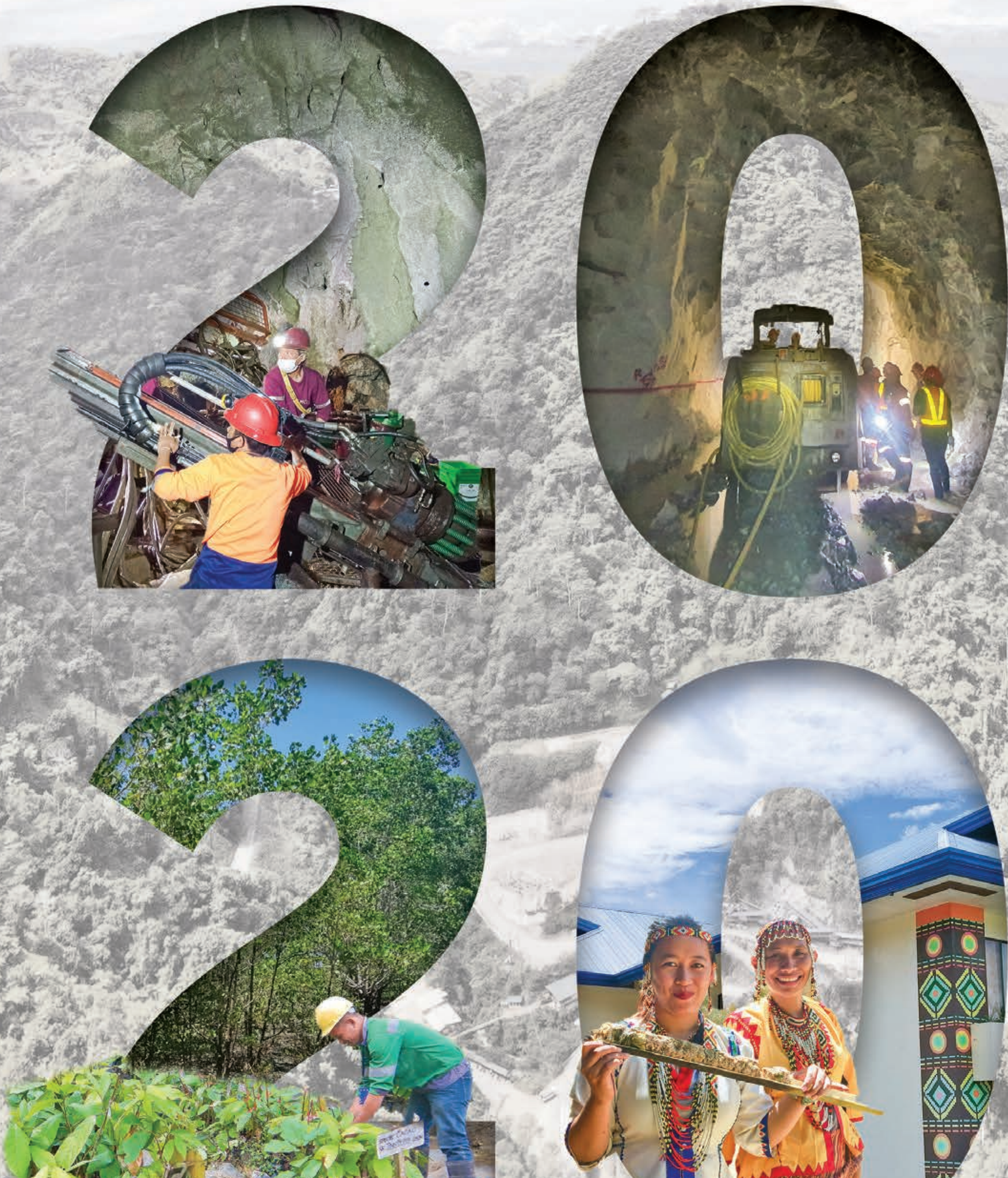
APEX MINING CO., INC.



2020 ANNUAL REPORT

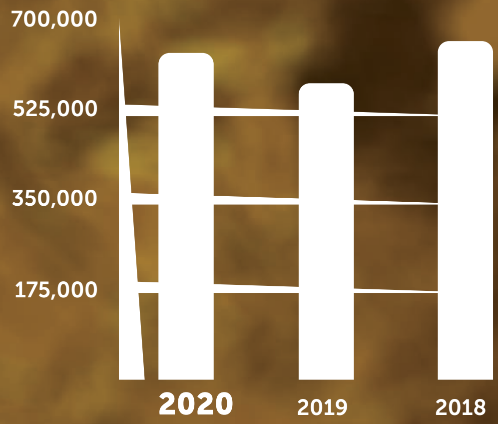
TABLE OF CONTENTS

About the Cover

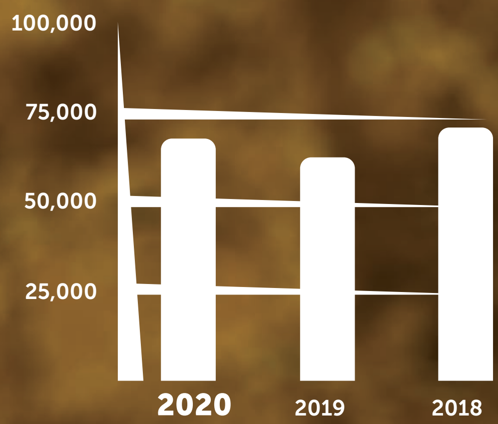
The year 2020 brought about a new normal: social distancing, masking-up and fist bumps. But for Apex Mining Co., Inc., some things remained constant despite the pandemic: care for the environment, malasakit for our host communities and neighboring barangays, and business operations excellence.

2020 HIGHLIGHTS

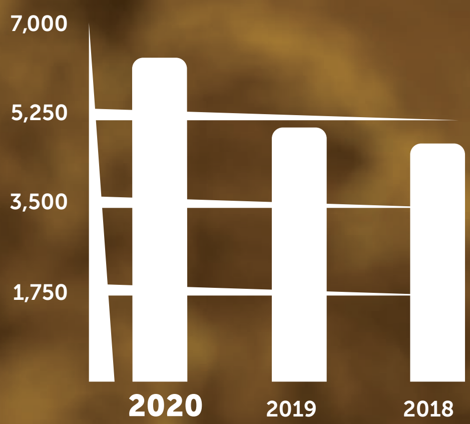
ORE MINED
633,308
Tonnes



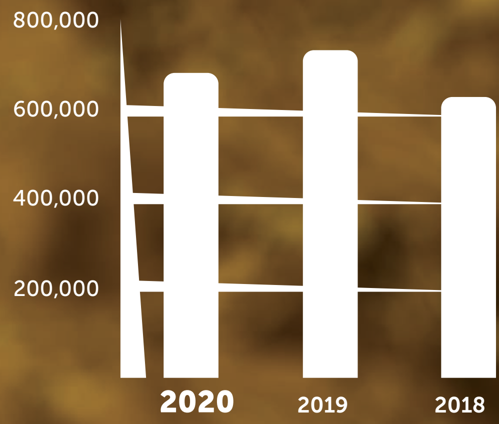
GOLD PRODUCTION
68,017
Ounces



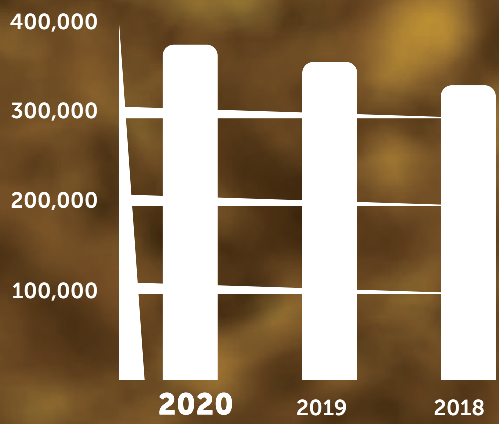
GROSS REVENUE
6.32
PHP BILLION



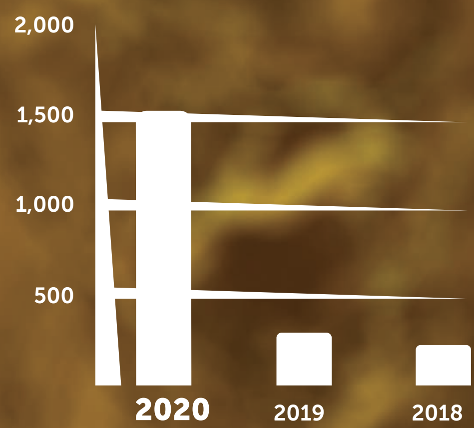
ORE MILLED
664,363
Tonnes



SILVER PRODUCTION
373,945
Ounces



NET INCOME
1.53
PHP BILLION



GOLD PRICES **US$ 1,798.00**/oz
▲ **29%** from 2019

SILVER PRICES **US$ 21.78**/oz
▲ **35%** from 2019

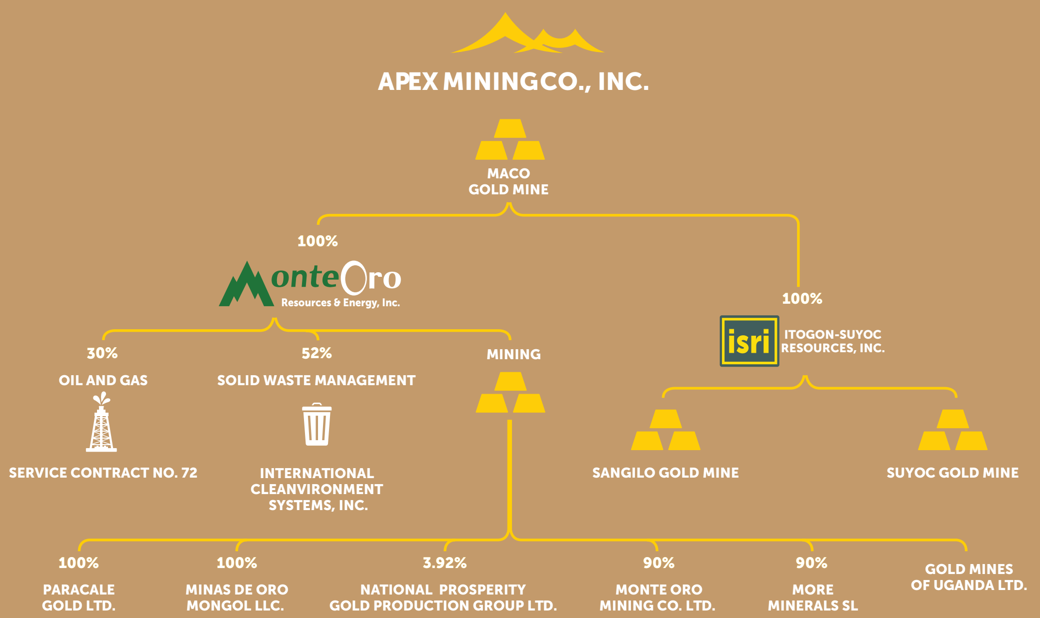
4 COMPANY PROFILE

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. (ISRI), owns the Sangilo Mine in Itogon, and the Suyoc Mine in Mankayan, gold mines both 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.

CORPORATE STRUCTURE

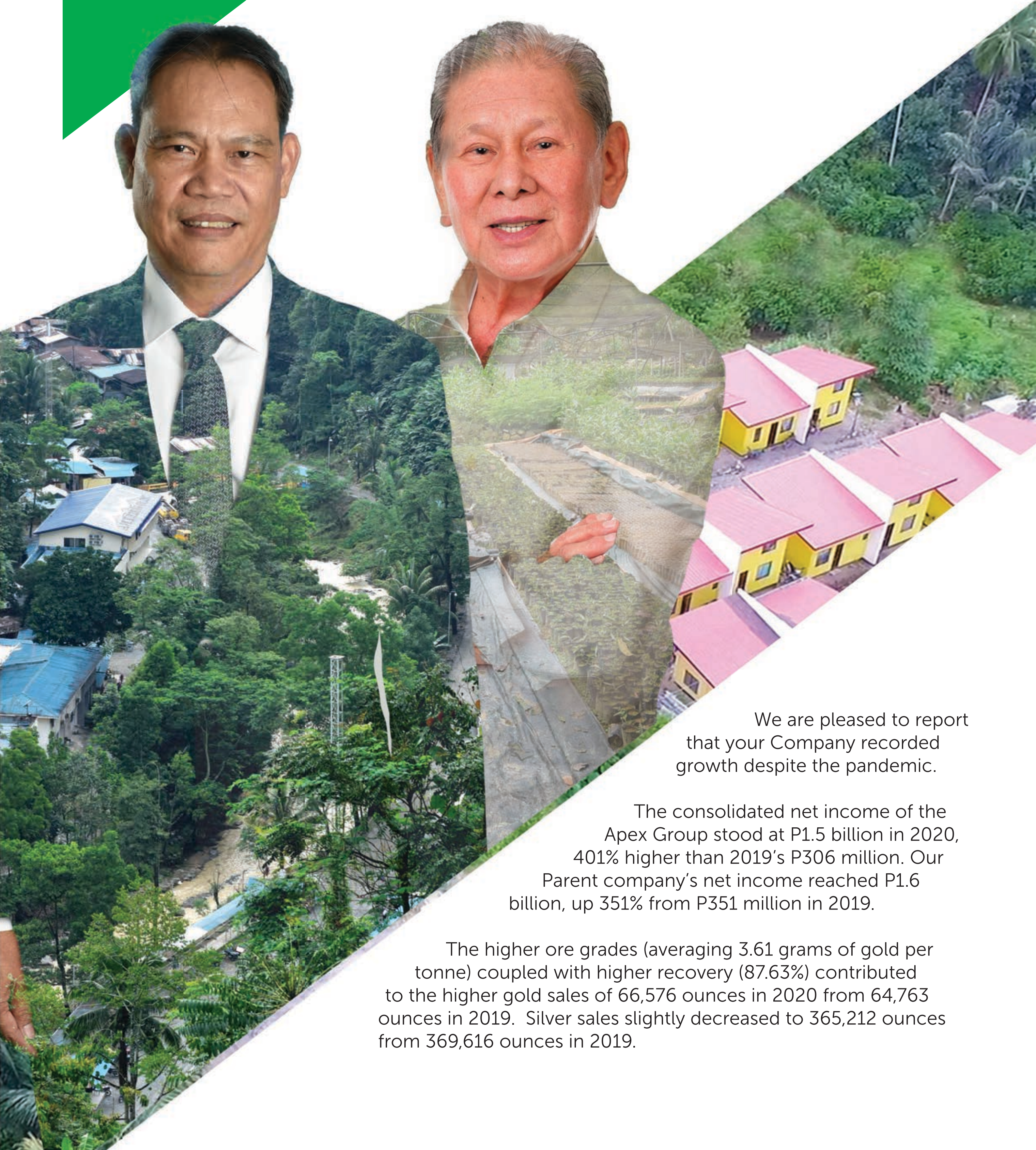


MISSION AND VISION STATEMENT

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 that your Company recorded growth despite the pandemic.

The consolidated net income of the Apex Group stood at P1.5 billion in 2020, 401% higher than 2019's P306 million. Our Parent company's net income reached P1.6 billion, up 351% from P351 million in 2019.

The higher ore grades (averaging 3.61 grams of gold per tonne) coupled with higher recovery (87.63%) contributed to the higher gold sales of 66,576 ounces in 2020 from 64,763 ounces in 2019. Silver sales slightly decreased to 365,212 ounces from 369,616 ounces in 2019.

The higher gold sales in 2020 were further boosted by the higher average realized price of $1,798/ounce, generating a record revenue of P6.3 billion for APX, 27% higher than the P5.0 billion revenue in 2019.

Meanwhile, the lower milling throughput of 664,363 tonnes (average of 1,949 tonnes per day) as compared to 711,787 tonnes in 2019 (average of 2,063 tonnes per day), kept the cash operating costs at a lower level of P2.6 billion compared to P2.8 billion in 2019.

Cash income from operations was P3.4 billion, 74% higher than P2.0 billion in 2019. Non-cash depreciation, depletion and amortization was also lower by 18%.

The continuing investments in capital expenditures — amounting to P1.6 billion in 2020 — brought non-cash charges for depreciation and amortization to P674 million. These investments were in relation to the continuing development of the mines in preparation for higher grade and larger tonnage operations. Depletion cost was 38% lower at P349 million, to a greater extent due to the lower milling tonnage and higher ore reserves.

Based on the latest PMRC-compliant reports, the estimated mineral resources of the Maco Mine amounted to 5.92 million tonnes at a grade of 5.4 grams per tonne, while the estimated ore reserves totaled 1.92 million tonnes at a grade of 6.3 grams per tonne.

