

PHILIPPINE MINING DEVELOPMENT CORPORATION
(FORMERLY NATURAL RESOURCES MINING DEVELOPMENT CORPORATION)
BALANCE SHEETS
As at December 31, 2009 and 2008
(With corresponding figures for 2007)

	Notes	2009	2008	2007
ASSETS				
Current Assets				
Cash	4	22,795,004	7,166,283	7,834,129
Receivables	5	424,211	5,358,213	483,028
Inventories	3.c/6	4,152,382	3,432,181	
Deposit for Contractual Obligation		812,400		461,579
Total Current Assets		28,183,997	15,956,677	8,778,736
Non-current Assets				
Property, Plant and Equipment - Net	3.b/7	20,787,814	20,882,185	17,952,738
Exploration and Evaluation Assets	3.a/8	264,882,761	264,093,012	264,089,475
Deferred Charges	9	4,793,491	3,980,284	2,836,164
Other Assets	10	132,378	1,035,097	102,978
Total Non-current Assets		290,596,444	289,990,578	284,981,355
TOTAL ASSETS		318,780,441	305,947,255	293,760,091
LIABILITIES AND NET WORTH				
Current Liabilities				
Payables	3.d/11	13,644,550	15,740,327	27,051,103
Due to NGA and GOCCs	12	1,671,367	3,560,426	2,010,170
Other Payables - Trust Liabilities	13	10,079,466	3,742,124	2,789,627
Current Portion of Long-term Debt				57,755,720
Total Current Liabilities		25,395,383	23,042,877	89,606,620
Non-current Liabilities				
Long-term Debt	14	155,000,000	140,976,890	56,748,876
Other Deferred Credits	15	4,322,550	13,780,004	6,322,550
Total Non-current Liabilities		159,322,550	154,756,894	63,071,426
Net Worth		134,062,508	128,147,484	141,082,045
TOTAL LIABILITIES AND NET WORTH		318,780,441	305,947,255	293,760,091

The notes on pages 7 to 20 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, 2009 and 2008
(With corresponding figures for 2007)

	Notes	2009	2008	2007
REVENUES	3.e/18			
Commitment and Royalty Fees		45,400,857	25,042,546	22,572,770
Sale of Minerals from Incidental Mining			1,138,625	2,057,607
Interest Income - Net		80,781	62,230	112,408
Other Income		708,860	43,299	314,434
Total Revenues		46,190,498	26,286,700	25,057,219
NET REVENUES (LOSS)		5,673,744	(14,319,121)	(38,033,537)

The notes on pages 7 to 20 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, 2009 and 2008
(With corresponding figures for 2007)

	Notes	2009	2008	2007
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
EVALUATION SURPLUS	17			
Appraisal Increment of Exploration and Evaluation Assets		144,415,500	144,415,500	144,415,500
DEFICIT				
Balance at Beginning of Year		(141,268,016)	(128,333,455)	(88,080,714)
Net Revenues (Loss)		5,673,744	(14,319,121)	(38,033,537)
Correction of Prior Period Errors		241,280	1,384,560	(2,219,204)
Balance at End of Year		(135,352,992)	(141,268,016)	(128,333,455)
WORTH		134,062,508	128,147,484	141,082,045

The notes on pages 7 to 20 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, 2009 and 2008
(With corresponding figures for 2007)

