APEX MINING CO., INC.
Masara, Maco, Davao de Oro

2019 Annual Report

TABLE OF CONTENTS

3 2019 Highlights

4 Company Profile

5 Chairman's and President's Message

8 Maco Gold Mine

10 Operation's Report

14 Corporate Social Responsibility

20 Environmental Protection

24 Itogon-Suyoc Resources, Inc.

27 Monte Oro Resources & Energy, Inc.

30 Audited Financial Statements


Apex Mining Co., Inc. and Subsidiaries

Consolidated Financial Statements
December 31, 2019 and 2018
and Years Ended December 31, 2019, 2018 and 2017

and

Independent Auditor's Report

112 Board of Directors

114 Executive Officers

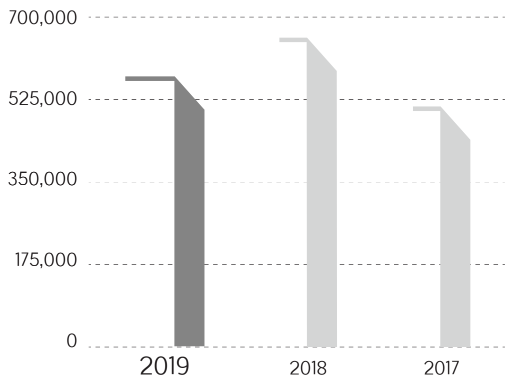
115 Corporate Directory

ABOUT THE COVER

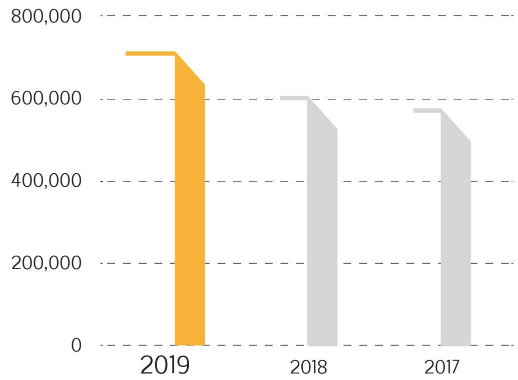
In line with the Company's mission and vision, the cover depicts the three major social commitments of the Company to its stakeholders - protect and preserve the environment, support community development and economic sustainability, and respect and support Indigenous People.

2019 HIGHLIGHTS

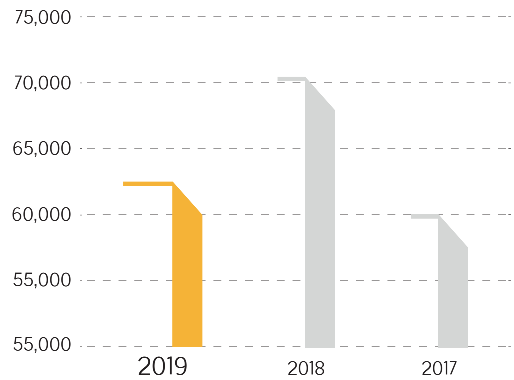
Ore Mined 573,611
Tonnes



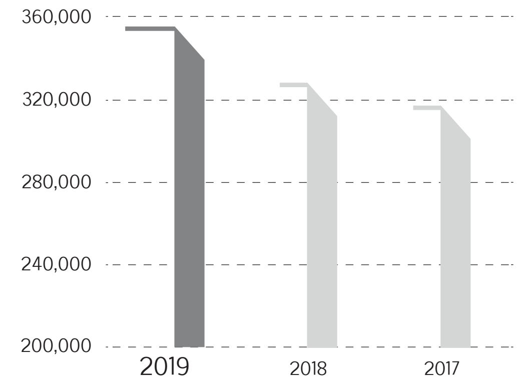
Ore Milled 711,788
tonnes



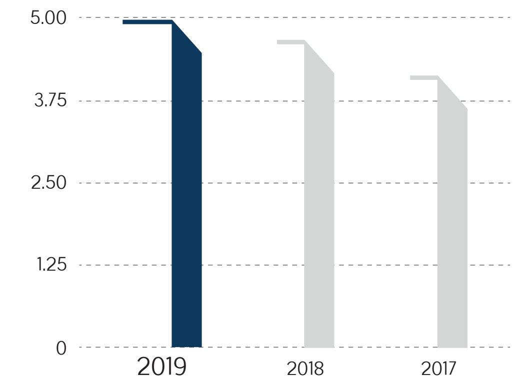
Gold Production 62,468
ounces



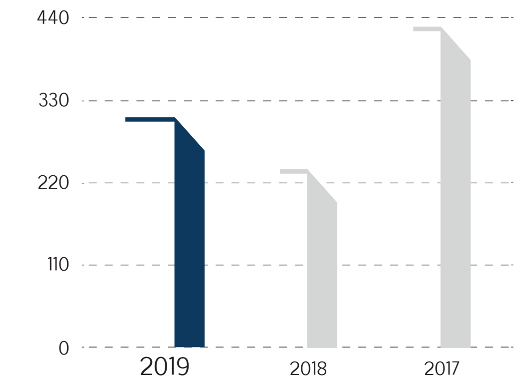
Silver Production 353,628
ounces



Gross Revenue 5.0
Php billion



Net Income 306
Php million



COMPANY PROFILE

Apex Mining Co., Inc. was incorporated and registered with the Philippine Securities and Exchange Commission in February 1970 primarily to carry on the business of mining and related activities. Its shares are listed in the Philippine Stock Exchange since March 1974 under the symbol APX. Apex owns and operates the Maco Gold Mine in Davao De Oro located in Southern Mindanao.

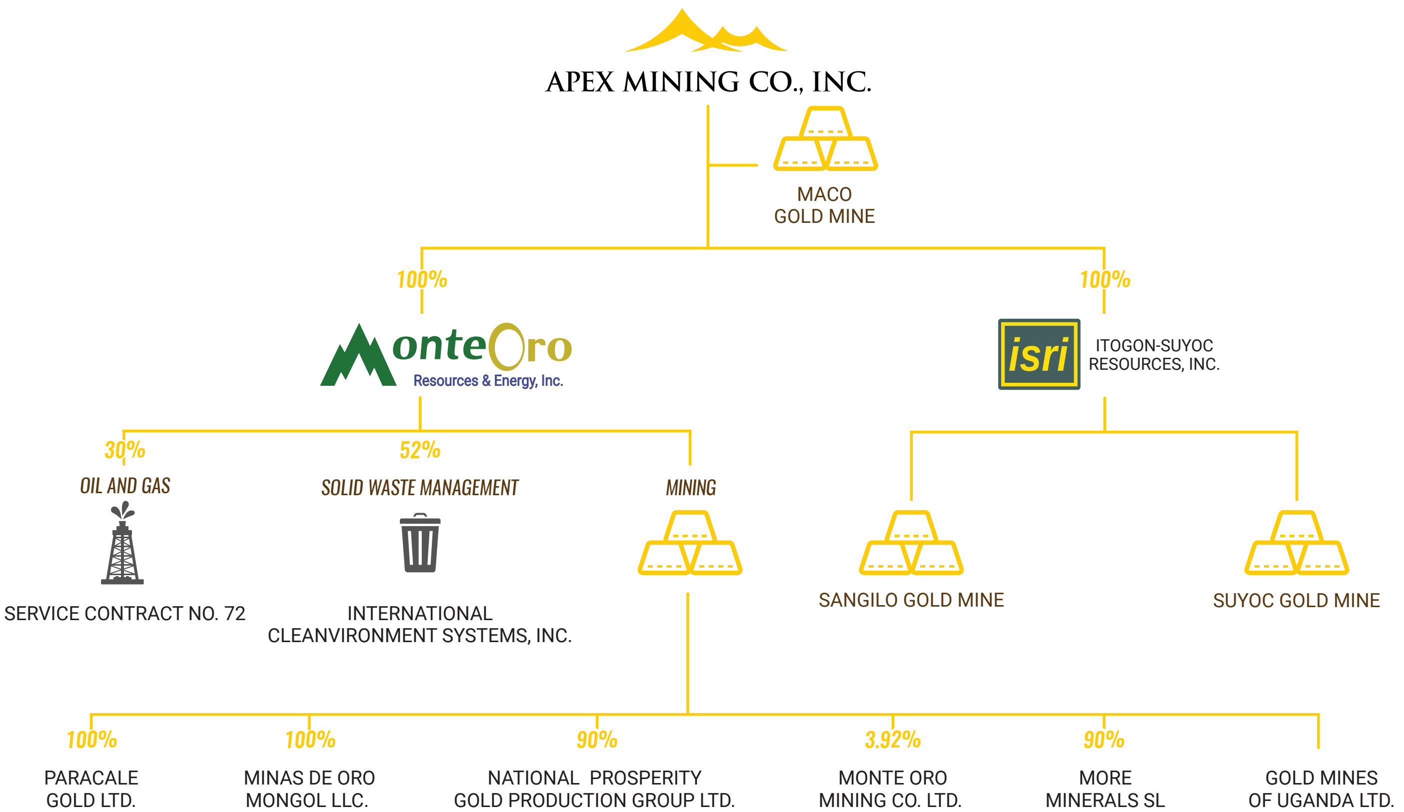
A wholly-owned subsidiary acquired in 2015, Itogon-Suyoc Resources Inc., owns the Sangilo Mine in Itogon, and the Suyoc Mine in Mankayan, both gold mines located in Benguet Province.

A wholly-owned subsidiary acquired in 2014, Monte Oro Resources & Energy, Inc. (MORE) holds a 30% participating interest in Service Contract 72 (SC72) covering the Sampaguita natural gas field offshore northeast of Palawan. MORE also has several mining interests and projects located in and outside of the Philippines, as well as a 52% interest in a domestic company in solid waste disposal management.

MISSION AND VISION STATEMENT

To promote the well-being of all stakeholders by embracing safety as a way of life, achieving world class environment standards, and upholding a holistic approach to wellness.

This we do with care and sincere commitment to realize a sustainable, responsible, and globally recognized mining company.



CHAIRMAN'S AND PRESIDENT'S MESSAGE

We are pleased to report the continued earnings growth of your Company during 2019; with revenues reaching record highs, thanks in no small part to the milling throughput and recovery rates achieved by the Maco mine in Davao de Oro.

Consolidated net income of the Apex Group stood at P306 million, against last year's P239 million, or 28% higher. On a solo basis, the Company earned an income of P351 million, surpassing 2018's by P19 million or 6%. This came from a revenue of P5.0 billion, the highest thus far generated by your Company. Contributing to this year's revenue were the stronger metal prices that prevailed in the second half of the year, which brought the average gold price to $1,389 per ounce and that of silver to $16.14 per ounce.

A record milling throughput of 2,063 tonnes average per day was achieved, which aggregated to 711,788 tonnes for the year. The high tonnage helped compensate for the lower average ore grade of 3.19 gold grams per tonne and 20.47 silver grams per tonne, extracted from the leaner zones of the mine. By year end, gold sold was 2% lower at 64,763 ounces than last year, with silver being 22% higher at 369,616 ounces.

Cash operating costs rose by 7% to P2.7 billion, mainly because of the increase in milling tonnage. On an average per tonne basis, however, the costs decreased to $74 from $79 in 2018. With a lower ore grade for this year, the equivalent cost per ounce increased by 11% to $813 from $731 in 2018. The year ended with improved cash operating income of P2.0 billion.

Capital expenditures for the year amounted to P1.7 billion, contributing part of the higher non-cash charges for depreciation and amortization of P691 million - an increase of 23%. Similarly, depletion was 6% higher at P562 million, largely on account of the higher milling tonnage.

The Maco mine's declared ore resources and reserves have been updated in the reports issued by accredited competent persons in compliance with the Philippine Mineral Reporting Code, with notable improvements over the latest reports issued in 2017. As of October 1, 2019, ore resources totaled 5.92 million tonnes with the average grade of 5.0 grams per tonne at the cut-off grade of 1.5 grams per tonne. As of March 31, 2020, ore reserves totaled 1.9 million tonnes with the average grade of 6.3 grams per tonne at the cut-off grade of 3.0 grams per tonne. Conceived in the previous year, extensive development of the mine is in full swing.

True to your Company's commitment to its corporate social responsibility, a total of P59.3 million was spent on social development and management programs. Of this amount, P45.2 million was allotted for the development of the Maco mine's host and neighboring communities and the Indigenous People. This included access to health facilities and medical services, housing facilities, educational support, livelihood programs and public infrastructure. P8.5 million was allotted for information, education and communication programs, while another P5.7 million for the development of mining technology and geosciences.

For environmental protection and enhancement programs, your Company provided P87.9 million, attaining a high percentage of accomplishment for its projects and activities, including active support for government programs including the National Greening Program, Adopt-an-Estero Waterbody Program, Geohazard Mitigations, and Adopt A Mangrove Forest. We work hand in hand on information and education campaigns for public awareness of your Company's activities and programs concerning the environment.

We would like to give special mention to the Platinum Achievement Award for Underground Mining Operations won by the Maco mine, among other awards, given by the President through the Presidential Mineral Industry Environment Awards Committee of the Department of Environment and Natural Resources. The mine was also awarded the distinction of the Safest Underground Operation during the 66th Annual National Mine Safety and Environment competition by the Philippine Mine Safety and Environment Association in cooperation with the Mines and Geosciences Bureau.

Meanwhile, the rehabilitation, repair and construction of the Sangilo mine in Benguet Province of your Company's wholly-owned subsidiary, Itogon-Suyoc Resources, Inc. (ISRI) proceeded in full swing to meet the mine's targeted commencement of commercial operation by 2020. The resource estimate done by an accredited competent person compliant with the Philippine Mineral Reporting Code indicates 19.0 million tonnes at the average grade of 3.29 grams per tonne. The estimate for the ore reserves compliant with the Code is still in process and is expected for completion by year's end. Exploration work and resource validation for the other mine of ISRI, the Suyoc mine in Mankayan, Benguet Province, is still ongoing.

Activities remained under moratorium at Service Contract 72 covering the Sampaguita natural gas deposit in the Reed (Recto) Bank in Northwest Palawan in which another wholly-owned subsidiary of your Company, Monte Oro Resources & Energy, Inc. (MORE) has a 30% interest. An initial meeting was held in October 2019 in Beijing, China by the Inter-Governmental Steering Committee jointly created by both governments to progress communication and coordination for the promotion of joint exploration projects in the

West Philippine Sea. The second meeting scheduled for early 2020 has been deferred because of health issues caused by the Novel Corona Virus (Covid-19).

We would like to take this opportunity to acknowledge the significant contribution to your Company by Dr. Walter W. Brown, who retired as President and CEO in June of 2019. His leadership, dedication and untiring efforts have helped achieve the continued success of the Company since 2013. We are fortunate and thankful that Dr. Brown has agreed to continue serving your Company as Chairman Emeritus, where he can share with us his expertise, unmatched experience, and wisdom.

We would like to also express our appreciation for the support generously provided to us by our stakeholders. We thank the Board of Directors, the officers and employees, our bankers, local government units, government regulatory agencies, suppliers and service providers. Most especially, we would like to thank you, our investors, for your faith and trust by which we are inspired to give no less than our very best for the Company's continued progress.

RAMON Y. SY
Chairman of the Board

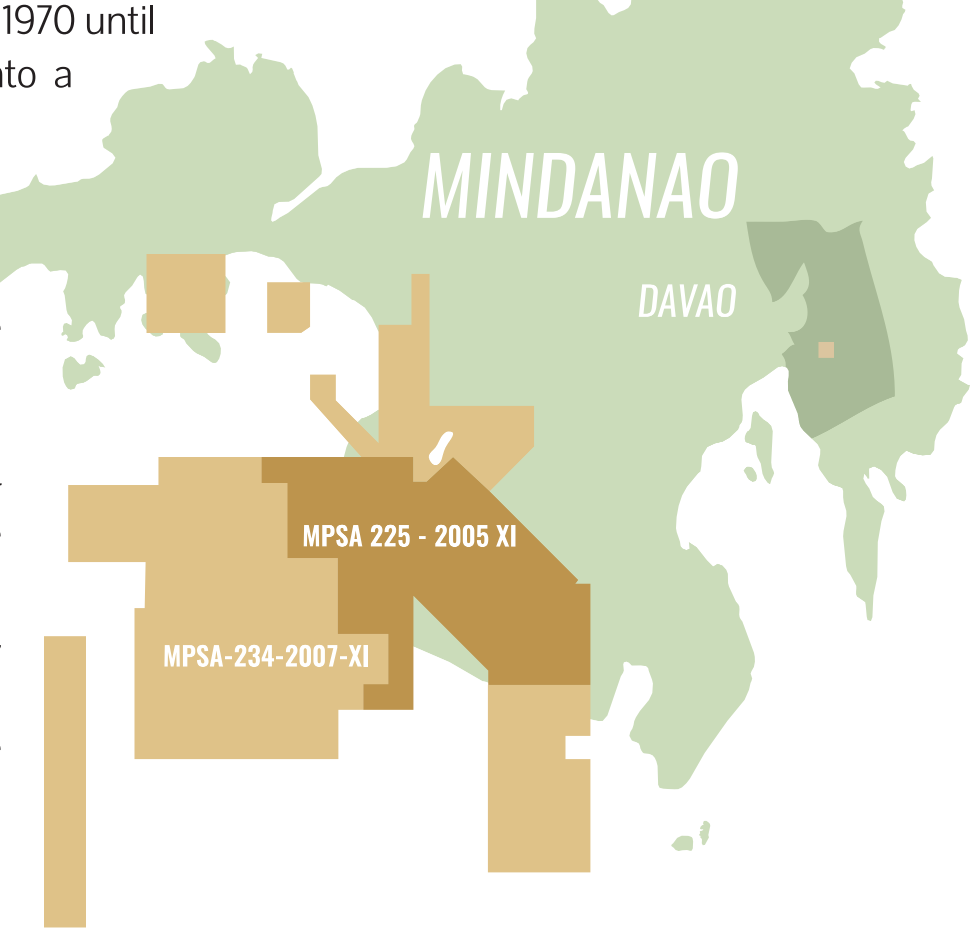
LUIS R. SARMIENTO
President & Chief Executive Officer

Apex Mining Co., Inc. (AMCI) officers received the Platinum Achievement Award for Underground Mining Operation (by PMIEA) and Safest Underground Operation Award (by PMSEA) at the 66th Annual National Mine Safety & Environmental Conference on November 22, 2019.

From left to right: Atty. Wilfredo G. Moncano, MGB Central Office Director; Mr. Joey Nelson R. Ayson, PMEA President; Mr. Luis R. Sarmiento, AMCI President & CEO; and Ms. Emelita G. Fabro, AMCI VP for Corporate Administration.

MACO GOLD MINE

The Maco Gold Mine is situated in the municipalities of Maco and Mabini in Davao De Oro, Southern Mindanao. The area is well known for its epithermal gold and porphyry copper deposits, and has a long history of production. The Maco mine initially operated as a copper mine from 1970 until 1975 when it was converted into a gold mining operation.



The mine is under two Mineral Production Sharing Agreements (MPSA) with the government, namely:

- MPSA 225-2005-XI – granted in 2005 covering 679 hectares, valid for a 25-year term until 2030, renewable for another 25 years thereafter; and
- MPSA 234-2007-XI – granted in 2007 covering 1,558 hectares, valid for a 25-year term until 2032, renewable for another 25 years thereafter.

Certifications


SOCOTEC CERTIFICATION INTERNATIONAL

CERTIFICATE

N° CIP/5304IQ/18/01/1031

certifies that:

Apex Mining Company, Inc.

Barangay Masara, Maco, Compostela Valley Province, Philippines

operates a management system that has been assessed as conforming to:

ISO 9001 : 2015

for the scope of activities:

Exploration, underground mining, milling and recovery of gold and silver using carbon-in-leach process; mine waste and mill tails management; and all support services.


SOCOTEC CERTIFICATION INTERNATIONAL

CERTIFICATE

N° CIP/5304IE/18/01/1031

certifies that:

Apex Mining Company, Inc.

Barangay Masara, Maco, Compostela Valley Province, Philippines

operates a management system that has been assessed as conforming to:

ISO 14001 : 2015

for the scope of activities:

Exploration, underground mining, milling and recovery of gold and silver using carbon-in-leach process; mine waste and mill tails management; and all support services.


SOCOTEC CERTIFICATION INTERNATIONAL

CERTIFICATE

N° CIP/5304IHS/18/01/1031

certifies that:

Apex Mining Company, Inc.

Barangay Masara, Maco, Compostela Valley Province, Philippines

operates a management system that has been assessed as conforming to:

OHSAS 18001 : 2007

for the scope of activities:

Exploration, underground mining, milling and recovery of gold and silver using carbon-in-leach process; mine waste and mill tails management; and all support services.

Estimated Mineral Resources

@Cut-off Grade of 1.5 gpt

Category	Grade (gpt)	Tonnes	Estimated Gold (oz)
Measured	5.8	380,000	70,000
Indicated	5.0	3,220,000	517,000
Subtotal	**5.1**	**3,600,000**	**587,000**
Inferred	4.8	2,320,000	358,000
Total	**5.0**	**5,920,000**	**945,000**

Lifted from "2020 MINERAL RESOURCE ESTIMATE OF THE GOLD VEINS WITHIN MPSA-225-2005-XI OF THE MACO MINE" report, prepared and submitted by Mr. Carlito A. Ausa, a registered Geologist with License No. 779 and is an accredited Competent Person on Exploration Results and Mineral Resource Estimation with the PMRC/Geological Society of the Philippines with CP Registration No. 19-01-01, compliant with the Philippine Mineral Reporting Code (PMRC).

Estimated Ore Reserves

@Cut-off Grade of 3.0 gpt

Category	Grade (gpt)	Tonnes	Estimated Gold (oz)
Probable	6.26	1,629,000	328,000
Proved	6.85	286,000	63,000
Total/Ave	**6.34**	**1,915,000**	**391,000**

Lifted from the Technical Report dated March 2020 on the economic assessment and ore reserve estimation prepared and submitted by Engr. Raul B. Cesar, a registered Mining Engineer with License No. 1709 and is an accredited Competent Person with CP Registration No. EM 01709-20/1, compliant with the Philippine Mineral Reporting Code (PMRC). The ore reserve is derived from, and not additional to, the declared Mineral Resource.

The Maco mine has three certifications:

ISO 9001: 2015 for Quality Management System

ISO 14001: 2015 for Environmental Management System, and

OHSAS 18001: 2007 for Occupational Health and Safety Assessment Series

These certifications were granted in March 2018 by Certification International. The scope of the certifications includes exploration; underground mining; milling and recovery of gold and silver using carbon-in-leach process; mine waste and mill trails management; and all support services, valid for three years until March 2021 subject to satisfactory results of annual audits.

OPERATION'S REPORT

MINING

Maco operation mined a total of 573,611 tonnes of ore during the year with an average grade of 3.74 grams gold per tonne. Ore delivered from the underground came from on-vein development drives, production longhole stopes, cut and fill stopes and conventional mining stopes from the Maligaya, Sandy, Maria Inez, Level 2, Masarita Barabadan Fern vein systems.

Mine development advanced a total of 14,816 meters, consisting of 8,561 meters on-vein and 6,255 meters off-vein development. Rock wastes were utilized to backfill stope voids or hauled to surface as materials for the Lumanggang TMF dam build up.

MILLING

Milling throughput in 2019 totaled 711,788 tonnes, equivalent to a daily average of 2,063 tonnes, bested prior year's record of 609,604 tonnes or 1,789 tonnes per day. Mill recovery was at its highest at 85.5% average as compared to the 84.8% average attained in 2018. Ore grade, however, was lower averaging at 3.19 grams of gold per tonne and 20.47 grams of silver per tonne, compared to 4.25 grams per tonne and 24.80 grams per tonne, respectively, a year ago.

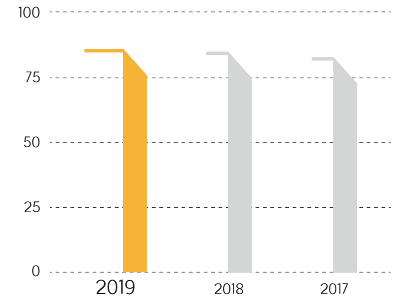
While gold sold was 2% lower at 64,763 ounces in 2019 against 66,053 in 2018, silver sold was 22% higher at 369,616 grams in 2019 from 303,385 grams in 2018. The mill recovery rate for silver increased to 75.5% this year from 71.7% last year.

MINING & MILLING PROCESS

The Maco mine is vein-type, adopting underground trackless and conventional mining methods, with current milling capacity of up to 1,800 tonnes per day employing the carbon-in-leach gold extraction process.