Amidst the pandemic, APX delivered on our corporate citizenship commitments, spending a total of P53.9 million to finance three major components of the Company's SDMP, namely: Development of Host & Neighboring Communities (DHNC) at P43.73 million; Information, Education and Communication (IEC) Campaigns at P7.05 million; and, Development of Mining Technologies and Geosciences (DMTG) at P3.99. Through our APEX HELPS and APEX Cares initiatives, we assisted around 7,896 families from our host communities and neighboring barangays. We also dedicated P18.59 million in COVID-related initiatives such as financial assistance and distribution of food and hygiene essentials — for our employees as well as host communities and nearby areas.

We also continued with our environment protection and enhancement thrusts, providing P52.5 million to a host of programs, including support for the Department of Environment and Natural Resources' (DENR) National Greening Program, Adopt-an-Estero Waterbody Program, Adopt-a-Mangrove Forest, and other tree planting activities and river clean-up drives. In fact, we rehabilitated and reforested a total of 11.58 hectares in support of the country's biodiversity conservation program.

On July 31, the Sangilo Mine in Itogon, Benguet of our wholly-owned subsidiary, Itogon-Suyoc Resources, Inc. (ISRI), formally commenced its commercial operation while the exploration and resource validation work in Suyoc, ISRI's mine in Mankayan, Benguet, continued.

We take pride in ISRI's three awards garnered at the 2020 Safest Mines Awards of the prestigious Presidential Mineral Industry Environmental Award (PMIEA): Safest Exploration (Category B), Underground Mining Category and Most Improved Safety Performance. The Best Personalities Award for Underground Mining Operations were given to our miners, Danny V. Peralta for Best Underground Safety Inspector and Carlos T. Uyan for Best Underground Mine Supervisor.

President Duterte lifted the moratorium on oil and gas exploration in the West Philippine Sea in October 2020, signaling the resumption of exploration and development activities involving the Sampaguita gas field within Service Contract 72. Our subsidiary, Monte Oro Resources & Energy, Inc. (MORE), holds a 30% participating interest in SC 72.

We close the year 2020 with gratitude for the year that was. We thank the APX High Performing Team for a job well done; our Board of Directors for supporting our efforts to prioritize the health

Through our APEX HELPS and APEX Cares initiatives, we assisted around 7,896 families from our host communities and neighboring barangays.

and safety of our team during the critical months of the pandemic; our host communities for their continued trust in APX; and, our shareholders for their unwavering confidence in our operational excellence.

Rest assured APX is steadfast in our promise to be a responsible miner as we pursue the continued growth of your Company.

RAMON Y. SY
Chairman of the Board

LUIS R. SARMIENTO
President & CEO

MACO GOLD MINE

8

The Maco Gold Mine is situated in the municipalities of Maco and Mabini in Davao De Oro, Southern Mindanao.

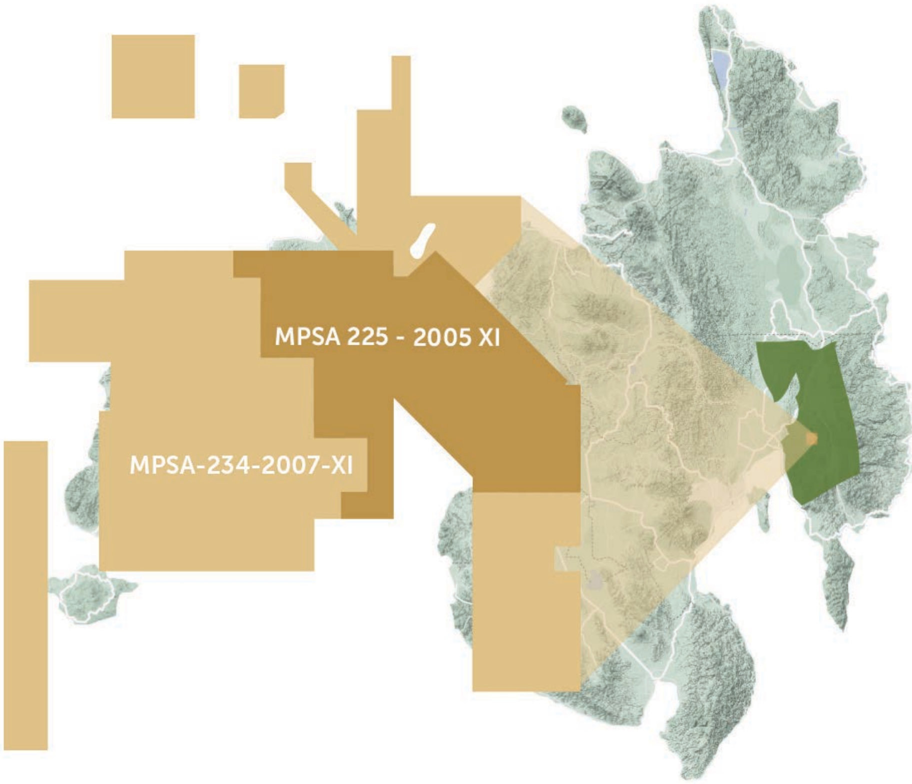
The area is well known for its epithermal gold and porphyry copper deposits, and has a long history of production.

The Maco Mine initially operated as a copper mine from 1970 until 1975 when it converted into 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.



Estimated Mineral Resources

@Cut-off Grade of 1.5 gpt

Category	Grade (gpt)	Tonnes	Estimated Gold (oz)
Measured5	.8	380,000	70,000
Indicated5	.0	3,220,000	517,000
Subtotal	5.13	,600,000	587,000
Inferred	4.8	2,320,000	358,000
Total	**5.05**	**,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

granted in March 2018 by Certification International Philippines (CIP).

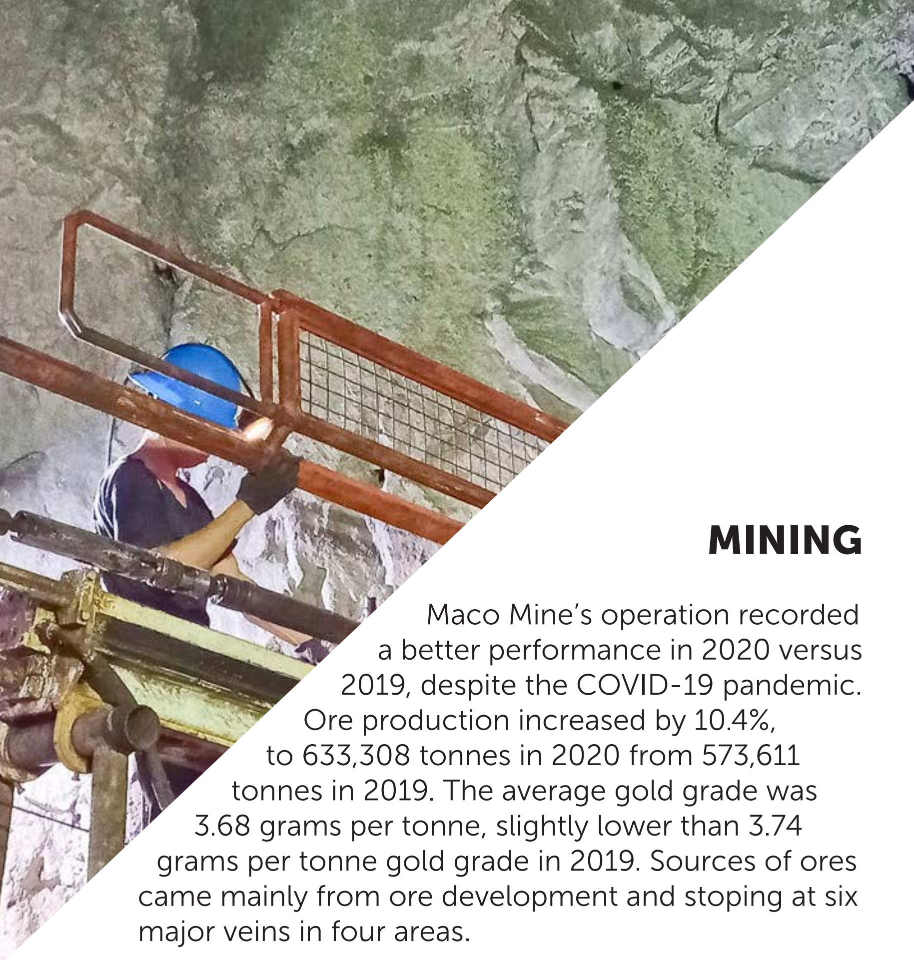
The scope of the certifications includes exploration; underground mining; milling and recovery of gold and silver using carbon-in-leach process; mine waste and mill tails management; and all support services, valid for three years until March 2021 subject to satisfactory results of annual audits.

Just recently, Maco Mine passed the external audit conducted by CIP and was granted recertification for another three years of up to 2024.


SOCOTEC
CERTIFICATE
N° CIP/5304IQ/18/01/1031
Apex Mining Company, Inc.
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
CERTIFICATE
N° CIP/5304IE/18/01/1031
Apex Mining Company, Inc.
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
CERTIFICATE
N° CIP/5304IHS/18/01/1031
Apex Mining Company, Inc.
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.



10 OPERATION'S REPORT

MINING

Maco Mine's operation recorded a better performance in 2020 versus 2019, despite the COVID-19 pandemic. Ore production increased by 10.4%, to 633,308 tonnes in 2020 from 573,611 tonnes in 2019. The average gold grade was 3.68 grams per tonne, slightly lower than 3.74 grams per tonne gold grade in 2019. Sources of ores came mainly from ore development and stoping at six major veins in four areas.

In 2020, mine development reached 4,629 meters off-vein and 7,905 meters on-vein, lower than 2019's 6,255 meters off-vein and 8,560 meters on-vein. In the midst of the pandemic, with limited manpower in the mine site, the operation focused on meeting the production goals for the year. v

MILLING

Milling throughput in 2020 totaled 664,363 tonnes, averaging 1,949 tonnes per day —6.7% lower than 2019's 711,788 tonnes at 2,063 tonnes per day.

However, mill recovery bested its 2019 performance with 87.63% for gold (compared to 85.46% in 2019) and 77.23% for silver (compared to 75.50% in 2019). The average mill head grade was also higher at 3.61 grams of gold per tonne (2019's was only 3.19 grams of gold per tonne) and 22.10 grams of silver per tonne (2019's was only 20.47 grams of silver per tonne).

In 2020, metal production also surpassed 2019 performance. Gold production totaled 68,017 ounces (8.9% higher than 62,468 ounces in 2019) while silver production was 373,944 ounces (5.8% higher than 353,627 ounces in 2019). This is mainly due to higher metal recoveries and mill head grades for both gold and silver attained in 2020.

MINING & MILLING PROCESS

The Maco Mine is vein-type, adopting underground trackless and conventional mining methods, with current milling capacity of up to 2,000 tonnes per day employing the carbon-in-leach gold extraction process.

ORE EXTRACTION

LOADING AND HAULING

CRUSHING & GRINDING

MILL IMPROVEMENTS

A. Mill Water Tank

Water tank at the mill ore yard contains Bunlang and reclaimed water, ensuring water supply for the mill plant, especially during dry months.

B. Secondary Cone Crusher

New secondary crusher unit reduces ore size and increases mill throughput — in preparation for the planned capacity increase.

C. Crushing Vibrating Screen

Additional vibrating screen supports the planned capacity increase.

D. Roofing for Tailings Line Pumps Station

The newly-installed roofing system protects workers from heavy rains and exposure to sunlight and shelters the mine equipment, as well.

E. New Reagent Area

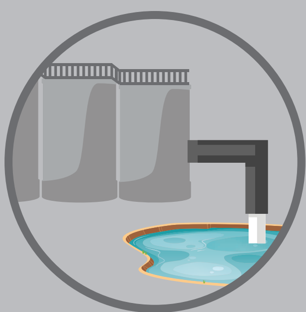
The reagent area was transferred to a more secure location as an added safety measure.

F. Construction of Maintenance Shop

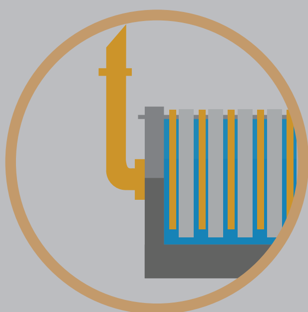
The new maintenance shop eliminates exposure from laboratory fumes and discharges.

LEACHING

TAILINGS PROCESSING

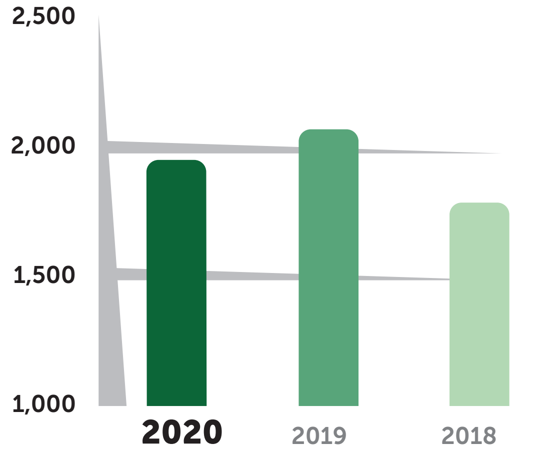


ELUTION & ELECTROWINNING

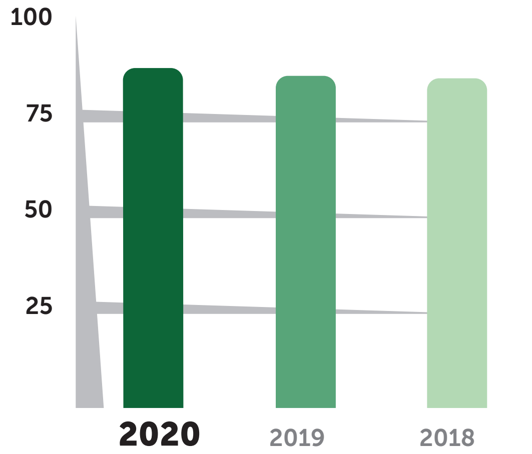


SMELTING

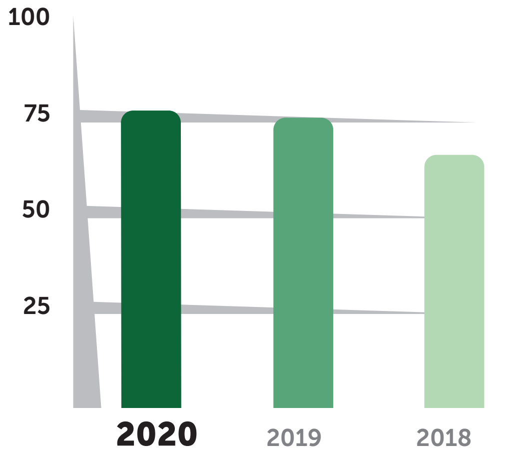
TONNES PER DAY 1,949



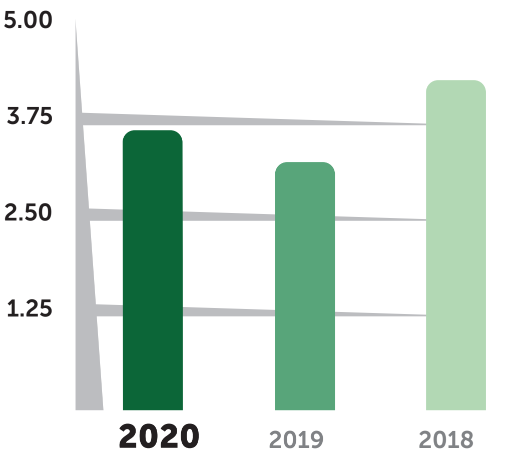
MILL RECOVERY GOLD 87.62 %



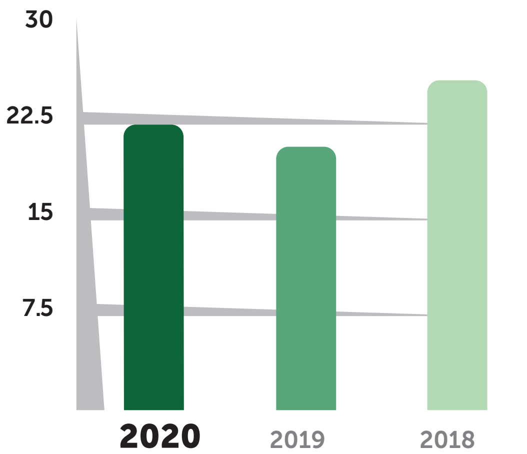
MILL RECOVERY SILVER 77.23 %



MILL HEAD GRADE GOLD 3.61 GRAMS/TONNE



MILL HEAD GRADE SILVER 22.10 GRAMS/TONNE



GEOLOGY AND EXPLORATION

A total of 668.4 thousand wet metric tons (WMT) of ores were fed to crusher in 2020, with average mine grade of 3.67 grams per ton, slightly lower than budget of 3.92 grams per ton. Mine Call Factor (MCF) was 93%. Sources of ores came mostly from six major veins in Malumon, Ramp 2, Level 870/700 and Masarita Barabadan Fern (MBF). Elevation difference from highest to deepest production level was about 250 meters. Daily tonnage was sustained by maintaining 25 to 30 ore sources, 25% to 30% of which contained high grade ores.