	Notes	2009	2008	2007
Cash Flows from Operating Activities				
Commitment/Management Fees - Mining Tenements	2	40,996,767	6,500,000	17,288,317
Royalty - Dinagat Communal Zone	2		18,000,000	5,284,453
Advance Royalty Fee	15		3,000,000	5,000,000
Sale of Minerals from Incidental Mining	18	-	1,138,625	2,070,703
Bid Documents/Security and Performance Bond	2	7,252,684	956,592	2,493,900
Income from Assay Charges, Auctioned Ore	18	773,871	51,573	119,569
Refund of Unused Cash Advances		244,647	425,017	786,903
Interest from Bank Deposits		70,082	51,955	112,408
Cash Paid to Suppliers and Employees		(35,780,022)	(49,259,304)	(52,411,278)
Royalty Paid to Indigenous People			-	(13,096)
Cash Advance for Travel and Emergency Payroll			(2,666,787)	(1,954,458)
Commitment Charges on loan		(95,222)	(125,243)	
Prior Years' Adjustments		(32,805)	(556,284)	
NET CASH PROVIDED BY (USED IN) OPERATING		13,430,002	(22,483,856)	(21,222,579)
Cash Flows from Investing Activities				
Receipts from Disposal of Property				1,543,736
Acquisition of Property and Equipment		(5,860,797)	(13,986,260)	(616,884)
Cost of Exploring Mining Properties		(2,073,814)		(1,720,680)
NET CASH USED IN INVESTING ACTIVITIES		(7,934,611)	(13,986,260)	(793,828)
Cash Flows from Financing Activities				
Long-term Loan from DBP	2	14,023,110	35,798,803	
Receipts from Stockholders for Equity of PMDC	1	-	-	25,000,000
Payment of Interest on Long-term Loan - DBP		(3,889,140)		(1,737,315)
Payment of Long-term Debt		-		(1,063,638)
NET CASH PROVIDED BY FINANCING ACTIVITIES		10,133,970	35,798,803	22,199,047
NET INCREASE (DECREASE) IN CASH		15,629,361	(671,313)	182,640
Effect of Exchange Rate Changes		(640)	3,467	
CASH, BEGINNING OF YEAR		7,166,283	7,834,129	7,651,489
CASH, END OF YEAR		22,795,004	7,166,283	7,834,129

The notes on pages 7 to 20 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 PNOCEnergy 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, PMDF.- (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 — Privatization and Management Office (PMO). Of the six projects initially identified to be possible points of cooperation and focus for PMDC's attention, only the North Davao and Batong Buhay mining projects were 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 (mineral claim) 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 areas 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. 2005-13 (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 evaluation and 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 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 upon 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 2008-2009, PMDC's corporate focus was on determining by scientific method the gold and related economic potentials of the Diwalwal Mineral area, and conducting basic geological diligence on both the transferred DOF-PMO mining projects (North Davao, Batong Buhay areas) and the 65 mineral tenements for *subsequent* investors' offerings.

Accomplishments 2008-2009

For CY 2008, PMDC's major corporate accomplishments were:

1. Obtained the approval of a total of P450 million loan, medium-term in scope, from the Development Bank of the Philippines (DBP) in order to pursue the development objectives for the Balite Gold Vein Project in the Diwalwal Mineral Reservation. Out of the initial tranche of P50 million, P36 million (inclusive of bank fees and charges) was released in the 3rd and 4th quarter of 2008. These funds were used in part for resource diligence efforts, acquisition of fixed assets and for working capital needs.
2. Bidded out three lots of chromite bearing property located in Magdiwang, Romblon, Maydulong in Eastern Samar and Lagonoy, Camarines Sur and two lots with gold ore in Paracale, Camarines Norte and Itogon, Benguet.
3. Continued to coordinate with the Department of Public Works and Highways for the improvement of the 20 kilometer Monkayo-Diwalwal road and the access road to the PMDC Portal area. The road project was deemed necessary to enhance both transportation access, improve security conditions and prepare for possible commercial development of the mineral area.
4. Continued to implement its Corporate Social Responsibility agenda focusing on providing medical and dental services to the community, and providing 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.
5. Secured an upgrading in Board of Investments (B01) registration (from an exploration to a gold producing company) in May 2008. Earlier, on October 28, 2005, PMDC was

issued Certificate of Registration No. 2005-162 as a gold exploration company. The registration was intended to support the activities of gold exploration and data gathering efforts, all as prelude to preparation of the Pre-Feasibility Study (PFS) that will be the technical and financial blueprint for the development of the location.

Subsequently, on May 30, 2008, PMDC's Certificate of Registration No. 2008-111 with the BOI was upgraded to that of a gold mining and refining company, i.e. New Gold Producer. This entitled the company to an income tax holiday commencing 2011, exemption from custom duties for importations of capital assets related to the mining operations and others. The benefits and tax incentives are only applicable on commercial operations relating to the bulk tonnage gold mining and refining efforts.