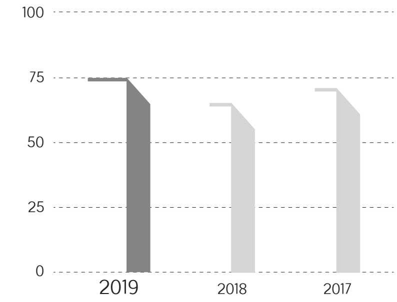
Mill Recovery
Gold

85.46
%



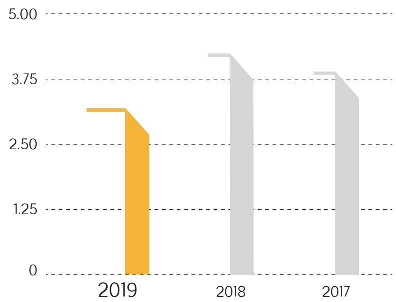
Mill Recovery
Silver

75.50
%



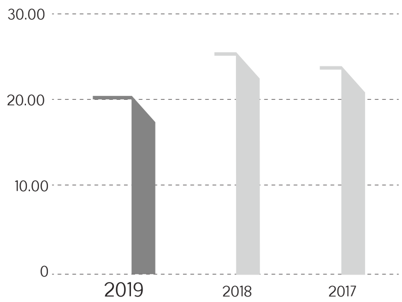
Head Grade
Gold

3.19
grams/tonne



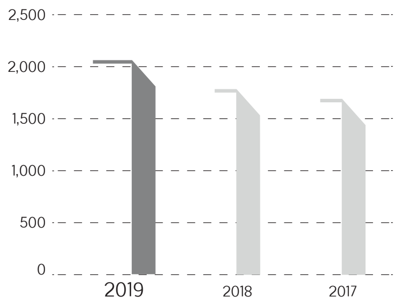
Head Grade
Silver

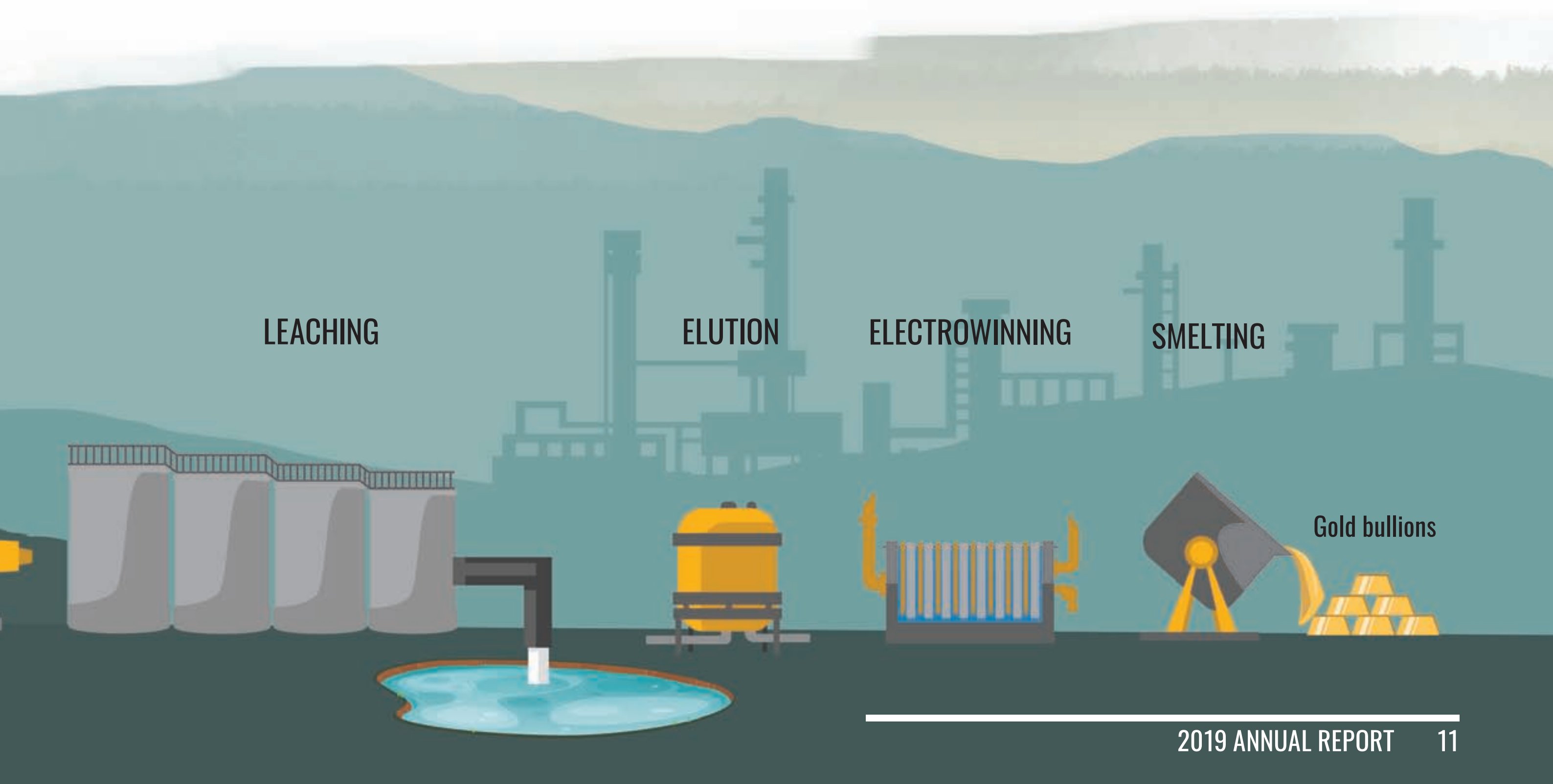
20.47
grams/tonne



Tonnes Per Day

2,063





MILL IMPROVEMENTS

Conveyor No. 2

New Tool Room

Thermal Heater Plant

Drum Scrubber
Thermal Screen

MINERAL RESOURCES AND ORE RESERVES

The updated mineral resources for MPSA-225 as of October 2019 is estimated at 5.9 million tonnes with an average gold grade of 5.0 grams per tonne, more than double than the resource estimate of 2.47 million tonnes in 2017. The updated estimates have higher proportion of measured and indicated blocks in the total resource compared to 2017 as a result of extensive underground geological mapping, sampling, drilling and more understanding of individual vein mineralization behavior.

Total proved and probable reserves for 2019, estimated at 1.92 million tonnes at 6.34 grams per tonne average grade, is 40% higher than the 2017 estimates. The mine managed to replenish and maintain its level of reserves through aggressive underground drilling and mine development.

The updated MPSA-225 resource and reserve estimates are from PMRC compliant reports using mine data compiled up to October 2019, signed by accredited Competent Persons in March 2020.

EXPLORATION AND GEOLOGY

Exploration drilling within MPSA 225 in 2019 focused on near mine extensions of all vein systems actively being mined in order to evaluate lateral and vertical vein continuity, firm up ore grades projections, and upgrade mineral resource blocks to ore reserve. Three Diamec Smart rigs,one DE-140 rig in-house drill rig, and one CS1000 of Drillcorp Philippines (DCP) were utilized for underground drilling. One CS1400 of DCP was used for surface drilling within the MPSA area to trace the SE extensions of Sandy and MAI Veins. A total of 31 underground and 9 surface drill holes were completed, aggregating 10,393 meters and 3,237 meters drilled, respectively.

The Company applied for a two-year Exploration Work Program for MPSA 234 in April 2019 to the Mines and Geosciences Bureau Central Office and was approved in July of the same year. After surface mapping works, drilling activities commenced in September 2019 that focused in the Saint Vincent and Saint Francis areas for initial mineral resource drilling, and Masara (L-363 Tagbaros) for geotechnical drilling. Two drill rigs, CS1000 and CS1400, were utilized for surface drilling activities. Five drill holes with a total length of 1,507 meters for the resource

Surface drilling within the MPSA area.

and 901 meters for geotechnical drilling, were completed. Forty (40) drill holes with a total of 13,630 meters of drilling were completed within MPSA 225 and MPSA 234. These drill holes have confirmed additional mineral resource, which will be defined after completing all the proposed holes in Saint Vincent and Saint Francis.

SAFETY

The Company takes a proactive approach in ensuring that the wellbeing of all its employees is properly protected. This means providing a safe work place and everyone goes home after each day's operation. The management plays a major role in implementing a risk management system to eliminate or minimize hazards and risks in the minesite, and to encourage all workers to be responsible not only for their own safety but for the safety of every co-worker.

Awards and Recognitions

The mine, as a testament to its vision and mission, won the following awards in the 66th Annual Mine Safety & Environment Competition events last November 2019 in Baguio City:

Safest Underground Operation

Best Underground Supervisor
Engr. Naser L. Silongan

Best Underground Miner
Mirantes B. Helario

Best Underground Safety Inspector
Jonathan M. Havana

Machine Drilling Champion

1st Runner Up
First Aid Competition

1st Runner Up
Hand Mucking

1st & 2nd Runner Up
Tug - of - Peace

2nd Runner Up
Creative Booth

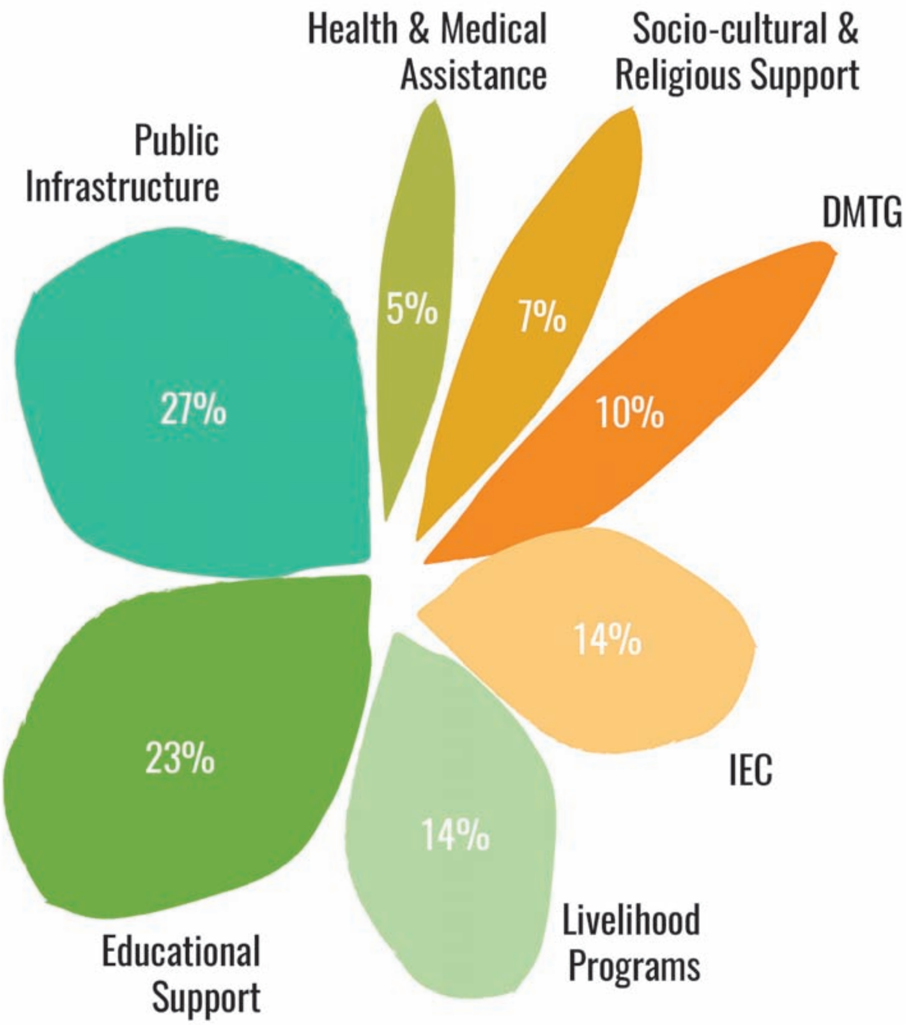
The Maco mine likewise won the PMIEA Platinum Achievement Award for Underground Mining Operation given by the President of the Republic of the Philippines through the Department of Environment and Natural Resources (DENR) - Presidential Mineral Industry Environment Awards Committee.

Other recognitions received during the year were Special Award on Enhanced Corporate Viability, National Finalist for Outstanding LMC for Industrial Peace, Outstanding Grievance Machinery for Industrial Peace, Regional awardee for Outstanding LMC for Industrial Peace, and Outstanding Grievance Machinery for Industrial Peace.

Awarding ceremony during the 66th Annual National Mine Safety & Environment Conference, Baguio City.

CORPORATE SOCIAL RESPONSIBILITY

The Company spent a total of P59.31 million in 2019 to finance its corporate social responsibility programs as its contribution towards sustainable development, with initiatives focusing on achieving economic, social and environmental benefits for the Company's employees, their families, and the local communities.



DEVELOPMENT OF HOST AND NEIGHBORING COMMUNITY (DHNC) – P45.16 Million

The Company's priority Programs, Projects and Activities (PPAs) for the development of host and neighboring communities are summarized in the acronym HELPS, or simply Health & Medical Assistance, Educational Support, Livelihood Program, Public Infrastructure Programs and Socio-cultural and Religious Support.

HEALTH AND MEDICAL ASSISTANCE – P2.89 Million

During the year, the Company spent P2.89 million to financially support the local communities' access to health and services, health facilities and medical professionals.

There are 12 local health centers which the Company continues to support comprising of eight health centers from the host barangays; the AMCI Clinic at Brgy. Masara, Maco; Elizalde Infirmary Clinic at Brgy. Elizalde, Maco; Municipal Health Center of Maco; and Municipal Health Center of Mabini.

At the AMCI Clinic, 2,435 patients were catered to by the Company. The patients were given free medical consultation, medicines and/or vitamins. Of this total, 144 patients were served and transported using the Company ambulance, as they needed further medical attention and referrals to tertiary hospitals in Tagum City.

At the Elizalde Infirmary Clinic, a total of 1,809 patients were treated. The patients were likewise given free medical consultations, free pre-natal, birthing and post-natal services, among others. The patients were also given free medicines and vitamins.

The Company spent P1.47 million to financially support the local communities' medical personnel to assure continued medical services to the local public.

In addition, the Company also responded to financial requests from the host and neighboring barangays related to their medical programs, among these were Tagbaros Medical Outreach Program, Masara Medical & Dental Outreach Program, Operation Tuli, Blood-Letting Program, and Tagbaros Support to Family Health Fair, which benefited 1,746 locals.

EDUCATIONAL SUPPORT – P13.6 Million

The Company spent P13.6 million in 2019 in support of the local communities' Programs, Projects and Activities (PPAs) geared towards the improvement of the quality of education, skills enhancement and the development of students, youth and the locals within the host and neighboring barangays to become competitive and self-sufficient.

In preparation for the class opening, the Company, in May 2019, supported and participated in the week-long Brigada Eskwela activities. All the 16 Company adopted local schools were provided with construction materials and cleaning tools for the improvement and beautification of school facilities.

In June 2019, the Company distributed schools bags, educational supplies, and hygiene kits to 2,100 pupils of the Company's nine adopted elementary schools.

There were eight student-beneficiaries admitted in the AMCI Mining-related Course College Scholarship Program during the year, now studying in universities in Davao and Tagum Cities.

Distribution of school bags and school supplies to students of Panamin Elementary School

The 38 all-female senior high school scholars of the Company, enrolled in Hotel and Restaurant Services training at Banilad Center for Professional Development (BCPD) in Cebu City, finally graduated in April 2019, most of whom are now employed.

New batches of AMCI-BCPD scholars (22 female) and AMCI-CITE scholars (33 male) were given scholarships by the Company, covered in a Memorandum of Agreement between the Company, the BCPD and CITE on June 7, 2019.

In addition, 24 students had their 20-day work exposure at the Maco mine through the Special Program for the Employment of Students (SPES), a program in partnership with the Department of Labor and Employment - ComVal (DOLE-ComVal), in which the Company shouldered 60% of their wage and the remaining 40% by DOLE ComVal.

Five male graduates of Automotive Servicing NCII underwent an apprenticeship program which ran for six months (May - November 2019). This program is in partnership with the Technical Education and Skills Development Authority - ComVal (TESDA-ComVal) which aims to help new graduates gain experience and learn practical knowledge to increase their employability, not only at Maco mine but with other companies as well.

The Company also contracted four service vehicles to fetch and ferry the students from the local communities to and from their respective schools daily, cost of which amounted to P3.2 million.

LIVELIHOOD PROGRAMS – P8.6 Million

The Company's alternative livelihood programs, spending a total of P8.6 million in 2019, are geared towards the development of empowered and self-reliant communities where it operates, so the locals do not have to be totally dependent on the employment generated from Maco's mining operations.

The Company provided financial assistance to several community-based associations to fund their different livelihood projects. Among the association-beneficiaries of the Development of Village Technology and Extension Training were: Apex Industrial Sewer Producer Cooperative, Malamodao Farmers Association, Golden Valley & Gubatan Upland Farmers Association, New Leyte Senior High Young Farmers, Barangay Elizalde Rural Workers Association, Apex Employees and Community Multi-Purpose Cooperative, New Leyte Cacao & Coffee Farmers Association, Gubatan Cocoa Farmers Producers Association, and Masara Lines Farmers Association.

The Company also conducted free livelihood and social trainings for the local communities. Hands-on skills trainings on Cacao Production, and Care and Maintenance of Banana were conducted at the host barangays.

Other livelihood trainings conducted by the Company included: Cacao Pruning in Barangay Malamodao, Maco (January 2019); Cooperative seminar on managing risk and conflict (January 2019); Cacao Fertilization in Barangay Golden Valley (February 2019); Coffee Farm

Concrete Hollow Blocks (CHB) Livelihood Project

Establishment in Barangays New Barili, Golden Valley and Gubatan (February 2019); Piggery Production (February 2019); Entrepreneurship Training to the Apex Village Homeworkers Association (February 2019); Cacao Training and Actual Field in Barangay Malamodao (March 2019); Trainers training on Cacao Technician (April – May 2019); Training on maintenance and fertilization (May 2019); Processing Tocino and Longganisa (June 28, 2019); Eco-tourism Management of IP Groups at Tinuy-an Falls (May 2019); Worn-out Tires at Puerto Galera in partnership with DOST XI on (June 2019); Trainers training on Cacao Technician in the host communities (July – September 2019); Swine production attended by different Peoples' Organizations (POs); Specialty coffee production, branding and packaging in Davao City; Puto and Kutsinta Making (September 2019); Workshop on Fundamentals of Cooperative (September 2019); Benchmarking activity at Fuentespina Cacao Farm attended by different POs (August 2019); Food processing (September 2019); Capability-building and Entrepreneurship to four chocolate-makers (September 2019); Coffee production and processing (September - October 2019); Tablea and Chocolate-Making at AMCI Level 4 Training Center on October 8-9, 2019, 34 beneficiaries from AMCI-assisted Peoples Organizations; Coffee Production and Benchmarking Activity at a Coffee Demonstration Farm and Post-Harvest Facilities in Balutakay, Davao del Sur (December 2019); and, Chocolate-making and refining (December 2019).

APEX Village in Brgy. Elizalde

The Company also provided alternative livelihood program to some local groups by engaging them on temporary basis to do roadside brushing activities, maintenance for the power transmission lines and forest guides and trenchers, among others.

PUBLIC INFRASTRUCTURE – P16.1 Million

For its public infrastructure projects within the local communities, the Company spent a total of P16.1 million in 2019.

Of this amount, P13.4 million was disbursed for the continuing construction of residential houses at Apex Village in Brgy. Elizalde, Maco, Davao De Oro Province.

Another P2.7 million was spent for the following public infrastructures during the year: ongoing construction of Immaculate Conception of Mary Parish Church in Elizalde; development of Mainit Hotspring; Electrification Project in Masara; support to Tribal Hall, Elizalde; support to Tribal Hall Roofing Project, Golden Valley, Mabini; road Improvement in Teresa; improvement of Water System in Tagbaros; Electrification Project in Elizalde; and support to Church Roofing Project in Golden Valley, Mabini.

SOCIO-CULTURAL & RELIGIOUS SUPPORT - P4.0 Million

The Company is also an active contributor to the different socio-cultural, religious and other related activities which promote social cohesion, awareness and community pride in both the host and neighboring communities.

There are eight host community-recipients of the Company's cash contributions, namely: 1) Teresa; 2) Masara; 3) Tagbaros; 4) Mainit; 5) Elizalde; 6) New Barili; 7) New Leyte; and

8) Golden Valley, including another eight neighboring barangays, namely: Barangay Panoraon, Barangay Panibasan, Barangay Panangan, Barangay Kinuban, Barangay Calabcab, Barangay Limbo, Barangay Gubatan and Barangay Malamodao, all located in Maco, Davao De Oro.

Among the local events and socio-cultural projects sponsored and/or provided with cash assistance were Araw ng Barangay and fiesta celebrations; monthly financial aids and augmentation to day-care workers; support to blood-letting activities; support to ECCD Culmination Program; Nutrition Month celebrations; Barangay Hall improvements; support to Barangay year-end Evaluation activities; assistance to church improvements; Tribal Day celebrations; support to Barangay Assemblies, and others.

In addition, the Company also provided sponsorships to the different local celebrations such as Township Fiesta at Municipality of Mabini, Kaimunan Festival at Municipality of Maco, Bulawan Festival in the Province of Davao De Oro, and Musikahan Festival in Tagum City.

The Company, likewise, supported some religious activities and projects within the host barangay, some of which were the planning work of Immaculate Conception of Mary Parish Elizalde, construction of One Way Outreach in Elizalde, Annual Summer Youth Fellowship in Barangay Kinuban, Kasalan ng Parokya at Immaculate of Mary Quasi Parish at Barangay Elizalde, Maco, Kasalan ng Simbahan of Foursquare Gospel Church at Sitio Biucadan, Brgy. Teresa, Kasalan ng Parochial Fiesta of the Immaculate Conception of Mary Quasi-Parish in Barangay Elizalde, Annual Religious activities in Barangay Golden Valley, Mabini, and 58th Thanksgiving Celebration in Barangay Elizalde.

Additionally, the Company provided free transportation services catering to requests from the local communities.

Elizalde Parish Church

INFORMATION, EDUCATION AND COMMUNICATION (IEC) Program – P8.5 Million

The Information, Education and Communication (IEC) Programs of the Company aim to institutionalize greater public awareness on responsible mineral development and the promotion of geosciences and related technologies within the local communities.

Among these IEC programs conducted by the Company were: public awareness on the proposed tailings dam of Maco mine in Masara; information drive on fire safety awareness and "kaingin" risks and penalties; public information on responsible mining and geo-hazards in the different barangays; 2020 Annual Social Development and Management Program (ASDMP) and CDP Pre-Planning Workshop; and information dissemination on Approved Exploration Work Program.

The Company also provided financial support to different public and private organizations through sponsorships, promotions and advertisements. Among these organizations and events were Xavier University – Ateneo de Cagayan; National Mining, Geology and Mining Engineering Convention; University of the Philippines Engineering Week; 12th Bulawan Festival and 21st Founding Anniversary of the

Province of Davao De Oro; Philippine Mining and Exploration Association (PMEA); Mining Exhibit and National Mining Geology and Metallurgy Workshop and Conference; Philippine Society of Mining Engineers (PSEM-Visayas); Light of Jesus Family in Tagum City; Mining Engineering Society (UP Miners) Meet the Board Program of the University of the Philippines – Diliman, Quezon City; UP Engineering Yearlong Events; MSU-IIT for the 50th Founding Anniversary; MYPA "One ComVal, One Vision" of the Council of Peso Managers of ComVal, Inc.; Alliance of Responsible Miners of Region (ARMOR XI); 26th Annual Mining Symposium and Exhibits of the Mindanao Association of Mining Engineers (MAEM); 5th Caraga Mining Symposium and Safety Competition; 66th Annual National Mine Safety and Environment Conference (ANMSEC); Business Chamber of ComVal; Geology Conference (GeoCon); UP Mining Engineering Society for the Panorama Plant Practice Program Presentation;

In collaboration with the members of the local community/CTWG and regulatory agencies, the Company regularly conducts project visits, validation and monitoring to make sure that the community projects are properly implemented.

Public awareness drive with a local radio station

DEVELOPMENT OF MINING TECHNOLOGY AND GEOSCIENCES (DMTG) – P5.65 Million

As part of the Company's support for the development and advancement of mining technology and geosciences, the Company provided sponsorships to the local youth, among which were 58 trainees for the Summer Training Program/On-The-Job Training Program, and four trainees (Municipal and Provincial Executives) for Agribusiness Executive Program.

The Company spent P2.4 million as financial support to government agencies and academic institutions engaged in the field of mining as well as to other mining practitioners, to keep them abreast with latest innovations and technology. Some of the major provisions made under this program were the acquisition of a mining engineering software for the University of Southeastern Philippines, and donation of office equipment to the Mines & Geosciences Bureau Employees Association (MGBEA) XI.

In addition, the Company spent another P1.5 million for the following researches: Resource Development of Parcel VI; Impact Assessment of the Company's Social Development and Management Program (SDMP) to the host communities conducted by DENR/Ecosystems Research and Development Bureau (ERDB) – Agroforestry Research and Extension Center; and Inspection Chart Mapping and Geo-tagging.

ENVIRONMENTAL PROTECTION

As a responsible miner, the Company takes care of the environment and the surroundings where it operates. Preservation of natural resources is foremost in the Company's advocacies. On top of its fully complying with the mandated rules and regulation, the Company takes extra more steps to pursue protection and rehabilitation of the environment.

Environmental Protection and Enhancement Program (EPEP) – P87.85 Million

The Company continues to attain a high percentage of accomplishment in its Environmental Protection and Enhancement Program (EPEP). In 2019, a total of P87.85 million was spent in the implementation of its various EPEP activities, higher than last year's P54.38 million. Fifty-one per cent of the total amount was for the implementation of progressive rehabilitation, forest protection, and construction of the necessary infrastructures and facilities to ensure the protection of the environment.

The Company remains an active supporter of the different programs of the Department of Environment and Natural Resources (DENR), particularly the National Greening Program, Adopt-an-Estero Waterbody Program, Adopt-a-Mangrove Forest, and other activities like tree planting and river clean-up drives.

11-year old Acacia mangium plantation established by the Company

Maco Central Nursery

Reforestation and Nursery Operations

During the year, an area of 13.79 hectares was rehabilitated and reforested by the Company where 16,669 seedlings were planted. In support of the national government's biodiversity conservation program, the Company prioritized the use of native or endemic tree species as part of its biodiversity conservation effort.

To support planting material requirements, the Company maintains a central nursery and satellite nurseries where a total of 104,944 various seedlings were produced during the year.

The Company donated 38,367 forest and mangrove seedlings to DENR-CENR Office Maco, MENR Office-LGU Maco and impact communities, and continues to support the National Greening Program (NGP) of the government.

Mangrove Plantation in Brgy. Bongabong

The Company continues to maintain the 6.87 hectares and 1.68 hectares plantation at Barangay Bongabong and Bucana, respectively, through replacement and enrichment planting.

Road and Surface Maintenance

The Company continues to do maintenance work through road flattening, desilting of creeks, river channels, drainage canals, and earth sumps within its area of operation.

Regular cleaning of Oil and Water Separator (OWS) facilities, maintainance of all access roads and necessary infrastructure and facilities.

Slope rehabilitation methods using riprap and shotcreting of slope are also done through construction of riverbank protection along Masara River.

Desilting of creeks

Sanitation, Domestic Waste, and Scrap Management

In compliance with RA 9003, "Ecological Waste Management Act of 2000", the Company continues to implement solid waste management activities. The Company conducts regular collection and hauling of domestic wastes from the minesite and also from the four host barangays. The policy 'No segregation, No collection' is strictly being implemented as part

Garbage Collection

of proper waste management. The collected garbage is delivered to the materials recovery facility (MRF) located at Barangay Teresa, constructed by the Company specifically to facilitate proper segregation. The Company has established a new integrated material recovery/ scrap materials storage facility at Level-805 of Don Fernando area, where all metal scraps and metal chips/cuttings generated from various mining operations are temporarily collected for proper disposal.

In addition, Company employees regularly conduct two-hour housekeeping activities every Saturday within the mine site to keep the camp clean and hygienic.

Tailings Management Facility

As a responsible miner, the Company monitors the effluents in its Tailings Management Facility (TMF) by establishing different sampling station points to ensure compliance with DENR standards. Piezometer monitoring at the tailings pond is also continuously being conducted and results are evaluated by the Engineering and Development Corporation of the Philippines (EDCOP) for analysis. All safety measures and regular maintenance works are being undertaken to ensure the smooth and safe operations of the tailings conveyance up to the disposal area.

Hazardous Waste Management

In compliance with RA 6969, Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990, the Company remains dedicated in its observance and practice of proper handling and disposal of used and waste oil materials generated from its operations by engaging only the services of third-party disposal groups fully accredited by the Environment Management Bureau (EMB). During the year, a total of 72,000

Maco mine Tailings Storage Facility

liters of used oil were properly disposed. Oil and water separator structures in the different discharge areas were also regularly monitored.

Air quality monitoring at the site

Air Monitoring

The Company makes sure that there is supply of clean air within the minesite. In the underground area, the Company provides good ventilation system to ensure the safety of the miners. Respirators and dust masks are provided as part of the miners' personal protection equipment (PPE).

In-house emission opacity monitoring is regularly being done by the Company using Ringlemann Chart on stationary sources for its generator sets and boilers. Ambient quality within the minesite is also being monitored using PM10. Results and measured parameters are within the DENR standards.

Wildlife within Company tenement

During the prolonged dry season, the Company also conducts road spraying to suppress dust particles caused by moving vehicles and equipments.

IEC, TRAININGS, AND RESEARCH

The Company's information and education campaigns (IEC) interventions aim to ensure that the public in the host and neighboring communities will be aware of the Company's activities and programs concerning environmental protection and enhancement. Relative to this, newly hired employees and OJTs are required to attend orientations on safety, health and environment policies of the Company.