An updated resource estimate was completed for MPSA-225 with declared 5.92 million tonnes total mineral resources at 5.0 gpt average grade, 61% of which are measured and indicated. The updated resources estimate is almost twice that of the 2017 resource declaration and is the result of aggressive exploration work.

In 2020, underground drilling totaled 16,348 meters, 21% higher than the target for the year, with an estimated confirmed resources of 1.4 million tonnes.

As part of geology confirmation, surface mapping was done inside MPSA 234 and MPSA 225. Surface drilling totaled 13,931 meters, 4% higher than 2020 target, with estimated confirmed resources of 936 thousand tonnes. Vein sources from previous year will continue to be developed in 2021.

SAFETY

Safety is very much ingrained in APX's DNA.

The Safety Department takes a proactive approach in ensuring that the wellbeing of all stakeholders is prioritized. This means a work place where no one gets hurt or injured and everyone goes home safe during operation of its business. Management plays a major role in the safety management system within the company. Programs are put in place to eliminate or minimize hazards and risks in the area, and all workers are encouraged to be responsible for their own safety and the safety of others.

In 2020, the mine worked a total of 6.4 million man-hours and recorded 50 non-lost time accidents, 1 non-fatal lost time accident and 113 incidents of property damage.

A number of infrastructure improvements were implemented in 2020 to enhance the safety of the employees: the newly-installed roofing system protects workers from heavy rains and exposure to sunlight; the reagent area was transferred to a location that is not in the way of foot traffic; the new maintenance shop eliminates exposure from laboratory fumes and discharges.

COVID-19 RESPONSES

At the onset of the lockdowns in March 2020, APX immediately mobilized substantial and crucial resources to help prevent the spread of COVID-19 and mitigate its impact in the Mine site.

The Containment Management Team (CMT) was organized to enhance the organization's agility to conform with the fluidity of the work and business environs.

Health protocols were instituted and, to make compliance easy for all its employees, essentials such as face masks, face shields, and alcohol/alcogel were in abundant supply and readily accessible. To fend off the uncertainties experienced by the employees, information on the latest COVID-19 situation and government directives were also regularly disseminated.

In December 2020, several employees tested positive for COVID-19. Immediate, calculated and science-based approaches and responses were put in place. These, coupled with constant coordination with the IATF and the municipal health office of Maco, prevented an uncontrollable spread of the virus.

As of January 2021, all positive cases have recovered, and no new cases have been reported. The mine continues to enforce all its safety protocols contained in APX's COVID-19 Emergency Response Plan and IATF guidelines, to contain the spread of the virus.

AWARD

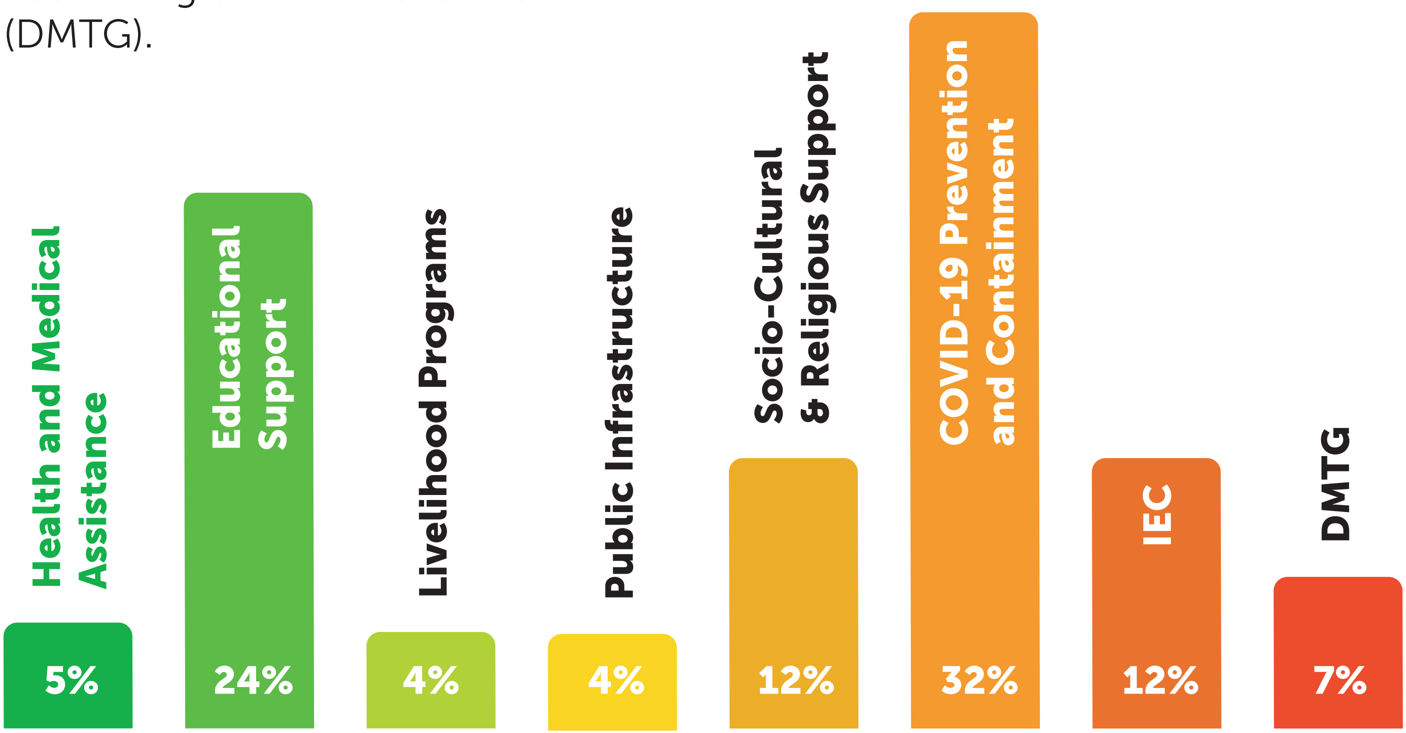
In December 2020, Maco Mine was awarded a Plaque of Recognition by the Department of Labor and Employment (DOLE) for actively implementing the Family Welfare Program-10 Dimensions in workplace.

14 CORPORATE SOCIAL RESPONSIBILITY

The corporate social responsibility (CSR) programs of APX reflect its genuine commitment to be a responsible miner and a catalyst for sustainable community development.

Through its Social Development and Management Program (SDMP) that provides long term economic, social, and environmental benefits to all its stakeholders, especially in the local communities where it operates, APX manifests good corporate citizenship and takes responsibility for the social and environmental outcomes brought about by its business operations.

In 2020, APX spent a total of P53.9 million to finance three major components of its SDMP —Development of Host & Neighboring Communities (DHNC), Information, Education and Communication (IEC) Campaigns, and Development of Mining Technologies and Geosciences (DMTG).



DEVELOPMENT OF HOST AND NEIGHBORING COMMUNITIES (DHNC) - P43.02 Million

APX's priority Programs, Projects and Activities (PPAs) under the DHNC are Health & Medical Assistance, Educational Support, Livelihood Program, Public Infrastructure Programs and Socio-cultural and Religious Support and COVID-19 Response.

Annual blood lead testing for AMCI Mill employees, as part of health and safety protocols.

Health and Medical Assistance - P2.79 Million

Four local health centers are regular recipients of financial support from APX: (a) Maco Mine company clinic in Barangay Masara, Maco; (b) Elizalde Infirmary Clinic in Barangay Elizalde, Maco; (c) Municipal Health Center in Barangay Binuangan, Maco; and, (d) Municipal Health Center in Poblacion, Mabini.

In 2020, APX provided financial support amounting to P1.1 million to seven medical personnel (2 doctors, 2 midwives, 2 nurses and 1 dentist) stationed at the Company Clinic, Elizalde Infirmary Clinic, Barangay Elizalde and other barangay health centers in the local communities.

A total of 938 out-patients (mostly residents from the local barangays) were treated at the APX Clinic in Maco Mine. The patients were given free medical consultations, medicines and vitamins. Fifty-one (51) patients were also transported by APX's ambulance to a tertiary hospital in Tagum City for further medical referrals.

AMCI Scholars taking the Hotel and Restaurant Services strand course for senior high school. (Photo taken before the March 2020 pandemic.)

Through its APEX @ Your Service (APEX AYoS), 1,546 individuals from the host and neighboring communities were provided free medical consultations, simple legal consultations, marriage counseling or couple mentoring, IEC on legal matters and COVID-19, and, human resource records updating.

Educational Support -P13.89 Million

In 2020, APX spent P4.71 million for various school activities of its 15 adopted public schools —nine elementary schools with a combined total of 3,488 students and six high schools with a cumulative total of 2,599 students — located in the vicinity of the mining area and nearby communities.

To help the schools cope with the demands of operating within the restrictions brought

Turn-over of school bags and supplies to Panamin Elementary School, Brgy. Golden Valley, Mabini, Davao De Oro

Turn-over of handwashing sink to New Leyte National High School, Davao de Oro.

about by COVID-19, APX distributed foot pedal-operated hand washing sinks (to ramp up hygiene protocols) and provided logistical support (supplying bond paper and printers plus ink)for online learning modality (production of school modules or learning instructional materials).

APX distributed school bags, school supplies, and hygiene kits to 2,350 elementary students. The company also provided a monthly subsidy of P5,000 each for 12 teachers of Elizalde National High School, New Leyte Elementary and High Schools, Masara Integrated School, and Teresa National High School.

APX supported the Bayanihan sa Karunungan Program (BSKP) of the Department of Education (Dep-Ed) and the Provincial Government of Davao De Oro, enrolling its eight adopted elementary schools to the BSKP.

Under an agreement with Dep-Ed Davao de Oro Division (Dep-Ed DDO) and ZRadio 88.5 FM, APX provided a monthly sponsorship of P35,000 to support Radio Z-Eskwela's school programs.

AMCI-BCPD scholars for Hotel & Restaurant Services. (Photo taken before the March 2020 pandemic.)

Likewise, APX assisted the Provincial Government of Davao de Oro by providing P1.5 million in funding support to the construction of a two-classroom building (complete basic facilities) at the Panansalan Elementary School in Compostela, Davao de Oro.

APX sponsored 22 female senior high school scholars who enrolled in Hotel and Restaurant Service training at the Banilad Center for Professional Development (BCPD) and 33 male scholars in Electro-mechanics enrolled for Industrial Technology and Enterprise, both in Cebu City. Plus, APX gave financial assistance to four beneficiaries under APX's SDMP College Scholarship Program who came from various universities in Davao and Tagum Cities. In 2020, the total financial assistance extended to the scholars amounted to P8.05 million.

Together with Dep-Ed ALS of Davao de Oro, APX launched the Alternative Learning System Program in mining communities. The first batch has 84 participants: Basic Literacy Program (1 student); Elementary Level (10 students); and, Junior High School (73 students).

Before the lockdowns and restrictions brought about by the Covid-19 pandemic, APX provided free shuttle services to ferry the local students from the pooling centers to their respective schools (and back). School transportation expenses amounted to P844 thousand.

Total expenditures for educational support programs reached P13.89 million for 2020.
The long-term objective of APX is to establish a Training Academy which will provide skills development trainings and competency assessment to employees and local residents — in partnership with the Technical Education and Skills Development Authority (TESDA).

Livelihood Programs -P3.56 Million

The livelihood programs of APX are centered on developing the self-reliance of communities in the areas where it operates to wean the locals from a dependence on employment generated by APX's mining operation. The programs promote strong bond among members of the communities as they organize themselves into social groups or cooperatives and take on Income Generating Projects (IGP), that generate employment and sustainable income.

APX engages the various social organizations within its host and neighboring barangays by providing free seminars/ lectures on organizational development, capability-building and skills trainings necessary for sustainable community development. In 2020, APX conducted these training sessions: (a) Hands-on skills trainings with community on cacao production and care and maintenance of coffee and other crops; (b) Webinar on License to Operate/ FDA Registration Orientation and Cacao Product Packaging and Labelling Training to Apex Employees and Community Multi-Purpose Cooperative; and (c) Training on Post Harvest Facility to Barangay Elizalde Rural Workers Association.

At the Mines View Deck of Platinum Group Metals Corporation (PGMC), Cagdianao, Claver, Surigao del Norte on March 3, 2020 during the benchmarking of AMCI personnel from ComRel, Safety, Environmental Management and Admin.

APX likewise provided financial and in-kind support amounting to P938 thousand to the following community-based associations: Barangay Elizalde Rural Workers Association, Community Council of Women Canteen Mainit Community Workers and other Peoples' Organizations.

Public Infrastructure -P2.47 Million

APX shelled out P2.47 million for the construction of the following public infrastructure in 2020: Immaculate Concepcion of Mary Church in Barangay Elizalde; improvement of barangay covered court in Barangays Masara and Tagbaros; and, road improvement in host barangays.

Socio-Cultural & Religious Support -P7.04 Million

Eight host barangays, eight neighboring barangays, two municipalities, two cities, and the Province of Davao de Oro received a total of P7.04 million in assistance in 2020 for various socio-cultural undertakings, PPEs and new normal materials in response to COVID-19 pandemic.

COVID-19 Prevention and Containment -P18.59 Million

In 2020, at the onset of COVID-19 pandemic, APX implemented various safety and health programs/ projects/activities to address the immediate needs of its surrounding communities. Among these were (a) financial assistance to the Province of Davao de Oro, Municipality of Maco, and Municipality of Mabini; (b) financial assistance to partner barangays under community quarantine; (c) distribution of hand sanitizers and disinfectants to community quarantine centers; (d) distribution of food packs to host and neighboring barangays; and (e) cash and in-kind assistance to affected APX workers residing in impact communities. Total expenditures for COVID-19 mitigation measures in 2020 amounted to P18.59 million.

Turn-over of handwashing sink to Panoraon Elementary School, Maco, Davao De Oro.

Turn-over of PPEs for frontliners, to the Provincial Government of Davao De Oro.

Information, Education, and Communication (IEC) - P7.05 Million

The IEC program aims to create greater public awareness on responsible mineral development and the promotion of geosciences and related technologies.

APX undertook 18 IEC seminars and workshops in 2020: Earthquake Awareness and Safety Preparedness; Coronavirus disease 2019 (Covid-19); Pre-Planning Workshop for APX's SDMP 2020; Planning Workshop for 2020 ASDMP; and SDMP and Community Development Program.

APX also pushed for the advancement of information and public awareness of the mining industry through advertisements in select publications and sponsorship of choice promotions and events.

APX sponsored an on-air learning program with DepEd and Zradio.

Development of Mining Technology and Geosciences (DMTG) - P3.92 Million

APX sponsored four batches of participants (108 individuals in all) to skills training on the following subjects: motorcycle driving, mine transporter, light vehicle and underground equipment, Writing Effective Memo with basic communication skills, and Agribusiness Executive Program.

APX also extended support to the communities in the provinces of Bicol, Cagayan De Oro, and CALABARZON which were severely hit by successive typhoons in 2020.

For the advancement of mining technology, APX continued to conduct inspection chart mapping and geo-tagging within APX premises.

Relief operations for Typhoon Ulysses victims in Cagayan Valley, Davao De Oro.

19 ENVIRONMENTAL PROTECTION

Rehabilitation of previous old quarry area along Lumanggang Creek by APX.

APX is a responsible miner.

Consistent with its sustainability thrust, the company takes extra measures to care for, preserve, and maintain the natural resources and habitat within the environment where it operates. On top of fully complying with government mandated regulations, APX implements additional undertakings to protect and rehabilitate the environment.

Environmental Protection and Enhancement Program (EPEP) – P52.6 Million

The EPEP details APX's plans, programs, and projects for the continuous rehabilitation and protection of the environment in the vicinity where it operates. In 2020, APX spent P52.6 million for various Environmental Protection activities as stipulated in the approved Annual Environmental Protection and Enhancement Program. This includes the following activities:

Land Resources	**PHP 39,253,279**
Water Resources and Quality	**PHP 11,772,595**
Noise Monitoring	**PHP 9,600**
Air Quality	**PHP 261,826**
Conservation Values	**PHP 110,000**
Other (MMT/MRFC activity, Envi. Trainings and Capital Outlay)	**PHP 1,198,538**
Grand Total	**PHP 52,605,837**

APX actively supports programs of the Department of Environment and Natural Resources (DENR), particularly the National Greening Program, Adopt-an-Estero Waterbody Program and the Adopt-a-Mangrove Forest, as well as other tree planting activities and river clean-up drives.

