however, the latter maintained its position and issued on August 1, 2011 (received on August 17, 2011 by PMDC) the WDL for P11.048 million. Upon discussions with the BIR officers, PMDC applied for compromise agreement and paid the amount of P1,582,686 representing 40 percent of the Income tax Liability of P3,956,716 applicable for CY 2006 on April 30, 2012.

Further, for CY 2011, the BIR in its April 11, 2012 Collection Letter, also assessed PMDC a total of P4,841,392 for VAT. Out of this assessment, PMDC paid in protest and for tolling future penalty purposes, a total of P3,890,065 (basic tax of P3,705,308 and interest of P184,757), even as its appeal to the CTA on applicability of VAT assessment is on-going.

- j. On February 16 2012, the PMDC through its legal counsel, the Office of the Government Corporate Counsel (OGCC), filed an appeal for the CY 2007 assessment to the Court of Tax Appeals and paid the amount of P155,610 as filing fee.