To further enhance its environment management capability, the Company together with the local representatives of the Multi-Partite Monitoring Team (MMT) and Mine Rehabilitation Fund Committee (MRFC) conducted cross visit at Rio Tuba Nickel Corporation and Coral Bay Nickel Corporation at Rio Tuba, Bataraza, Palawan in May 2019, for monitoring and field validation of other mining companies' practices in environmental compliance.

The Company likewise sponsored 21 participants in the 4-day Training on Auditing Fundamentals, Root Cause Analysis and Corrective Action Planning for Team Leaders and Supervisors conducted by third party accredited IMS consultant the Rosehall Management Consultant, Inc. In February 2019.

Protection of Wildlife

The Company has policies for the protection of wildlife within its tenement involving illegal hunting, catching and destroying of wildlife habitat. Evidence of rare species were observed in Maco mine's administration area, among them were Philippine monkeys, avifauna and reptiles.

ITOGON-SUYOC RESOURCES, INC.

Itogon-Suyoc Resources, Inc. (ISRI) is a 100%-owned subsidiary acquired by the Company in June 2015. ISRI is the assignee-company in 2002 of all mining assets of the former Itogon-Suyoc Mines, Inc. (ISMI), which consist of the Sangilo Mine in Itogon and the Suyoc Mine in Mankayan, both located in Benguet Province, and the Benit Claim in Labo, Camarines Norte.

SANGILO MINE

The Sangilo mine covers 35 hectares of patented mining claims and 899 hectares of pending applications for production sharing agreement (APSA No. 0103-CAR and APSA No. 0067-CAR) with the government.

ISRI initially embarked in the rehabilitation and refurbishments of the Sangilo mine from funds provided by the Company to ISRI. Full scale construction work commenced in January 2019 with bank financing acquired for the mine in December 2018, after its Environment Compliance Certificate for 200 TPD operation was issued by the Environmental Management Bureau-CAR/ Department of Environment & Natural Resources in September 2018.

The development plan for the Sangilo mine is three-stage, initially for 200 TPD operation to be increased to 400 TPD within the succeeding five years. A new ball mill for the 200/400 TPD operation was installed to augment the old 50-75 TPD ball mill. Old underground headings are being rehabilitated and ore blocks prepared as part of the mine development program to enable ore delivery at the increased production rate. Old equipment no longer serviceable are mothballed while others are repaired and refurbished. Commencement of commercial operation at 200 TPD is targeted by the third quarter of 2020.

Underground exploration drilling to verify ore blocks and vein projections.

In the rehabilitation of UG workings, some 7,108 ounces of incidental gold have been recovered from 2016 to date generating P476.6 million. This revenue partly defrayed the capital cost of mine rehabilitation and development.

While the mine has not started its commercial operation yet, it continues to contribute in the social development of its host and neighboring communities. In 2019, the Sangilo mine spent P1.8 million for community activities which includes, among others: financial assistance for health services, facilities and medical professionals; support to local schools; sponsorship of livelihood trainings for local residents; and assistance to infrastructure and facilities improvement in Barangays Ampucao and Poblacion, Itogon Benguet. For environmental management, the mine propagated 19,056 assorted seedlings during the year at its nursery. It donated 2,397 seedlings to the surrounding communities in support of the different local reforestation programs. It also conducted Reforestation Operation at Tabaan patented claim and planted 7,097 seedlings covering an area of 5.3 hectares.

The Sangilo mine's environmental management system is ISO 14001:2015 certified by TUV Rheinland since April 2017 and was recertified anew in March 2020. The scope of the certification is for exploration, mining and processing of gold and silver ore valid until 2023.

Mineral Resources

As of December 31, 2019

Category	Metric Tonnes	Grade (gpt)
Measured*	218,200	4.18
Indicated*	234,500	3.89
Inferred**	18,571,300	3.27
Total	**19,024,000**	**3.29**

* Cut-off grade of 1.0 gpt
** Cut-off grade of 2.5 gpt; 31% are inside patented claims; 69% are inside APSA-103 (originally covered by MRD-479, for renewal and subsequent conversion to MPSA subject to approval by the DENR)

Mineral Resource estimate prepared by Competent Person Carlito A. Ausa, Registered Geologist. Lic. No. 779, CP Reg. No. 19-01-0, in compliance with the Department of Environment and Natural Resources Administrative Order No. 2010-09 re: Providing for the Classification and Reporting Standards of Exploration Results, Mineral Resources and Ore Reserves.

SUYOC MINE

The mine's Environmental Compliance Certificate (ECC) and Declaration of Mining Project Feasibility (DMPF) are being worked out with the Environmental Management Bureau and the Mines and Geosciences Bureau, respectively.

Exploration work, surface mapping and target verification using diamond drilling will continue in 2020 for the further confirmation of mineral resources.

The mine does its share in the development of the host community and its residents. It maintains a nursery which propagates pine trees and coffee seedlings for planting in its tenements and local communities. It has adopted a reforestation site at Sitio Elizabeth covering about seven hectares where the mine has planted 300 pine trees and 45 guava trees in 2019. It also donated coffee seedlings to the Taneg Women's Association (TWA) coffee plantation project and to other reforestation projects in the local communities.

Continuous dialogues were held between the Company and small-scale mining groups regarding safety and environmental concerns.

The Suyoc mine is ISO 14001:2015 certified for environmental management system granted by TUV Rheinland since April 2017 and was recertified in March 2020. The scope of the certification is for mining exploration and project development valid until 2023.

Mineral Resources

@ Cut-off grade 1.5 gpt

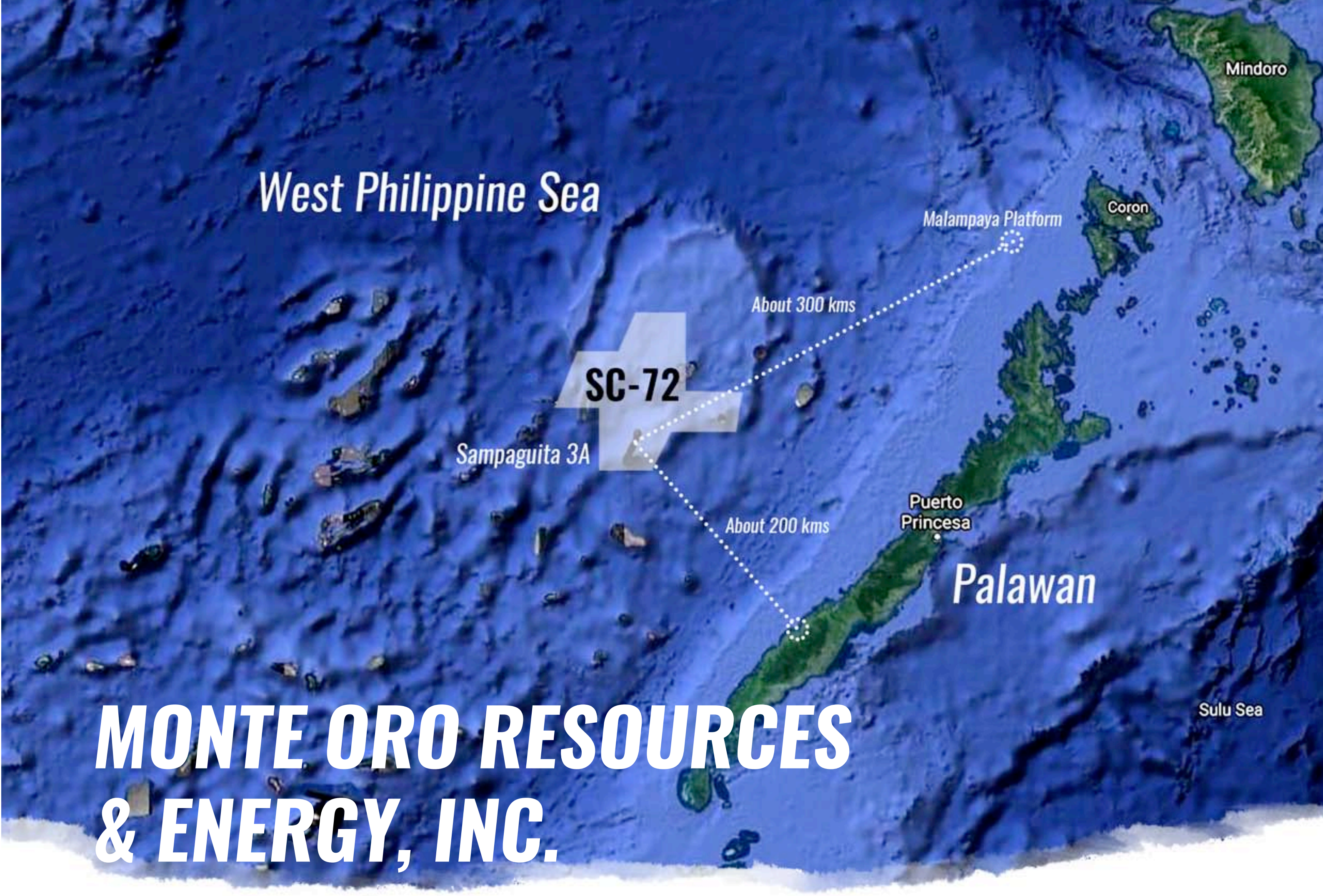
As of December 31, 2019

Category	Metric Tonnes	Grade (gpt)
Measured	119,900	5.50
Indicated	309,000	5.41
Inferred	2,894,000	2.98
Total/Ave.	**3,323,079**	**3.30**

Top-cut grade 20.0 gpt

Reviewed by Competent Person Mr. Carlito A. Ausa, Registered Geologist. Lic. No. 779, CP Reg. No. 19-01-0, in compliance with the Department of Environment and Natural Resources Administrative Order No. 2010-09 re: Providing for the Classification and Reporting Standards of Exploration Results, Mineral Resources and Ore Reserves.

Geological mapping in Nayak River, Brgy Suyoc, Mankayan



MONTE ORO RESOURCES & ENERGY, INC.

Monte Oro Resources & Energy, Inc. (MORE) is a wholly-owned subsidiary of the Company holding various projects locally and abroad in oil and gas, mining, and solid waste management.

OIL AND GAS

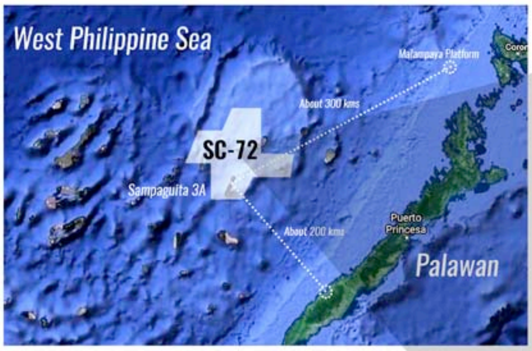
Service Contract (SC) 72

Service Contract (SC72) is located in the Recto Bank Basin, west of Palawan Island where Monte Oro Resources & Energy Inc. holds 30% direct participating interest. Forum Energy holds the remaining 70% participating interest in the SC through its subsidiary, Forum (GSEC 101) Limited and is the SC operator.

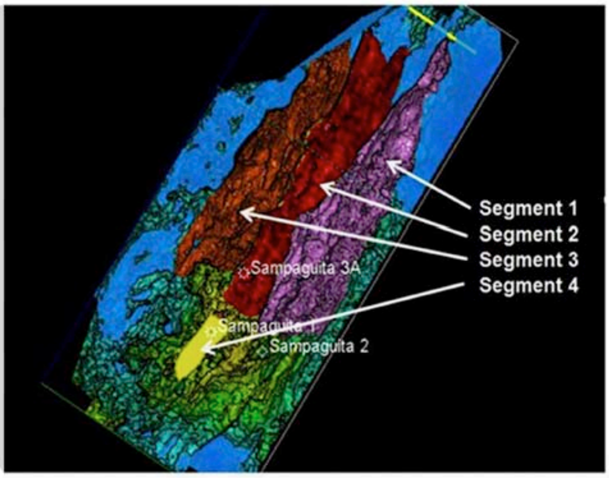
The block is currently under Sub-Phase 2 of the exploration work program, with commitment to drill two appraisal wells in the Sampaguita gas field. The Sampaguita gas field has the potential to hold in-place contingent resources of 2.6 trillion cubic feet (TCF) and prospective resources of 5.4 TCF of gas, according to the 2012 study by Weatherford Petroleum Consultants as an independent qualified competent person.

Despite the commitment to drill and develop the hydrocarbons in Sampaguita gas field, SC72 was placed under Force Majeure since December 2014, through the initiative of the Department of Energy (DOE), due to maritime disputes over the West Philippine Sea.

Consequently, on November 20, 2018, a Memorandum of Understanding (MOU) on Cooperation on Oil and Gas Development between the Government of the Republic of the Philippines and the Government of the People's Republic of China was signed by the Philippine Department of Foreign Affairs (DFA). The MOU led to the creation of an Inter-Governmental Steering Committee (IGSC) tasked to develop a program of cooperation to promote joint exploration projects in the West Philippine Sea, as well as the conception of one or more Inter-Entrepreneurial Working Groups.



SC-72 Regional Setting



Segments defining the Sampaguita Reservoir

In October 2019, the IGSC tasks were pursued with the Philippines represented by officials from the DFA and DOE as Chair and Vice Chair respectively, with representatives from the Department of Justice (DOJ) and National Mapping and Resource Information Authority (NAMRIA) as members. As counterpart, China is represented by officials from Chinese Ministry of Foreign Affairs, the National Energy Administration, and the Office of Foreign Affairs Commission of the Communist Party of China (CPC) Central Committee.

The first IGSC meeting was held on October 28, 2019 in Beijing, China where the two countries agreed to progress the communication and coordination on oil and gas development premised on the November 2018 MOU. The IGSC agreed to create one or more inter-Entrepreneurial Working Groups that will decide on entrepreneurial, technical, and commercial aspects of cooperation in the West Philippine Sea. China has appointed China National Offshore Oil Corporation (CNOOC) as representative to the Working Group(s). SC72 Consortium led by Forum Energy will be the representative to the Working Group involving SC72.

The Committee meeting scheduled for early 2020 in the Philippines had to be suspended because of the threat of COVID-19 pandemic.

Complementary with the MOU and relative to the drilling preparations for the committed wells, the consortium commissioned an Australia-based geophysical contractor to reprocess the 2011 acquired 3D dataset (565 sq. km) over the Sampaguita field, using Broadband Pre-stack Depth Migration (PSDM). The reprocessing commenced in October 2018 and was completed in June 2019. This was followed by an interpretation of the newly-reprocessed seismic data and the preparation of an appraisal plan for the Sampaguita Field, the results of which are anticipated within 2020.

MINING

Khar At Uul Gold Project Mongolia

The Khar At Uul Gold Project of 795 hectares in Bayanhongor, Southwest Mongolia completed exploration in 2014 and was granted by the Government a mining license valid for 30 years. It is currently under care and maintenance by Erdene Minas LLC, a joint venture company of Minas de Oro Mongol LLC (51%) and Erdenejas LLC (49%). Minas de Oro is a wholly-owned subsidiary of MORE. The joint venture continues its efforts to offer the Project for acquisition by interested investors.

Sierra Leone and Uganda Projects

The Gori Hills Exploration Project was conducted in the Kaihalun District, Eastern Sierra Leone, West Africa by two 90%-MORE-owned companies. MORE Minerals SL was engaged in artisanal alluvial gold mining and gold trading, while Monte Oro Mining Co., Ltd., (MOMCL), which held mining tenements granted in September 2012, explored for hard rock primary gold mineralization. Activities were suspended in 2014 due to the outbreak of the Ebola virus. MOMCL obtained in November 2017 an exploration license to explore the project area after the World Health Organization declared in 2015 the end of the Ebola crisis. Situation permitting, advanced exploration work is planned for 2020, including trenching, and may proceed to diamond drilling if positive results are obtained.

In Uganda, MORE also owns interest in the in the form of advances made to Gold Mines of Uganda Ltd. (GMU), which owns significant gold-related assets and gold resources in Uganda. GMU and MORE signed in 2016 a Memorandum of Agreement whereby both parties agreed to combine their Africa mineral interests in Sierra Leone and Uganda and work toward creating a mining company that will be listed and marketed to international investors and to enable GMU to raise capital funding through the listing.

Subsequently, GMU looked into several Toronto Stock Exchange (TSX) and Alternative Investment Market (AIM) listed acquisition and reverse takeover opportunities. GMU has continued to support and work in Uganda and Sierra Leone projects while also seeking partnering opportunities with listed entities to sustain the necessary investments. There has been strong interest despite some challenges and tough market conditions. Discussions with potential earn in partners are ongoing with some listed companies at the TSX, AIM, and New York Stock Exchange (NYSE) as well as with private equity investors.

Khar AT Uul Gold Project

Paracale Gold Project

MORE owns a Gold Mine Project in Jose Panganiban, Camarines Norte through its wholly-owned Paracale Gold Limited (PGL), a British Virgin Islands company. PGL, in turn, owns and controls two domestic mining companies, Coral Resources Philippines, Inc. (CRPI) and Bulawan Mineral Resources Corporation (BMRC) through a 40% interest. CRPI owns a mineral processing plant while BMRC administers 22 owned or contracted mining tenements. The tenements are being assessed in terms of firmness of legal status and mineralization potential. This gold project is also open to interested parties for joint venture or buy out arrangements.

SOLID WASTE MANAGEMENT

International Cleanvironment Systems, Inc. (ICSI)

52%-owned by MORE, ICSI, a domestic company, has a Build-Operate-Transfer Agreement with the Philippine government through the Department of Environment and Natural Resources to manage, rehabilitate, and introduce ecologically friendly technologies for waste disposal, recycling and energy generation of municipal solid waste in Metro Manila. The agreement, signed in 1997, is for a period of 25 years from the completion by the Philippine government of its deliverables to ICSI with option to renew for another 25 years. Operations on this project has not yet started.

2019 FINANCIAL STATEMENTS

APEX MINING CO., INC.

Statement of Management's Responsibility for Financial Statements

The management of **Apex Mining Co., Inc and Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders or members

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Ramon Y. Sy
Chairman of the Board

Luis R. Sarmiento
President & Chief Executive Officer

Renato N. Migriño
Treasurer

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Apex Mining Co., Inc.

Opinion

We have audited the consolidated financial statements of Apex Mining Co., Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Recoverability of Deferred Exploration Costs

As at December 31, 2019, the carrying values of the Group's deferred exploration costs amounted to ₱2.32 billion. Under PFRS 6, *Exploration for and Evaluation of Mineral Resources*, these deferred exploration costs shall be assessed for impairment when facts and circumstances suggest that the carrying amounts exceed the recoverable amounts. The ability of the Group to recover its deferred exploration costs would depend on the commercial viability of the mineral ore resources and reserves. We considered this as a key audit matter because of the materiality of the amounts involved, and the significant management judgment required in assessing whether there is any indication of impairment.

The Group's disclosure about deferred exploration costs is included in Note 11 to the consolidated financial statements.

Audit Response

We obtained management's assessment on whether there is any indication that deferred exploration costs may be impaired. We reviewed the summary of the status of the exploration projects as at December 31, 2019. We inspected the licenses/permits of the exploration projects to determine that the period for which the Group has the right in the specific area has not expired, will not expire in the near future, and will be renewed accordingly. We also inquired about the existing concession areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

SGV
Building a better working world

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Alexis Benjamin C. Zaragoza III.

SYCIP GORRES VELAYO & CO.

AZ Zaragoza

Alexis Benjamin C. Zaragoza III
Partner
CPA Certificate No. 109217
Accreditation No. 109217-SEC (Group A)
Valid to cover audit of 2019 to 2023
financial statements of SEC covered institutions
Tax Identification No. 246-663-780
BIR Accreditation No. 08-001998-129-2019,
November 27, 2019, valid until November 26, 2022
PTR No. 8125326, January 7, 2020, Makati City

May 29, 2020

APEX MINING CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱705,672,018**	₱537,422,158
Trade and other receivables (Note 5)	**152,033,125**	26,915,965
Inventories (Note 6)	**841,861,627**	912,542,945
Advances to related parties (Note 16)	**2,810,932**	2,812,197
Other current assets (Note 7)	**559,351,921**	610,656,578
	2,261,729,623	2,090,349,843
Asset held-for-sale (Note 8)	**360,668,695**	361,374,569
Total Current Assets	**2,622,398,318**	2,451,724,412
Noncurrent Assets		
Property, plant and equipment (Note 10)	**8,768,574,217**	7,283,312,742
Deferred exploration costs (Note 11)	**2,321,842,673**	2,485,682,590
Financial assets measured at fair value through other comprehensive income (FVOCI) (Note 9)	**53,528,321**	3,202,240
Investment in an associate (Note 12)	**–**	49,028,321
Intangible assets (Note 13)	**2,566,822**	729,507
Other noncurrent assets (Note 14)	**228,221,080**	247,709,060
Total Noncurrent Assets	**11,374,733,113**	10,069,664,460
TOTAL ASSETS	**₱13,997,131,431**	₱12,521,388,872
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 15)	**₱1,152,394,115**	₱1,751,266,647
Advances from related parties (Note 16)	**1,039,512,000**	1,039,512,000
Loans payable - net of noncurrent portion (Note 19)	**2,212,605,242**	1,594,313,523
Income tax payable	**88,021,440**	46,908,481
Total Current Liabilities	**4,492,532,797**	4,432,000,651
Noncurrent Liabilities		
Loans payable - net of current portion (Note 19)	**2,881,037,495**	2,294,969,546
Provision for retirement benefits (Note 17)	**287,776,375**	234,551,493
Provision for mine rehabilitation and decommissioning (Note 18)	**36,069,650**	27,903,597
Deferred income tax liabilities (Note 28)	**289,550,245**	182,383,528
Total Noncurrent Liabilities	**3,494,433,765**	2,739,808,164
Total Liabilities	**7,986,966,562**	7,171,808,815
Equity Attributable to Equity Holders of the Parent Company		
Issued capital stock (Note 20)	**6,227,887,491**	6,227,887,491
Additional paid-in capital (Note 20)	**634,224**	634,224
Treasury shares (Note 20)	**(2,081,746,680)**	(2,081,746,680)
Revaluation surplus on property, plant and equipment (Note 10)	**449,332,647**	169,048,344
Remeasurement loss on financial asset at FVOCI (Note 9)	**(343,342,240)**	(344,640,000)
Remeasurement (loss) gain on retirement plan (Note 17)	**(21,030,779)**	7,289,357
Currency translation adjustment on foreign subsidiaries	**2,799,875**	(10,686,105)
Retained earnings (Note 20)	**1,598,951,955**	1,204,874,835
	5,833,486,493	5,172,661,466
Non-controlling Interests (Note 20)	**176,678,376**	176,918,591
Total Equity	**6,010,164,869**	5,349,580,057
TOTAL LIABILITIES AND EQUITY	**₱13,997,131,431**	₱12,521,388,872

See accompanying Notes to Consolidated Financial Statements.

APEX MINING CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31		
	2019	2018	2017
REVENUES			
Gold	**₱4,652,511,732**	₱4,409,328,056	₱3,850,608,747
Silver	**308,414,719**	248,914,736	271,579,378
	4,960,926,451	4,658,242,792	4,122,188,125
COST OF PRODUCTION (Note 22)	**(3,836,689,476)**	(3,563,374,082)	(3,189,212,287)
EXCISE TAXES	**(194,059,918)**	(200,257,628)	(83,918,675)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 23)	**(210,671,728)**	(187,222,974)	(219,649,358)
FINANCE COSTS (Note 27)	**(207,341,126)**	(234,191,705)	(201,850,279)
SHARE IN NET LOSS IN INVESTMENT IN AN ASSOCIATE (Note 12)	**–**	(14,471,679)	–
OTHER INCOME (CHARGES) - net (Note 24)	**(48,106,923)**	(69,978,010)	(7,859,248)
INCOME BEFORE INCOME TAX	**464,057,280**	388,746,714	419,698,278
BENEFIT FROM (PROVISION FOR) INCOME TAX (Note 28)			
Current	**(196,628,726)**	(199,503,765)	(100,014,225)
Deferred	**38,495,052**	50,112,828	109,070,602
	(158,133,674)	(149,390,937)	9,056,377
NET INCOME	**₱305,923,606**	₱239,355,777	₱428,754,655
Net income (loss) attributable to:			
Equity holders of the Parent Company	**₱306,163,821**	₱240,036,897	₱427,988,216
Non-controlling interests	**(240,215)**	(681,120)	766,439
	₱305,923,606	₱239,355,777	₱428,754,655
BASIC/DILUTED EARNINGS PER SHARE (Note 21)	**₱0.05**	₱0.04	₱0.08

See accompanying Notes to Consolidated Financial Statements.

APEX MINING CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2019	2018	2017
NET INCOME	**₱305,923,606**	₱239,355,777	₱428,754,655
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX			
Item that will be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign subsidiaries	**13,485,980**	(11,252,429)	2,751,968
Items that will not be reclassified to profit or loss in subsequent periods			
Appraisal increase, net of tax (Note 10)	**368,197,602**	–	–
Remeasurement gain (loss) on financial asset at FVOCI (Note 9)	**1,297,760**	(344,640,000)	–
Remeasurement gain (loss) on retirement plan, net of tax (Note 17)	**(28,320,136)**	(6,169,759)	21,145,549
	354,661,206	(362,062,188)	23,897,517
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱660,584,812**	(₱122,706,411)	₱452,652,172
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	**₱660,825,027**	(₱122,025,291)	₱451,885,733
Non-controlling interests	**(240,215)**	(681,120)	766,439
	₱660,584,812	(₱122,706,411)	₱452,652,172

See accompanying Notes to Consolidated Financial Statements.