Reforestation and Nursery Operations

In 2020, a total of 11.58 hectares were developed by APX — 3.44 hectares were rehabilitated and 8.14 hectares were reforested with 7,281 seedlings of native or endemic plant species (in support of the country's biodiversity conservation program).

APX's central nursery and satellite nurseries yielded a combined stock production of 76,756 seedlings of various species which were used for its planting programs.

In conjunction with its reforestation program, APX implements care and maintenance initiatives to ensure a high rate of plants' survival. A total of 37.36 hectares of previously established plantations were maintained. In addition, APX also maintained 6.87 hectares of plantation at Barangay Bongabong and 1.68 hectares at Barangay Bucana.

In support of the government's National Greening Program (Expanded NGP), APX donated 15,645 various species of seedlings to the DENR-CENRO Office Maco, MENR Office-LGU Maco, and impact communities.

AMCI Central Forest Nursery

Clonal Propagation Facility

APX stepped up its propagation method by using not only seeds, but the parts of vegetative plants, as well, to produce planting materials. The newly established clonal propagation facility is projected to produce clones or rooted cuttings of endemic or native trees that have unpredictable fruiting seasons.

Dipterocarp Hedge Garden

White Lauan, Shorea contorta

Mayapis, Shorea squamata

Bagtikan, Parashorea plicata

Almon, Shorea almon

A dipterocarp is a a tall forest tree occurring mainly in Southeast Asia that is the source of resins and timber for export. To help mitigate the threat against various species under this tree family (they are among the threatened, vulnerable, and endangered due to habitat loss), APX grew them in hedge gardens. The company also cultivated various dipterocarp species to help ensure a stable supply of its cuttings.

Rehabilitation through Bamboo

In 2020, APX rehabilitated 3.48 hectares of disturbed area with 1,471 hills of various species of bamboo, in response to DENR Secretary Roy A. Cimatu's call for mining companies to utilize bamboo in their rehabilitation projects.

Road and Surface Maintenance

APX consistently does maintenance work (road flattening as well as desilting of creeks, river channels, drainage canals, earth sumps and settling ponds) on all access roads, infrastructure and facilities within its areas of operation. Slope stabilization through shotcreting is also done at the Level 2 area.

Shotcreting at Level 2 crushing area.

Sanitation, Domestic Waste, and Scrap Management

In compliance with RA 9003 (Ecological Waste Management Act of 2000) APX implements a robust solid waste management program. It regularly collects and hauls the domestic waste of the mine site and its four host barangays.

APX strictly enforces the policy 'No segregation, No collection' to instill discipline in proper waste segregation. The collected garbage is delivered to the Materials Recovery Facility (MRF) that APX constructed in Barangay Teresa. APX likewise constructed a new integrated material recovery/ scrap materials storage facility at Level-805 of Don Fernando area where all metal scraps/ chips/cuttings generated by the various mining operations are temporarily stored until proper disposal.

APX employees also conduct a two-hour housekeeping of the mine site every Saturday to keep the camp clean and hygienic.

Garbage Collection

Tailings Management Facility (TMF)

The Tailings Storage Facility (Lumanggang Dam) of Maco Mine is maintained and monitored at different stages based on the guidelines of International Commission on Large Dams (ICOLD) and Mines and Geosciences Bureau (MGB).

APX monitors effluents in its TMF (Station no. 3- Toe Drain) by establishing different sampling station points to ensure compliance with DENR-MGB standards. The table below shows the average monthly Free cyanide result for Toe drain.

Period	Free Cyanide (mg/l)	Period	Free Cyanide (mg/l)
January	0.030	July	0.050
February	0.021	August	0.040
March	0.028	September	0.038
April	0.041	October	0.032
May	0.050	November	0.027
June	0.050	December	0.027
DENR STANDARD		**0.20 mg/l**	

Quarterly reviews and evaluation of Piezometer data prepared by Engineering and Development Corporation of the Philippines (EDCOP) are regularly submitted to MGB, in addition to daily internal evaluation analysis. Consistent maintenance works, safety measures and thorough operating procedures are undertaken to ensure the smooth and safe operations of the tailings dam.

Hazardous Waste Management

In compliance with RA 6969 (Toxic Substances and Hazardous and Nuclear Waste Control Act of 1990), APX practices the proper handling and disposal of used and waste oil materials from its operations, including engaging third-party disposal groups that are fully accredited by the Environmental Management Bureau (EMB).

In 2020, a total of 252 drums of used oil were disposed of. Oil and water separators structures in the different discharge areas were also regularly monitored.

Air Monitoring

APX makes sure there is adequate supply of clean air within the mine site. In the underground area, proper ventilation system ensures the safety of the miners. Respirators and dust masks are provided as part of the miners' regular personal protection equipment (PPE).

In-house emission opacity monitoring is regularly done using the Ringlemann Chart on stationary sources for generator sets and boilers. Ambient quality within the minesite is also monitored using PM10. Result shows that measured Particulate Matter 10micrograms is within the permissible limits. See table below.

Monitoring LocationP	M10 result	Remarks
Tailings dam area	**30.81 microgram/Ncm** at 24 hours averaging time.	Within the permissible limit
Level 4 area	**31.22 microgram/Ncm** at 24 hours averaging time.	Within the permissible limit
Tagbaros area	**45.92 microgram/Ncm** at 24 hours averaging time.	Within the permissible limit
Salakot Area	**62.16 microgram/Ncm** at 24 hours averaging time.	Within the permissible limit
Masarita Main substation	**7.08 microgram/Ncm** at 24 hours averaging time.	Within the permissible limit
Maligaya Area	**75.81 microgram/Ncm** at 24 hours averaging time.	Within the permissible limit
Level 2 Waste yard Area	**28.47 microgram/Ncm** at 24 hours averaging time.	Within the permissible limit
Level 840/870 area	**25.26 microgram/Ncm** at 24 hours averaging time.	Within the permissible limit

During prolonged dry months of January, February and September, APX suppressed the dust particles caused by moving vehicles and heavy equipment through road spraying.

Water spraying of road surface

Protection of Wildlife

APX has instituted policies against illegal hunting, capturing wildlife and destroying their habitat to protect the wildlife thriving within its tenement. There have been regular sightings in the Maco Mine's administration area of monkeys and reptiles.

Lumanggang Tailings Dam, Maco Mine

ITOGON SUYOC RESOURCES, INC.

Social Development and Management Program – P1.57 million

Always a responsible miner, ISRI actively contributes to the social development of its host and neighboring communities. In 2020, it spent P1.57 million for community services, including 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, in the Municipality of Itogon, Baguio City and in La Trinidad Municipality (all in the province of Benguet).

The total SDMP spend for 2020 only accounted for 93.81% of its SDMP budget for the year; thus, the unused amount will be added to the 2021 SDMP.

In compliance with the MGB-Central Office Memorandum: Realignment of SDMP's Unutilized Funds to Support Affected Impact and Non-Impact Communities due to COVID-19, a portion of the SDMP funds was realigned for the provision of food packs and medical supplies distributed to local communities in support of "Bayanihan to Heal as One Act" as assistance.

ISRI spent another P1.48 million to assist its host and neighboring communities and municipalities through donations of relief in the form of food, medicines/vitamins, face masks, face shields, disinfectants, and other basic needs, including financial assistance for virtual educational programs and other school needs.

Environmental Protection – P6.05 million

In 2020, despite the challenges brought about by the pandemic, ISRI carried out its Environmental Protection and Enhancement Program (EPEP) projects. The total spend amounted to P6.05 million (89% of its annual budget of P6.78 million).

In keeping with its environmental management and protection campaign, ISRI propagated 23,009 assorted seedlings in its nursery during the year. It donated 1,100 seedlings to the surrounding communities in support of the different local reforestation programs. It also conducted a reforestation operation at the Tabaan patent claim, planting 13,115 seedlings covering an area of 6.2 hectares.

2020 Safest Mine Awards

ISRI won three prestigious recognitions — Safest Exploration (Category B), Underground Mining Category and Most Improved Safety Performance — at the 2020 Safest Mines Awards of the Presidential Mineral Industry Environmental Award (PMIEA).

Best Personalities Award for Underground Mining Operations also went to two of ISRI's employees: Danny V. Peralta (Best Underground Safety Inspector) and Carlos T. Uyan (Best Underground Mine Supervisor).

The awards ceremony was held online on March 18, 2021 at the DENR Social Hall (the ceremony can be viewed in the official FB page of the Mines and Geosciences Bureau via the link "Awards

SANGILO MINE

The Sangilo Mine declared commercial operation on 31 July 2020 at 200 tonnes per day (tpd) within its 35 hectare-patent claims. However, due to the pandemic, the mine only operated at 75 tpd*. There was reduced manpower in the mine site as a result of community lockdown and quarantine protocols implemented in major cities and municipalities in Benguet Province. Major imported supplies like sodium cyanide and parts needed for repair and maintenance of major machinery and equipment were out-of-stock and not readily available due to importation restrictions also caused by the pandemic.

A total of 582 hectares of Sangilo Mine is in the process of renewal, covered by Application for Production Sharing Agreement (APSA) No. 0103-CAR. An additional 317 hectares adjacent to the tenement denominated as APSA-67-CAR are also being applied for renewal.

Upon acquisition of ISRI by APEX in June 2015, ISRI embarked in the rehabilitation of Sangilo Mine. Full scale construction work commenced in January 2019 upon securing bank financing in December 2018; its Environment Compliance Certificate (ECC) for 200 tpd operation was issued by the Environmental Management Bureau (EMB) of the Department of Environment and Natural Resources (DENR) in September 2018.
The development plan for Sangilo Mine is in three stages: initial stage-1 at low-tonnage 50-75 tpd start-up; intermediate stage-2 at 200 tpd operation, and stage-3 at 400-500 tpd within the succeeding five years.

*Starting January 2021, Sangilo Mine is operating at 200 tpd (68,200 tonnes per year) as the situation in the processing plant and the availability of major supplies has started to return to normal.

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.

ISO Certification

In March 2020, Sangilo Mine was recertified anew for ISO 14001:2015 (environmental management system) by TUV Rheinland. The scope of the certification is for exploration, mining and processing of gold and silver ore valid until 2023.


Certificate

Standard: ISO 14001:2015
Certificate Registr. No.: 01 104 1633395
Certificate Holder: isri
Itogon-Suyoc Resources, Inc.
Sangilo Mine Site: Sitio Sangilo, Poblacion
Itogon, Benguet, Philippines
including the locations according to annex
Scope: Exploration, Mining and Processing of Gold and Silver Ore
Proof has been furnished by means of an audit that the requirements of ISO 14001:2015 are met.
Validity: The certificate is valid from 2020-03-31 until 2023-03-30.
First certification 2017
2020-01-29
TÜV Rheinland Cert GmbH
Am Grauen Stein · 51105 Köln
www.tuv.com
IAF DAkkS
TÜVRheinland®
Precisely Right.

SUYOC MINE

Suyoc Mine is under MPSA-152-2000-CAR with a total area of 1,728 hectares. It operated from 1934 1977 under Itogon-Suyoc Mines, Inc. (ISMI). Suyoc Mine is currently undergoing resource validation under ISRI.
Suyoc's Environmental Compliance Certificate (ECC) for 200 tpd has been approved and granted by the Regional Environmental Management Bureau (EMB) in February 2021. Meanwhile,

the requirements for the Declaration of Mining Project Feasibility (DMPF) is being worked out for submission and approval by the MGB. Exploration work, surface mapping and target verification using diamond drilling will continue in 2021 for further confirmation of mineral resources and ore reserves.

Continuous dialogues are being conducted between ISRI and the small-scale mining groups regarding safety and environmental concerns.

9'x15' Ball Mill at Sangilo Mine

Community Development Programs – P467,000

Although still in the exploration stage and not yet operational, Suyoc does its share in the development of its host communities, including the local residents. In 2020, Suyoc spent P467 thousand of its Community Development Programs, financing the following: financial assistance and subsidy to Day Care worker; equipment, furniture and supplies for Suyoc Elementary School; equipment (PPEs, etc) and supplies (first aid and hygiene kits, etc) for the front-liners for the management of COVID 19; and financial assistance to organic and hog farming for Taneg community members/farmers.

In addition, another P610 thousand was spent for antigen test kits, face masks, face shields, alcohol, and vitamins for host barangays (Taneg, Suyoc and Guinaoang) and the Municipality of Mankayan.

Environment Protection - Php67k

Suyoc maintains its own 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 7 hectares where the mine continues to plant and maintain pine and guava trees. It

MINERAL RESOURCES
@ Cut-off grade of 1.5gpt
(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	**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.

also donated 1,000 coffee seedlings to the Taneg Women's Association (TWA) coffee plantation project and to other reforestation projects in the local communities.

In 2020, ISRI allocated P852,000 for its environmental protection and enhancement initiatives. However, only P67,000 was spent because no drilling was conducted.

ISO Certification

The Suyoc Mine was recertified for ISO 14001:2015 (environmental management system) by the TUV Rheinland in March 2020. The scope of the certification is for mining exploration and project development, valid until 2023.

Certificate

Standard: ISO 14001:2015
Certificate Registr. No.: 01 104 1633395
Certificate Holder: isri
Itogon-Suyoc Resources, Inc.
Sangilo Mine Site: Sitio Sangilo, Poblacion
Itogon, Benguet, Philippines

including the locations according to annex

Scope: Exploration, Mining and Processing of Gold and Silver Ore

Proof has been furnished by means of an audit that the requirements of ISO 14001:2015 are met.

Validity: The certificate is valid from 2020-03-31 until 2023-03-30.
First certification 2017

2020-01-29

TÜV Rheinland Cert GmbH
Am Grauen Stein · 51105 Köln

IAF DAkkS

www.tuv.com

TÜVRheinland®
Precisely Right.

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.

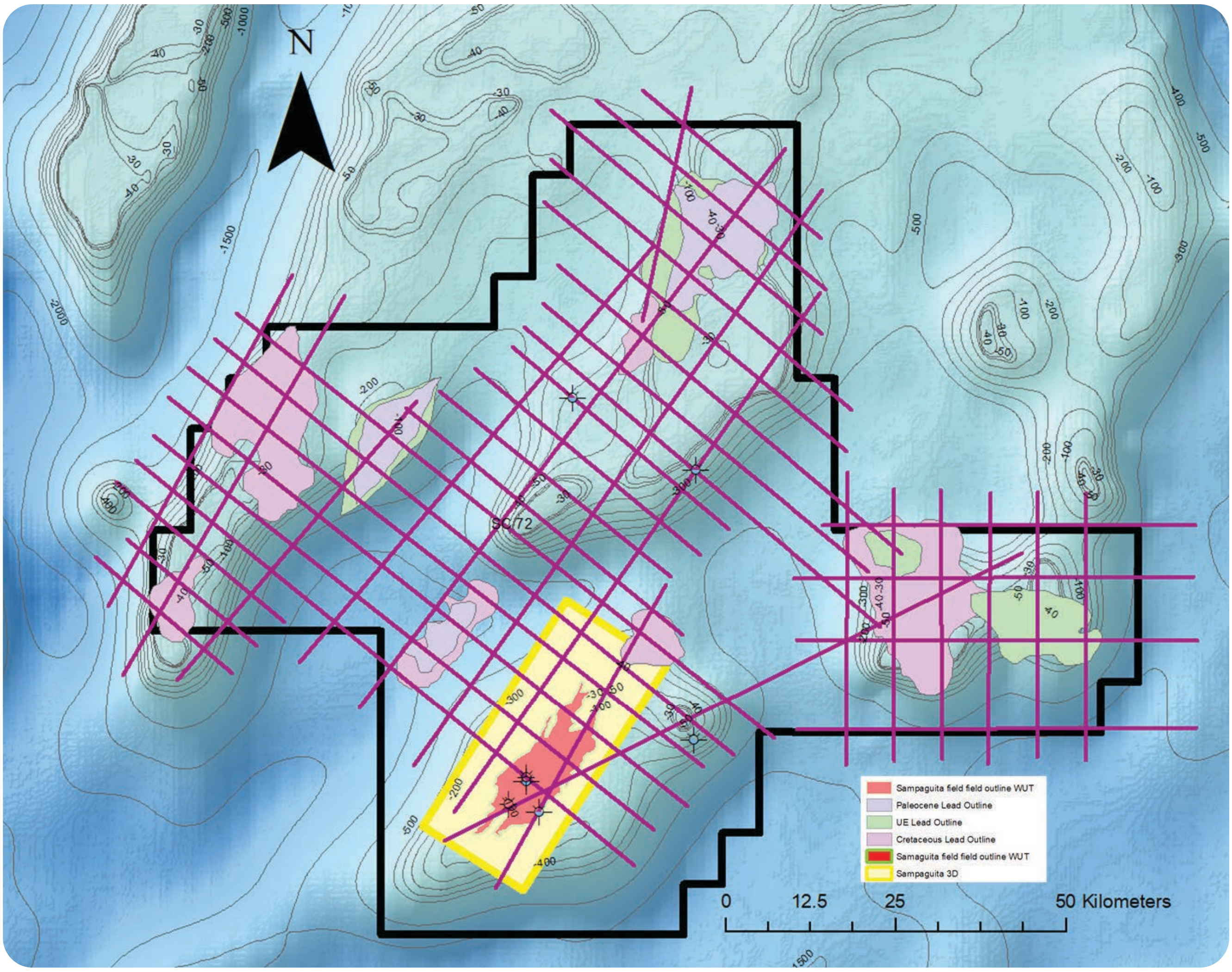
OIL AND GAS

Service Contract 72

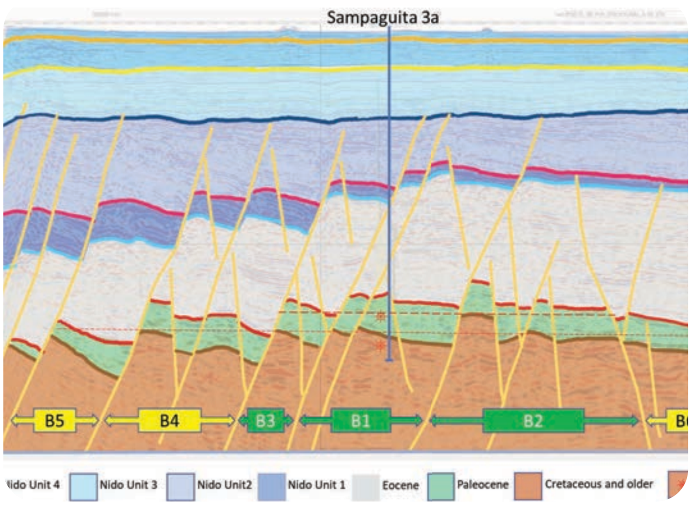
Service Contract (SC) 72 is located in the Recto Bank (formerly known as Reed Bank), offshore west of Palawan Island, Philippines. MORE holds 30% working interest in the SC and Forum (GSEC 101) Limited (FGL), as operator, holds 70%.