6. From the Dinagat Nickel-Chromite Project, particularly in Parcels 1 (Loreto area) and 2B (Libjo, Basilisa area), chromite ores with a volume of 5,958 dry metric tons (DMT) and 6,681.983 DMT, respectively, were extracted and shipped out by AAM-PHIL Natural Resources Exploration and Development 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 2009, the accomplishments were:

1. PMDC was able to award a total of nine parcels of mining property during the year. The first five pieces of mining property covering gold, copper-gold, silica, limestone and chromite prospects were awarded in May 2009 to an equal five bidders, followed by the successful bid-outs of another four areas (again for gold, chromite, copper and limestone possibilities) in November 2009. These mining assets are:
 - Pantukan Alluvial Gold (Compostela Valley)
 - Rogongon Copper/Gold (Iligan City, Lanao Del Norte)
 - Palawan Silica (Bo. Tagbita, Quezon, Palawan)
 - San Fernando Silica (San Fernando, Cebu)
 - Malitbog Chromite (Bukidnon)
 - Itogon Gold (Benguet)
 - Lagonoy Chromite (Camarines Sur)
 - Toledo Copper (Toledo City)
 - Pinamungahan Limestone (Cebu)
2. For the Diwalwal Mineral area, the Upper Ulip-Paraiso Gold Project was awarded to the Paraiso Consolidated Mining Corporation (PACOMINCO), a local consortium in June 2009.
3. The North Davao Mining area was publicly bid 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 currently pending.
4. On November 16, 2009, the PMDC Board of Directors 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.

5. For CY 2009, AAM-PHIL of the Dinagat Nickel-Chromite Project extracted and shipped out chromite ores from Parcel 1 with a volume of 5,033 DMT and in Parcel 2B with a volume of 3,309.672 DMT.
6. In terms of government financing, PMDC obtained the P12 million balance of the P50 million loan from Development Bank of the Philippines for the Diwalwal Gold Project. As noted in PY 2008, a total medium-term loan package of P450 million was awarded, but on account of the inability of the PMDC stockholders in 2009 to come up with the required increase in equity for the company, the DBP only released the first P50 million for the efforts earlier cited.
7. PMDC continued cooperation and linkage efforts with the Department of Public Works and Highways for the improvement of the 20-kilometer Monkayo-Diwalwal road and the access road to the PMDC portal area.

PMDC continued to implement its Corporate Social Responsibility agenda focusing on providing medical and dental services to the community, and providing 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. 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.

b. 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 5-
Laboratory Equipment	0 years

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

c. 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.

d. 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	2009	2008	2007
Cash in Bank:			
Land Bank of the Philippines			
DECS	6,096,512	1,747,835	6,773,772
North Avenue Branch (Peso)	5,307,088	2,850,744	413,013
North Avenue Branch (Dollar)	26,125	26,666	22,966
Bajada Branch	163,496	167,142	272,525
Tagum Branch	-	-	10,035
Surigao Branch	-	100	1,524
Development Bank of the Philippines			
Camp Crame	-	2,066,562	25,092
Camp Aguinaldo	10,966,516	-	-
Petty Cash Fund			
Head Office	35,8991	-	-
Davao Field Office	199,368	307,234	315,202
Total Cash	22,795,004	7,166,283	7,834,129

Petty Cash Fund is granted for emergency purchases in the amount of P200,000 for Head Office and P75,000 each for Davao Field Office and the Depot Staff house.

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

Particulars	2009	2008	2007
Cash on Hand and Balances with Banks	22,795,644	7,162,817	8,263,536
Effect of Exchange Rate Changes	(640)	3,466	(429,407)
Cash as Restated	22,795,004	7,166,283	7,834,129

5. RECEIVABLES

This comprises mainly of cash advances to employees, and non-trade receivables from contractors (for fuel withdrawals) and a minor micro-financing for livelihood projects in the Diwaiwal Area. For CY 2008, royalty from Dinagat Nickel-Chromite (Parcels 1 & 28) was also part of the account, detailed as follows:

Particulars	2009	2008	2007
Dinagat Royalty		5,000,000	
Advance Expense Funds:			
Local Travel	170,868	212,180	264,795
Emergency Laborers Payroll	4,014		49,885
Other Business Expense	111,878	34,000	
Receivable from Officers and Employees	40,82	39,042	56,269
Receivables-PMDC Cooperative			50,000
Fuel Withdrawals (for hauling activities) and	96,629	72,991	62,079
Total Receivables	424,211	5,358,213	483,028

6. INVENTORIES

This account in the total amount of P4,152,382 for 2009 and P3,432,181 for 2008 pertains to inventory of supplies and materials on stock, mostly construction materials for concreting of tunnel, tires of Load-Haul-Dump (LHD)/Low Profile Truck (LPT) vehicles, water pipes and other mining supplies and materials.

7. PROPERTY, PLANT AND EQUIPMENT - NET

This account consists of the following:

Particulars	Mabatas Interim Dam Facilities	Property and Equipment	Incomplete Construction	Total
Cost:				
January 1, 2008	8,678,422	14,175,863	769,703	23,623,988
Additions		5,062,688	189,143	5,251,831
De-recognition in Books (Distributed to Proper Accounts)		769,703	(769,703)	
December 31, 2008	8,678,422	20,608,254	189,143	28,875,819
Additions	-	2,957,955	-	2,957,955
Adjustments	(19,550)	(6,800)	(189,143)	(215,493)
December 31, 2009	8,658,872	22,959,409	-	31,618,281
Less Accumulated Depreciation				
January 1, 2008	-	5,671,250	-	5,671,250
Depreciation during the year	-	2,322,384	-	2,322,384
December 31, 2008	-	7,993,634	-	7,993,634
Depreciation 2009	-	2,836,833	-	2,836,833
December 31, 2009	-	10,830,467	-	10,830,467
Net Book Value - Dec. 31, 2009	8,658,872	12,128,942	-	20,787,814
Net Book Value - Dec. 31, 2008	8,673,422	12,014,620	189,143	20,882,185
Net Book Value - Dec. 31, 2007	8,678,422	8,504,613	769,703	17,952,738

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	2009	2008	2007
Victory Tunnel and Mining Equipment	225,193,750	224,415,500	224,415,500
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	1,859,683	1,848,184	1,844,647
Underground Rehabilitation of Victory Tunnel	385,286	385,286	385,286
Total Exploration and Evaluation Assets	264,882,7611	264,093,012	264,089,475

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 are 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 listed 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.

9. DEFERRED CHARGES

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

Particulars	2009	2008	2007
North Davao Mining Project	2,833,331	2,395,194	2,508,149
Mining Tenements	44,703	595,597	-
Dinagat Nickel-Chromite Project	-	-	-
Batong Buhay and Other Projects	1,693,37.9	989,493	328,015
Higanteng Bato Area	78,048	-	-
Letter V Area	144,030	-	-
Total Deferred Charges	4,793,491	3,980,284	2,836,164

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 2009 and 2008 follow:

Particulars	2009	2008	2007
Guarantee Deposit for Leasehold Contracts	-	932,119	-
Deposit for Account of Contract	106,878	89,478	89,478
Deposit on Returnable Containers	25,500	13,500	13,500
Total Other Assets	132,378	1,035,097	102,978

11. PAYABLES

This consists of:

Particulars	2009	2008	2007
Vouchers Payable	2,857,674	8,587,418	18,432,302
Accounts Payable	616,374	-	459,702
Accrued Interest – Long-Term Debt	10,158,332	7,108,332	7,108,332
Due to Employees	12,170	44,577	1,050,767
Total Payables	13,644,550	15,740,327	27,051,103

12. DUE TO NGA AND GOCCs

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

Particulars	2009	2008	2007
<i>Bureau of Internal Revenue -</i>			
Withholding Income Tax Payable	960,480	1,822,871	1,131,731
Expanded Withholding Tax	377,653	795,524	424,293
Value Added Tax	305,731	825,457	330,900
<i>Social Security System -</i>			
Premium Contributions Payable - Employees' Share	(228)	36,271	39,987
Loans Payable	(1,229)	5,771	23,454
<i>Pag-IBIG Fund -</i>			
Contributions Payable	6,634	15,647	18,577
Loans Payable	10,857	43,579	21,597
<i>PHILHEALTH</i>			
Contributions Payable-Employees' Share	11,469	15,306	19,631
Total Due To NGA and GOCCs	1,671,367	3,560,426	2,010,170

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 2009 and 2008 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 P9,598,934 for 2009 and P3,261,592 for 2008.