APEX MINING CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018, AND 2017

	Attributable to Equity Holders of the Parent Company								
	Capital stock (Note 20)	Additional paid-in capital (Note 20)	Revaluation surplus (Note 10)	Treasury shares (Note 20)	Remeasurement gain (loss) on retirement plan (Note 17)	Currency translation adjustment on foreign subsidiaries	Retained earnings (deficit) (Note 20)	Non-controlling interests (Note 20)	Total
Balances at December 31, 2016	₱6,227,887,491	₱15,941,675	₱262,063,873	(₱2,117,737,909)	(₱7,686,433)	(₱2,185,644)	₱443,834,193	₱176,833,272	₱4,998,950,518
Net income (loss)	–	–	–	–	–	–	427,988,216	766,439	428,754,655
Other comprehensive income (loss)	–	–	–	–	21,145,549	2,751,968	–	–	23,897,517
Total comprehensive income (loss)	–	–	–	–	21,145,549	2,751,968	427,988,216	766,439	452,652,172
Transfer of portion of revaluation surplus realized through depreciation, depletion and disposal, net of tax	–	–	(24,491,534)	–	–	–	24,491,534	–	–
Reissuance of treasury shares (Note 18)	–	–	–	35,991,229	–	–	–	–	35,991,229
Loss on reissuance of treasury shares (Note 18)	–	(15,307,451)	–	–	–	–	–	–	(15,307,451)
Balances at December 31, 2017	₱6,227,887,491	₱634,224	₱237,572,339	(₱2,081,746,680)	₱13,459,116	₱566,324	₱896,313,943	₱177,599,711	₱5,472,286,468

	Attributable to Equity Holders of the Parent Company									
	Capital stock (Note 20)	Additional paid-in capital (Note 20)	Revaluation surplus (Note 10)	Treasury shares (Note 20)	Remeasurement loss on financial asset at FVOCI (Note 9)	Remeasurement gain (loss) on retirement plan (Note 17)	Currency translation adjustment on foreign subsidiaries	Retained earnings (deficit) (Note 20)	Non-controlling interests (Note 20)	Total
Balances at December 31, 2017	₱6,227,887,491	₱634,224	₱237,572,339	(₱2,081,746,680)	–	₱13,459,116	₱566,324	₱896,313,943	₱177,599,711	₱5,472,286,468
Net income	–	–	–	–	–	–	–	240,036,897	(681,120)	239,355,777
Other comprehensive income	–	–	–	–	(344,640,000)	(6,169,759)	(11,252,429)	–	–	(362,062,188)
Total comprehensive income	–	–	–	–	(344,640,000)	(6,169,759)	(11,252,429)	240,036,897	(681,120)	(122,706,411)
Transfer of portion of revaluation surplus realized through depreciation, depletion and disposal, net of tax (Note 10)	–	–	(68,523,995)	–	–	–	–	68,523,995	–	–
Balances at December 31, 2018	₱6,227,887,491	₱634,224	₱169,048,344	(₱2,081,746,680)	(₱344,640,000)	₱7,289,357	(₱10,686,105)	₱1,204,874,835	₱176,918,591	₱5,349,580,057

	Attributable to Equity Holders of the Parent Company									
	Capital stock (Note 20)	Additional paid-in capital (Note 20)	Revaluation surplus (Note 10)	Treasury shares (Note 20)	Remeasurement gain (loss) on inancial assets at FVOCI (Note 9)	Remeasurement gain (loss) on retirement plan (Note 17)	Currency translation adjustment on foreign subsidiaries	Retained earnings (deficit) (Note 20)	Non-controlling interests (Note 20)	Total
Balances at December 31, 2018	**₱6,227,887,491**	**₱634,224**	**₱169,048,344**	**(₱2,081,746,680)**	**(₱344,640,000)**	**₱7,289,357**	**(₱10,686,105)**	**₱1,204,874,835**	**₱176,918,591**	**₱5,349,580,057**
Net income	–	–	–	–	–	–		**306,163,821**	**(240,215)**	**305,923,606**
Other comprehensive income	–	–	**368,197,602**	–	**1,297,760**	**(28,320,136)**	**13,485,980**	–	–	**354,661,206**
Total comprehensive income	–	–	**368,197,602**	–	**1,297,760**	**(28,320,136)**	**13,485,980**	**306,163,821**	**(240,215)**	**660,584,812**
Transfer of portion of revaluation surplus realized through depreciation, depletion and disposal, net of tax (Note 10)	–	–	**(87,913,299)**	–	–	–	–	**87,913,299**	–	–
Balances at December 31, 2019	**₱6,227,887,491**	**₱634,224**	**₱449,332,647**	**(₱2,081,746,680)**	**(₱343,342,240)**	**(₱21,030,779)**	**₱2,799,875**	**₱1,598,951,955**	**₱176,678,376**	**₱6,010,164,869**

See accompanying Notes to Consolidated Financial Statements.

APEX MINING CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱464,057,280**	₱388,746,714	₱419,698,278
Adjustments for:			
Depreciation, depletion and amortization (Note 25)	**1,253,476,925**	1,095,967,551	934,999,887
Interest and accretion expense (Note 27)	**207,341,126**	234,191,705	201,850,279
Movement in provision for retirement benefits (Note 17)	**12,767,546**	45,018,521	33,745,586
Unrealized foreign exchange losses	**11,670,480**	31,243,226	29,783,103
Change of estimate on provision for mine rehabilitation (Note 18)	**6,191,868**	(5,422,867)	(14,397,827)
Loss on disposal of equipment	**121,497**	1,831,592	–
Loss on write-off of property, plant and equipment	**–**	–	9,159,256
Share in net loss of an associate (Note 12)	**–**	14,471,679	–
Interest income (Note 24)	**(6,081,172)**	(1,842,521)	(6,306,664)
Operating income before working capital changes	**1,949,545,550**	1,804,205,600	1,608,531,898
Decrease (increase) in:			
Trade and other receivables	**(125,117,160)**	519,142,768	(427,530,420)
Other current assets	**69,851,420**	(68,434,259)	(108,054,670)
Inventories	**37,949,797**	(110,452,575)	29,451,719
Advances to related parties	**1,265**	(140,724)	(164,211)
Increase (decrease) in:			
Trade and other payables	**(414,826,037)**	523,341,882	(187,515,292)
Advances from related parties	**–**	63,500,000	(2,218,761)
Net cash generated from operations	**1,517,404,835**	2,731,159,693	912,500,263
Interest paid	**(400,342,304)**	(295,672,223)	(176,868,776)
Income taxes paid	**(155,513,295)**	(206,716,589)	(50,522,431)
Interest received	**6,081,172**	1,842,521	6,306,664
Net cash flows from operating activities	**967,630,408**	2,230,613,402	691,415,720
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of property, plant and equipment (Note 10)	**(1,903,970,946)**	(1,955,024,084)	(1,031,132,894)
Acquisition of equity instrument (Note 9)	**–**	(3,202,240)	–
Decrease (increase) in:			
Deferred exploration costs (Note 11)	**(117,252,955)**	(67,254,292)	(179,733,323)
Other noncurrent assets	**1,154,442**	(60,290,020)	(9,230,769)
Proceeds from disposal of property, plant and equipment	**75,000**	8,923,953	2,200,000
Investment in an associate (Note 12)	**–**	(63,500,000)	–
Cash flows used in investing activities	**(2,019,994,459)**	(2,140,346,683)	(1,217,896,986)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of loans (Note 19)	**(1,465,622,428)**	(960,858,507)	(2,464,045,833)
Availment of loans (Note 19)	**2,669,982,096**	986,512,783	3,206,007,193
Net cash flows from financing activities	**1,204,359,668**	25,654,276	741,961,360
NET INCREASE IN CASH AND CASH EQUIVALENTS	**151,995,617**	115,920,995	215,480,094
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**16,254,243**	(2,406,950)	(29,080,959)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**537,422,158**	423,908,113	237,508,978
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱705,672,018**	₱537,422,158	₱423,908,113

See accompanying Notes to Consolidated Financial Statement

1. **Corporate Information, Status of Operations and Authorization to Issue the Consolidated Company Financial Statements**

Corporate Information
Apex Mining Co., Inc. (the "Parent Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 26, 1970, primarily to carry on the business of mining, milling, concentrating, converting, smelting, treating, preparing for market, manufacturing, buying, selling, exchanging and otherwise producing and dealing in gold, silver, copper, lead, zinc, brass, iron, steel, and all kinds of ores, metals and minerals. The Parent Company's shares are listed in the Philippine Stock Exchange (PSE) carrying the trading symbol "APX". The Parent Company is the ultimate parent company and has two wholly-owned subsidiaries, Itogon-Suyoc Resources, Inc. (ISRI) and Monte Oro Resources & Energy, Inc. (MORE). As at December 31, 2019 and 2018, the Parent Company has 2,481 and 2,763 stockholders, respectively, each holding at least 100 shares.

In 2018, the stockholders and board of directors approved the amendment of the Articles of Incorporation for the extension of corporate life by another 50 years before its expiration in 2020.

The Parent Company currently operates the Maco Mines in Maco, Davao de Oro (formerly Compostela Valley). ISRI holds the Sangilo and Suyoc mineral properties in Benguet Province, while MORE holds mining projects in the Philippines and abroad, participating interest in an oil and gas property, and investment in a solid waste management project.

The Parent Company's registered business and principal office address is 3304B West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City, Philippines.

Status of Operations
Significant developments in the Parent Company's and its subsidiaries' (collectively referred to as the "Group") operations are as follows:

a. Mining

Maco Mines
The Parent Company's Maco Mine holds valid and subsisting Mineral Production Sharing Agreements (MPSA) No. 225-2005-XI covering 679.02 hectares and MPSA No. 234-2007-XI covering 1,558.50 hectares situated in Maco, Davao de Oro, which have terms of 25 years from the effective date.

ISO Certification
The Maco mine has three certifications:

- ISO 9001:2015 for Quality Management System;
- ISO 14001:2015 for Environmental Management System; and
- OHSAS 18001:2007 for Occupational Health and Safety Assessment Series

granted in March 2018 by Certification International. The scope of the certifications includes exploration underground mining, milling, and recovery of gold and silver using carbon-in-leach process, mine waste and mill trails management, and all support services, valid for three years until March 2021 subject to satisfactory results of annual audits.

Itogon and Suyoc Mines
ISRI, an entity incorporated in the Philippines, is the holder of four (4) Patented Mineral Claims covering the Sangilo Mine in Itogon, Benguet and MPSA No. 152-2000-CAR covering the Suyoc Mine in Mankayan, Benguet.

The Sangilo mine is currently under rehabilitation and refurbishment, while the Suyoc Mine is undergoing resource validation and exploration.

The Sangilo and Suyoc mines are ISO 14001:2015 certified for environmental management system granted by TUV Rheinland in April 2017 valid until 2020. The scope of the certification for the Sangilo Mine is for exploration, mining and mine processing; while the Suyoc Mine is for mining exploration and project development.

Paracale Gold Project
MORE wholly owns Paracale Gold Limited (PGL), a British Virgin Islands (BVI) company which wholly owns Coral Resources Philippines, Inc. (CRPI) and has a 40% interest in Bulawan Mineral Resources Corporation (BMRC). PGL has advances to, and an option to buy over the other 60% shareholdings in BMRC. These include qualifying shares which are recorded in the name of a nominee director.

The mine project of PGL is located in Jose Panganiban, Camarines Norte. BMRC handles all tenements, while CRPI is the owner/operator of the mineral processing plant. BMRC holds 25 tenements in various stages of application. It is currently working on the processing and approval of pending applications, plus alternative options such as Special Mines Permits and ores from legal small-scale mining operations.

Mongolia Project
The Khar At Uui Gold Project is registered under the joint venture company Erdeneminas LLC, which is owned 51% by Minas de Oro Mongol LLC (Minas), a wholly-owned subsidiary of MORE, and 49% by Erdenejas LLC, a Mongolian exploration company. The project is under continued care and maintenance.

Sierra Leone and Uganda Projects
The Gori Hills Project located in the Republic of Sierra Leone in West Africa is owned 90% by MORE through Monte Oro Mining Co., Ltd. (MOMCL) which holds the tenements for the project, and MORE Minerals SL (MMSL), previously engaged in artisanal mining and gold trading.

MORE has an interest in the Gold Mines of Uganda Ltd. (GMU) in the form of advances made to this company. GMU owns significant gold related assets and gold resources in Uganda. GMU and MORE has a Memorandum of Agreement (MA) whereby both parties agreed to combine their mineral interests in Africa and work towards creating a mining company that will be listed and marketed to international investors, and to enable GMU raise capital funding through the listing. As of the report date, the MA is not yet consummated between both parties.

Myanmar Project
The Modi Tuang Gold Project is located in the Yementhin Township, Mandalay Division, south east of Mandalay and north of Yangon, Myanmar. The Project is controlled by National Prosperity Gold Production Group Ltd. (NPGPGL) in which the Company has a 3.92% equity interest.

b. Oil and Gas

MORE has a 30% participating interest in Service Contract 72 (SC 72), a service contract for gas located in the West Philippine Sea covering the Sampaguita offshore gas field northwest of Palawan. Forum (GSEC 101) Ltd. (Forum) holds the remaining 70% participating interest and is the operator of the SC.

SC 72 is currently suspended following the declaration of force majeure by the Department of Energy (DOE) in 2014.

c. Solid Waste Management

MORE owns 52% of International Cleanvironment Systems, Inc. (ICSI) which has a Build-Operate-Transfer Contract with the Philippine government through the Department of Environment and Natural Resources (DENR) to manage, rehabilitate, and introduce ecologically friendly technologies for waste disposal, recycling and energy generation which agreement is yet to be put in operation.

ICSI is a subject of an agreement to sell between MORE and A. Brown Co., Inc. (ABCI) whereby MORE shall sell its 52% ownership in ICSI to ABCI for ₱566.0 million payable within 12 months which was further extended to May 31, 2021 (see Note 8).

Authorization to issue the Consolidated Financial Statements
The accompanying consolidated financial statements of the Group as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, were authorized for issuance by the Parent Company's board of directors (BOD) on May 29, 2020.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation
The consolidated financial statements have been prepared on a historical cost basis, except for property, plant, and equipment, which are carried at revalued amounts, and for financial assets measured at FVOCI. The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as at December 31, 2019 and 2018. Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement(s) with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Parent Company's voting rights and potential voting rights

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Parent Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Parent Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, NCI, and other components of equity while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The Parent Company's principal subsidiaries and their nature of business, country of incorporation and effective percentage of ownership are as follows:

			Effective percentage of ownership	
	Nature of business	Country of incorporation	**2019**	2018
ISRI	Mine exploration and development	Philippines	**100.00**	100.00
MORE	Mine and oil exploration and development	Philippines	**100.00**	100.00
MORE's Subsidiaries:				
Minas	Mine exploration and development, and gold trading	Mongolia	**100.00**	100.00
PGL	Mine exploration and development	Isle of Man	**100.00**	100.00

(*forward*)

	Nature of business	Country of incorporation	Effective percentage of ownership **2019**	2018
CRPI*	Mine exploration and development	Philippines	**100.00**	100.00
BMRC*	Mine exploration and development	Philippines	**40.00**	40.00
MMSL	Mine exploration and development, and gold trading	Sierra Leone	**90.00**	90.00
MOMCL	Mine exploration and development, and gold trading	Sierra Leone	**90.00**	90.00
ICSI**	Solid waste management	Philippines	**52.00**	52.00

**Indirect ownership through PGL*
***See Note 8.*

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

- PFRS 16, *Leases*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment, or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- *Annual Improvements to PFRSs* 2015-2017 Cycle
    - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
    - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
    - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Future Changes in Accounting Policies
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2020
- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

Effective beginning on or after January 1, 2023
- PFRS 17, *Insurance Contracts*

Deferred effectivity
- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Summary of Significant Accounting and Financial Reporting Policies

Presentation of Consolidated Financial Statements
The Group has elected to present all items of recognized income and expenses in two statements: a statement displaying components of profit or loss in the consolidated statements of income and a second statement beginning with profit or loss and displaying components of OCI in the consolidated statements of comprehensive income.

The financial statements of the foreign subsidiaries are translated at closing exchange rates with respect to the consolidated statement of financial position and the average exchange rates for the year with respect to the consolidated statement of income. Resulting translation differences are included in equity under "currency translation adjustment on foreign subsidiaries" and consolidated statement of comprehensive income. Upon disposal of the foreign subsidiaries, accumulated exchange differences are recognized in the consolidated statement of income as a component of the gain or loss on disposal.

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification.

An asset as current when it is:
- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purposes of trading;
- Expected to be realized within 12 months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Cash and Cash Equivalents
Cash includes cash on hand and cash with banks. Cash with banks are carried at face value and earn interest at the prevailing bank deposit rates. Cash Equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and are subject to insignificant risk of change in value.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets (*applicable starting January 1, 2018 upon adoption of PFRS 9*)

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely for payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

As at December 31, 2019 and 2018, the Group has no financial assets at FVTPL.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial Assets at Amortized Cost (Debt Instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. The details of these conditions are outlined below:

Business Model Assessment

The Group determined the business model at the level that best reflects how it manages its financial assets to achieve business objective.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test
The Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are SPPI on the amount outstanding. In such cases, the financial assets are required to be measured at FVTPL.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost include cash with banks, short-term deposits, trade and other receivables, advances to related parties, mine rehabilitation fund (MRF), and advance to GMU under "Other noncurrent assets".

Financial Assets Designated at FVOCI (Equity Instruments)
Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

Financial Liabilities
Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables net of directly attributable transaction costs.

This category includes the Group's accounts payable, accrued liabilities, and loans payable.

Subsequent Measurement
After initial recognition, payables are subsequently measured at amortized cost using the EIR method.

Financial Instruments - Initial Recognition and Subsequent Measurement *(applicable until December 31, 2017 prior to the adoption of PFRS 9)*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Date of Recognition

The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial Recognition and Classification of Financial Instruments

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those designated at FVTPL, includes transaction cost.

Upon initial recognition, the Group classifies its financial assets in the following categories: financial assets at FVTPL, loans and receivables, HTM investments, and AFS financial assets. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Financial liabilities, on the other hand, are classified into the following categories: financial liabilities at FVTPL and other financial liabilities, as appropriate. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Subsequent Measurement

The subsequent measurement of financial instruments depends on their classification as follows:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate (EIR) method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the EIR and transaction costs. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. These financial assets are included in current assets if maturity is within twelve (12) months from the consolidated statement of financial position date. Otherwise, these are classified as noncurrent assets.

AFS Financial Asset

AFS financial asset is a non-derivative financial asset that is designated as AFS or is not classified in any of the three other categories. The Group designates financial instrument as AFS financial asset if it is purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. After initial recognition, AFS financial asset is measured at fair value with unrealized gains or losses being recognized in the consolidated statements of comprehensive income as “Net unrealized gain (loss) on AFS financial asset.”

When the investment is disposed of, the cumulative gains or losses previously recorded in equity are recognized in the consolidated statement of income. Interest earned on the investments is reported as interest income using the EIR method. Dividends earned on investments are recognized in the consolidated statements of income as "Dividend income" when the right of payment has been established. The Group considers several factors in making a decision on the eventual disposal of the investment. The major factor of this decision is whether or not the Group will experience inevitable further losses on the investment. These financial assets are classified as noncurrent assets unless the intention is to dispose of such assets within twelve (12) months from the consolidated statements of financial position date.

Other Financial Liabilities
Other financial liabilities are initially recorded at fair value, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses are recognized in the consolidated statements of income when the liabilities are derecognized as well as through the amortization process.

Impairment of Financial Assets
The Group recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For other receivables (not subject to provisional pricing) due in less than 12 months, the Group applies the simplified approach in calculating ECLs, as permitted by PFRS 9. Therefore, the Group does not track changes in credit risk, but instead, recognizes a loss allowance based on the financial asset's lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For any other financial assets carried at amortized cost (which are due in more than 12 months), the ECL is based on the 12-month ECL. The 12-month ECL is the proportion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Impairment of Financial Assets *(applicable until December 31, 2017 prior to the adoption of PFRS 9)*
The Group assesses at each consolidated statements of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the contracted parties or a group of contracted parties are/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.

Financial Assets Carried at Cost
If there is objective evidence that an impairment loss on an unquoted equity instrument, that is not carried at fair value because its fair value cannot be reliably measured, or on 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 of a similar financial asset.

Loans and Receivables
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of loss is measured as a 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 EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account. The amount of loss is recognized in the consolidated statements of income.

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 characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Asset
For AFS financial asset, the Group assesses at each consolidated statements of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as AFS financial asset, this would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is "significant" or "prolonged" requires judgment.

The Group treats "significant" generally as 20% or more and "prolonged" as greater than 12 months for quoted equity securities. When there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statements of income is removed from equity and recognized in the consolidated statements of income.

Impairment losses on equity investments are recognized in the consolidated statements of income. Increases in fair value after impairment are recognized directly in the consolidated statements of comprehensive income.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial Assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights 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 risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

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 consolidated statements of income.

Derecognition of Financial Assets and Financial Liabilities *(applicable until December 31, 2017 prior to the adoption of PFRS 9)*

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights 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 risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Debt Issuance Costs

Debt issuance costs are amortized using EIR method and unamortized debt issuance costs are included in the measurement of the related carrying value of the debt in the consolidated statements of financial position. When the loan is repaid, the related unamortized debt issuance costs at the date of repayment are charged in the consolidated statements of income.

Offsetting of Financial Instruments

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Group intends to either settle on a net basis, or to realize the asset and the liability simultaneously.

The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Fair Value Measurement

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 30.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

<u>Business Combinations using the Acquisition Method</u>
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the Group elects whether to measure the NCI in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

As part of a business combination, the Group assesses whether there are any operating lease contracts of the acquiree that may be onerous that is, where the lease premiums being paid on that contract exceed the current market rate for such lease arrangements. Those mineral reserves, resources and exploration potential that can be reliably measured are recognized separately in the assessment of fair values on acquisition. Other potential reserves, resources and rights, for which fair values cannot be reliably measured, are not recognized separately, but instead are subsumed in goodwill. If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition-date fair value, and any resulting gain or loss is recognized in the consolidated statement of income. It is then considered in the determination of goodwill or gain from acquisition.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* is measured at fair value, with changes in fair value recognized either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not re-measured, and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the fair value of the identifiable net assets acquired and liabilities assumed. If the fair value of the identifiable net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation in that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation and the portion of the CGU retained.

Inventories

Inventories, which consist of gold and silver bullions, metals in-circuit, ore stockpile, and materials and supplies used in the Group's operations, are physically measured or estimated and valued at the lower of cost and net realizable value (NRV). NRV is the estimated future sales price of the product that the entity expects to realize when the product is processed and sold, less estimated costs to complete production and bring the product to sale. Where the time value of money is material, these future prices and costs to complete are discounted.

Mine Products Inventory

Mine products inventory, which pertains to bullions, metals in-circuit, and ore stockpile, containing gold and silver, are stated at lower of cost and NRV.

Gold and silver in bullion pertains to dore, a mixture of gold and silver bullion. Metals in-circuit pertain to ores that were already fed to the mill and have undergone crushing and milling but are still in process for subsequent smelting to produce dore bullion. Ore that have been mined but are still to undergo milling are classified as ore stockpile.

NRV for mine products inventory is the selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Materials and Supplies
Materials and supplies are valued at lower of cost and NRV. It comprises all costs of purchase and other costs incurred in bringing the materials and supplies to their present location and condition.

The purchase cost is determined on a moving average basis. A regular review is undertaken to determine the extent of any provision for losses and obsolescence.

<u>Other Current Assets</u>
Prepayments
Prepayments are expenses paid in advance and recorded as asset, before these are used or consumed, as the service or benefit will be received in the future. Prepayments expire and are recognized as expenses either with the passage of time or through use or consumption.

Value-added Tax (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

<u>Leases</u> (*applicable until December 31, 2018 prior to adoption of PFRS 16)*
Determination of Whether an Arrangement Contains a Lease
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at the date of inception and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of 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 that 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 period when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the period of renewal or extension period for scenario (b).

Operating Lease - Group as a Lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

<u>Leases</u> (*applicable effective January 1, 2019*)
Determination of Whether an Arrangement Contains a Lease
The Group determines at contract inception whether a contract is, or contains, a lease by assessing whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lease Liabilities - Group as a Lessee
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases that are considered of low value lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Property, Plant, and Equipment
Following initial recognition at cost, property, plant and equipment is carried at revalued amounts, which represent fair value at date of revaluation less any subsequent accumulated depreciation, depletion and impairment losses.

The initial cost of property, plant and equipment comprises the purchase price or construction cost, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the property, plant and equipment to its working condition and location for its intended use. Such cost includes the cost of replacing parts of such property, plant and equipment, if the recognition criteria are met. All other repairs and maintenance are charged to current operations during the financial period in which these are incurred.

Valuations are performed frequently enough to ensure that the fair value of a revalued property, plant and equipment does not significantly differ from its carrying amount. Any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount. The increase of the carrying amount of an asset as a result of a revaluation is credited directly to OCI, unless it reverses a revaluation decrease previously recognized as an expense, in which case it is credited in profit or loss. A revaluation decrease is charged directly against any related revaluation surplus, with any excess being recognized as an expense in profit or loss.

Deferred income tax is provided on the temporary difference between the carrying amount of the revalued property, plant and equipment and its tax base. Any taxable temporary differences reflects the tax consequences that would follow from the recovery of the carrying amount of the asset through sale (non-depreciable assets) and through use (depreciable assets), using the applicable tax rate.

Each year, the Group transfers, from the revaluation surplus reserve to retained earnings, the amount corresponding to the difference, net of tax, between the depreciation and depletion charges calculated based on the revalued amounts and the depreciation charge based on the assets' historical costs.

Construction in-progress is stated at cost, which includes cost of construction and other direct costs less any impairment in value. Construction in-progress is not depreciated nor depleted until such time as the relevant assets are completed and put into operational use.

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

Type of Asset	Estimated Useful Life in Years
Buildings and improvements	5 to 33
Mining and milling equipment	5 to 20
Power equipment	10 to 13
Roads and bridges, and land improvements	2 to 19
Exploration equipment and others	3 to 15

The assets' estimated residual values, estimated recoverable reserves and useful lives are reviewed and adjusted, if appropriate, at each reporting end of the reporting period.

Property, plant and equipment are depreciated or depleted from the moment the assets are available for use and after the risks and rewards are transferred to the Group. Depreciation and depletion ceases when the assets are fully depreciated or depleted, or at the earlier of the period that the item is classified as held-for-sale (or included in the disposal group that is classified as held-for-sale) in accordance with PFRS 5, *Noncurrent Assets Held-for-Sale and Discontinued Operations*, and the period the item is derecognized.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each end of the reporting period.

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.

Gain and loss on disposal of an asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss. On disposal of the revalued asset, the relevant revaluation surplus included in the reserve account, is transferred directly to retained earnings.

Fully depreciated property, plant and equipment are retained in the accounts until these are no longer in use. When property, plant and equipment are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Development Costs and Mine and Mining Properties
When it has been established that a mineral deposit is commercially mineable, development sanctioned, and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), amounts previously carried under deferred exploration costs are tested for impairment and transferred to mine development costs.

Subsequent expenditures incurred to develop a mine on the property prior to the start of mining operations are stated at cost and are capitalized to the extent that these are directly attributable to an area of interest or those that can be reasonably allocated to an area of interest, which may include costs directly related to bringing assets to the location and condition for intended use and costs incurred, net of any revenue generated during the commissioning period, less any impairment in value. These costs are capitalized until assets are already available for use or when the Group has already achieved commercial levels of production at which time, these costs are moved to mine and mining properties.

Commercial production is deemed to have commenced when management determines that the completion of operational commissioning of major mine and plant components is completed, operating results are being achieved consistently for a period of time and that there are indicators that these operating results will be continued.

Depreciation of equipment used in exploration are part of mine exploration costs.

Upon start of commercial operations, mine development costs are transferred as part of mine and mining properties. These costs are subject to depletion, which is computed using the units-of-production method based on proven and probable reserves. Mine and mining properties include the initial estimate of provision for mine rehabilitation and decommissioning.

Development costs, including construction in-progress incurred from an already operating mine area, are stated at cost and included as part of mine and mining properties. These pertain to expenditures incurred in sourcing new resources and converting them to reserves, which are not depleted or amortized until such time as these are completed and become available for use.

The carrying value of mine and mining properties transferred from mine development costs represents total expenditures incurred to date on the area of interest, net of gross margin from saleable material recognized during the pre-commercial production period, if any.

Deduction is only appropriate if it can clearly be shown that the production of the saleable material is directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management.

<u>Deferred Exploration Costs</u>
Expenditures for mine and oil exploration work prior to drilling are charged to the consolidated statement of income. Deferred exploration costs represent capitalized expenditures related to the acquisition and exploration of mine and mining properties, including acquisition of property rights, which are stated at cost and are accumulated in respect of each identifiable area of interest, less any impairment in value.

The Group classifies deferred exploration costs as tangible or intangible according to the nature of the asset acquired or cost incurred and applies the classification consistently. Certain deferred exploration costs are treated as intangible (e.g., license and legal fees), whereas others are tangible (e.g., submersible pumps). To the extent that a tangible asset is consumed in developing an intangible asset, the amount reflecting that consumption is part of the cost of the intangible asset. However, using a tangible asset to develop an intangible asset does not change a tangible asset into an intangible asset.