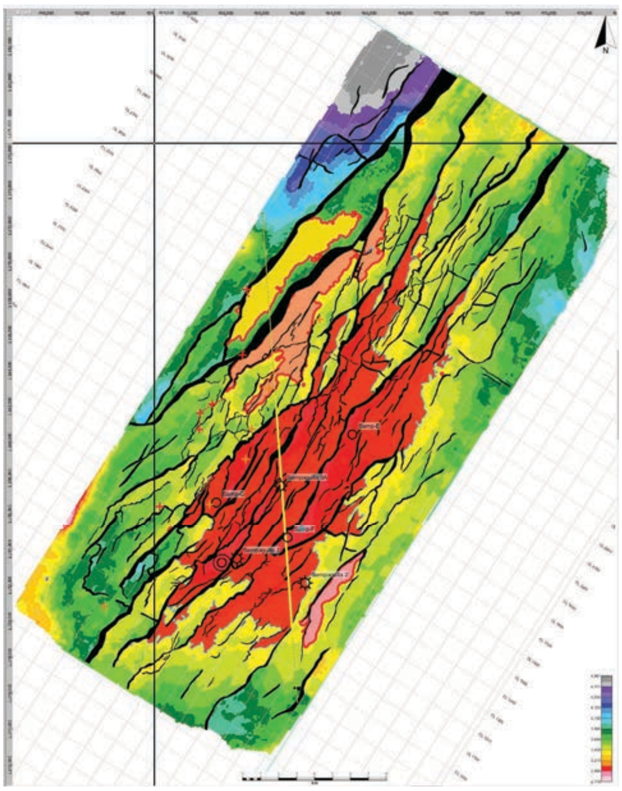
The SC is an offshoot of the conversion of Geophysical Survey and Exploration Contract No. 101 (GSEC 101) on February 15, 2010. It has an area of 8,800 square kilometers.

Exploration history in the Recto Bank dates back to 1970's with the delineation of leads and prospects. In 1976, Sampaguita-1 well was drilled over the Sampaguita structure that led to the discovery of gas



SC 72 2D/3D Seismic Coverage





Time-Slice Map of Sampaguita Structure

condensate resources. Sampaguita-2 and 3A wells were subsequently drilled within the Sampaguita structure which also encountered hydrocarbon columns within the structure. Tests conducted on the Sampaguita, flowed gas and condensates affirming merit for further exploration investment.

Modern seismic surveys, both 2D and 3D, were conducted over SC 72 in 1995 up to 2011. These were acquired, together with gravity and magnetic surveys, to solidify the definition of prospects and leads within the block. The 3D seismic data were acquired over the Sampaguita field to be able to fully evaluate the structure.

In 2013, the 2D seismic data were reprocessed and subsequently reinterpreted, incorporating the gravity-magnetics data interpreted by Fugro and Cosine Ltd. in 2012 and 2015, respectively. In 2015, a block-wide study was done by Arex Energy and identified a prospective structure northwest of the Sampaguita field referred to as the North Bank structure (NBS). Study of the NBS showed encouraging volumes of prospective resources. Exploration activities in the SC slowed down upon the issuance of Force Majeure (FM) by the DOE in December 2014 due to geopolitical issues involving the West Philippine Sea (WPS).

In October 2018, reprocessing of the 2011-acquired 3D seismic data over the Sampaguita structure resumed with DownUnder GeoSolutions (DUG) as contractor. This was completed in June 2019 with the quality of the 3D seismic data substantially improved. While the DUG work was underway, a Memorandum of Understanding (MOU) on Cooperation on Oil and Gas Development was signed by the governments of the Philippines and China in November 2018.

Under the MOU, Steering Committee composed of representatives from the Philippines and China will create one or more inter-Enterpreneurial Working Groups that will agree on entrepreneurial, technical, and commercial aspects of cooperation on certain areas in the WPS.

On October 14, 2020, the DOE lifted the FM over SC 72 with immediate effect and expected the resumption of exploration activities. The SC 72 consortium has been afforded 20 months from the lifting of the FM to drill two commitment wells. The two wells are estimated to cost between US$ 70 million to US$ 100 million.

MINING

Khar AT Uul Gold Project

Khar At Uul Gold Project Mongolia

ErdeneMinas LLC, a Joint Venture (JV) company, 51%-owned by MORE through its local subsidiary, Minas de Oro Mongol LLC, has been placed in the acquisition market. Erdeneminas was granted a 30-year mining license after completing exploration drilling of Khar At Uul gold deposit in Bayanhongor, Southwest Mongolia. Several offers were received during the year which never went beyond negotiation stage. In November 2020, a Mongolian diversified company indicated interest to acquire the JV company. Discussions with the potential investor are currently ongoing.

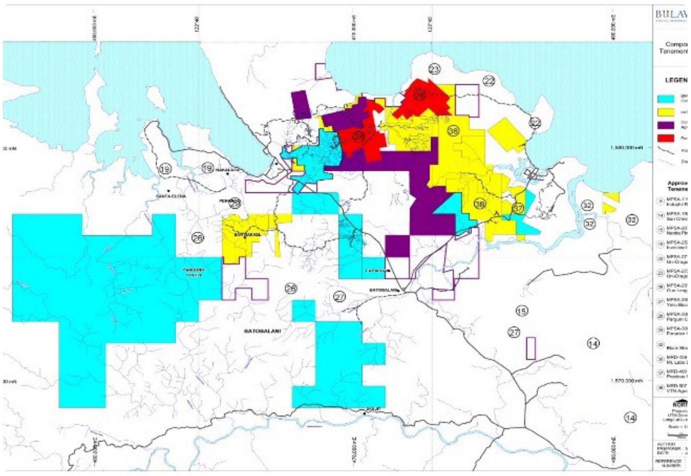
Sierra Leone and Uganda Projects

MORE's 90%-owned subsidiaries, MORE Minerals SL and Monte Oro Mining Co., Ltd., (MOMCL), have been conducting hard rock exploration, alluvial gold mining, and gold trading in Gori Hills in Kailahun District, Eastern of Sierra Leone since 2012 and 2017 when government permits were granted. Field exploration works slowed down in the later part of 2020 when the government imposed restrictive movements due to the Covid 19 pandemic. Earlier geological and geochemical surveys indicated favorable mineralization extended northward toward adjacent tenement of Aberdeen Gold LLC. MORE proposed a tenement merger with Aberdeen to increase the project's gold resource. Currently awaiting response from Aberdeen.

In Uganda, AUC Mining (U) Ltd., a subsidiary of Gold Mines of Uganda Ltd. (GMU), successfully secured in September 2020 two exploration licenses valid for three years, extendable to another four years, covering an area of 308.85 sq km at Mubende District, Central Uganda. GMU sought listing at the Alternative Investment Market (AIM), a sub-market of the London Stock Exchange (LSE), in the last quarter of 2020. Discussions with potential investors are ongoing and funding campaign is pursued, despite initial headwinds in the capital market.

Paracale Gold Project

MORE owns a gold mine project in Jose Panganiban, Camarines Norte, through its wholly-owned subsidiary 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). CRPI owns a mineral processing plant while BMRC manages 22 owned or contracted mining tenements. The tenements are being assessed in terms legal status and mineralization potential. The gold project is open to interested parties either for a joint venture or buy out arrangements. Alternatively, a plan to start a small scale type of operations in the area is being considered pending geological and financial assessments, and review of existing facilities and tenements.



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. Operation on this project has not yet started and has been deferred at the option of the government.

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, 2020 and 2019, 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 Company'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 Company 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

Billy G. Torres
Treasurer

Signed this 4th day of May, 2021

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

Tel: (632) 8891 0307
Fax: (632) 8819 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, 2020 and 2019, 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, 2020, 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 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, 2020, the carrying value of the Group's deferred exploration costs amounted to ₱2.00 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, 2020. 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, 2020 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, 2020 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.

- 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. 8534389, January 4, 2021, Makati City

May 4, 2021

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

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱1,399,909,932**	₱705,672,018
Trade and other receivables (Note 5)	**174,977,356**	152,033,125
Inventories (Note 6)	**992,714,146**	841,861,627
Advances to related parties (Note 15)	**2,304,109**	2,810,932
Other current assets (Note 7)	**604,100,007**	559,351,921
	3,174,005,550	2,261,729,623
Asset held-for-sale (Note 8)	**360,283,298**	360,668,695
Total Current Assets	**3,534,288,848**	2,622,398,318
Noncurrent Assets		
Property, plant and equipment (Note 10)	**9,840,989,728**	8,768,574,217
Deferred exploration costs (Note 11)	**1,996,121,548**	2,321,842,673
Financial assets measured at fair value through other comprehensive income (FVOCI) (Note 9)	**3,200,000**	53,528,321
Intangible assets (Note 12)	**2,589,256**	2,566,822
Other noncurrent assets (Note 13)	**236,598,408**	228,221,080
Total Noncurrent Assets	**12,079,498,940**	11,374,733,113
TOTAL ASSETS	**₱15,613,787,788**	₱13,997,131,431
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	**₱996,885,753**	₱1,152,394,115
Advances from related parties (Note 15)	**976,012,000**	1,039,512,000
Loans payable - net of noncurrent portion (Note 18)	**2,201,741,649**	2,212,605,242
Income tax payable	**282,771,315**	88,021,440
Total Current Liabilities	**4,457,410,717**	4,492,532,797
Noncurrent Liabilities		
Loans payable - net of current portion (Note 18)	**3,027,059,715**	2,881,037,495
Provision for retirement benefits (Note 16)	**314,316,708**	287,776,375
Provision for mine rehabilitation and decommissioning (Note 17)	**42,135,633**	36,069,650
Deferred income tax liabilities – net (Note 27)	**229,476,950**	289,550,245
Total Noncurrent Liabilities	**3,612,989,006**	3,494,433,765
Total Liabilities	**8,070,399,723**	7,986,966,562
Equity Attributable to Equity Holders of the Parent Company		
Issued capital stock (Note 19)	**6,227,887,491**	6,227,887,491
Additional paid-in capital (APIC) (Note 19)	**634,224**	634,224
Treasury shares (Note 19)	**(2,081,746,680)**	(2,081,746,680)
Revaluation surplus on property, plant and equipment (Note 10)	**351,316,435**	449,332,647
Remeasurement loss on financial asset at FVOCI (Note 9)	**(344,642,240)**	(343,342,240)
Remeasurement loss on retirement plan (Note 16)	**(19,243,522)**	(21,030,779)
Currency translation adjustment on foreign subsidiaries	**2,682,086**	2,799,875
Retained earnings (Note 19)	**3,229,518,939**	1,598,951,955
	7,366,406,733	5,833,486,493
Non-controlling Interests (Note 19)	**176,981,332**	176,678,376
Total Equity	**7,543,388,065**	6,010,164,869
TOTAL LIABILITIES AND EQUITY	**₱15,613,787,788**	₱13,997,131,431

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2020	2019	2018
REVENUES			
Gold	**₱5,924,012,213**	₱4,652,511,732	₱4,409,328,056
Silver	**393,665,353**	308,414,719	248,914,736
	6,317,677,566	4,960,926,451	4,658,242,792
COST OF PRODUCTION (Note 21)	**(3,470,277,662)**	(3,836,689,476)	(3,563,374,082)
EXCISE TAXES	**(265,565,506)**	(194,059,918)	(200,257,628)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 22)	**(162,904,407)**	(210,671,728)	(187,222,974)
FINANCE COSTS (Note 26)	**(202,418,118)**	(207,341,126)	(234,191,705)
SHARE IN NET LOSS OF AN ASSOCIATE	**–**	–	(14,471,679)
OTHER CHARGES - net (Note 23)	**(12,382,889)**	(48,106,923)	(69,978,010)
INCOME BEFORE INCOME TAX	**2,204,128,984**	464,057,280	388,746,714
BENEFIT FROM (PROVISION FOR) INCOME TAX (Note 27)			
Current	**(732,417,474)**	(196,628,726)	(199,503,765)
Deferred	**60,839,262**	38,495,052	50,112,828
	(671,578,212)	(158,133,674)	(149,390,937)
NET INCOME	**₱1,532,550,772**	₱305,923,606	₱239,355,777
Net income (loss) attributable to:			
Equity holders of the Parent Company	**₱1,532,853,728**	₱306,163,821	₱240,036,897
Non-controlling interests	**(302,956)**	(240,215)	(681,120)
	₱1,532,550,772	₱305,923,606	₱239,355,777
BASIC/DILUTED EARNINGS PER SHARE (Note 20)	**₱0.27**	₱0.05	₱0.04

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2020	2019	2018
NET INCOME	**₱1,532,550,772**	₱305,923,606	₱239,355,777
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	**(117,789)**	13,485,980	(11,252,429)
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)	**(1,300,000)**	1,297,760	(344,640,000)
Remeasurement gain (loss) on retirement plan, net of tax (Note 16)	**1,787,257**	(28,320,136)	(6,169,759)
	369,468	354,661,206	(362,062,188)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱1,532,920,240**	₱660,584,812	(₱122,706,411)
Total comprehensive income (loss) attributable to:			
Equity holders of the Parent Company	**₱1,533,223,196**	₱660,825,027	(₱122,025,291)
Non-controlling interests	**(302,956)**	(240,215)	(681,120)
	₱1,532,920,240	₱660,584,812	(₱122,706,411)

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, 2020, 2019, AND 2018

	Attributable to Equity Holders of the Parent Company									
	Capital stock (Note 19)	Additional paid-in capital (Note 19)	Revaluation surplus (Note 10)	Treasury shares (Note 19)	Remeasurement loss on financial asset at FVOCI (Note 9)	Remeasurement gain (loss) on retirement plan (Note 16)	Currency translation adjustment on foreign subsidiaries	Retained earnings (deficit) (Note 19)	Non-controlling interests (Note 19)	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 loss	–	–	–	–	(344,640,000)	(6,169,759)	(11,252,429)	–	–	(362,062,188)
Total comprehensive loss	–	–	–	–	(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 19)	Additional paid-in capital (Note 19)	Revaluation surplus (Note 10)	Treasury shares (Note 19)	Remeasurement gain (loss) on financial assets at FVOCI (Note 9)	Remeasurement gain (loss) on retirement plan (Note 16)	Currency translation adjustment on foreign subsidiaries	Retained earnings (deficit) (Note 19)	Non-controlling interests (Note 19)	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**