14. LONG-TERM DEBT

This consists of:

Particulars	2009	2008	2007
JB Victory Tunnel	55,000,000	55,000,000	55,000,000
National Development Company	50,000,000	50,000,000	
Development Bank of the Philippines	50,000,000	;35,976,890	
Sandvik Tamrock			1,748,876
Total Long-term Debt	155,000,000	140,976,890	56,748,876

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.

A review of the provisions of the MOA and possible adjustment is currently on-going in the light of the recommendations from the Commission on Audit, and in consideration of the business environment and operational conditions in the project site. The review is currently in progress, and the probable outcome and its effects on the existing MOA are not determinable at the present. Reformation of the MOA will be undertaken, if warranted.

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 are subject to 12 percent interest per annum, payable in semi-annual instalments. Interest incurred for this long-term debt amounted to P10,158,332 in 2009 and P7,108,332 in 2008.

The said two NDC loans were initially classified in the 'current liabilities section in 2007 financial reporting, on account of their existing terms of two years. However, PMDC is presently in ongoing 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 realized as expected, PMDC was not able to realize the amount needed for settlement of the loans, thus the ongoing discussions.

Of the P50,000,000 loan from DBP (1st tranche), a total of P35,976,890 (net of other charges/fees by the bank) was released starting July 2, 2008 for the 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, 2009, the availed portion stands at P50,000,000.

15 . OTHER DEFERRED CREDITS

A substantial portion of this account in 2008 represents P12,457,454 advances in royalties for the Dinagat Nickel-Chromite Project from AAM-PHIL Natural Resources Exploration and Development Corporation and Pacific Nickel.

Additional other deferred credits in 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 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.

For CY 2009, the account has a balance of only P 4,322,550.

16. CAPITAL STOCK

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

In 2005, the Corporation's shares of stock were 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. 02-05-19 and 02-05-23, was covered by a Subscription Agreement dated March 22, 2005, while its advance of P25,000,000 against future subscription in 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 P179,012,500 and P224,415,500, respectively, retrospective as at December 23, 2003 and November 15, 2007, based on replacement cost.

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, sale of ores from incidental mining, and other as follows:

Particulars	2009	2008	2007
Commitment and Royalty Fees:			
Commitment Fees — Mining			
Tenements	45,400,857	6,500,000	17,288,317
Royalty - Dinagat Nickel-Chromite Project	-	18,542,546	5,284,453
Sale of Minerals from Incidental Mining			
Gold	-	1,041,005	1,921,107
Silver	-	97,620	136,500
Other Income	708,860	39,833	314,434
Interest Income	80,781	62,230	112,408
Foreign Exchange Gain	-	3,466	-
Total Revenues	46,190,498	26,286,700	25,057,219

19. EXPENDITURES

This consists of:

Particulars	2009	2008	2007
Employee Compensation and Benefits	18,337,347	19,696,110	23,331,619
Purchased Services and Utilities	3,578,100	5,997,100	8,653,134
Materials and Supplies	1,503,200	2,764,903	8,170,938
Rentals, Insurance, Taxes, and Licenses	2,186,300	3,048,872	4,544,726
Other Employee Costs	2,036,183	1,915,854	4,134,881
Business Expenses	1,557,332	1,866,556	3,228,106
Depreciation	2,830,900	2,221,290	2,254,372
Maintenance and Repairs	250,381	1,121,623	1,332,338
Miscellaneous Expense	1,109,773	641,039	228,240
Interest Charges/Surcharge	7,112,558	989,203	7,003,789
Bank Charges	14,040	182,424	32,754
Foreign Exchange Loss	640	-	82,049
Loss on Pre-terminated Contract	-	104,245	-
Other Charges	-	56,602	93,810
Total Expenditures	40,516,754	40,605,821	63,090,756