Capitalized amounts may be written down if future cash flows, including potential sales proceeds related to the property, are projected to be less than the carrying value of the property. If no mineable ore body is discovered, capitalized acquisition costs are expensed in the period in which it is determined that the mineral property has no future economic value.

Intangible Assets
Intangible assets, which consist of acquired computer software licenses and other licenses, are capitalized on the basis of the costs incurred to acquire and bring to use the said software. These costs are amortized on a straight-line basis over their estimated useful lives of 3 to 25 years.

Intangible assets of the Group also include franchise cost for the implementation of the solid waste management project.

Other Noncurrent Assets
Other noncurrent assets include noncurrent portion of deferred input VAT, deposits, MRF, national transmission lines, and advances for royalties of the Group. These are carried at historical cost and classified as noncurrent since the Group expects to utilize these assets beyond 12 months from the end of the reporting period.

Impairment of Nonfinancial Assets
Nonfinancial Other Current Assets
At each end of the reporting period, these assets are reviewed to determine whether there is any indication that those assets have suffered impairment loss. If there is an indication of possible impairment, the recoverable amount of assets are estimated and compared with their carrying amounts. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in the consolidated statement of income.

Property, Plant and Equipment, Intangible Assets, and Nonfinancial Other Noncurrent Assets
The Group assesses at each reporting date whether there is an indication that property, plant and equipment, intangible assets, and nonfinancial other noncurrent assets may be impaired when events or changes in circumstances indicate that the carrying values of the said assets may not be recoverable. If any such indication exists and if the carrying value exceeds the estimated recoverable amount, the assets or CGUs are written down to their recoverable amounts. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use (VIU) and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each end of the reporting period as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, depletion and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation, depletion and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The Group also provides allowance for impairment losses on mine and mining properties when these can no longer be realized. A valuation allowance is provided for unrecoverable costs of mine and mining properties based on the Group's assessment of the future prospects of a project. Full provision is made for the impairment unless it is probable that such costs are expected to be recouped through successful mine operations of the area of interest, or alternatively, by its sale. If the project does not prove to be viable or is abandoned, all revocable costs associated with the project and the related impairment provisions are written off.

Deferred Exploration Costs
An impairment review is performed when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the reporting period in which this is determined. Deferred exploration costs are carried forward provided that at least one of the following indicators is met:

- such costs are expected to be recouped in full through successful exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations, in relation to the area, are continuing, or planned for the future.

<u>Investment in an Associate</u>
Associates are entities over which the Group is able to exert significant influence. Significant influence is the power to participate in the financial and reporting policy decisions of the investee, but has no control or joint control over those policies.

The consideration made in determining significant influence is similar to those necessary to determine control activities. The Group's investments in an associate is accounted for using the equity method, less any impairment in value, in the consolidated statement of financial position. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date.

The consolidated statement of income reflects the Group's share of the results of operations of the associates. When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associates are eliminated to the extent of the interest in the associate. The aggregate of the Group's share in profit or loss of an associate is shown in the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interest in the subsidiaries of the associate.

<u>Interest in Joint Arrangements</u>
PFRS defines a joint arrangement as an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

Joint Operations
A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.

In relation to its interests in joint operations, the Group recognizes its:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

Provisions

General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as finance cost in the consolidated statement of income.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented on the consolidated statement of income, net of any reimbursement.

Provision for Mine Rehabilitation and Decommissioning

Mine rehabilitation costs will be incurred by the Group either while operating, or at the end of the operating life of, the Group's facilities and mine properties. The Group assesses its mine rehabilitation provision at each reporting date. The Group recognizes a rehabilitation provision where it has a legal and constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The nature of these restoration activities includes: dismantling and removing structures; rehabilitating mines and tailings dams; dismantling operating facilities; closing plant and waste sites; and restoring, reclaiming, and revegetating affected areas. The obligation generally arises when the asset is installed, or the ground/environment is disturbed at the mining operation's location.

When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred as a result of the development/construction of the mine. Any rehabilitation obligations that arise through the production of inventory are recognized as part of the related inventory item. Additional disturbances which arise due to further development/construction at the mine are recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur.

Costs related to restoration of site damage (subsequent to start of commercial production) that is created on an ongoing basis during production are provided for at their net present values and recognized in profit or loss as extraction progresses.

Changes in the estimated timing of rehabilitation or changes to the estimated future costs are dealt with prospectively by recognizing an adjustment to the rehabilitation liability and a corresponding adjustment to the asset to which it relates, if the initial estimate was originally recognized as part of an asset measured in accordance with PAS 16, *Property, Plant and Equipment*. Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the statements of income. If the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. For mature mines, if the estimate for the revised mine assets net of rehabilitation provision exceeds the recoverable value, that portion of the increase is charged directly to expense. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognized in the statement of profit or loss as part of finance costs. For closed sites, changes to estimated costs are recognized immediately in the statement of profit or loss.

Retirement Benefits Costs
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- service cost
- net interest on the net defined benefit liability or asset
- remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which these arise. Remeasurements are not reclassified to profit or loss in subsequent periods. Remeasurements recognized in OCI after the initial adoption of Revised PAS 19 are not closed to any other equity account.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can these be paid directly to the Group. Fair value of plan assets is based on market price information.

When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditures required to settle a defined benefit obligation is recognized as a separate asset at fair value when, and only when, reimbursement is virtually certain.

Equity

Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital (APIC). Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax.

Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments. When the retained earnings account has a debit balance, it is called "deficit." A deficit is not an asset but a deduction from equity. Dividends are recognized as a liability and deducted from equity when these are approved by the BOD of the Group. Dividends for the period that are approved after the end of the reporting period are dealt with as an event after the reporting period.

Treasury Shares

Where the Parent Company purchases its own shares (treasury shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity.

Earnings Per Share

Basic

Basic earnings per share is calculated by dividing the consolidated net income attributable to ordinary stockholders of the Parent Company by the weighted average number of common shares outstanding during the year, excluding common shares purchased by the Parent Company and held as treasury shares.

Diluted

Diluted earnings per share is calculated by dividing the consolidated net income attributable to ordinary stockholders of the Group by the weighted average number of common shares outstanding, adjusted for any stock dividends declared during the year plus weighted average number of ordinary shares that would be issued on the conversion of all potentially dilutive common shares during the period.

Revenue Recognition from Mine Products

The Parent Company sends its unrefined dore to a refiner for processing into marketable metals. While it has possession of the materials, control does not automatically transfer to the refiner, unless the Parent Company elects that the material is for sale to the refiner when a deal confirmation is drawn for the details of the sale (e.g. metal contents and the London Bullion Market Association (LBMA) prices to be applied), which confirmation is considered as the enforceable contract between them. Control passes to the buyer refiner upon its settlement of the metal credits to the Parent Company, at which point revenue is recognized.

Interest Income

Interest income is recognized as the interest accrues using the EIR method.

Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized in the consolidated statement of income in the period these are incurred.

Cost of Production

Cost of production is recognized when incurred in the normal course of business. It is comprised mainly of mining and milling costs, contracted services, depreciation, depletion and amortization, personnel costs, power and utilities, rentals, marketing and others, which are provided in the period when the goods are delivered.

Excise Taxes

Excise taxes pertain to the taxes due from the Group for its legal obligation arising from its mine products. Excise taxes are expensed as incurred.

General and Administrative Expenses

General and administrative expenses pertain to costs associated in the general administration of the day-to-day operations of the Group. These are recognized when incurred.

Other Income (Charges)

Other income and charges of the Group include incidental income earned and expenses incurred arising from activities of the Group, which are not directly related to the ordinary course of business. Other income and charges are recognized when earned and incurred, respectively.

Borrowing Costs

Borrowing costs are interest and other costs that the Group incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Capitalization of borrowing costs commences when the activities to prepare the assets are in-progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its estimated recoverable amount, an impairment loss is recorded.

When funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. When surplus funds are temporarily invested, the income generated from such temporary investment is deducted from the total capitalized borrowing costs.

When the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period. All other borrowing costs are recognized in the consolidated statement of income in the period in which these are incurred.

Income Taxes

Current Income Tax

Current income tax liabilities for the current and prior year periods are measured at the amount expected to be paid to the tax authority. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as of the financial reporting date.

Deferred Income Tax

Deferred income tax is provided, using the liability method, on all temporary differences at the 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. Deferred income tax assets are recognized for all deductible temporary differences, carry-forward benefits of unused net operating loss carry-over (NOLCO) and excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences, unused NOLCO and excess of MCIT over RCIT can be utilized.

The carrying amount of deferred income tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient future taxable income 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 end of the reporting period and are recognized to the extent that it has become probable that the sufficient future taxable income will allow the deferred income tax assets to be recovered.

Deferred income tax assets are measured at the tax rate that is expected to apply to the period when the asset is realized based on tax rate and tax laws that has been enacted or substantively enacted as at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to offset 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.

Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income.

Uncertainty over income tax treatments

The Group assesses at the end of each reporting period whether it has any uncertain tax treatments by reviewing the assumptions about the examination of tax treatments by the taxation authority, determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and considering changes in relevant facts and circumstances. The Group then evaluates how likely is it that a certain tax treatment will be accepted by the taxation authority. If it is probable that the taxation authority will accept a certain tax treatment, the Group concludes that it has no uncertain tax treatment and will measure tax amounts in line with the income tax filings.

If it is not probable that the taxation authority will accept a certain tax treatment, the Group measures tax amounts based on the 'most likely amount' method (better predicts uncertainty if the possible outcomes are binary or are concentrated on one value) or 'expected value' method (better predicts uncertainty if there is a range of possible outcomes that are neither binary nor concentrated on one value). The Group presents uncertain tax liabilities as part of current tax liabilities or deferred tax liabilities.

Operating Segments

The Group's operating businesses are recognized and managed according to the nature of the products or services offered, with each segment representing a strategic business unit that serves different markets.

Segment assets include operating assets used by a segment and consist principally of operating cash, trade and other receivables, deferred exploration cost, and property, plant and equipment, net of allowances and provisions.

Segment liabilities include all operating liabilities and consist principally of trade and other payables and accrued expenses.

Segment revenue, expenses and profit include transfers between business segments. The transfers are accounted for at competitive market prices charged to unaffiliated customers for similar products. Such transfers are eliminated in the consolidation.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the President and Chief Executive Officer of the Parent Company who makes strategic decisions.

Foreign Currency-Denominated Transactions

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange at reporting date. Foreign exchange differences between the rate at transaction date and rate at settlement date or reporting date are credited to or charged against current operations.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are, however, disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Events after the Reporting Period

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

3. **Summary of Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and the accompanying disclosures. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions 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. However, actual outcome can differ from these estimates.

<u>Judgments</u>
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those including estimations and assumptions, which have the most significant effect on the amount recognized in the consolidated financial statements.

Determination of Control
The Parent Company determines control when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The Parent Company controls an entity if and only if the Parent Company has all of the following:

a. Power over the entity;
b. Exposure, or rights, to variable returns from its involvement with the entity; and
c. The ability to use its power over the entity to affect the amount of the Parent Company's returns.

As at December 31, 2019, the Parent Company assessed that it has control over MORE and ISRI and has accounted for the investments as investments in subsidiaries.

Determination and Classification of a Joint Arrangement
Judgment is required to determine when the Group has joint control over an arrangement, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements are those relating to the operating and capital decisions of the arrangement. Judgment is also required to classify a joint arrangement. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement.

Specifically, the Group considers:
- The structure of the joint arrangement - whether it is structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
  a. The legal form of the separate vehicle
  b. The terms of the contractual arrangement
  c. Other facts and circumstances (when relevant)

This assessment often requires significant judgment, and a different conclusion on joint control and also whether the arrangement is a joint operation or a joint venture, may materially impact the accounting treatment for each assessment.

The Group has assessed that SC 72 is accounted for as joint operations in the Group's financial statements.

Assessment Whether an Asset is Held for Sale
In 2018, the Group entered into an agreement to sell its interest in ICSI, a partially-owned subsidiary. The subsidiary is classified as an "asset held for sale". The Group considered the asset to meet the criteria to be classified as held for sale due to the following reasons:

- The Group's interest in the subsidiary is available for immediate sale and can be sold to a potential buyer in its current condition.
- The Group entered into preliminary negotiations with a potential buyer.
- The BOD expects the negotiations to be finalized and the sale to be completed within the next 12 months from the end of the reporting period.

Assessing Existence of Significant Influence
In assessing whether significant influence still exists, the Group considered not only its percentage of ownership but other factors such as the board seat representations it has in the associate, governing body and its interchange of managerial personnel with the associates, among others.

The Group has 25% interest in MORE Electric and Power Corporation (MEPC) in 2019 and 2018. In 2018, the Group had significant influence in MEPC having board seats and management representations. In 2019, the Group has no board seats and management representations in MEPC. Following the loss of board seats and management representations in 2019, the Group assessed that, in spite owning 25% of MEPC, the Group does not have significant influence over MEPC (see Notes 9 and 12).

Assessment of the Production Start Date
The Group assesses the stage of each mine development project to determine when a mine moves into the production stage. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase. Some of the criteria include, but are not limited to the following:
- the level of capital expenditure compared to construction cost estimates;
- completion of a reasonable period of testing of the property, plant and equipment;
- ability to produce ore in saleable form; and
- ability to sustain ongoing production of ore.

When a mine development project moves into the production stage, the capitalization of certain mine construction costs ceases, and costs are either regarded as inventory or expensed, except for capitalizable costs related to mining asset additions or improvements, mine development or mineable reserve development. It is also at this point that depreciation of assets to be used for operations and depletion of capitalized mine development costs and mine and mining properties commences.

Classification of Financial Instruments
The Group classifies financial instruments, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position.

Determining Stage of Impairment
At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis. Quantitative criteria may include downgrade in investment grade, defaulted assets, counterparties with objective evidence of impairment.

A significant increase in credit risk is also presumed if a debtor is more than 90 days past due in making a contractual payment. Qualitative criteria may include significant adverse changes in business, financial or economic conditions in which the counterparty operates, actual or expected restructuring.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's investment grade criteria are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month ECL.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Significant Increase in Credit Risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition.

In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, information obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default; ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Group has determined that its credit risk on its financial instruments has not significantly increased since origination as at December 31, 2019 and 2018, respectively.

Accounting Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainties at the end of reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Provision for ECL on Trade and Other Receivables, Advances to Related Parties, and Advances to GMU

The Group uses the general approach model as new impairment requirement of PFRS 9 based on ECL which replace PAS 39 incurred loss model. An assessment of the ECL relating to trade and other receivables, advances to related parties, and advance to GMU under "Other noncurrent asset" is undertaken upon initial recognition and each financial year by examining the financial position of the related party and counter party and the market in which the related party and counter party operate applying the general approach of the ECL impairment model of PFRS 9. The general approach of the ECL impairment model involves exercise of significant judgment. Key areas of judgment include: defining default; determining assumptions to be used in the ECL model such as timing and amounts of expected net recoveries from defaulted accounts; debtor's capacity to pay, and incorporating forward-looking information in calculating ECL.

Total carrying value of trade and other receivables, advances to related parties, and advance to GMU under "Other noncurrent asset" amounted to ₱257.38 million and ₱136.21 million, as at December 31, 2019 and 2018, respectively. These are net of allowance for impairment losses amounting to ₱21.99 million as at December 31, 2019 and 2018 (see Notes 5, 14, and 16).

Valuation of Financial Instruments

The Group carries certain financial assets and financial liabilities (i.e., derivatives and AFS financial assets) at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (e.g., foreign exchange rates, interest rates, quoted equity prices), the amount of changes in fair value would differ if the Group utilized a different valuation methodology.

Any change in fair value of these financial assets and financial liabilities is recognized in the consolidated statements of income and in the consolidated statements of comprehensive income.

The carrying values and corresponding fair values of financial assets and financial liabilities as well as the manner in which fair values were determined are discussed in Note 30.

Valuation of Financial Assets at FVOCI
The Group carries its equity financial assets at FVOCI. Fair value measurement requires the use of accounting estimates and judgment. At initial recognition, the fair value of unquoted financial assets measured at FVOCI is based on the latest available transaction price. The amount of changes in fair value would differ if the Group utilized a different valuation methodology. Any change in fair value of its financial assets at FVOCI is recognized in the consolidated statements of comprehensive income.

As at December 31, 2019, the Group has net cumulative unrealized loss on financial assets at FVOCI amounting to ₱343.34 million. As at December 31, 2019 and 2018, the fair value of the Group's financial assets at FVOCI amounted to ₱53.53 million and ₱3.20 million, respectively (see Note 9).

Estimation of Allowance for Inventory Losses and Obsolescence
The Group maintains an allowance for inventory losses and obsolescence at a level considered adequate to reflect the excess of cost of inventories over their NRV. NRV of inventories are assessed regularly based on prevailing estimated selling prices of inventories and the corresponding cost of disposal. Increase in the NRV of inventories will increase cost of inventories but only to the extent of their original acquisition costs.

The Group recorded reversal of provision for inventory losses and obsolescence amounting to ₱11.26 million, nil and ₱60.80 million and provided an additional provision amounting to nil, ₱11.26 million and nil in 2019, 2018, and 2017, respectively (see Notes 6 and 24). As at December 31, 2019 and 2018, the carrying amounts of inventories amounted to ₱841.86 million and ₱912.54 million, respectively, net of allowance for inventory losses and obsolescence amounting to ₱25.35 million and ₱36.61 million, respectively, as at those dates (Note 6).

Assessment of the Realizability of Nonfinancial Other Current Assets
A review to determine the realizability of the asset is made by the Group on a continuing basis yearly. The assessment as to the realizability of the nonfinancial other current assets is based on how the Group can utilize these assets. Impairment loss due to write-off of input VAT has been recognized in December 31, 2019, 2018, and 2017 amounting to nil, ₱1.26 million, and nil, respectively (see Note 24). The aggregate carrying value of nonfinancial other current assets amounted to ₱559.35 million and ₱610.66 million as at December 31, 2019 and 2018, respectively, and are included under "Other current assets" caption in the consolidated statements of financial position (see Note 7).

Assessment of the Recoverability of Deferred Exploration Costs
The application of the Group's accounting policy for deferred exploration costs requires judgment in determining whether future economic benefits are likely, either from future exploitation or sale, or where activities have reached a stage that permits a reasonable assessment of the existence of mineral ore resources and/or reserves. The determination of a resource is itself an estimation process that has varying degrees of uncertainty depending on a number of factors, which estimate directly impacts the determination of how much ore reserves could eventually be developed to justify further investment in and capitalization of exploration expenditures. The capitalization policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether economically viable extraction operations can be established. Estimates and assumptions made may change if and when new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that recovery is unlikely, the amount capitalized is written off in profit or loss in the period when such new information becomes available.

Deferred exploration costs amounted to ₱2.32 billion and ₱2.49 billion as at December 31, 2019 and 2018, respectively (see Note 11).

Estimation of Fair Value, Useful Lives and Residual Values of Property, Plant and Equipment
The Group estimates the fair value, useful lives and residual values of property, plant and equipment based on the results of assessment of independent appraisers. Fair value and estimated useful lives of the property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets.

In 2019, the Parent Company revalued its property, plant and equipment. There were changes in the estimated fair values, useful lives and residual values of property, plant and equipment. Useful lives of certain property, plant and equipment were estimated to be longer than the original estimated useful lives as indicated in the independent appraiser's report dated June 26, 2019.

In 2019, the change has been accounted for as a change in accounting estimate and resulted to a decrease in depreciation expense amounting to ₱116.33 million. Remaining property, plant and equipment as at December 31, 2019 and 2018 are expected to be realized through continued use under the current mining plan with none identified subject for sale and disposal.

Property, plant and equipment at fair value as at December 31, 2019 and 2018 has net book values amounting to ₱8.77 billion and ₱7.28 billion, respectively, while property, plant and equipment at cost as at December 31, 2019 and 2018 amounted to ₱8.13 billion and ₱6.76 billion, respectively (see Note 10). The estimated useful lives are disclosed in Note 2 to the consolidated financial statements.

Estimation of Ore Reserves
Ore reserves are estimates of the amount of ore that can be economically extracted from the Group's depletable mine and mining properties and are key inputs to depletion and depreciation. The Group estimates its ore reserves based on information compiled by an external mining engineer relating to the geological data on the size, depth, and shape of the ore body, which requires complex geological and mine engineering judgments to interpret and serves as bases for estimation. The estimation of ore reserves is further based upon assumptions needed for economic evaluation, such as operating costs, taxes, royalty, production data, foreign exchange rates, and commodity pricing, along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the ore reserve estimates may affect the carrying values of the depletable mine and mining properties, and depletion and depreciation charges.

Depletable mine and mining properties, net of accumulated depletion, amounted to ₱782.38 million and ₱581.14 million as at December 31, 2019 and 2018, respectively (see Note 10).

Estimation of Depletion Rate
Depletion rates used to amortize depletable mine and mining properties are annually assessed based on the latest estimate of recoverable ore reserves. The Group estimates its ore reserves in accordance with local regulatory guidelines provided under the Philippine Mineral Reporting Code, duly reviewed and certified by an external mining engineer.

Depletion rates used to amortize depletable mine and mining properties in 2019, 2018 and 2017 were 16%, 18% and 17%, respectively. Depletion costs amounted to ₱561.56 million, ₱532.21 million, and ₱421.58 million in 2019, 2018, and 2017, respectively. Depletable mine and mining properties, net of accumulated depletion amounted to ₱782.38 million and ₱581.14 million as at December 31, 2019 and 2018, respectively (see Note 10).

Estimation of Impairment of Nonfinancial Assets, including Property, Plant and Equipment, Intangible Assets, and Other Noncurrent Assets
The Group evaluates whether property, plant and equipment, intangible assets, and nonfinancial other noncurrent assets have suffered any impairment either annually or when circumstances indicate that related carrying amounts are no longer recoverable. The recoverable amounts of these assets have been determined based on either VIU or fair value, if said information is readily available. Estimation of VIU requires the use of estimates on cost projections, non-proprietary club shares, gold and silver prices, foreign exchange rates and mineral reserves, which are determined based on an approved mine plan, fluctuations in the market and assessment of either internal or third-party geologists, who abide by certain methodologies that are generally accepted within the industry. Fair value is based on the results of assessment done by independent appraisers engaged by the Group. The approach utilizes prices recently paid for similar assets with adjustments made to the indicated market price to reflect condition and utility of the appraised assets relative to the market comparable.

Aggregate net book values of property, plant and equipment, intangible assets and nonfinancial other noncurrent assets amounted to ₱9.0 billion and ₱7.53 billion as at December 31, 2019, and 2018 respectively (see Notes 10, 13, and 14).

These are subjected to impairment testing when impairment indicators are present. No impairment loss was recognized in 2019, 2018 and 2017 as no impairment indicators were identified during these years. Write-off of property, plant and equipment, intangible assets, and other noncurrent assets were recognized amounting to nil, nil, and ₱9.16 million in 2019, 2018 and 2017, respectively (see Note 24).

Estimation of Provision for Retirement Benefits
The costs of defined benefit retirement as well as the present value of the provision for retirement benefits are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future retirement increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, retirement benefit liability is highly sensitive to changes in these assumptions. All assumptions are reviewed at each end of the reporting period.

Retirement benefits costs amounted to ₱56.03 million, ₱46.68 million and ₱43.95 million in 2019, 2018 and 2017, respectively. Provision for retirement benefits amounted to ₱287.78 million and ₱234.55 million as at December 31, 2019 and 2018, respectively. Benefits paid in 2019, 2018 and 2017 amounted to ₱43.27 million, ₱1.66 million and ₱1.84 million, respectively (see Note 17).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit retirement liability. Further details about the assumptions used are provided in Note 17.

Estimation of Provision for Mine Rehabilitation and Decommissioning
The Group assesses its provision for mine rehabilitation and decommissioning annually. Significant estimates and assumptions are made in determining the provision as there are numerous factors that will affect it. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rates, which uncertainties may result in future actual expenditure differing from the amounts currently provided. Changes to estimated future costs are recognized in the consolidated statement of financial position by adjusting the rehabilitation asset against the corresponding liability. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation and other costs required.

Accretion expense amounted to ₱1.97 million and ₱1.39 million in 2019 and 2018, respectively (see Note 27). Change of estimate of provision for mine rehabilitation amounted to ₱6.19 million and ₱6.30 million in 2019 and 2018, respectively (see Note 18). As at December 31, 2019 and 2018, the provision for mine rehabilitation and decommissioning amounted to ₱36.07 million and ₱27.90 million, respectively (see Note 18).

Assessment on Provisions and Contingencies
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with in-house and outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently assessed that these proceedings will not have a material adverse effect on its financial position.

It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 31).

Assessment of Realizability of Deferred Income Tax Assets
The Group reviews the carrying amounts of deferred income taxes assets at each end of the reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

As at December 31, 2019 and 2018, the Group recognized deferred tax assets related to retirement benefits and provision for mine rehabilitation amounting to ₱95.85 million and ₱77.91 million, respectively. As at December 31, 2019 and 2018, unrecognized deferred income tax assets amounted to ₱561.19 million and ₱693.15 million, respectively (see Note 28).

4. Cash and Cash Equivalents

	2019	2018
Cash on hand	**₱2,159,976**	₱2,571,006
Cash with banks	**495,275,254**	356,614,364
Short-term deposits	**208,236,788**	178,236,788
	₱705,672,018	₱537,422,158

Cash with bank earns interest at the respective bank deposit rates. Short-term deposits are made for varying periods, usually of up to three months, depending on the cash requirements of the Group.

Interest income, net of final tax, arising from cash with banks and short-term deposits amounted to ₱6.08 million, ₱1.84 million and ₱6.31 million in 2019, 2018 and 2017, respectively (see Note 24).

The Group has foreign currency-denominated cash amounting to US$6.20 million and US$0.67 million as at December 31, 2019 and 2018, respectively (see Note 29).

5. **Trade and Other Receivables**

	2019	2018
Trade	**₱128,592,501**	₱3,137,757
Advances to officers and employees	**14,588,294**	11,590,753
Others	**30,842,158**	34,177,283
	174,022,953	48,905,793
Less allowance for doubtful accounts	**21,989,828**	21,989,828
	₱152,033,125	₱26,915,965

Trade receivables are noninterest-bearing and are generally on less than 15 days' terms. These are related to gold delivery agreements entered into by the Group with Heraeus Limited (Heraeus), a refining company based in Hong Kong (see Note 29).

The Group has foreign currency-denominated trade and other receivables amounting to US$2.76 million and US$0.06 million as at December 31, 2019 and 2018, respectively (see Note 29).

Advances to officers and employees pertain to cash advances that are subject to liquidation within 10 to 30 days.

Other receivables comprise of advances for social security claims and medical benefits of employees. These said advances will be settled by the employees once their claims or benefits have been received from the related agency.

The following table is a rollforward analysis of the allowance for doubtful accounts recognized on other receivables:

	2019	2018
January 1	**₱21,989,828**	₱5,831,397
Provision for impairment (see Note 24)	–	16,158,431
December 31	**₱21,989,828**	₱21,989,828

6. **Inventories**

	2019	2018
Gold and silver bullions - at cost	**₱76,711,829**	₱117,615,902
Metals in-circuit - at cost	**56,591,546**	109,078,906
Ore stockpile - at NRV	–	87,844,988
Materials and supplies - at NRV	**708,558,252**	598,003,149
	₱841,861,627	₱912,542,945

Cost of inventories recognized as part of cost of production amounted to ₱1.240 billion, ₱1.03 billion and ₱874.09 million in 2019, 2018, and 2017, respectively (see Note 22).