	Attributable to Equity Holders of the Parent Company									
	Capital stock (Note 19)	**Additional paid-in capital** (Note 19)	**Revaluation surplus** (Note 10)	**Treasury shares** (Note 19)	**Remeasurement gain (loss) on financial assets at FVOCI** (Note 9)	**Remeasurement gain (loss) on retirement plan** (Note 16)	**Currency translation adjustment on foreign subsidiaries**	**Retained earnings (deficit)** (Note 19)	**Non-controlling interests** (Note 19)	**Total**
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**
Net income	–	–	–	–	–	–	–	**1,532,550,772**	**302,956**	**1,532,853,728**
Other comprehensive income	–	–	–	–	**(1,300,000)**	**1,787,257**	**(117,789)**	–	–	**369,468**
Total comprehensive income	–	–	–	–	**(1,300,000)**	**1,787,257**	**(117,789)**	**1,532,550,772**	**302,956**	**1,533,223,196**
Transfer of portion of revaluation surplus realized through depreciation, depletion and disposal, net of tax (Note 10)	–	–	**(98,016,212)**	–	–	–	–	**98,016,212**	–	–
Balances at December 31, 2020	**₱6,227,887,491**	**₱634,224**	**₱351,316,435**	**(₱2,081,746,680)**	**(₱344,642,240)**	**(₱19,243,522)**	**₱2,682,086**	**₱3,229,518,939**	**₱176,981,332**	**₱7,543,388,065**

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱2,204,128,984**	₱464,057,280	₱388,746,714
Adjustments for:			
Depreciation, depletion and amortization (Note 24)	**1,022,906,256**	1,253,476,925	1,095,967,551
Finance costs (Note 26)	**202,418,118**	207,341,126	234,191,705
Movement in provision for retirement benefits (Note 16)	**29,093,557**	12,767,546	45,018,521
Provision of allowance for inventory losses and obsolescence (Note 6)	**15,767,693**	–	–
Unrealized foreign exchange loss (gain)	**6,577,521**	11,670,480	31,243,226
Change of estimate on provision for mine rehabilitation (Note 23)	**3,911,192**	6,191,868	(5,422,867)
Interest income (Note 23)	**(1,756,452)**	(6,081,172)	(1,842,521)
Loss on disposal of equipment	**–**	121,497	1,831,592
Share in net loss of an associate	**–**	–	14,471,679
Operating income before working capital changes	**3,483,046,869**	1,949,545,550	1,804,205,600
Decrease (increase) in:			
Trade and other receivables	**(21,850,558)**	(125,117,160)	519,142,768
Other current assets	**(56,676,977)**	69,851,420	(68,434,259)
Inventories	**(167,579,367)**	40,322,605	(110,452,575)
Advances to related parties	**–**	1,265	(140,724)
Increase (decrease) in:			
Trade and other payables	**(162,860,784)**	(414,826,037)	523,341,882
Advances from related parties	**(63,500,000)**	–	63,500,000
Net cash generated from operations	**3,010,579,183**	1,519,777,643	2,731,162,692
Interest paid	**(372,901,144)**	(400,342,304)	(295,672,223)
Income taxes paid	**(537,667,599)**	(155,513,295)	(206,716,589)
Interest received (Note 23)	**1,756,452**	6,081,172	1,842,521
Net cash flows from operating activities	**2,101,766,892**	970,003,216	2,230,616,401
CASH FLOWS USED IN INVESTING ACTIVITIES			
Acquisition of property, plant and equipment (Notes 10)	**(1,347,417,177)**	(1,903,970,946)	(1,955,024,084)
Proceeds from disposal (acquisition) of equity instrument (Note 9)	**63,500,000**	–	(3,202,240)
Acquisition of intangible assets (Note 12)	**(1,073,500)**	(2,372,808)	–
Decrease (increase) in:			
Deferred exploration costs (Note 11)	**(254,670,970)**	(117,252,955)	(67,254,292)
Other noncurrent assets	**3,551,563**	1,154,442	(60,290,020)
Proceeds from disposal of property, plant and equipment	**–**	75,000	8,923,953
Investment in an associate	**–**	–	(63,500,000)
Net cash flows used in investing activities	**(1,536,110,084)**	(2,022,367,267)	(2,140,346,683)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availment of loans (Note 18)	**1,139,817,342**	2,669,982,096	986,512,783
Payment of loans (Note 18)	**(972,663,722)**	(1,465,622,428)	(960,858,507)
Net cash flows from financing activities	**167,153,620**	1,204,359,668	25,654,276
NET INCREASE IN CASH AND CASH EQUIVALENTS	**732,810,428**	151,995,617	115,920,995
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(38,572,514)**	16,254,243	(2,406,950)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**705,672,018**	537,422,158	423,908,113
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱1,399,909,932**	₱705,672,018	₱537,422,158

See accompanying Notes to Consolidated Financial Statement

APEX MINING CO., INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, 2020 and 2019, the Parent Company has 2,479 and 2,481 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

These 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. The renewal process of ISO Certification is ongoing.

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 commenced its commercial operations on July 31, 2020, while the Suyoc Mine is still undergoing resource validation and exploration.

Both the Sangilo and the Suyoc mine are ISO 14001-2015 certified for environmental management system granted by TÜV Rheinland Philippines Inc. in March 31, 2020 and is valid until March 30, 2023. The certification for the Sangilo mine is for exploration, mining, and processing of gold and silver ore; while the certification for the Suyoc mine is for mining exploration and project development activities.

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 100% interest in Bulawan Mineral Resources Corporation (BMRC).

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, Awhich 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.

The two licenses of Uganda project were renewed last September 9, 2020 with a tenure of 3 years subject to a 4-year extension.

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.

The Philippine government lifted its moratorium on oil and gas exploration in disputed areas of the South China Sea last October 2020.

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).

<u>COVID-19</u>

In a bid to address the rising cases of infection from the Corona Virus Disease (Covid-19) in the country, as in many other countries in the world, the national government implemented community quarantine strategies since March 16, 2020 until present in various parts of the country, including the Province of Davao de Oro where the Company's Maco mine is located, and Benguet Province where ISRI's Sangilo mine is located.

The community quarantine in Davao de Oro affected the Maco mine's second to fourth quarter of 2020 operations. 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. Last December 2020, the Maco mine disclosed a number of its employees have contracted the virus and immediately conducted contract tracing and isolation activities in coordination with the local government of Maco. 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 in a different airport of the country catering direct cargo flights to Hong Kong. There was an increase in transportation cost due to the longer routes, but this was more than covered by the surge in gold price to record levels in about a decade driven largely by the Covid-19 pandemic.

The community quarantine imposed in the Benguet Province have reduced the number of men available to the Sangilo mine for its mine rehabilitation and debugging phases of operations. Last October 2020, the Sangilo mine was included in the localized lockdown following the increase in positive cases within the tenement and Barangay Poblacion where the mine is located. The lockdown was lifted after a week after the completion of swab testing conducted by the Rural Health Unit. ISRI has doubled up on its mitigation measures and disinfected the areas where the COVID-19 cases were identified.

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 continues to adhere to the safety and health standards imposed by the national and local government.

Authorization to issue the Consolidated Financial Statements
The accompanying consolidated financial statements of the Group as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, were authorized for issuance by the Parent Company's board of directors (BOD) on May 4, 2021.

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, 2020 and 2019. 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	**2020**	2019
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
CRPI*	Mine exploration and development	Philippines	**100.00**	100.00
BMRC	Mine exploration and development	Philippines	**100.00**	100.00
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 for the adoption of new standards effective as at January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group:
- Amendments to PFRS 3, Business Combinations, Definition of a Business
- Amendments to PFRS 7, *Financial Instruments: Disclosures and PFRS 9, Financial Instruments, Interest Rate Benchmark Reform*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
- Conceptual Framework for Financial Reporting issued on March 29, 2018
- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

Future Changes in Accounting Policies
Pronouncements issued but not yet effective are listed below. Except for PAS 16, 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, 2021
- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Effective for annual periods beginning on or after January 1, 2022
- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

  Prior to commencement of commercial operation on July 30, 2020, the revenue of ISRI from the sale of incidental gold buttons was deducted against development cost in PPE. Upon adoption of the amendment in 2022, ISRI is required to recognize the proceeds from sale of incidental gold buttons in profit or loss with retrospective application.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- Annual Improvements to PFRSs 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023
- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*
- 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 - Initial Recognition and Subsequent Measurement
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
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, 2020 and 2019, 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".

<u>Hedging</u>
The Group applied hedge accounting prospectively. All of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. The Group designates only the spot element of forward contracts as hedging instrument. The forward element is recognized in OCI.

Gains and losses arising on cash flow hedges of forecast purchases of non-financial assets need to be incorporated into the initial carrying amounts of the non-financial 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
Initial recognition and measurement
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.

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.

Derecognition of Financial Assets and Financial Liabilities

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.

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 29.

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.

Business Combinations using the Acquisition Method
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, gold buttons, 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, buttons, 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.

NRV for materials and supplies is its replacement cost.

Other Current Assets
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.

Leases
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.

<u>Noncurrent Assets Held-for-Sale and Discontinued Operations</u>
The Group classifies noncurrent assets and disposal groups as held-for-sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Noncurrent assets and disposal groups classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held-for-sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held-for-sale. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held-for-sale, and:

- Represents a separate major line of business or geographical area of operations
  Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations

Or

- Is a subsidiary acquired exclusively with a view to resale
  Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of

profit or loss. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

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 reflect 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.

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 is 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.

Interest in Joint Arrangements
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.

Judgments

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 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.

In 2018, the Group had significant influence in MORE Electric and Power Corporation (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 2020, the Group assessed that, in spite owning 25% of MEPC, the Group does not have significant influence over MEPC (see Note 9). On October 16, 2020, MORE entered into a deed of assignment of subscription with Prime Strategic Holdings, Inc. (PSHI or formerly known as Prime Metroline Holdings, Inc.) where the rights, title, and interest of MEPC were assigned.

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.

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, 2020 and 2019, 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 ₱274.83 million and ₱257.38 million, as at December 31, 2020 and 2019, respectively. These are net of allowance for impairment losses amounting to ₱21.99 million as at December 31, 2020 and 2019 (see Notes 5, 13, and 15).

Valuation of Financial Instruments
The Group carries certain financial assets (i.e., financial assets measured at FVOCI) 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 29.

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, 2020, the Group has net cumulative unrealized loss on financial assets at FVOCI amounting to ₱344.64 million. As at December 31, 2020 and 2019, the fair value of the Group's financial assets at FVOCI amounted to ₱3.2 million and ₱53.53 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 nil, ₱11.26 million and, nil and provided an additional provision amounting to ₱15.77 million, nil and ₱11.26 million in 2020, 2019, and 2018, respectively (see Notes 6). As at December 31, 2020 and 2019, the carrying amounts of inventories amounted to ₱992.71 million and ₱841.86 million, respectively, net of allowance for inventory losses and obsolescence amounting to ₱41.12 million and ₱25.35 million, respectively, as at those dates (see 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, 2020, 2019, and 2018 amounting to nil, nil, and ₱1.26 million, respectively (see Note 23). The aggregate carrying value of nonfinancial other current assets amounted to ₱604.10 million and ₱559.35 million as at December 31, 2020 and 2019, 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 ₱2.00 billion and ₱2.32 billion as at December 31, 2020 and 2019, 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, 2020 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, 2020 and 2019 has net book values amounting to ₱9.84 billion and ₱8.77 billion, respectively, while property, plant and equipment at cost as at December 31, 2020 and 2019 amounted to ₱9.34 billion and ₱8.13 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 ₱2.34 billion and ₱782.38 million as at December 31, 2020 and 2019, 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 2020, 2019 and 2018 were 6%, 15%, and 18%, respectively. Depletion costs amounted to ₱349.13 million, ₱561.56 million, and ₱532.21 million, in 2020, 2019, and 2018, respectively. Depletable mine and mining properties, net of accumulated depletion amounted to ₱2.34 billion and ₱782.38 million as at December 31, 2020 and 2019, 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 ₱10.08 billion and ₱9.0 billion as at December 31, 2020, and 2019 respectively (see Notes 10, 12, and 13).

These are subjected to impairment testing when impairment indicators are present. No impairment loss was recognized in 2020, 2019 and 2018 as no impairment indicators were identified during these years. No write-off of property, plant and equipment, intangible assets, and other noncurrent assets was recognized in 2020, 2019 and 2018, respectively (see Note 23). As at December 31, 2020 and 2019, allowance for impairment loss on property, plant and equipment amounted to ₱162.67 million.

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 ₱56.55 million, ₱56.03 million, and ₱46.68 million in 2020, 2019 and 2018, respectively. Provision for retirement benefits amounted to ₱314.32 million, and ₱287.78 million and as at December 31, 2020 and 2019, respectively. Benefits paid in 2020, 2019 and 2018 amounted to ₱27.46 million, ₱43.27 million, and ₱1.66 million, respectively (see Note 16).

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 16.

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 ₱1.51 million and ₱1.97 million in 2020 and 2019, respectively (see Note 26). Change of estimate of provision for mine rehabilitation amounted to ₱4.55 million and ₱6.19 million in 2020 and 2019, respectively (see Note 17). As at December 31, 2020 and 2019, the provision for mine rehabilitation and decommissioning amounted to ₱42.14 million and ₱36.07 million, respectively (see Note 17).

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 30).

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, 2020 and 2019, the Group recognized deferred tax asset related to retirement benefits, unrealized foreign exchange losses, and provision for mine rehabilitation amounting to ₱123.64 million and ₱95.85 million, respectively. As at December 31, 2020 and 2019, unrecognized deferred income tax assets amounted to ₱141.21 million and ₱168.68 million, respectively (see Note 27).

4. Cash and cash equivalents

	2020	2019
Cash on hand	**₱3,298,638**	₱2,159,976
Cash with banks	**1,188,374,506**	495,275,254
Short-term deposits	**208,236,788**	208,236,788
	₱1,399,909,932	₱705,672,018

Cash with banks earn 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 arising from cash with banks and short-term deposits amounted to ₱1.76 million, ₱6.08 million, and ₱1.84 million in 2020, 2019 and 2018, respectively (see Note 23).

The Group has foreign currency-denominated cash amounting to US$16.66 million and US$6.20 million as at December 31, 2020 and 2019, respectively (see Note 28).

5. Trade and Other Receivables

	2020	2019
Trade	**₱147,521,191**	₱128,592,501
Advances to officers and employees	**13,591,060**	14,588,294
Others	**35,854,933**	30,842,158
	196,967,184	174,022,953
Less allowance for doubtful accounts	**21,989,828**	21,989,828
	₱174,977,356	₱152,033,125

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 30).

The Group has foreign currency-denominated trade and other receivables amounting to US$3.07 million and US$2.76 million as at December 31, 2020 and 2019, respectively (see Note 28).

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.

There were no additional provisions nor reversal for ECL in 2020, 2019 and 2018.

6. Inventories

	2020	2019
Gold and silver bullions - at cost	**₱195,614,183**	₱76,711,829
Metals in-circuit - at cost	**37,220,137**	56,591,546
Ore stockpile - at cost	**19,547,780**	–
Materials and supplies - at NRV	**740,332,046**	708,558,252
	₱992,714,146	₱841,861,627

Cost of inventories recognized as part of cost of production amounted to ₱1.07 billion, ₱1.24 billion, and ₱1.03 billion in 2020, 2019, and 2018, respectively (see Note 21).

Cost of materials and supplies recognized as part of general and administrative expenses in 2020, 2019, and 2018 amounted to ₱1.96 million, ₱2.97 million, and ₱2.60 million, respectively (see Note 22).

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

	2020	2019
Beginning balances	**₱25,351,452**	₱36,608,114
Provision (reversal)	**15,767,693**	(11,256,662)
Ending balances	**₱41,119,145**	₱25,351,452

In 2020, the Group recognized a provision of allowance for inventory losses and obsolescence amounting to ₱15.77 million which was lodged under materials and supplies of cost of production.

7. Other Current Assets

	2020	2019
Input VAT	**₱425,282,806**	₱325,845,663
Advances to suppliers and contractors	**115,360,220**	169,793,972
Current portion of deferred input VAT	**32,442,291**	31,691,774
Prepayments	**20,952,248**	19,158,776
Others	**10,062,442**	12,861,736
	₱604,100,007	₱559,351,921

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 heavy equipment, vehicles, plant and employees.

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 ₱360.28 million and ₱360.67 million as at December 31, 2020 and 2019, 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 4, 2021, ABCI has not yet made payment to MORE.

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

	2020	2019
Cash and cash in bank	**₱55,349**	₱67,349
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	**(1,444,917)**	(1,071,520)
	₱360,283,298	₱360,668,695

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 investment in golf shares.

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. Upon loss of significant influence, the Company's interest in MEPC was reclassified to "Financial assets measured at FVOCI" measured at fair value upon initial recognition as a financial asset. The fair value at the date of reclassification amounted to ₱49.03 million as at December 31, 2019.