Cost of materials and supplies recognized as part of general and administrative expenses in 2019, 2018, and 2017 amounted to ₱2.97 million, ₱2.60 million and ₱1.27 million, respectively (see Note 23).

Movements in allowance for inventory losses and obsolescence pertaining to ore stockpile and materials and supplies are as follows:

	2019	2018
Beginning balances	**₱36,608,114**	₱25,351,452
Provision (Reversal)	**(11,256,662)**	11,256,662
Ending balances	**₱25,351,452**	₱36,608,114

In 2019, the Group recognized a reversal of allowance for inventory losses and obsolescence amounting to ₱11.26 million which was lodged under cost of production.

7. Other Current Assets

	2019	2018
Input VAT	**₱325,845,663**	₱369,885,315
Advances to suppliers and contractors	**169,793,972**	164,511,523
Current portion of deferred input VAT	**31,691,774**	36,259,969
Prepayments	**19,158,776**	12,750,594
CWT	**–**	1,776,502
Others	**12,861,736**	25,472,675
	₱559,351,921	₱610,656,578

Input VAT represents VAT imposed on the Group by its suppliers for the acquisition of goods and services, which the Group applies either for conversion to tax credit certificate (TCC) or for cash refund by regulatory agencies.

Advances to suppliers and contractors comprise mainly of advance payments made by the Group relating to the services, materials, and supplies necessary in the operations. These are noninterest-bearing and will be realized through offsetting against future billings from suppliers and contractors.

Input VAT on purchases or importation of capital goods exceeding ₱1.00 million are deferred for amortization over a period of five (5) years pursuant to tax regulations. The portion for amortization within 12 months from the end of the reporting period is referred to as the current portion of deferred input vat.

Prepayments include licenses and premiums on insurance policies covering the Group's vehicles and employees.

CWTs pertains to amount withheld by the customers which can be applied against income tax payable provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation.

Others pertain to deposits made by the Group to non-bank entities including service professionals and deferred charges incurred that is integral to the rehabilitation and refurbishment of the Sangilo mine.

8. Asset Held-for-Sale

Asset held-for-sale, which pertain to the net assets of ICSI, amounted to ₱360.67 million and ₱361.37 million as at December 31, 2019 and 2018, respectively. On August 28, 2018, MORE and ABCI entered into an agreement to sell where MORE shall sell its 52% ownership in ICSI to ABCI for ₱566.0 million payable within 12 months which was further extended to May 31, 2021. As at May 29, 2020, ABCI has not yet made payment to MORE.

Major classes of assets and liabilities are composed of the following:

	2019	2018
Cash and cash in bank	**₱67,349**	₱47,994
Nontrade receivable	**75,939,753**	75,939,753
Advances for the acquisition of land	**93,530,149**	93,530,149
Intangible asset	**192,202,964**	192,202,964
Trade payables	**(1,071,520)**	(559,516)
Other Current Assets	**–**	213,225
	₱360,668,695	₱361,374,569

9. Financial Assets Measured at FVOCI

Financial assets at FVOCI pertains to MORE's investment in MEPC, National Prosperity Gold Production Group Ltd. (NPGPGL) and ISRI's corporate membership share in Baguio Country Club.

In 2019, MORE reclassified the investment in MEPC from investment in an associate to financial asset measured at FVOCI as result of loss of significant influence. As at December 31, 2019 investment in MEPC amounted to ₱49.03 million (see Note 12).

NPGPGL is a private entity in Myanmar, in which the Group holds a 3.92% ownership interest costing ₱344.64 million as at December 31, 2019 and 2018. In 2018, the Group recognized remeasurement loss on the financial asset at FVOCI amounting to ₱344.64 million, thus as at December 31, 2019 and 2018, the fair value of the financial asset at FVOCI for MORE's investment in NPGPGL amounted to nil. No dividend was recognized by MORE from NPGPGL in 2019 and 2018.

ISRI's one (1) corporate membership share of Baguio Country Club is an equity instrument with quoted market price, which is carried at fair market value as at the end of the financial reporting period, which amounted to ₱4.50 million and ₱3.20 million as at December 31, 2019 and 2018, respectively.

Rollforward analysis of equity securities for the years ended December 31, 2019 and 2018 follow:

	2019	2018
Cost	**₱347,842,240**	₱347,842,240
Reclassification (Note 12)	**49,028,321**	–
Total	**396,870,561**	347,842,240
Change in fair value of equity instrument financial assets:		
At the beginning of the year	**(344,640,000)**	–
Changes of fair value recognized in OCI	**1,297,760**	(344,640,000)
At the end of the year:	**(343,342,240)**	(344,640,000)
	₱53,528,321	₱3,202,240

10. Property, Plant and Equipment

	2019							
	Buildings and improvements	Mining and milling equipment	Power equipment	Roads and bridges, and land improvements	Exploration equipment and others	Mine and mining properties	Construction in-progress	Total
At revalued amounts:								
Balances at beginning of year	₱204,617,411	₱4,634,805,290	₱561,585,987	₱864,243,241	₱314,764,578	₱5,314,329,937	₱1,713,147,273	₱13,607,493,717
Additions	18,386,336	340,851,621	24,963,446	829,820	38,302,254	1,014,606,721	466,030,748	1,903,970,946
Capitalized borrowing cost (Note 19)	–	–	–	–	–	93,534,368	27,989,328	121,523,696
Change of estimate on provision for mine rehabilitation and decommissioning	–	–	–	–	–	1,406,546	–	1,406,546
Revaluation	53,429,903	388,309,971	28,981,369	19,482,309	35,793,021	–	–	525,996,573
Reclassifications to (from) construction in-progress	39,487,581	132,448,900	13,167,579	141,346,258	417,160	262,463,499	(589,330,977)	–
Transfers (Note 11)	–	–	–	–	–	281,092,872	–	281,092,872
Disposals and write-offs	–	–	–	–	(1,541,072)	–	–	(1,541,072)
Balances at end of year	315,921,231	5,496,415,782	628,698,381	1,025,901,628	387,735,941	6,967,433,943	1,617,836,372	16,439,943,278
Accumulated depreciation and amortization:								
Balances at beginning of year	134,441,653	2,539,972,285	423,395,042	492,190,886	196,611,266	2,374,895,632	–	6,161,506,764
Depreciation and depletion	19,689,223	614,967,532	54,606,314	63,636,648	34,073,270	561,559,674	–	1,348,532,661
Disposal and write-offs	–	–	–	–	(1,344,575)	–	–	(1,344,575)
Balances at end of year	154,130,876	3,154,939,817	478,001,356	555,827,534	229,339,961	2,936,455,306	–	7,508,694,850
Allowance for impairment:								
Balances at beginning and end of year	126,037	3,318,744	–	159,229,430	–	–	–	162,674,211
Net book values	₱161,664,318	₱2,338,157,221	₱150,697,025	₱310,844,664	₱158,395,980	₱4,030,978,637	₱1,617,836,372	₱8,768,574,217

	2018							
	Buildings and improvements	Mining and milling equipment	Power equipment	Roads and bridges, and land improvements	Exploration equipment and others	Mine and mining properties	Construction in-progress	Total
At revalued amounts:								
Balances at beginning of year	₱219,981,108	₱4,813,775,175	₱583,886,574	₱797,688,062	₱275,582,978	₱4,717,776,878	₱1,089,792,225	₱12,498,482,999
Additions	4,284,484	719,180,688	1,034,205	3,552,645	58,339,696	597,428,782	571,203,584	1,955,024,084
Additional provision for mine rehabilitation and decommissioning (Note 33)	–	–	–	–	–	(875,723)	–	(875,723)
Capitalized borrowing cost (Note 19)	–	–	–	–	–	–	15,602,177	15,602,177
Reclassifications/transfers	(19,648,181)	(852,880,570)	(23,334,792)	63,002,534	(1,380,124)	–	–	(834,241,133)
Reclassifications to (from) construction in-progress	–	(36,549,287)	–	–	–	–	36,549,287	–
Disposals and write-offs	–	(8,720,716)	–	–	(17,777,972)	–		(26,498,688)
Balances at end of year	204,617,411	4,634,805,290	561,585,987	864,243,241	314,764,578	5,314,329,937	1,713,147,273	13,607,493,717
Accumulated depreciation and amortization:								
Balances at beginning of year	137,330,329	2,811,044,505	405,851,202	381,427,728	189,365,963	1,842,683,609	–	5,767,703,336
Depreciation and depletion	15,591,689	528,707,161	58,545,436	68,959,337	39,772,058	532,212,023	–	1,243,787,704
Reclassifications/transfers	(18,480,365)	(796,062,106)	(41,001,596)	41,803,821	(20,500,887)	–	–	(834,241,133)
Disposal and write-offs	–	(3,717,275)	–	–	(12,025,868)	–	–	(15,743,143)
Balances at end of year	134,441,653	2,539,972,285	423,395,042	492,190,886	196,611,266	2,374,895,632	–	6,161,506,764
Allowance for impairment:								
Balances at beginning and end of year	126,037	3,318,744	–	159,229,430	–	–	–	162,674,211
Net book values	₱70,049,721	₱2,091,514,261	₱138,190,945	₱212,822,925	₱118,153,312	₱2,939,434,305	₱1,713,147,273	₱7,283,312,742

During 2019, the Parent Company revalued its property, plant and equipment based on estimated fair values as indicated in the independent appraiser's report dated May 24, 2019. The assigned value was estimated using the cost approach method, which is based on economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction. The cost approach involves the appraiser coming up with the replacement cost less an allowance for accrued depreciation as evidenced by the observed condition in comparison with new units of like kind with consideration to physical deterioration and functional/economic factors.

As at May 24, 2019, management assessed that the current use of the Group on the Parent Company's buildings and improvements, mining and milling equipment, power equipment, roads bridges and land improvements and exploration equipment and others, which amounted to ₱3.40 billion, is their highest and best use.

Accordingly, as of the date of the revaluation, the Group recognized a net increase of ₱368.20 million which was directly credited to the revaluation surplus, net of deferred taxes amounting to ₱87.91 million. In addition, the Group did not recognize impairment loss because there were no impairment indicators identified.

Construction in-progress consists mainly of expenditures and other construction projects such as Tailings Management Facility, drainage tunnels, etc. at different stages of completion as at December 31, 2019 and 2018, respectively.

Movement in revaluation surplus in equity is as follows:

	2019	2018
Balances at beginning of year	**₱169,048,344**	₱237,572,339
Appraisal increase, net of tax	**368,197,602**	–
Realized portion through depreciation, net of tax (Note 20)	**(87,913,299)**	(68,523,995)
Balance at end of year	**₱449,332,647**	₱169,048,344

Total revaluation surplus is not available for distribution to stockholders until this is realized through depreciation.

If the property, plant and equipment were carried at cost less accumulated depreciation and accumulated impairment loss, the amounts would be as follows:

	2019							
	Buildings and improvements	**Mining and milling equipment**	**Power equipment**	**Roads and bridges and land improvements**	**Exploration equipment, and others**	**Mine and mining properties**	**Construction in-progress**	**Total**
At cost:								
Balances at end of year	**₱261,092,445**	**₱5,889,450,961**	**₱633,048,445**	**₱991,987,733**	**₱455,959,996**	**₱6,860,489,102**	**₱1,281,052,031**	**₱16,373,080,713**
Accumulated depreciation and amortization:								
Balances at end of year	**169,104,260**	**3,856,878,329**	**499,977,676**	**557,149,737**	**323,171,814**	**2,677,454,249**	**–**	**8,083,736,065**
Allowance for impairment:								
Balances at beginning and end of year	**126,037**	**3,318,744**	**–**	**159,229,430**	**–**	**–**	**–**	**162,674,211**
Net book values	**₱91,862,148**	**₱2,029,253,888**	**₱133,070,769**	**₱275,608,566**	**₱132,788,182**	**₱4,183,034,853**	**₱1,281,052,031**	**₱8,126,670,437**

	2018							
	Buildings and improvements	Mining and milling equipment	Power equipment	Roads and bridges and land improvements	Exploration equipment, and others	Mine and mining properties	Construction in-progress	Total
At cost:								
Balances at end of year	₱203,218,528	₱5,416,150,440	₱594,917,420	₱849,811,655	₱418,781,654	₱5,326,467,314	₱1,404,352,260	₱14,213,699,271
Accumulated depreciation and amortization:								
Balances at end of year	159,039,817	3,459,016,551	468,707,741	530,081,225	307,251,399	2,368,796,189	–	7,292,892,922
Allowance for impairment:								
Balances at beginning and end of year	126,037	3,318,744	–	159,229,430	–	–	–	162,674,211
Net book values	₱44,052,674	₱1,953,815,145	₱126,209,679	₱160,501,000	₱111,530,255	₱2,957,671,125	₱1,404,352,260	₱6,758,132,138

The cost of fully depreciated property, plant and equipment that are still being used amounted to ₱234.14 million and ₱1.10 billion as at December 31, 2019 and 2018, respectively.

The Group capitalized borrowing cost amounting to ₱27.99 million and ₱15.60 million for construction in-progress, ₱93.53 million and nil for mine development costs in 2019 and 2018, respectively. The rate used to determine the amount of borrowing costs eligible for capitalization was 8.23% and 6.47% in 2019 and 2018, respectively (see Note 19).

Breakdown of mine and mining properties and mine development cost is shown below:

	2019				
	Depletable				
	Mine and mining properties	**Mine rehabilitation assets**	**Total**	**Mine development cost**	**Total**
Cost:					
Balances at beginning of year	**₱2,928,178,276**	**₱27,858,537**	**₱2,956,036,813**	**₱2,358,293,124**	**₱5,314,329,937**
Additions	**480,299,367**	**–**	**480,299,367**	**534,307,354**	**1,014,606,721**
Transfers (Note 10)	**281,092,872**	**–**	**281,092,872**	**–**	**281,092,872**
Capitalized borrowing costs (Note 10)	**–**	**–**	**–**	**93,534,368**	**93,534,368**
Reclassifications and transfer from construction in progress	**–**	**–**	**–**	**262,463,499**	**262,463,499**
Change in estimate	**–**	**1,406,546**	**1,406,546**	**–**	**1,406,546**
Balances at end of year	**3,689,570,515**	**29,265,083**	**3,718,835,598**	**3,248,598,345**	**6,967,433,943**
Accumulated depletion:					
Balances at beginning of year	**2,349,595,682**	**25,299,950**	**2,374,895,632**	**–**	**2,374,895,632**
Depletion (Note 10)	**561,559,674**	**–**	**561,559,674**	**–**	**561,559,674**
Balances at end of year	**2,911,155,356**	**25,299,950**	**2,936,455,306**	**–**	**2,936,455,306**
Net book values	**₱778,415,159**	**₱3,965,133**	**₱782,380,292**	**₱3,248,598,345**	**₱4,030,978,637**

	2018				
	Depletable				
	Mine and mining properties	Mine rehabilitation assets	Total	Mine development cost	Total
Cost:					
Balances at beginning of year	₱2,553,690,449	₱28,734,260	₱2,582,424,709	₱2,135,352,169	₱4,717,776,878
Additions	374,487,827	–	374,487,827	222,940,955	597,428,782
Change in estimate	–	(875,723)	(875,723)	–	(875,723)
Balances at end of year	2,928,178,276	27,858,537	2,956,036,813	2,358,293,124	5,314,329,937
Accumulated depletion:					
Balances at beginning of year	1,817,383,659	25,299,950	1,842,683,609	–	1,842,683,609
Depletion (Note 23)	532,212,023	–	532,212,023	–	532,212,023
Balances at end of year	2,349,595,682	25,299,950	2,374,895,632	–	2,374,895,632
Net book values	₱578,582,594	₱2,558,587	₱581,141,181	₱2,358,293,124	₱2,939,434,305

The carrying amount of the Parent Company's asset retirement obligation (ARO) pertaining to mine rehabilitation assets have been fully depleted as at December 31, 2019 and 2018.

As at December 31, 2019 and 2018, the carrying amount of ISRI's ARO amounted to ₱4.35 million and ₱2.56 million, respectively.

11. Deferred Exploration Costs

	2019	2018
Balances at beginning of year	**₱2,485,682,590**	₱2,306,997,755
Additions	**117,252,955**	178,684,835
Transfers (Note 10)	**(281,092,872)**	–
	₱2,321,842,673	₱2,485,682,590

Deferred exploration costs consist of expenditures related to the exploration activities covered by the Group's mining tenements. Additions to deferred exploration costs include those incurred on service contracts for the exploration of the mines, drilling activities, and other direct costs related to exploration activities. The recovery of these costs depends upon the success of the exploration activities, the future development of the corresponding mining properties and the extraction of mineral products as these properties shift into commercial operations.

In 2019, the Parent Company transferred deferred exploration costs to mine and mining properties amounting to ₱281.09 million.

12. Investment in an Associate

In August 2018, MORE subscribed 250,000,000 shares or 25% interest in MEPC amounting to ₱63.50 million. MORE also had nominees in the board of MEPC giving MORE significant influence in MEPC in 2018. MEPC is a corporation established under the laws of the Philippines to distribute power in Iloilo City through a legislative franchise which was acquired under Republic Act No. 11212 promulgated on March 6, 2019. As at December 31, 2018, the MORE's interest in MEPC is classified as "Investment in an Associate".

In October 2018, MEPC and Prime Metroline Holdings, Inc. (PMHI) entered into a "Deposit for Future Subscription Agreement" wherein PMHI infused ₱1,250,000,000 in MEPC which is considered as deposit for future stock subscription. Currently, MEPC is in the process of applying with the SEC for the increase in its authorized capital stock so it can issue the shares of stock subscribed by PMHI. Upon MEPC's issuance of the shares subscribed by PMHI, MORE's interest in MEPC will be diluted from 25% to 11%. In 2019, the board representatives of MORE in MEPC resigned and were replaced by PMHI nominees. The impending dilution of MORE's interest to 11% and the resignation of MORE's board representatives in MEPC in 2019 resulted in the loss of significant influence over MEPC. Upon loss of significant influence, MORE's interest in MEPC was reclassified from "Investment in an Associate" to "Financial Assets Measured at FVOCI" in 2019 (see Note 9).

Investment in an associate amounted to nil and ₱49.03 million as at December 31, 2019 and 2018, respectively. Changes in the carrying value of the associate for the years December 31, 2019 and 2018 are presented below:

	2019	2018
Beginning balances	**₱49,028,321**	₱63,500,000
Share in net loss	**–**	(14,471,679)
	49,028,321	49,028,321
Reclassification (Note 9)	**(49,028,321)**	–
Investment in an associate	**₱–**	₱49,028,321

The Group's share in net loss of MEPC amounted to nil and ₱14.47 million in 2019 and 2018, respectively.

13. Intangible Assets

	2019
	Computer software
Cost:	
Balances at beginning of year	**₱52,108,483**
Additions/Transfers	**2,372,808**
Balances at end of year	**54,481,291**
Accumulated amortization:	
Balances at beginning of year	**51,378,976**
Amortization (Note 25)	**535,493**
Balances at end of year	**51,914,469**
Net book values	**₱2,566,822**

	2018		
	Franchise	Computer software	Total
Cost:			
Balances at beginning of year	₱192,202,964	₱41,280,814	₱233,483,778
Additions/Transfers	–	10,827,669	10,827,669
Reclassifications (Note 8)	(192,202,964)	–	(192,202,964)
Balances at end of year	–	52,108,483	52,108,483
Accumulated amortization:			
Balances at beginning of year	142,349	40,790,855	40,933,204
Reclassifications	(142,349)	10,505,382	10,363,033
Amortization (Note 25)	–	82,739	82,739
Balances at end of year	–	51,378,976	51,378,976
Net book values	₱–	₱729,507	₱729,507

Computer software includes workbooks used for exploration activities and accounting process of the Group.

Franchise pertains to ICSI’s cost of franchise for the implementation of the Solid Waste Management Project which was reclassified as asset held-for-sale in 2018 (see Note 8).

14. Other Noncurrent Assets

	2019	2018
Advance to Gold Mines of Uganda Ltd. (GMU)	**₱102,540,877**	₱106,479,500
Deferred input VAT - noncurrent	**54,273,687**	72,820,450
MRF	**26,156,301**	24,956,028
Deposits	**13,439,236**	13,154,236
National transmission lines	**16,996,693**	16,934,003
Advances for royalties	**2,084,893**	2,084,893
Others	**12,729,393**	11,279,950
	₱228,221,080	₱247,709,060

Advance to GMU pertains to US$2.03 million noninterest-bearing advances to cover exploration activities of GMU. The amount is expected to be converted into investment in the future.

As at December 31, 2019 and 2018, the Group maintains MRFs consisting of monitoring trust, rehabilitation cash, environmental trust and final rehabilitation and decommission funds as provided in its agreements entered into with the provincial government and the Mines and Geosciences Bureau (MGB). The funds are restricted for withdrawal unless approved by MGB. The funds are only to be used for the physical and social rehabilitation, reforestation and restoration of areas and communities affected by mining activities, pollution control, slope stabilization, and integrated community development projects.

Deposits pertain to security deposits for the use of the leases of equipment and office space rentals, which are recoverable through application against final billings from lessors.

National transmission lines pertain to the national transmission line of the Maco mine.

Advances for royalties arose due to the agreement entered into by BMRC which required the latter to pay in advance the royalties accruing for the Paracale Gold Project.

Others pertain to deposits made by the Group to non-bank entities including service professionals.

15. Trade and Other Payables

	2019	2018
Trade	**₱416,085,513**	₱760,548,775
Nontrade	**331,732,454**	492,354,945
Accrued expenses	**196,101,739**	222,927,173
Accrued employee benefits	**62,957,742**	54,887,733
Payables to government agencies	**44,472,892**	44,019,560
Retention payable	**11,568,680**	13,613,614
Others	**89,475,095**	162,914,847
	₱1,152,394,115	₱1,751,266,647

Trade payables, accrued liabilities, and other payables are noninterest-bearing. Trade payables are payable on demand while accrued liabilities are generally settled in 30 to 60 days terms.

Nontrade payables include payables for royalties and surface rights to the indigenous people in the Parent Company's Maco mine tenements (see Note 31), and other payables that are incurred outside the Group's operations.

Accrued expenses include billings for hired services, project suppliers, professional fees, utilities, and other expenses related to operations.

Accrued employee benefits pertain to accrued leave and other benefits that are monetized to employees, and unclaimed salaries and wages.

Payables to government agencies include accruals for excise taxes due from the Parent Company's Maco mine operations.

Retention payable pertain to withheld amounts from billings for services availed or product purchases pending the completion of certain specified conditions.

Other payables pertain to short-term cash advances by the Group necessary to support its operations.

16. **Related Party Disclosures**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or are under common control with the Group, including holding companies and subsidiaries, are related parties of the Group. Associates and individuals owning, directly or indirectly, voting power that gives them significant influence over the Group, its key management personnel, directors and officers, and key management personnel. Close members of the family of these individuals, and companies associated with these individuals, also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Transactions with related parties in the normal course of business as follows:

Category	Relationship	Year	Volume/ Amount	Outstanding balance	Terms	Conditions
Cash advances to:						
MORE Coal	With common	**2019**	**₱–**	**₱1,186,593**	Due and demandable	Unsecured,
	stockholders	2018	₱34,865	1,186,593	Due and demandable	cash-settled
MORE Oil & Gas	With common	**2019**	**–**	**603,126**	Due and demandable	Unsecured,
	stockholders	2018	34,865	603,126	Due and demandable	cash-settled
MORE Reedbank	With common	**2019**	**–**	**514,390**	Due and demandable	Unsecured,
	stockholders	2018	34,865	514,390	Due and demandable	cash-settled
MORE Electric and Power Corp.	With common stockholders	**2019**	**(1,265)**	**506,823**	Due and demandable	Unsecured,
		2018	36,130	508,088	Due and demandable	cash-settled
2019			**(₱1,265)**	**₱2,810,932**		
2018			₱140,724	₱2,812,197		

Category	Relationship	Year	Volume/ Amount	Outstanding balance	Terms	Conditions
Cash advances from:						
PMHI	Stockholder	**2019**	**₱–**	**₱1,039,512,000**	Due and demandable	Unsecured,
		2018	₱63,500,000	₱1,039,512,000		cash-settled

a. Advances to related parties pertain to funds obtained for its working capital requirements.

b. Advances from PMHI pertain to advances obtained by the Parent Company and MORE for its working capital requirements.

Trustee Bank

The Group's retirement fund pertains only to the Parent Company's retirement fund that is being held by a trustee bank. The carrying amounts of the Parent Company's retirement fund amounted to ₱14.06 million and ₱13.65 million, respectively, while the fair values amounted to ₱14.33 million and ₱12.59 million, respectively, as at December 31, 2019 and 2018 (see Note 17).

As at December 31, 2019 and 2018, the retirement fund consists of investments in government bonds, cash and short-term deposits, equity instruments and others which accounts for 82.70% and 94.42%, 16.59% and 13.20%, 0.00% and 11.91%, and 0.71% and (19.53%) respectively, of its composition. The Parent Company made no contributions to the fund in 2019 and 2018. There were no transactions made between the Parent Company and the retirement fund in both years.

Compensation of Key Management Personnel
The Group considers all employees holding executive positions up to the Chairman of the Board as key management personnel. There were no stock options or other long-term benefits granted to the key management personnel in 2019, 2018, and 2017. The Group paid salaries and other short-term benefits to key management personnel amounting to ₱104.37 million, ₱124.00 million, and ₱111.60 million in 2019, 2018, and 2017, respectively.

17. Provision for Retirement Benefits

The Group's retirement fund pertains to the Parent Company which has a multi-employer retirement plan, a funded, noncontributory defined benefit retirement plan. It accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan.

The following tables summarize the components of retirement benefits costs and liability recognized in the Parent Company's statements of comprehensive income and Parent Company's statements of financial position, respectively.

The details of retirement benefits costs follow:

	2019	2018	2017
Current service cost (Note 26)	**₱39,042,397**	₱36,251,065	₱34,302,648
Interest cost - net (Note 27)	**16,993,828**	10,427,488	9,645,851
	₱56,036,225	₱46,678,553	₱43,948,499

2019	**Defined benefits liability**	**Fair value of plan assets**	**Net defined benefit liability**
At January 1	**₱247,141,664**	**₱12,590,171**	**₱234,551,493**
Net interest (Note 27)	**17,963,271**	**969,443**	**16,993,828**
Current service cost (Note 26)	**39,042,397**	**–**	**39,042,397**
Benefits paid	**(43,268,679)**	**–**	**(43,268,679)**
Remeasurement of actuarial losses (gains):			
Experience	**396,283**	**–**	**396,283**
Changes in financial assumptions	**59,459,442**	**–**	**59,459,442**
Changes in demographic assumptions	**(18,623,803)**	**–**	**(18,623,803)**
Remeasurement gain - return on plan assets	**–**	**774,586**	**(774,586)**
	41,231,922	**774,586**	**40,457,336**
At December 31	**₱302,110,575**	**₱14,334,200**	**₱287,776,375**

2018	Defined benefits liability	Fair value of plan assets	Net defined benefit liability
At January 1	₱193,496,636	₱12,777,605	₱180,719,031
Net interest (Note 27)	11,164,756	737,268	10,427,488
Current service cost (Note 26)	36,251,065	–	36,251,065
Benefits paid	(1,660,032)	–	(1,660,032)
Remeasurement of actuarial losses (gains):			
Experience	49,674,974	–	49,674,974
Changes in financial assumptions	(41,785,735)	–	(41,785,735)
Remeasurement loss - return on plan assets	–	(924,702)	924,702
	7,889,239	(924,702)	8,813,941
At December 31	₱247,141,664	₱12,590,171	₱234,551,493

Changes in defined benefits cost recognized in OCI in 2019 and 2018 are as follows:

	2019	2018
At January 1	**(₱7,289,357)**	(₱13,459,116)
Actuarial gains - defined benefit obligation	**41,231,922**	7,889,239
Remeasurement (gain) loss - plant asset	**(774,586)**	924,702
Income tax effect	**(12,137,200)**	(2,644,182)
At December 31	**₱21,030,779**	(₱7,289,357)

The major categories of the Parent Company's plan assets as a percentage of the fair value of total plan assets are as follows:

	2019	2018
Cash and short-term deposits	**16.59%**	13.20%
Debt instruments - government bonds	**82.70%**	94.42%
Equity instruments	**0%**	11.91%
Others	**0.71%**	(19.53%)
	100.00%	100.00%

The cost of defined retirement benefits plan, as well as the present value of the retirement benefits liability are determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining retirement benefits liability for the defined retirement plan are shown below:

	2019	2018
Discount rate	**5.14%**	7.70%
Salary increase rate	**5.00%**	5.00%
Expected average remaining life	**12.0**	21.9
Mortality rate	**2017 PICM**	The 2001 CSO Table – Generational
Disability rate	**The Disability Study, Period 2, Benefit 5**	The Disability Study, Period 2, Benefit 5

The sensitivity analyses based on reasonably possible changes in significant assumptions used in determining the retirement benefits liability as at the end of the reporting period, assuming all other assumptions were held constant, are shown below:

	Increase (decrease)	2019
Discount rates	**6.14%**	**₱26,263,621**
	(4.14%)	**(₱31,729,898)**

	Increase (decrease)	2018
Discount rates	(7.4%)	(₱18,300,748)
	8.3%	₱20,488,402

	Increase (decrease)	2019
Salary increase rate	**6.00%**	**₱32,505,379**
	(4.00%)	**(₱27,784,383)**

	Increase (decrease)	2018
Salary increase rate	(7.7%)	(₱18,915,090)
	8.4%	₱20,836,504

The latest available actuarial valuation report of the Parent Company was obtained in April 29, 2020 representing information as at December 31, 2019.

The maturities of the undiscounted benefit payments as at December 31, 2019 and 2018 are shown below:

	2019	2018
Less than one year	**₱58,187,612**	₱27,704,850
More than one year to five years	**99,322,041**	66,797,081
More than five years to 10 years	**160,646,878**	351,814,354
	₱318,156,531	₱446,316,285

18. Provision for Mine Rehabilitation and Decommissioning

The Parent Company and ISRI's full provision for the future costs of rehabilitating the Maco and Sangilo mines are as follows:

	2019	2018
Balance at beginning of year	**₱27,903,597**	₱32,813,580
Accretion (Note 27)	**1,974,185**	1,388,607
Effect of change in estimate (Notes 10 and 24)	**6,191,868**	(6,298,590)
Balance at end of year	**₱36,069,650**	₱27,903,597

The Parent Company's FMRDP on its existing MPSAs was approved by the MGB on March 13, 2017. These provisions have been created based on the Parent Company's internal estimates. Assumptions based on the current economic environment have been made, which management believes are reasonable bases upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions.

Actual costs will, however, ultimately depend upon future market prices for the necessary works required which will reflect market conditions at the relevant time. Furthermore, the timing of the rehabilitation and expenditure of other costs is likely to depend on when the mine ceases to produce at economically viable rates, and the timing that the event for which the other provisions provided for will occur.

As at December 31, 2019 and 2018, ISRI's provision for mine rehabilitation and decommissioning amounted to ₱4.35 million and ₱2.75 million, respectively, represents the present value of rehabilitation costs relating to the Sangilo mine, which is expected to be incurred up to 2039.

19. Loans Payable

	2019	2018
Philippine National Bank (PNB)	**₱3,654,552,297**	₱2,818,779,069
Rizal Commercial Banking Corporation (RCBC)	**1,000,000,000**	650,000,000
Union Bank of the Philippines (UBP)	**439,090,440**	420,504,000
	5,093,642,737	3,889,283,069
Less current portion	**2,212,605,242**	1,594,313,523
Noncurrent portion	**₱2,881,037,495**	₱2,294,969,546

UBP
As at December 31, 2019, the Parent Company has an outstanding US$6.84 and US$1.80 million unsecured promissory note equivalent to ₱347.62 million and ₱91.48 million with maturity date of March 9, 2020 and April 8, 2020, respectively.

The ₱420.54 million outstanding as at December 31, 2018 refers to US$8.00 unsecured promissory note with maturity date of March 21, 2019. On January 4, 2019, the Parent Company was granted to rollover its unsecured promissory note for US$0.40 million with maturity date of July 3, 2019 and bearing the interest rate of 5.50%.

The unsecured promissory notes carry an interest rate of 5.75% and 5.50% per annum for 2019 and 2018, respectively.

On March 15, 2019, UBP granted the Parent Company a rollover of the US$7.60 million unsecured promissory note with a new maturity date of September 11, 2019 at the same interest rate of 5.75% per annum. Total outstanding unsecured promissory notes as of April 8, 2019 is US$8.00 million.

On April 17, 2019, UBP granted the Parent Company an additional short-term loan amounting to $2.00 million unsecured promissory note with a maturity date of October 14, 2019 at the interest rate of 5.75% per annum. Upon maturity, the Parent Company was granted to rollover this promissory note for another six months at the same interest rate of 5.75% per annum upon partial payment of $0.20 million. The outstanding $1.80 million will mature on April 8, 2020.

On September 11, 2019, the Parent Company was granted to rollover its unsecured promissory note for $6.84 million with maturity date of March 9, 2020 after payment of $0.76 million, bearing the interest rate of 5.75%.

RCBC
The Parent Company has outstanding unsecured promissory notes amounting to ₱1.00 billion and ₱650.00 million as at December 31, 2019 and 2018, respectively. The 2019 unsecured promissory note matures on January 6, 2020 and January 7, 2020 amounting to ₱922.50 million and ₱77.5 million, respectively. While the 2018 ₱450.00 million and ₱200.00 million unsecured promissory notes matured on April 11, 2019 and March 20, 2019, respectively. In both comparative periods, the unsecured promissory notes carry an interest rate of 8.75% per annum.

On January 6, 2020, the Parent Company was granted to rollover its unsecured promissory note for ₱922.50 million maturing on April 3, 2020 bearing the same interest rate, while paying the maturing outstanding promissory note amounting to ₱77.5 million.

PNB
PNB has granted the Parent Company the following facilities:

- On November 26, 2016, Credit Facilities consisting of Letters of Credit, Trust Receipts (TR) and Settlement Risk Lines totaling ₱500.00 million expiring on July 31, 2017. PNB granted renewal of the Credit Facilities for another year with a new expiry date of July 31, 2020.

  As at December 31, 2018, the Parent Company has outstanding unsecured TRs worth ₱335.3 million for its importation of machinery and equipment using the standard credit terms with PNB of 180 days.

  On November 28, 2016, an unsecured Term Loan Facility of up to ₱500.00 million with tenor of three years with equal quarterly principal repayment plus interest, fixed at 5.45% per annum. As part of its affirmative covenants, the Parent Company used the proceeds of the loan exclusively for its general corporate purposes. In addition, the Parent Company must at all times maintain a consolidated Debt Service Coverage Ratio (DSCR) of at least 1.2x and a Debt to Equity Ratio (DER) of 70:30.

  As at December 31, 2019 and 2018, the all loan covenants are complied with.

- On October 24, 2017, an unsecured Term Loan Facility of up to ₱2.50 billion with tenor of seven years with equal quarterly principal repayment was obtained to refinance the Parent Company's short-term loans.

The Loan Agreement for this Term Loan Facility was signed by the parties on December 4, 2017, and on December 15, 2017, the Parent Company drew the full amount with the interest rate set at 6.45% per annum. As part of its affirmative covenants, the Parent Company has to use the proceeds of the loan to refinance the outstanding short-term obligation with BDO Unibank, Inc. and to finance the construction of the three (3) kilometer drainage system in Maco Mine and, at all times, must maintain a consolidated DSCR – post dividends, of at least 1.2x and a DER of 70:30.

As at December 31, 2019 and 2018, the all loan covenants are complied with.

- On September 13, 2019, another unsecured Term Loan Facility of up to ₱2.00 billion with tenor of eight years with equal quarterly principal repayment was obtained to finance the Parent Company's capital expenditures.

  On September 26 and December 12, 2019, the Parent Company drew the first and second tranches amounting to ₱500.00 million each with the interest rate of 6.5% per annum which will both mature on September 12, 2027.

  The Parent Company has to use the proceeds of the loan exclusively for capital expenditures and must maintain at all times a consolidated DSCR – post dividends, of at least 1.2x and a DER of 70:30 at all times until payment of in full of all amounts due to PNB.

  As at December 31, 2019 and 2018, the all loan covenants are complied with.

- On November 23, 2018, PNB granted ISRI a Term Loan Facility of up to ₱550.00 million with tenor of five years with equal quarterly principal repayment to finance ISRI's 200-tonne per day development program.

  The Loan Agreement for this facility was signed by the parties on November 23, 2018, and on November 27, 2018, ISRI drew the initial amount of ₱300.00 million with the interest rate set at 9.75% per annum. The 2nd drawdown amounting to ₱125.00 million with the interest rate set at 8.26% per annum was made on May 31, 2019. On September 12, 2019, ISRI drew the remaining ₱125.00 million with the interest rate set at 6.94% per annum. All principal repayment will begin on July 27, 2020 and every quarter thereafter up to October 27, 2023. Included within the agreement signed by the Company, are the affirmative covenants to use the proceeds of the loans exclusively for capital expenditures and general corporate requirements, to maintain consolidated DSCR of 1.2x starting on the first quarter after one year from commercial operations date and every quarter thereafter and at all times maintain a DER of not more than 70:30.

The Group's availment and payment of loans and equipment financing as at December 31, 2019 and 2018 are as follows:

	2019		2018	
	Availment	**Payment**	Availment	Payment
PNB	**₱1,951,856,096**	**₱1,116,082,868**	₱700,689,583	₱960,858,507
RCBC	**613,000,000**	**263,000,000**	245,000,000	–
UBP	**105,126,000**	**86,539,560**	40,823,200	–
	₱2,669,982,096	**₱1,465,622,428**	₱986,512,783	₱960,858,507

Interest expenses incurred in 2019 and 2018 in relation to the availed loans are as follows:

	2019	2018
PNB	**₱206,849,052**	₱185,666,595
RCBC	**75,830,514**	30,391,319
UBP	**27,217,243**	21,919,872
	309,896,809	237,977,786
Capitalized borrowing costs (Note 10)	**(121,523,696)**	(15,602,176)
Interest on loans payable (Note 27)	**₱188,373,113**	₱222,375,610

The Group capitalized borrowing costs amounting to ₱121.52 million related to construction in-progress and mine development cost and ₱15.60 million related to expenditures for construction in-progress in 2019 and 2018, respectively. The rate used to determine the amount of borrowing costs eligible for capitalization was 8.23% and 6.47% in 2019 and 2018, respectively (see Note 10).

20. **Equity**

Capital stock
The Parent Company has authorized capital stock of ₱12.80 billion, divided into a single class of common shares, with a par value of ₱1.00 per share as at December 31, 2019.

Movements in the subscribed, issued and outstanding capital were as follows:

	2019		2018	
	Shares	**Amount**	Shares	Amount
Issued and subscribed shares at beginning and end of year	**6,227,887,491**	**₱6,227,887,491**	6,227,887,491	₱6,227,887,491
Treasury shares	**(555,132,448)**	**(2,081,746,680)**	(555,132,448)	(2,081,746,680)
Outstanding shares at end of year	**5,672,755,043**	**₱4,146,140,811**	5,672,755,043	₱4,146,140,811

On December 21, 2017, the Parent Company entered into an agreement with ICTSI Ltd. (ICTSI) where the former transferred to the latter 9,597,661 shares of the Parent Company held by MORE. In return, the Parent Company received assets with a fair value of ₱17.18 million as at date of transaction. As a result, the Group recognized a loss on reissuance of treasury shares amounting to ₱15.31 million. The said loss was deducted against APIC in 2017.

APIC
There were no movements in APIC. As at December 31, 2019 and 2018, APIC amounted to ₱634,224.

Retained earnings
Movements in the retained earnings are as follows:

	2019	2018
Balance at beginning of year	**₱1,204,874,835**	₱896,313,943
Net income attributable to the equity holders of the Parent Company	**306,163,821**	240,036,897
Realization of revaluation surplus (Note 10)	**87,913,299**	68,523,995
Balance at end of year	**₱1,598,951,955**	₱1,204,874,835

NCI

NCI consists of the following:

	2019	2018
NCI on net assets of:		
ICSI	**₱201,617,390**	₱201,956,209
Minas	**(22,949,969)**	(22,949,969)
MMSL	**(2,690,797)**	(2,789,401)
MOMCL	**701,752**	701,752
	₱176,678,376	₱176,918,591

The summarized financial information of ICSI (material NCI) is provided below:

Statements of comprehensive income for the years ended December 31, 2019 and 2018:

	2019	2018
General and administrative expenses	**₱1,911,648**	₱1,874,021
Other income	**–**	–
Loss (income) before tax	**1,911,648**	1,874,021
Provision for income tax	**–**	–
Net loss (income)	**₱1,911,648**	₱1,874,021
Attributable to:		
Equity holders of the Parent Company	**₱994,057**	₱974,491
Non-controlling interests	**917,591**	899,530

Statements of financial position as at December 31, 2019 and 2018:

	2019	2018
Current assets	**₱228,618,251**	₱230,017,896
Noncurrent assets	**192,202,964**	192,416,189
Current liabilities	**(1,071,520)**	(559,516)
Noncurrent liabilities	**(1,012,495)**	–
Total equity	**₱418,737,200**	₱421,874,569
Attributable to:		
Equity holders of the Parent Company	**₱217,743,344**	₱219,374,776
Non-controlling interests	**200,993,856**	202,499,793

In 2018, assets and liabilities of ICSI are reclassified as held-for-sale after MORE agreed to sell its 52% ownership in ICSI to ABCI (see Note 8).

21. Basic/Diluted Earnings Per Share

Basic earnings per share is calculated by dividing the net earnings attributable to stockholders of the Parent Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Parent Company and held as treasury shares.

Estimation of earnings per share for the three years ended December 31, 2019, 2018 and 2017 when there were no potentially dilutive common shares during the respective periods are as follows:

	2019	2018	2017
Net income attributable to the equity holders of the Parent Company	**₱306,163,821**	₱240,036,897	₱427,988,216
Weighted average number of common shares for basic and diluted earnings per share	**5,663,157,382**	5,663,157,382	5,663,157,382
Basic and diluted earnings per share	**₱0.05**	₱0.04	₱0.08

22. **Cost of Production**

Consolidated costs of production pertaining to the Parent Company's cost of production are as follows:

	2019	2018	2017
Depreciation, depletion and amortization (Note 25)	**₱1,251,947,956**	₱1,095,352,798	₱933,256,874
Materials and supplies (Note 6)	**1,240,052,500**	1,034,178,385	874,088,801
Personnel costs (Note 26)	**507,176,014**	590,515,041	555,778,501
Contracted services	**288,059,462**	309,660,273	248,556,076
Utilities	**225,993,321**	248,121,341	269,580,486
Taxes, permits, and licenses	**89,613,529**	64,338,613	62,271,793
Community development expenses	**66,027,852**	36,316,121	41,418,799
Surface rights to IP (Note 31)	**48,255,306**	44,671,592	41,242,217
Bullion refining and transportation charges	**39,903,348**	42,393,095	61,966,849
Insurance	**25,233,012**	7,177,093	7,546,600
Royalties to indigenous people (IP) (Note 31)	**10,982,168**	46,272,767	42,942,894
Data and communication	**8,961,286**	7,331,688	7,666,303
Rent (Note 31)	**8,858,761**	7,917,299	14,362,548
Professional fees	**7,660,421**	9,274,202	11,902,883
Transportation and accommodation	**5,666,235**	5,117,985	4,590,621
Employee activities	**5,174,417**	4,715,269	2,671,064
Repairs and maintenance	**4,595,893**	8,066,035	5,023,890
Donations and contributions	**1,893,684**	1,506,054	3,632,374
Representation and entertainment	**634,311**	448,431	712,714
	₱3,836,689,476	₱3,563,374,082	₱3,189,212,287

Other costs of production include costs of assay testing and contracted labor.

The amounts were distributed as follows:

	2019	2018	2017
Mining	**₱1,088,233,828**	₱1,027,096,762	₱870,016,159
Milling	**560,122,960**	580,980,117	566,988,949
Compliance	**282,083,576**	245,050,097	247,217,445
Mine overhead	**1,906,249,112**	1,710,247,106	1,504,989,734
	₱3,836,689,476	₱3,563,374,082	₱3,189,212,287

23. General and Administrative Expenses

	2019	2018	2017
Personnel costs (Note 26)	**₱114,692,944**	₱114,242,609	₱119,536,441
Taxes, licenses and permits	**41,220,277**	20,115,216	38,024,541
Professional fees	**26,365,782**	11,969,427	17,777,814
Rent	**4,619,550**	7,319,552	6,122,452
Insurance	**3,015,007**	4,130,498	2,660,165
Transportation and accommodation	**4,919,990**	3,108,665	5,178,866
Materials and supplies (Note 6)	**2,973,623**	2,597,255	1,273,044
Representation and entertainment	**1,608,402**	2,588,162	581,367
Utilities	**1,371,378**	1,340,868	990,069
Depreciation and amortization (Note 25)	**1,528,969**	614,753	1,743,013
Repairs and maintenance	**378,785**	855,025	7,087,662
Others	**7,977,021**	18,340,944	18,673,924
	₱210,671,728	₱187,222,974	₱219,649,358

Other expenses pertain to freight and handling, bank charges, and miscellaneous expenses.

24. Other Income (Charges) - net

	2019	2018	2017
Provision for tax assessments	**(₱39,150,891)**	₱–	(₱86,130,793)
Interest income (Note 4)	**6,081,172**	1,842,521	6,306,664
Gain (loss) on change of estimate on provision for mine rehabilitation and decommissioning (Note 18)	**(4,785,323)**	5,422,867	14,397,827
Foreign exchange gains (losses) - net	**4,583,762**	(18,403,489)	4,112,428
Provision for impairment losses on receivables (Note 5)	**–**	(16,158,431)	(294,996)
Reversal of (provision for) inventory losses and obsolescence (Note 6)	**–**	(11,256,662)	60,799,961
Loss on write-off of input VAT	**–**	(1,257,952)	–
Miscellaneous	**(14,835,643)**	(30,166,864)	(7,050,339)
	(₱48,106,923)	(₱69,978,010)	(₱7,859,248)

25. **Depreciation, Depletion and Amortization**

	2019	2018	2017
Property, plant and equipment	**₱1,252,941,432**	₱1,095,884,812	₱934,823,391
Intangible asset (Note 13)	**535,493**	82,739	176,496
	₱1,253,476,925	₱1,095,967,551	₱934,999,887

The amounts were distributed as follows:

	2019	2018	2017
Cost of production (Note 22)	**₱1,251,947,956**	₱1,095,352,798	₱933,256,874
General and administrative expenses (Note 23)	**1,528,969**	614,753	1,743,013
	₱1,253,476,925	₱1,095,967,551	₱934,999,887

The Group capitalized depreciation, depletion, and amortization costs amounting to ₱146.34 million and ₱46.78 million as part of mine development costs in 2019 and 2018, respectively.

26. **Personnel Costs**

	2019	2018	2017
Salaries and wages	**₱427,494,758**	₱402,068,925	₱419,138,961
Other employee benefits	**155,331,803**	266,437,660	221,873,333
Retirement benefits cost (Note 17)	**39,042,397**	36,251,065	34,302,648
	₱621,868,958	₱704,757,650	₱675,314,942

The amounts were distributed as follows:

	2019	2018	2017
Cost of production (Note 22)	**₱507,176,014**	₱590,515,041	₱555,778,501
General and administrative expenses (Note 23)	**114,692,944**	114,242,609	119,536,441
	₱621,868,958	₱704,757,650	₱675,314,942

27. **Finance Costs**

	2019	2018	2017
Interest on loans payable (Note 19)	**₱188,373,113**	₱222,375,610	₱190,264,491
Net interest cost on retirement benefits (Note 17)	**16,993,828**	10,427,488	9,645,851
Accretion expense (Note 18)	**1,974,185**	1,388,607	939,937
Others - net	–	–	1,000,000
	₱207,341,126	₱234,191,705	₱201,850,279

28. **Income Tax**

The Group's benefit from (provision for) income tax in 2019, 2018 and 2017 are presented below. Provision for current income tax in 2019, 2018 and 2017 pertain to RCIT.

	2019	2018	2017
Current	**(₱196,628,726)**	(₱199,503,765)	(₱100,014,225)
Deferred	**38,495,052**	50,112,828	109,070,602
	(₱158,133,674)	(₱149,390,937)	₱9,056,377

Reconciliation between the provision for income tax computed at the statutory income tax rate and the benefit from (provision for) deferred income tax as shown in the consolidated statements of comprehensive income follows:

	2019	2018	2017
Benefit from (provision for) income tax computed at statutory income tax rate	**(₱151,096,731)**	(₱116,624,014)	(₱125,909,483)
Changes in unrecognized deferred income tax assets	**18,272,187**	(8,846,012)	136,169,032
Add (deduct) tax effects of:			
Expired NOLCO	**(20,685,254)**	(6,735,444)	–
Nondeductible expenses	**(6,445,957)**	(17,714,299)	(8,251,593)
Nontaxable income	**–**	–	6,618,721
Interest income subjected to final tax	**1,824,320**	552,555	504,607
Expired MCIT	**(2,239)**	(23,723)	(74,907)
	(₱158,133,674)	(₱149,390,937)	₱9,056,377

Details of unrecognized deductible temporary differences, MCIT and NOLCO as at December 31, 2019 and 2018 are as follows:

	2019	2018
NOLCO	**₱232,660,815**	₱220,495,223
Unrealized foreign exchange losses	**117,662,254**	180,427,332
Allowance for impairment losses on:		
Property, plant and equipment	**162,674,211**	162,674,211
Receivables	**21,989,828**	40,647,176
Inventory losses and obsolescence	**25,351,451**	36,608,113
MCIT	**464,092**	310,040
Provision for mine rehabilitation and decommissioning cost of a subsidiary	**387,032**	–
Allowance for deferred exploration cost	**–**	51,986,479
	₱561,189,683	₱693,148,574

The Group has recognized deferred income tax liabilities and assets as at December 31, 2019 and 2018 on the following:

	2019	2018
Deferred income tax liabilities:		
Revaluation surplus on property, plant and equipment	**₱192,571,134**	₱72,449,290
Fair value increment on deferred exploration cost	**186,155,338**	186,155,338
Unrealized foreign exchange gains	**6,671,932**	1,691,875
Deferred income tax assets:		
Provision for retirement benefits	**(86,332,913)**	(70,365,448)
Provision for mine rehabilitation and decommissioning cost	**(9,515,246)**	(7,547,527)
	₱289,550,245	₱182,383,528

Except for the Parent Company whose NOLCO and MCIT were fully applied in 2017, the Group has NOLCO and MCIT that can be claimed as deduction from future taxable income and future RCIT due as follows:

Year incurred	Year of expiration	NOLCO	MCIT
2017	2020	₱86,231,890	₱256,746
2018	2021	65,312,485	51,055
2019	2022	81,116,440	156,291
		₱232,660,815	₱464,092

The movements of NOLCO are as follows:

	2019	2018
Balance at beginning of the year	**₱220,495,223**	₱248,803,872
Additions	**81,116,440**	65,121,302
Expirations	**(68,950,848)**	(93,429,951)
Balance at end of the year	**₱232,660,815**	₱220,495,223

The movements of the Group's MCIT are as follows:

	2019	2018
Balance at beginning of the year	**₱310,040**	₱282,709
Additions	**156,291**	51,054
Expirations	**(2,239)**	(23,723)
Balance at end of the year	**₱464,092**	₱310,040

The Group did not avail of the Optional Standard Deduction in 2019 and 2018.

The movements of the Group's NOLCO per subsidiary are as follows:

	Parent	MORE	CRPI	BMRC	ISRI	Total
Balance at beginning of year	**₱–**	**₱20,729,765**	**₱82,571,533**	**₱2,497,286**	**₱114,696,639**	**₱220,495,223**
Additions	**–**	**8,371,158**	**50,805,729**	**7,022,716**	**14,916,837**	**81,116,440**
Expirations	**–**	**(14,087,153)**	**(15,461,004)**	**(1,035,790)**	**(38,366,901)**	**(68,950,848)**
Balance at end of year	**₱–**	**₱15,013,770**	**₱117,916,258**	**₱8,484,212**	**₱91,246,575**	**₱232,660,815**

The movements of the Group's MCIT per subsidiary are as follows:

	Parent	MORE	CRPI	BMRC	ISRI	Total
Balance at beginning of year	**₱–**	**₱309,097**	**₱–**	**₱943**	**₱–**	**₱310,040**
Additions	**–**	**156,291**	**–**			**156,291**
Expirations	**–**	**(1,296)**	**–**	**(943)**	**–**	**(2,239)**
Balance at end of year	**₱–**	**₱464,092**	**₱–**	**₱–**	**₱–**	**₱464,092**

29. Financial Risk Management Objectives and Policies, and Capital Management

Financial Risk Management Objectives and Policies
The Group's financial instruments consist mainly of cash with banks, receivables, trade and other payables, which arise directly from its operations, advances to and from stockholders and related parties, MRF, financial asset at FVOCI, advance to GMU, AFS financial assets, and loans payable. The main purpose of these financial instruments is to raise funds and maintain continuity of funding and financial flexibility for the Group.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, foreign currency risk and commodity price risk. The BOD reviews and approves policies for managing each of these risks and these are summarized below.

Credit Risk
Credit risk refers to the potential loss arising from any failure by counterparties to fulfil their obligations, as and when they fall due. It is inherent to the business as potential losses may arise due to the failure of its customers and counterparties to fulfil their obligations on maturity periods or due to adverse market conditions.

The Group has a concentration of credit risk on its trade receivables, included as part of trade and other receivables, as it has only one customer purchasing its gold and silver bullion under a Sale-Purchase Contract. However, management believes that credit risk on trade receivables is not significant as the Parent Company's gold and silver bullion are considered a highly traded commodity that have readily available markets.

The maximum exposure to credit risk of the Group's financial assets (cash with banks, short-term deposits, trade and other receivables, advances to related parties, MRF, and AFS financial assets) is equal to the carrying amounts of the financial assets, as at December 31, 2019 and 2018.