On October 16, 2020, a Deed of Assignment of Subscription is entered by MORE with PSHI wherein MORE assigns its rights, title, and interests in MEPC for a total consideration of ₱250.00 million. Upon execution of the deed, MORE will receive cash equal to the carrying value of the investment and the remaining balance shall be paid to MEPC by PSHI for the unpaid subscription on the subject shares. The fair value at the date of assignment amounted to ₱63.5 million as at December 31, 2020.

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, 2020 and 2019. In 2018, the Group recognized remeasurement loss on the financial asset at FVOCI amounting to ₱344.64 million, thus as at December 31, 2020 and 2019, 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 2020 and 2019.

ISRI's one (1) investment in golf shares 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 ₱3.20 million and ₱4.50 million as at December 31, 2020 and 2019, respectively.

Rollforward analysis of equity securities for the years ended December 31, 2020 and 2019 follow:

	2020	2019
Cost	**₱396,870,561**	₱347,842,240
Reclassification	**–**	49,028,321
Derecognition	**(49,028,321)**	–
Total	**347,842,240**	396,870,561
Change in fair value of equity instrument financial assets:		
At the beginning of the year	**(343,342,240)**	(344,640,000)
Changes of fair value recognized in OCI	**(1,300,000)**	1,297,760
At the end of the year:	**(344,642,240)**	(343,342,240)
	₱3,200,000	₱53,528,321

10. **Property, Plant and Equipment**

	2020							
	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	₱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
Additions	7,448,945	609,951,289	65,135,927	4,062,344	45,938,873	516,569,947	98,309,852	1,347,417,177
Capitalized borrowing cost (Note 18)	–	–	–	–	–	157,742,190	27,044,176	184,786,366
Capitalized depreciation	–	–	–	–	–	148,095,107	–	148,095,107
Change of estimate on provision for mine rehabilitation and decommissioning (Notes 17 and 32)	–	–	–	–	–	641,125	–	641,125
Reclassifications from construction in-progress	45,402,864	281,155,648	9,333,845	24,707,147	4,989,143	–	(365,588,647)	–
Transfers (Note 11)	–	–	–	–	–	580,392,095	–	580,392,095
Balances at end of year	368,773,040	6,387,522,719	703,168,153	1,054,671,119	438,663,957	8,370,874,407	1,377,601,753	18,701,275,148
Accumulated depreciation and depletion:								
Balances at beginning 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
Depreciation and depletion	19,760,276	668,022,958	52,616,981	63,324,480	36,059,236	349,132,428	–	8,697,611,209
Balances at end of year	173,891,152	3,822,962,775	530,618,337	619,152,014	265,399,197	3,285,587,734	–	8,697,611,209
Allowance for impairment:								
Balances at beginning and end of year	126,037	3,318,744	–	159,229,430	–	–	–	162,674,211
Net book values	₱194,755,851	₱2,561,241,200	₱172,549,816	₱276,289,675	₱173,264,760	₱5,085,286,673	₱1,377,601,753	₱9,840,989,728

	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 18)	–	–	–	–	–	93,534,368	27,989,328	121,523,696
Change of estimate on provision for mine rehabilitation and decommissioning (Notes 17 and 32)	–	–	–	–	–	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 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 depletion:								
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

The latest revaluation was made in 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 in 2019, the Group recognized a net increase of ₱280 million which was directly credited to the revaluation surplus, net of piecemeal realization amounting to ₱87.91 million. In addition, the Group did not recognize impairment loss. ₱98.02 million was directly credited to the retained earnings for the piecemeal realization.

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, 2020 and 2019, respectively.

Movement in revaluation surplus in equity is as follows:

	2020	2019
Balances at beginning of year	**₱449,332,647**	₱169,048,344
Appraisal increase, net of tax	–	368,197,602
Realized portion through depreciation, net of tax (see Note 19)	**(98,016,212)**	(87,913,299)
Balance at end of year	**₱351,316,435**	₱449,332,647

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

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

	2020							
	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	**₱325,040,951**	**₱6,889,650,211**	**₱780,091,717**	**₱1,026,306,025**	**₱489,503,689**	**₱8,370,874,407**	**₱1,164,158,483**	**₱19,045,625,483**
Accumulated depreciation and depletion:								
Balances at end of year	**201,732,780**	**4,493,358,042**	**564,941,385**	**656,389,023**	**341,833,201**	**3,285,587,734**	**–**	**9,543,842,165**
Allowance for impairment:								
Balances at beginning and end of year	**126,037**	**3,318,744**	**–**	**159,229,430**	**–**	**–**	**–**	**162,674,211**
Net book values	**₱123,182,134**	**₱2,392,973,425**	**₱215,150,332**	**₱210,687,572**	**₱147,670,488**	**₱5,085,286,673**	**₱1,164,158,483**	**₱9,339,109,107**

	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 depletion:								
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

The cost of fully depreciated property, plant and equipment that are still being used amounted to ₱379.44 million and ₱234.14 million as at December 31, 2020 and 2019, respectively.

The Group capitalized borrowing cost amounting to ₱27.04 million and ₱27.99 million for construction in-progress, ₱157.74 million and ₱93.53 million for mine development costs in 2020 and 2019, respectively. The rate used by the Parent Company to determine the amount of borrowing costs eligible for capitalization was 6.0% and 6.5% in 2020 and 2019 respectively. The rate used by ISRI was 8.8% and 10% in 2020 and 2019, respectively. (see Note 18).

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

	2020				
	Depletable				
	Mine and mining properties	**Mine rehabilitation assets**	**Subtotal**	**Mine development cost**	**Total**
Cost:					
Balances at beginning of year	**₱3,689,570,515**	**₱29,265,083**	**₱3,718,835,598**	**₱3,248,598,345**	**₱6,967,433,943**
Additions	**–**	**–**	**–**	**516,569,947**	**516,569,947**
Transfers	**1,685,221,542**	**–**	**1,685,221,542**	**(1,685,221,542)**	**–**
Capitalized depreciation	**–**	**–**	**–**	**148,095,107**	**148,095,107**
Capitalized borrowing costs	**–**	**–**	**–**	**157,742,190**	**157,742,190**
Transfers (Note 11)	**221,230,585**	**–**	**221,230,585**	**359,161,510**	**580,392,095**
Change in estimate	**–**	**641,125**	**641,125**	**–**	**641,125**
Balances at end of year	**5,596,022,642**	**29,906,208**	**5,625,928,850**	**2,744,945,557**	**8,370,874,407**
Accumulated depletion:					
Balances at beginning of year	**2,911,155,356**	**25,299,950**	**2,936,455,306**	**–**	**2,936,455,306**
Depletion	**349,132,428**	**–**	**349,132,428**	**–**	**349,132,428**
Balances at end of year	**3,260,287,784**	**25,299,950**	**3,285,587,734**	**–**	**3,285,587,734**
Net book values	**₱2,335,734,858**	**₱4,606,258**	**₱2,340,341,116**	**₱2,744,945,557**	**₱5,085,286,673**

	2019				
	Depletable				
	Mine and mining properties	Mine rehabilitation assets	Subtotal	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 11)	281,092,872	–	281,092,872	–	281,092,872
Capitalized borrowing costs	–	–	–	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	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

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, 2020 and 2019.

As at December 31, 2020 and 2019, the carrying amount of ISRI's ARO amounted to ₱4.61 million and ₱3.97 million, respectively.

11. **Deferred Exploration Costs**

	2020	2019
Balances at beginning of year	**₱2,321,842,673**	₱2,485,682,590
Additions	**254,670,970**	117,252,955
Transfers (Note 10)	**(580,392,095)**	(281,092,872)
	₱1,996,121,548	₱2,321,842,673

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.

The Group transferred deferred exploration costs to mine and mining properties amounting to ₱580.39 million and ₱281.09 million in 2020 and 2019, respectively.

12. **Intangible Assets**

	2020	2019
Cost:		
Balances at beginning of year	**₱54,481,291**	₱52,108,483
Additions	**1,073,500**	2,372,808
Balances at end of year	**55,554,791**	54,481,291
Accumulated amortization:		
Balances at beginning of year	**51,914,469**	51,378,976
Amortization (Note 24)	**1,051,066**	535,493
Balances at end of year	**52,965,535**	51,914,469
Net book values	**₱2,589,256**	₱2,566,822

Intangible assets pertain to computer software which includes workbooks used for exploration activities and accounting process of the Group.

13. **Other Noncurrent Assets**

	2020	2019
Advance to Gold Mines of Uganda Ltd. (GMU)	**₱97,547,858**	₱102,540,877
Deferred input VAT - noncurrent	**66,202,578**	54,273,687
MRF	**27,452,291**	26,156,301
National transmission lines	**17,221,112**	16,996,693
Deposits	**13,440,236**	13,439,236
Advances for royalties	**2,084,893**	2,084,893
Others	**12,649,440**	12,729,393
	₱236,598,408	₱228,221,080

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.

Deferred input VAT arises from purchases or importation of capital assets with cost of more than ₱1.00 million to be deferred over a period of five (5) years pursuant to tax regulations.

As at December 31, 2020 and 2019, 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.

14. Trade and Other Payables

	2020	2019
Trade	**₱283,420,346**	₱416,085,513
Nontrade	**316,980,480**	331,732,454
Accrued expenses	**175,201,269**	196,101,739
Accrued employee benefits	**90,374,467**	62,957,742
Payables to government agencies	**42,776,474**	44,472,892
Retention payable	**13,076,864**	11,568,680
Others	**75,055,853**	89,475,095
	₱996,885,753	₱1,152,394,115

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 30) 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.

15. 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	**2020**	**₱–**	**₱1,186,593**	Due and demandable	Unsecured,
	stockholders	2019	₱–	₱1,186,593	Due and demandable	cash-settled
MORE Oil & Gas	With common	**2020**	**–**	**603,126**	Due and demandable	Unsecured,
	stockholders	2019	–	603,126	Due and demandable	cash-settled
MORE Reedbank	With common	**2020**	**–**	**514,390**	Due and demandable	Unsecured,
	stockholders	2019	–	514,390	Due and demandable	cash-settled
MORE Electric and Power Corp.	With common	**2020**	–	–	Due and demandable	Unsecured,
	stockholders	2019	–	506,823	Due and demandable	cash-settled
2020			**₱–**	**₱2,304,109**		
2019			₱–	₱2,810,932		

Category	Relationship	Year	Volume/ Amount	Outstanding balance	Terms	Conditions
Cash advances from:						
PSHI	Stockholder	**2020**	**₱–**	**₱976,012,000**	Due and demandable	Unsecured,
		2019	₱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 PSHI pertain to advances obtained by the Parent Company and MORE for its working capital requirements.

c. Material related party transactions refer to any related party transaction/s, either individually or in aggregate over a 12-month period with the same related party, amounting to 10% or higher of the Group's total consolidated assets based on its latest audited financial statements.

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 ₱14.69 million and ₱14.06 million, respectively, while the fair values amounted to ₱15.24 million and ₱14.33 million, respectively, as at December 31, 2020 and 2019 (see Note 16).

The Group's Multiemployer Retirement Plan is a noncontributory defined benefit plan covering all regular and permanent employees. Benefits are based on the employee's final plan salary and years of service.

The fund is administered by a trustee bank under the supervision of the Retirement Committee of the plan. The Retirement Committee is responsible for investment strategy of the plan.

As at December 31, 2020 and 2019, the retirement fund consists of investments in government bonds, cash and short-term deposits, equity instruments and others which accounts for 73.02% and 16.59%, 26.48% and 82.70%, 0.00% and 0.00%, and 0.50% and 0.71%, respectively, of its composition. The Parent Company made no contributions to the fund in 2020 and 2019 (see Note 16). 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 2020, 2019, and 2018. The Group paid salaries and other short-term benefits to key management personnel amounting to ₱69.48 million, ₱104.37 million, and ₱124.00 million in 2020, 2019, and 2018, respectively.

16. 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:

	2020	2019	2018
Current service cost (Note 25)	**₱43,257,274**	₱39,042,397	₱36,251,065
Interest cost - net (Note 26)	**13,296,284**	16,993,828	10,427,488
	₱56,553,558	₱56,036,225	₱46,678,553

2020	**Defined benefits liability**	**Fair value of plan assets**	**Net defined benefit liability**
At January 1	**₱302,110,575**	**₱14,334,200**	**₱287,776,375**
Net interest (Note 26)	**14,033,062**	**736,778**	**13,296,284**
Current service cost (Note 25)	**43,257,274**	**–**	**43,257,274**
Benefits paid	**(27,460,001)**	**–**	**(27,460,001)**
Remeasurement of actuarial losses (gains):			
Experience	**(41,604,274)**	**–**	**(41,604,274)**
Changes in financial assumptions	**39,215,711**	**–**	**39,215,711**
Remeasurement gain - return on plan assets	**–**	**164,661**	**(164,661)**
	(2,388,563)	**164,661**	**(2,553,224)**
At December 31	**₱329,552,347**	**₱15,235,639**	**₱314,316,708**

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 26)	17,963,271	969,443	16,993,828
Current service cost (Note 25)	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

Changes in defined benefits cost recognized in OCI in 2020 and 2019 are as follows:

	2020	2019
At January 1	**₱21,030,779**	(₱7,289,357)
Actuarial loss (gain) - defined benefit obligation	**(2,388,563)**	41,231,922
Remeasurement gain - plan asset	**(164,661)**	(774,586)
Income tax effect	**765,967**	(12,137,200)
At December 31	**₱19,243,522**	₱21,030,779

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

	2020	2019
Cash and short-term deposits	**73.02%**	16.59%
Debt instruments - government bonds	**26.48%**	82.70%
Equity instruments	**0%**	0%
Others	**0.50%**	0.71%
	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:

	2020	2019
Discount rate	**3.91%**	5.14%
Salary increase rate	**5.00%**	5.00%
Expected average remaining life	**12.0**	12.0
Mortality rate	**2017 PICM**	2017 PICM
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)	**2020**
Discount rates	**4.91%**	**₱32,545,240**
	(2.91%)	**(₱39,045,453)**

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

	Increase (decrease)	**2020**
Salary increase rate	**6.00%**	**₱39,840,808**
	(4.00%)	**(₱33,852,819)**

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

The latest available actuarial valuation report of the Parent Company was obtained in April 8, 2021 representing information as at December 31, 2020.

The maturities of the undiscounted benefit payments as at December 31, 2020 and 2019 are shown below:

	2020	2019
Less than one year	**₱46,360,735**	₱58,187,612
More than one year to five years	**90,130,698**	99,322,041
More than five years to 10 years	**153,221,916**	160,646,878
	₱289,713,349	₱318,156,531

17. **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:

	2020	2019
Balance at beginning of year	**₱36,069,650**	₱27,903,597
Accretion (see Note 26)	**1,513,666**	1,974,185
Effect of change in estimate (see Notes 10 and 23)	**4,552,317**	6,191,868
Balance at end of year	**₱42,135,633**	₱36,069,650

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, 2020 and 2019, ISRI's provision for mine rehabilitation and decommissioning amounted to ₱5.19 million and ₱4.35 million, respectively, represents the present value of rehabilitation costs relating to the Sangilo mine, which is expected to be incurred up to 2039.

18. **Loans Payable**

	2020	2019
Philippine National Bank (PNB)	**₱3,827,748,986**	₱3,654,552,297
Rizal Commercial Banking Corporation (RCBC)	**922,500,000**	1,000,000,000
Union Bank of the Philippines (UBP)	**478,552,378**	439,090,440
	5,228,801,364	5,093,642,737
Less current portion	**2,201,741,649**	2,212,605,242
Noncurrent portion	**₱3,027,059,715**	₱2,881,037,495

UBP
The Parent Company has an outstanding US$1.36 million, US$1.80 million and US$6.84 million unsecured promissory notes equivalent to ₱478.6 million as at December 31, 2020 with maturity date of June 2, June 10, and August 25, 2021, respectively, bearing the interest rate of 5.75%.

The ₱439.1 million outstanding as at December 31, 2019 refers to 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, bearing the interest rate of 5.75%.

RCBC
The Parent Company has outstanding unsecured promissory notes amounting to ₱922.5 million with maturity date on March 22, 2021, carrying an interest rate of 6% per annum. While the 2019 ₱922.5 million and ₱77.50 million unsecured promissory notes carrying an interest rate of 8.75% per annum matured on January 6, 2020 and January 7, 2020, respectively.

On March 22, 2021, the Parent Company was granted to rollover its unsecured promissory note for ₱922.50 million maturing on June 18, 2021 bearing an interest rate of 5.75% per annum.

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 and increase of the Credit Facilities for another year with a new expiry date of July 31, 2021.

  As at December 31, 2020, the Parent Company has no outstanding unsecured TRs for its importation of machinery and equipment using the standard credit terms with PNB of 180 days.