Aging analysis of the Group's financial assets classified as loans and receivables and financial assets measured at FVOCI at December 31, 2019 and 2018 are as follows:

		December 31, 2019				
		Neither past due	Past due but not impaired			
	Total	**nor impaired**	**1-30 Days**	**31-60 Days**	**Over 60 Days**	**Impaired**
Cash and cash equivalents						
Cash with banks	**₱495,275,254**	**₱495,275,254**	**₱–**	**₱–**	**₱–**	**₱–**
Short-term deposits	**208,236,788**	**208,236,788**	**–**	**–**	**–**	**–**
Trade and other receivables						
Trade	**128,592,501**	**128,592,501**	**–**	**–**	**–**	**–**
Others	**30,842,158**	**8,852,330**	**–**	**–**	**–**	**21,989,828**
Advances to related parties	**2,810,932**	**2,810,932**	**–**	**–**	**–**	**–**
Advance to GMU	**102,540,877**	**102,540,877**	**–**	**–**	**–**	**–**
MRF classified under "Other noncurrent assets"	**26,156,301**	**26,156,301**	**–**	**–**	**–**	**–**
Financial asset measured at FVOCI	**53,528,321**	**53,528,321**	**–**	**–**	**–**	**–**
	₱1,047,983,132	**₱1,025,993,304**	**₱–**	**₱–**	**₱–**	**₱21,989,828**

		December 31, 2018				
		Neither past due	Past due but not impaired			
	Total	nor impaired	1-30 Days	31-60 Days	Over 60 Days	Impaired
Cash and cash equivalents						
Cash with banks	₱356,614,364	₱356,614,364	₱–	₱–	₱–	₱–
Short-term deposits	178,236,788	178,236,788	–	–	–	–
Trade and other receivables						
Trade	3,137,757	3,137,757	–	–	–	–
Nontrade			–	–	–	–
Others	106,479,500	106,479,500	–	–	–	–
Advances to related parties	34,177,283	12,187,455	–	–	–	21,989,828
Advance to GMU	2,812,197	2,812,197	–	–	–	–
MRF classified under "Other noncurrent assets"	24,956,028	24,956,028	–	–	–	–
Financial asset measured at AFS	3,202,240	3,202,240	–	–	–	–
	₱709,616,157	₱687,626,329	₱–	₱–	₱–	₱21,989,828

The credit quality of financial assets is managed by the Group using internal credit ratings and is classified into three: High grade, which has no history of default; Standard grade, which pertains to accounts with history of one or two defaults; and Substandard grade, which pertains to accounts with history of at least three payment defaults.

Accordingly, the Group has assessed the credit quality of the following financial assets that are neither past due nor impaired:

a. Cash with banks, short-term deposits and MRF were assessed as high grade since these are deposited in reputable banks, which have a low probability of insolvency.
b. Trade and other receivables, advances to related parties were, and advance to GMU assessed as high grade since these have a high probability of collection and currently have no history of default.
c. AFS financial asset/financial asset at FVOCI is equity instruments classified as substandard grade.

Liquidity Risk

Liquidity risk is the risk that Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group manages its liquidity based on business needs, tax, capital or regulatory considerations, if applicable, in order to maintain flexibility.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and receivables. The Group considers its available funds and its liquidity in managing its long-term financial requirements. For its short-term funding, the Group's policy is to ensure that there are sufficient operating capital inflows to match repayments of short-term debt.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments and financial assets used to manage liquidity risk as at December 31, 2019 and 2018.

2019	On demand	Less than three months	Three to 12 months	More than 12 months	Total
Trade and other payables					
Trade	**₱173,249,485**	**₱172,945,130**	**₱40,030,953**	**₱29,859,945**	**₱416,085,513**
Nontrade	**59,154,637**	**–**	**–**	**–**	**59,154,637**
Accrued expenses	**136,947,103**	**–**	**–**	**–**	**136,947,103**
Retention fees	**11,568,680**	**–**	**–**	**–**	**11,568,680**
Payables to employees	**37,368,033**	**–**	**25,589,709**	**–**	**62,957,742**
Others	**89,475,095**	**–**	**–**	**–**	**89,475,095**
Advances from related parties	**1,039,512,000**	**–**	**–**	**–**	**1,039,512,000**
Loans payable	**–**	**–**	**2,212,605,242**	**2,881,037,495**	**5,093,642,737**
	₱1,547,275,033	**₱172,945,130**	**₱2,278,225,904**	**₱2,910,897,440**	**₱6,909,343,507**

2019	On demand	Less than three months	Three to 12 months	More than 12 months	Impaired	Total
Cash and cash equivalents						
Cash in banks	**₱495,275,254**	**₱–**	**₱–**	**₱–**	**₱–**	**₱495,275,254**
Short-term deposits	**208,236,788**	**–**	**–**	**–**	**–**	**208,236,788**
Trade and other receivables						
Trade	**128,592,501**	**–**	**–**	**–**	**–**	**128,592,501**
Others	**30,842,158**	**–**	**–**	**–**	**–**	**30,842,158**
Advances to related parties	**2,810,932**	**–**	**–**	**–**	**–**	**2,810,932**
Advance to GMU	**102,540,877**	**–**	**–**	**–**	**–**	**102,540,877**
MRF classified under "Other noncurrent assets"	–	**–**	**–**	**26,156,301**	**–**	**26,156,301**
Financial asset measured at FVOCI	**53,528,321**	**–**	**–**	**–**	**–**	**53,528,321**
	₱1,021,826,831	**₱–**	**₱–**	**26,156,301**	**₱–**	**₱1,047,983,132**

2018	On demand	Less than three months	Three to 12 months	More than 12 months	Total
Trade and other payables					
Trade	₱760,548,775	₱–	₱–	₱–	₱760,548,775
Nontrade	91,027,702	–	–	–	91,027,702
Accrued expenses	131,899,471	–	–	–	131,899,471
Retention fees	13,613,614	–	–	–	13,613,614
Payables to employees	29,710,349	–	25,177,384	–	54,887,733
Others	162,914,847	–	–	–	162,914,847
Advances from related parties	1,039,512,000	–	–	–	1,039,512,000
Loans payable	1,654,313,523	130,952,381	1,463,361,142	640,656,023	3,889,283,069
	₱3,883,540,281	₱130,952,381	₱1,488,538,526	₱640,656,023	₱6,143,687,211

2018	On demand	Less than three months	Three to 12 months	More than 12 months	Impaired	Total
Cash and cash equivalents						
Cash in banks	₱356,614,364	₱–	₱–	₱–	₱–	₱356,614,364
Shor-term deposits	178,236,788	–	–	–	–	178,236,788
Trade and other receivables						
Trade	3,137,757	–	–	–	–	3,137,757
Nontrade	34,177,283	–	–	–	–	34,177,283
Others	2,812,197	–	–	–	–	2,812,197
Advances to related parties	106,479,500					106,479,500
MRF classified under “Other noncurrent assets”	–	–	–	24,956,028	–	24,956,028
AFS financial assets	3,202,240	–	–	–	–	3,202,240
	₱684,660,129	₱–	₱–	₱24,956,028	₱–	₱709,616,157

Foreign Currency Risk
The Group is exposed to currency risk arising from the effect of fluctuations in foreign currency exchange rates on commercial transactions and recognized assets and liabilities that are denominated in a currency that is not the Group’s functional currency.

The Group has transactional currency exposures arising from its sales and purchases in US$. To minimize its foreign currency risk, the Group normally requires its purchases from suppliers to be denominated in its functional currency to eliminate or reduce the currency exposures. The Group does not enter into forward currency contracts.

The Group foreign currency-denominated financial instruments as at December 31, 2019 and 2018 are as follows:

	2019		2018	
	US$	**Php**	US$	Php
Financial Assets				
Cash and cash equivalents	**$6,197,323**	**₱313,801,469**	$670,405	₱35,249,894
Trade receivables	**2,757,701**	**139,636,188**	59,929	3,151,061
	$8,955,024.00	**453,437,657**	730,334	38,400,955
Financial Liabilities				
Trade payables	**4,294,525**	**217,453,258**	4,041,531	212,503,670
Loans payable	**22,419,405**	**1,135,206,562**	8,000,000	420,640,000
	26,713,930	**1,352,659,820**	12,041,531	633,143,670
Net financial assets (liabilities)	**($17,758,906.00)**	**(₱-899,222,163)**	($11,311,197)	(₱594,742,715)

As at December 31, 2019 and 2018, the exchange rate based on the Philippine Dealing and Exchange Corporation of the Philippine peso to US$1.00 was ₱50.64 and ₱52.58, respectively.

The sensitivity to a reasonable possible change in the US$ exchange rate, with all other variables held constant, of the Group's income before income tax (due to changes in fair value of monetary assets and liabilities) as at December 31, 2019 and 2018 are as follows:

		Change in foreign exchange rates	Effect in income before tax
US$	**2019**	**₱0.61**	**₱10,788,534**
		(0.63)	**(11,232,507)**
	2018	₱1.19	₱13,460,324
		(1.09)	(12,329,205)

There is no other impact on the Group's equity other than those already affecting the consolidated statements of comprehensive income.

Commodity Price Risk
The Group is exposed to the risk of fluctuations in prevailing market commodity prices on the gold and silver it produces. The Group's policy to minimize the risk is by closely monitoring regularly the movement in metal prices and by selling on spot price basis or by the AM or PM fix, depending on the price trend which may indicate to be more favorable to the Group.

Assuming all other variables remain constant, the impact of the change in metal prices is relative to the consolidated financial statements, for 2019 and 2018 as follows:

	Change in gold metal price	Effect on income before tax
2019	**Increase by 12%**	**₱558,301,408**
	Decrease by 12%	**(₱558,301,408)**
2018	Increase by 9%	₱396,839,525
	Decrease by 9%	(₱396,839,525)

Capital Management
The primary objective of the Group's capital management is to maintain a strong credit rating in order to support its business, maximize stockholder value, comply with capital restrictions and requirements as imposed by regulatory bodies, including limitations on ownership over the Group's shares, requisites for actual listing and trading of additional shares, if any, and required minimum debt to base equity ratio for the Group's loan covenants. Capital pertains to equity, excluding reserve from revaluation of property, plant and equipment, and advances from related parties.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2019 and 2018.

The Group considers the following as its core economic capital:

	2019	2018
Issued capital stock	**₱6,227,887,491**	₱6,227,887,491
APIC	**634,224**	634,224
Treasury shares	**(2,081,746,680)**	(2,081,746,680)
	₱4,146,775,035	₱4,146,775,035

The Group has no externally imposed capital requirements.

30. Fair Value Measurements

AFS Financial Assets/Financial Asset at FVOCI
The quoted equity instruments designated at FVOCI/AFS financial assets as at December 31, 2019 and 2018 are classified under Level 3 of the fair value hierarchy since these are based on quoted market prices. Unquoted equity instruments are classified under Level 3 of the fair value hierarchy since these are based on significant unobservable inputs.

Property, Plant, and Equipment
The fair value of property, plant and equipment is calculated using the direct income capitalization method, which results in measurements being classified as Level 2 in the fair value hierarchy.

		Fair Value Measurement			
	Date of Valuation	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Property, plant, and equipment	**2019**	**₱8,768,574,217**	**₱–**	**₱8,768,574,217**	**₱–**
(Note 10)	2018	₱7,283,312,742	₱–	₱7,283,312,742	₱–

Cash and Cash Equivalents, Trade and Other Receivables, Advances to Related Parties, MRF, Advance to GMU, Trade and Other Payables, Accrued Liabilities, Payable to Employees, Retention Fees, Advances from Stockholder
The carrying amounts of these financial instruments approximate their fair value due to the short-term nature and maturity.

Loans Payable
The carrying amounts of these financial instruments approximate their fair values due to their short-term nature and maturities.

The Group has no financial instruments measured at fair value under Levels 1, 2 and 3 of the fair value hierarchy. There were no transfers between levels in 2019 and 2018.

31. Significant Agreements, Provisions and Contingencies

Parent Company

a. *Agreement with Indigenous Cultural Communities (ICC) and National Commission on Indigenous Peoples (NCIP) pursuant to Republic Act 8371*
On June 16, 2004, the Parent Company, together with the ICC of Maco, Davao de Oro and the NCIP, entered into an agreement pursuant to Republic Act 8371 and its implementing rules. The agreement calls for the compliance of the Parent Company with regard to providing scholarships, health and welfare programs, payment for surface rights and for royalties to the ICCs. The payment for surface rights is at 1% percent of the gross production of the Parent Company derived from the Maco mine. The payment for royalty is based on 1% of gross income.

On December 13, 2012, Maco Ancestral Domain, Inc. (MADCI) versus Apex Mining Co., Inc. denominated as NCIP Case No. R-XI-0037-12 was filed by MADCI, a member of the ICC, joined by Sumpaw ng Inangsabong Mansaka, Inc. (SIMI) as intervenor, and Mantakadong Mansaka Indigenous Peoples Ancestral Domain, Inc. (MMIPADMA) as complainant-intervenor, also members of the ICC.

On December 5, 2018, the NCIP ruled its lack of jurisdiction on the case but encouraged the parties to pursue and clarify their interests in the regular court. On February 27, 2019, MADCI and MMIPADMA reorganized to form a new group named Mansaka Ancestral Domain Management of Maco Incorporated.

On February 14, 2019, the ICC of Maco represented by the Indigenous Political Structure (IPS) of Maco agreed upon the terms for payment of royalties January 2019 onwards.
Wherein, royalties payments is equivalent to 1% of Gross Income (Sales less Cost of Sale).

In 2019, 2018 and 2017 royalties to IP recognized under “Cost of Production” amounted to ₱10.98 million, ₱46.27 million and ₱42.94 million, respectively (see Note 22).

In 2019, 2018 and 2017 surface rights to IP recognized under “Cost of Production” amounted to ₱48.26 million, ₱44.67 million and ₱41.24 million, respectively (see Note 22).

b. *Executive Order (EO) 79*
On July 12, 2012, EO 79 was issued to lay out the framework for the implementation of mining reforms in the Philippines. The policy highlights several issues that includes area of coverage of mining, small-scale mining, creation of a council, transparency and accountability, and reconciling the roles of the national government and local government units. Management believes that EO 79 has no impact on the Group’s current operations since its mining properties are covered by existing mineral permits and agreements with the government. Section 1 of EO 79, provides that mining contracts approved before the effectivity of the EO shall continue to be valid, binding and enforceable so long as they strictly comply with existing laws, rules and regulations and the terms and conditions of their grant. The EO could, however, delay or adversely affect the Group’s mineral properties covered by Exploration Permits (EPs), Exploration Permit Applications (EPAs) or APSAs given the provision of the EO declaring a moratorium on the granting of new mineral agreements by the government until a legislation rationalizing existing revenue sharing schemes and mechanisms shall have taken effect.

On March 7, 2013, the MGB recommended to the DENR the lifting of DENR Memorandum Order No. 2011-01 on the suspension of acceptance of all types of mining applications. Effective March 18, 2013, the MGB has started accepting mining applications for EPs and Financial Technical Agreement Assistance pursuant to DENR Administrative Order No. 2014-11.

On July 3, 2018, the moratorium on the acceptance and processing and/or approval of applications for EP for metallic and non-metallic minerals under DENR Memorandum Order No. 2016-01, re: Audit of all Moratorium on New Mining Projects are lifted.

c. *Operating Lease Agreement*
The Parent Company entered into several lease agreements covering various machinery and equipment used in the mining operations. Total rent expense recognized on these lease agreements amounted to ₱8.86 million, ₱7.91 million, ₱14.36 million in 2019, 2018 and 2017, respectively (see Note 22).

d. *Refining and Transportation Agreement with Heraeus*
On September 1, 2018, the Parent Company renewed its Refining and Transportation Agreement, covering its gold and silver bullion production with Heraeus.

Under the agreement, should the Parent Company elect to sell the refined gold and silver to Heraeus, the Parent Company may request for settlement of the payable metals initially at ninety-five percent (95%) of their provisional values with the remaining balance to be paid after determination of the final metal contents less charges for refining and transportation.

The prices for all sales are based on quoted metal prices in LBMA for gold and silver.

e. *Provisions and Contingencies*
The Group is involved in certain legal, contractual and regulatory matters that require the recognition of provisions for related probable claims against the Group. The management and the Group's legal counsel reassess their estimates on an annual basis to consider new relevant information. The disclosure of additional details beyond the present disclosures may seriously prejudice the Group's position and negotiation strategies with respect to these matters. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*, only a general description is provided.

MORE

Heads of Agreement with Forum
In 2007, MORE entered into a Heads of Agreement with Forum to execute a joint operating agreement (JOA) on GSEC 101 upon the DOE's consent to the assignment, transfer and conveyance to MORE of 30% participating interest in GSEC 101which has since then been converted to SC 72. The Heads of Agreement provides that MORE shall pay 30% of all costs and expenses (on an accrual basis) of the joint operations under the JOA.

On October 5, 2015, the DOE approved the assignment, transfer and conveyance, of the 30% participating interest in SC 72 to MORE. Consequently, MORE and Forum as parties constituting the consortium, have embarked on the finalization of the on-going JOA on SC 72.

32. Operating Segments

The Group is organized into business units on their products and activities and has three reportable business segments: the mining, oil and gas, and solid waste management segment. The operating businesses are organized and managed separately through the Parent Company and its subsidiaries according to the nature of the products provided, with each segment representing a strategic business unit that offers different products to different markets.

Net income (loss) for the year is measured consistent with consolidated net income (loss) in the consolidated statements of income.

EBITDA is measured as net income excluding interest expense, interest income, benefit from (provision for) income tax, depreciation and depletion of property, plant and equipment, amortization of intangible assets and effects of non-recurring items.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on core and net income (loss) for the year, EBITDA, exploration results, or project potential, among others.

EBITDA is not a uniform or legally defined financial measure. EBITDA, however, is presented because the Group believes it is an important measure of performance and liquidity. The Group relies primarily on the results determined in accordance with PFRS and uses EBITDA only as supplementary information.

Management evaluates its computation of EBITDA to exclude the effects of non-recurring items. Management believes that this computation of EBITDA is more useful in making decisions about resource allocation and performance assessment of its reportable segments.

The following tables present revenue and profit and certain asset and liability information regarding the Group's business segments.

			2019		
	Mining	**Oil and gas**	**Solid waste management**	**Eliminations**	**Total**
Revenue					
External customer	**₱4,960,926,451**	**₱–**	**₱–**	**₱–**	**₱4,960,926,451**
Inter-segment		**–**	**–**	**–**	**–**
Consolidated revenue	**4,960,926,451**	**₱–**	**₱–**	**₱–**	**₱4,960,926,451**
Results					
EBITDA	**₱1,991,207,958**	**(₱15,862,325)**	**(₱1,852,847)**	**₱–**	**₱1,973,492,786**
Interest income (expense) - net	**(211,490,297)**	**2,431,759**	**(56,329)**	**–**	**(209,114,867)**
Income tax expense	**(159,584,786)**	**1,453,584**	**(2,472)**	**–**	**(158,133,674)**
Depreciation and depletion	**(1,253,121,609)**	**(355,316)**			**(1,253,476,925)**
Non-recurring items	**(42,894,425)**	**(3,949,289)**	**–**	**–**	**(46,843,714)**
Consolidated net income (loss)	**₱324,116,841**	**(₱16,281,587)**	**(₱1,911,648)**	**₱–**	**₱305,923,606**
Consolidated total assets	**₱9,656,465,215**	**₱3,919,845,001**	**₱420,821,215**	**₱–**	**₱13,997,131,431**
Consolidated total liabilities	**₱7,854,913,367**	**₱129,969,180**	**₱2,084,015**	**₱–**	**₱7,986,966,562**

			2018		
	Mining	Oil and gas	Solid waste management	Eliminations	Total
Revenue					
External customer	₱4,658,242,792	₱–	₱–	₱–	₱4,658,242,792
Inter-segment	–	–	–	–	
Consolidated revenue	₱4,658,242,792	₱–	₱–	₱–	₱4,658,242,792
Results			–	–	
EBITDA	₱1,616,860,040	(₱6,953,555)	₱–	₱–	₱1,609,906,485
Interest income (expense) - net	(232,516,201)	2,403,417	–	–	(230,112,784)
Income tax expense	(147,775,584)	(1,680,920)	–	–	(149,456,504)
Depreciation and depletion	(1,095,967,551)	–	–	–	(1,095,967,551)
Non-recurring items	126,970,264	(4,806,834)	–	–	122,163,430
Consolidated net income (loss)	₱267,570,968	(₱11,037,892)	₱–	₱–	₱256,533,076
Consolidated total assets	₱7,804,800,056	₱4,308,488,875	₱422,434,085	₱–	₱12,535,723,016
Consolidated total liabilities	₱7,040,418,862	₱127,193,193	₱1,572,011	₱–	₱7,169,184,066

The total revenue from an external customer, attributable to the Philippines, which is the Group's country of domicile, amounted to ₱4.96 billion and ₱4.66 billion as at December 31, 2019 and 2018, respectively arising from the sale of gold and silver bullion.

33. Supplemental Disclosure to Statements of Cash Flows

The following table summarizes the changes in liabilities from financing activities in 2019.

	January 1, 2019	Availments	Payments	December 31, 2019
Current Liabilities:				
Bank loans	₱1,148,806,879	₱2,529,420,791	(₱1,465,622,428)	₱2,212,605,242
Noncurrent Liabilities:				
Bank loans	2,740,476,190	140,561,305	–	2,881,037,495
	₱3,889,283,069	₱2,669,982,096	(₱1,465,622,428)	₱5,093,642,737

The Group had non-cash investing and financing activities in 2019, 2018, and 2017, which were considered in the preparation of the consolidated statements of cash flows, as follows:

	2019	2018	2017
Investing activities:			
Non-cash purchase of property, plant and equipment through reissuance of treasury shares	**₱–**	₱–	₱17,179,530
Addition (reduction) to property, plant and equipment pertaining to capitalized mine rehabilitation cost (Note 10)	**1,406,546**	(875,723)	3,434,310

34. Events After the Reporting Period

In a bid to address the rising cases of infection from the novel corona virus (Covid-19) in the country, as in many other countries in the world, the national government declared on March 16, 2020 a state of calamity in the country for a period of six months and imposed an enhanced community quarantine until April 12, 2020 throughout the island of Luzon which encompasses among others Benguet Province where ISRI's Sangilo mine is located. In a similar measure, on March 16, 2020 and until thereafter lifted, the provincial government of Davao de Oro declared a mandatory community quarantine in the province where the Company's Maco mine is located.

These impositions which limited the movement of people and the conduct of commerce in the areas covered by the quarantine are non-adjusting subsequent events that have no impact on the Group's financial position and operating performance as of and for the year ended December 31, 2019. Furthermore, since the quarantine begun only 15 days prior to the end of the first quarter of 2020, the effect on the Group's financial position and operating performance as of and for the quarter ended March 31, 2020 has been largely insignificant.

The enhanced community quarantine in Davao de Oro which was subsequently extended to April 30, 2020, and later on to May 15, 2020, affected the Maco mine's first two months of operations in the second quarter of 2020. The prohibition on the movement of employees residing outside Maco, and the health protocols that have to be imposed on them to keep the mine Covid-19 free, resulted in reduced workforce which necessitated a slowdown in mine development and the focus on production, albeit at lower tonnage throughput. To compensate, higher grade ore were accessed to achieve the usual gold production levels.

The suspension of airport service in Davao City caused some delays and lessened the frequency of the mine's gold bullion shipments which have to be diverted first to the Cebu City International Airport, and when this airport was later on also closed, to the Manila International Airport. There was minimal increase in transportation cost due to the longer routes, and this was more than covered by the surge in gold price to record levels in about a decade, now prevailing at above $1,700 per ounce, driven largely by the Covid-19 pandemic.

The enhanced community quarantine imposed in Benguet Province, similarly extended to May 15, 2020, and then to May 31, 2020 as general community quarantine, have also reduced the number of men available to the Sangilo mine for its mine rehabilitation and debugging phases of operations. This delays the target date for the commencement of the mine's commercial operations in 2020.

Considering the evolving nature of the Covid-19 pandemic and the unforeseeable character, scope, and extent of corresponding government action that could or may be taken on this serious public concern, the Group has no basis to determine or predict at this time their possible impact on the Group's financial position and operating performance for the rest of 2020 or even for the periods thereafter.

BOARD OF DIRECTORS

DENNIS A. UY
Independent Director
(up to June 27, 2019)

JOSE EDUARDO J. ALARILLA

WALTER W. BROWN
Chairman Emeritus

ROEL Z. CASTRO

JOSELITO H. SIBAYAN
Independent Director

CORPORATE SECRETARY

RAMON Y. SY
Chairman

VALENTINO S. BAGATSING
Independent Director
(Commencing June 28, 2019)

LUIS R. SARMIENTO
President and CEO

SILVERO BENNY J. TAN

EXECUTIVE OFFICERS

RAMON Y. SY
Chairman of the Board

LUIS R. SARMIENTO
President & Chief Executive Officer

GIL A. MARVILLA
SVP - Project Development

ERIC S. ANDAL
VP – Geology and Exploration

EMELITA C. FABRO
VP – Corporate Administration

RODULFO A. PALMA
VP – Legal, Mine Compliance & Risks

SILVERIO BENNY J. TAN
Corporate Secretary

ELISA R. DUNGCA
Assistant Corporate Secretary & AVP - Corporate Affairs

RENATO N. MIGRIÑO
Treasurer & Compliance Officer

Retired

WALTER W. BROWN
President & Chief Executive Officer
(as of June 30, 2019)

GRACIANO P. YUMUL, JR.
EVP - Geology, Exploration, Risk Management & External Affairs
(as of June 30, 2019)

MODESTO B. BERMUDEZ
SVP – Project Development
(as of January 31, 2019)

ROSEMARIE F. PADILLA
VP – Finance
(as of July 31, 2019)

NARCISO V. MUTIA
VP – Resident Manager for Maco Operation
(as of January 17, 2020)

CORPORATE DIRECTORY

HEAD OFFICE
3304-B West Tower, PSE Centre,
Exchange Road, Ortigas Center,
Pasig City 1605
Tel Nos. (632) 8706-2805/06
Fax No. (632) 8706-2804
Email: investorrelations@apexmining.com

CORPORATE WEBSITE
www.apexmines.com

MACO GOLD MINE
Masara, Maco, Davao De Oro
Tel: +63-999-885-3046

Davao City Office
Door 27, 2nd Floor Jeva Building,
Quirino Avenue, Davao City

Tagum Warehouse
Warehouse No.1, Ke Ren Sons Compound,
Purok Maharlika, Magugpo East, Tagum City

SANGILO GOLD MINE
Sangilo, Itogon, Benguet

SUYOC GOLD MINE
Mankayan, Benguet

PARACALE GOLD PROJECT
Jose Panganiban, Camarines Norte

STOCK TRANSFER AGENT
BDO Unibank, Inc.
Trust & Investments Group Securities Services
15/F South Tower, BDO Corporate Center
7899 Makati Avenue, Makati City 0726
Tel No. (632) 8878-4964
Fax No. (632) 8878-4056

LEGAL COUNSEL
Picazo Buyco Tan Fidel & Santos Law Office
Penthouse, Liberty Center
104 H.V. Dela Costa Street, Salcedo Village,
Makati City 0726
Tel No. (632) 8888-0999

EXTERNAL AUDITOR
Sycip Gorres Velayo & Co.
6760 Ayala Avenue, Makati City 0726
Tel No. (632) 8891-0307

BANKERS
Philippine National Bank
Rizal Commercial Banking Corporation
Union Bank of the Philippines


APEX MINING CO., INC.
Masara, Maco, Davao de Oro