  As at December 31, 2019, the Parent Company has outstanding unsecured TRs worth ₱213.74 million for its importation of machinery and equipment using the standard credit terms with PNB of 180 days.

  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, 2020 and 2019, all loan covenants are complied with.

- On October 24, 2017, another 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 used 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. In addition, the Parent Company at all times must maintain a consolidated DSCR – post dividends, of at least 1.2x and a DER of 70:30.

The Parent Company has an outstanding unsecured promissory note equivalent to ₱1.52 billion and ₱1.88 billion as at December 31, 2020 and 2019, respectively.

As at December 31, 2020 and 2019, 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, 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 third and fourth tranches were full drawn in May and June 2020, respectively.

  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.

  The Parent Company has an outstanding unsecured promissory note equivalent to ₱1.81 billion and ₱1.00 billion as at December 31, 2020 and 2019, respectively.

  As at December 31, 2020 and 2019, 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. Principal repayment started 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.

  ISRI has an outstanding unsecured promissory note equivalent to ₱471.46 million and ₱550 million as at December 31, 2020 and 2019, respectively.

The Group's availment and payment of loans and equipment financing as at December 31, 2020 and 2019 are as follows:

	2020		2019	
	Availment	**Payment**	Availment	Payment
PNB	**₱1,070,397,502**	**₱895,163,722**	₱1,951,856,096	₱1,116,082,868
RCBC	–	**77,500,000**	613,000,000	263,000,000
UBP	**69,419,840**	–	105,126,000	86,539,560
	₱1,139,817,342	**₱972,663,722**	₱2,669,982,096	₱1,465,622,428

Interest expenses incurred in 2020 and 2019 in relation to the availed loans are as follows:

	2020	2019
PNB	**₱272,036,513**	₱206,849,052
RCBC	**73,034,757**	75,830,514
UBP	**27,323,264**	27,217,243
Subtotal	**372,394,534**	309,896,809
Capitalized borrowing costs (Note 10)	**(184,786,366)**	(121,523,696)
Interest on loans payable (Note 26)	**₱187,608,168**	₱188,373,113

The Group capitalized borrowing costs related to construction in-progress and mine development cost amounting to ₱184.79 million and ₱121.52 million in 2020 and 2019, respectively. The rate used by the Parent to determine the amount of borrowing costs eligible for capitalization was 6.0% and 6.5% in 2020 and 2019, respectively (see Note 10). The rate used by ISRI was 8.8% and 10% in 2020 and 2019, respectively.

19. **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, 2020.

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

	2020		2019	
	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

APIC
There were no movements in APIC. As at December 31, 2020 and 2019, APIC amounted to ₱634,224.

Retained earnings
Movements in the retained earnings are as follows:

	2020	2019
Balance at beginning of year	**₱1,598,951,955**	₱1,204,874,835
Net income attributable to the equity holders of the Parent Company	**1,532,550,772**	306,163,821
Realization of revaluation surplus (Note 10)	**98,016,212**	87,913,299
Balance at end of year	**₱3,229,518,939**	₱1,598,951,955

NCI

NCI consists of the following:

	2020	2019
NCI on net assets of:		
ICSI	**₱201,432,399**	₱201,617,390
Minas	**(22,133,536)**	(22,949,969)
MMSL	**(2,583,923)**	(2,690,797)
MOMCL	**266,392**	701,752
	₱176,981,332	₱176,678,376

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

Statements of comprehensive loss for the years ended December 31, 2020 and 2019:

	2020	2019
General and administrative expenses	**₱385,397**	₱1,911,648
Other income	**–**	–
Loss before tax	**385,397**	1,911,648
Provision for income tax	**–**	–
Net loss	**₱385,397**	₱1,911,648
Attributable to:		
Equity holders of the Parent Company	**₱200,406**	₱994,057
Non-controlling interests	**184,991**	917,591

Statements of financial position as at December 31, 2020 and 2019:

	2020	2019
Current assets	**₱135,076,102**	₱228,618,251
Noncurrent assets	**285,733,113**	192,202,964
Current liabilities	**(1,444,917)**	(1,071,520)
Noncurrent liabilities	**(1,012,495)**	(1,012,495)
Total equity	**₱418,351,803**	₱418,737,200
Attributable to:		
Equity holders of the Parent Company	**₱217,542,938**	₱217,743,344
Non-controlling interests	**200,808,865**	200,993,856

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).

20. 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, 2020, 2019 and 2018 when there were no potentially dilutive common shares during the respective periods are as follows:

	2020	2019	2018
Net income attributable to the equity holders of the Parent Company	**₱1,532,853,737**	₱306,163,821	₱240,036,897
Weighted average number of common shares for basic and diluted earnings per share	**5,672,755,043**	5,672,755,043	5,672,755,043
Basic and diluted earnings per share	**₱0.27**	₱0.05	₱0.04

21. Cost of Production

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

	2020	2019	2018
Materials and supplies (Note 6)	**₱1,070,827,546**	₱1,240,052,500	₱1,034,178,385
Depreciation, depletion and amortization (Note 24)	**1,021,751,310**	1,251,947,956	1,095,352,798
Personnel costs (Note 25)	**529,105,421**	507,176,014	590,515,041
Utilities	**233,373,311**	225,993,321	248,121,341
Contracted services	**230,703,163**	288,059,462	309,660,273
Taxes, permits, and licenses	**82,720,300**	89,613,529	64,338,613
Community development expenses	**76,946,691**	66,027,852	36,316,121
Surface rights to indigenous people (IP) (Note 30)	**64,269,853**	48,255,306	44,671,592
Bullion refining and transportation charges	**58,654,361**	39,903,348	42,393,095
Insurance	**36,493,259**	25,233,012	7,177,093
Royalties to (IP) (Note 30)	**28,043,908**	10,982,168	46,272,767
Professional fees	**10,433,115**	7,660,421	9,274,202
Data and communication	**7,160,190**	8,961,286	7,331,688
Donations and contributions	**7,101,139**	1,893,684	1,506,054
Employee activities	**4,692,011**	5,174,417	4,715,269
Repairs and maintenance	**4,413,272**	4,595,893	8,066,035
Rent (Note 30)	**1,878,993**	8,858,761	7,917,299
Transportation and accommodation	**1,285,806**	5,666,235	5,117,985
Representation and entertainment	**424,013**	634,311	448,431
	₱3,470,277,662	₱3,836,689,476	₱3,563,374,082

The amounts were distributed as follows:

	2020	2019	2018
Mining	**₱886,820,243**	₱1,088,233,828	₱1,027,096,762
Milling	**609,328,403**	560,122,960	580,980,117
Compliance	**316,343,312**	282,083,576	245,050,097
Mine overhead	**1,657,785,704**	1,906,249,112	1,710,247,106
	₱3,470,277,662	₱3,836,689,476	₱3,563,374,082

22. General and Administrative Expenses

	2020	2019	2018
Personnel costs (Note 25)	**₱91,401,823**	₱114,692,944	₱114,242,609
Professional fees	**24,737,720**	26,365,782	11,969,427
Taxes, licenses and permits	**19,507,683**	41,220,277	20,115,216
Rent (Note 30)	**4,465,285**	4,619,550	7,319,552
Utilities	**4,434,102**	1,371,378	1,340,868
Materials and supplies (Note 6)	**1,958,949**	2,973,623	2,597,255
Transportation and accommodation	**1,351,710**	4,919,990	3,108,665
Depreciation and amortization (Note 24)	**1,154,946**	1,528,969	614,753
Representation and entertainment	**719,170**	1,608,402	2,588,162
Insurance	**584,005**	3,015,007	4,130,498
Repairs and maintenance	**225,439**	378,785	855,025
Community development expenses	**96,336**	630,466	339,000
Others	**12,267,239**	7,346,555	18,001,944
	₱162,904,407	₱210,671,728	₱187,222,974

Others pertain to contracted services, donations and contributions, data and communications, marketing charges, and miscellaneous expenses.

23. Other Income (Charges) - net

	2020	2019	2018
Foreign exchange gains (losses) - net	**₱17,721,593**	₱4,583,762	(₱18,403,489)
Proceeds from insurance	**13,006,911**	–	–
Gain (loss) on change of estimate on provision for mine rehabilitation and decommissioning (Note 17)	**(3,911,192)**	(4,785,323)	5,422,867
Interest income (Note 4)	**1,756,452**	6,081,172	1,842,521
Provision for impairment losses on receivables	–	–	(16,158,431)
Provision for inventory losses and obsolescence	–	–	(11,256,662)
Loss on write-off of input VAT	–	–	(1,257,952)
Miscellaneous	**(40,956,653)**	(53,986,534)	(30,166,864)
	(₱12,382,889)	(₱48,106,923)	(₱69,978,010)

24. **Depreciation, Depletion and Amortization**

	2020	2019	2018
Property, plant and equipment	**₱1,021,855,190**	₱1,252,941,432	₱1,095,884,812
Intangible asset (Note 12)	**1,051,066**	535,493	82,739
	₱1,022,906,256	₱1,253,476,925	₱1,095,967,551

The amounts were distributed as follows:

	2020	2019	2018
Cost of production (Note 21)	**₱1,021,751,310**	₱1,251,947,956	₱1,095,352,798
General and administrative expenses (Note 22)	**1,154,946**	1,528,969	614,753
	₱1,022,906,256	₱1,253,476,925	₱1,095,967,551

The Group capitalized depreciation, depletion, and amortization costs amounting to ₱148.09 million and ₱146.34 million as part of mine development costs in 2020 and 2019, respectively.

25. **Personnel Costs**

	2020	2019	2018
Salaries and wages	**₱406,466,606**	₱427,494,758	₱402,068,925
Other employee benefits	**170,783,364**	155,331,803	266,437,660
Retirement benefits cost (Note 16)	**43,257,274**	39,042,397	36,251,065
	₱620,507,244	₱621,868,958	₱704,757,650

The amounts were distributed as follows:

	2020	2019	2018
Cost of production (Note 21)	**₱529,105,421**	₱507,176,014	₱590,515,041
General and administrative expenses (Note 22)	**91,401,823**	114,692,944	114,242,609
	₱620,507,244	₱621,868,958	₱704,757,650

26. **Finance Costs**

	2020	2019	2018
Interest on loans payable (Note 18)	**₱187,608,168**	₱188,373,113	₱222,375,610
Net interest cost on retirement benefits (Note 16)	**13,296,284**	16,993,828	10,427,488
Accretion expense (Note 17)	**1,513,666**	1,974,185	1,388,607
	₱202,418,118	₱207,341,126	₱234,191,705

27. **Income Tax**

The Group's benefit from (provision for) income tax in 2020, 2019 and 2018 are presented below. Provision for current income tax in 2020, 2019 and 2018 pertain to RCIT.

	2020	2019	2018
Current	**(₱732,417,474)**	(₱196,628,726)	(₱199,503,765)
Deferred	**60,839,262**	38,495,052	50,112,828
	(₱671,578,212)	(₱158,133,674)	(₱149,390,937)

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:

	2020	2019	2018
Provision for income tax computed at statutory income tax rate	**(₱671,794,852)**	(₱151,096,731)	(₱116,624,014)
Changes in unrecognized deferred income tax assets	**6,873,456**	18,272,187	(8,846,012)
Add (deduct) tax effects of:			
Expired MCIT	**(18,181,605)**	(2,239)	(23,723)
Expired NOLCO	**12,940,645**	(20,685,254)	(6,735,444)
Nondeductible expenses	**(1,686,045)**	(6,445,957)	(17,714,299)
Interest income subjected to final tax	**526,935**	1,824,320	552,555
Application of MCIT	**(256,746)**	–	–
	(₱671,578,212)	(₱158,133,674)	(₱149,390,937)

Details of unrecognized deductible temporary differences, MCIT and NOLCO as at December 31, 2020 and 2019 are as follows:

	2020	2019
NOLCO	**₱61,158,350**	₱69,798,245
Allowance for impairment losses on:		
Property, plant and equipment	**48,802,263**	48,802,263
Inventory losses and obsolescence	**12,335,744**	7,605,435
Receivables	**6,596,948**	6,596,948
Unrealized foreign exchange losses	**11,881,012**	35,298,676
MCIT	**257,952**	464,092
Provision for mine rehabilitation and decommissioning cost of a subsidiary	**174,901**	116,110
	₱141,207,170	₱168,681,769

The Group has recognized deferred income tax liabilities and assets as at December 31, 2020 and 2019 on the following:

	2020	2019
Deferred income tax liabilities:		
Fair value increment on deferred exploration cost and mine and mining properties	**₱186,155,338**	₱186,155,338
Revaluation surplus on property, plant and equipment	**150,564,185**	192,571,134
Unrealized foreign exchange gain	**16,395,549**	6,671,932
Deferred income tax assets:		
Provision for retirement benefits	**(94,295,012)**	(86,332,913)
Unrealized foreign exchange loss	**(18,259,198)**	–
Provision for mine rehabilitation and decommissioning cost	**(11,083,912)**	(9,515,246)
	₱229,476,950	₱289,550,245

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As at December 31, 2020, the Group has incurred NOLCO in taxable year 2020 that can be claimed as deduction from future taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover as One Act, as follows:

Year incurred	Year of expiration	NOLCO
2020	2025	₱57,432,241

As of December 31, 2020, the Group has incurred NOLCO and MCIT before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Year incurred	Year of expiration	NOLCO	MCIT
2018	2021	₱65,312,485	₱51,054
2019	2022	81,116,440	156,291
2020	2023	–	50,607
		₱146,428,925	₱257,952

The movements of NOLCO are as follows:

	2020	2019
Balance at beginning of the year	**₱232,660,815**	₱220,495,223
Additions	**57,432,241**	81,116,440
Expirations	**(86,231,890)**	(68,950,848)
Balance at end of the year	**₱203,861,166**	₱232,660,815

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

	2020	2019
Balance at beginning of the year	**₱464,092**	₱310,040
Additions	**50,607**	156,291
Expirations	**(256,747)**	(2,239)
Balance at end of the year	**₱257,952**	₱464,092

The Group did not avail of the Optional Standard Deduction in 2020 and 2019.

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

	Parent	MORE	CRPI	BMRC	ISRI	Total
Balance at beginning of year	₱–	₱15,013,770	₱117,916,258	₱8,484,212	₱91,246,575	₱232,660,815
Additions	–	20,973,397	12,645,330	370,798	23,442,716	57,432,241
Expirations	–	(6,642,612)	(53,962,737)	(612,806)	(25,013,735)	(86,231,890)
Balance at end of year	₱–	₱29,344,555	₱76,598,851	₱8,242,204	₱89,675,556	₱203,861,166

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

	Parent	MORE	CRPI	BMRC	ISRI	Total
Balance at beginning of year	₱–	₱464,092	₱–	₱–	₱–	₱464,092
Additions	–	48,000	2,607	–	–	50,607
Expirations	–	(256,747)	–	–	–	(256,747)
Balance at end of year	₱–	₱255,347	₱2,607	₱–	₱–	₱257,952

28. 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, 2020 and 2019.

Aging analysis of the Group's financial assets classified as loans and receivables and financial assets measured at FVOCI at December 31, 2020 and 2019 are as follows:

	December 31, 2020					
			Days past due			
	Total	**Current**	**60 Days**	**180 Days**	**Over 180 Days**	**ECL**
Cash and cash equivalents						
Cash with banks	**₱1,396,611,294**	**₱1,396,611,294**	**₱–**	**₱–**	**₱–**	**₱–**
Trade and other receivables						
Trade	**147,521,191**	**147,521,191**	**–**	**–**	**–**	**–**
Others	**35,854,933**	**13,865,105**	**–**	**–**	**–**	**21,989,828**
Advances to related parties	**2,304,109**	**2,304,109**	**–**	**–**	**–**	**–**
Advance to GMU	**97,547,858**	**97,547,858**	**–**	**–**	**–**	**–**
MRF classified under "Other noncurrent assets"	**27,452,291**	**27,452,291**	**–**	**–**	**–**	**–**
Financial asset measured at FVOCI	**3,200,000**	**3,200,000**	**–**	**–**	**–**	**–**
	₱1,710,491,676	**₱1,688,501,848**	**₱–**	**₱–**	**₱–**	**₱21,989,828**

	December 31, 2019					
			Days past due			
	Total	Current	60 Days	180 Days	Over 180 Days	ECL
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

The table below shows the credit quality of the Group's financial assets based on their historical experience with the corresponding debtors.

Credit risk under general and simplified approach

	2020				
	General Approach			Simplified	
	Stage 1	Stage 2	Stage 3	Approach	Total
Cash and cash equivalents*	**₱1,396,611,294**	**₱–**	**₱–**	**₱–**	**₱1,396,611,294**
Receivables:					
Trade	**–**	**–**	**–**	**147,521,191**	**147,521,191**
Advance to GMU	**97,547,858**	**–**	**–**	**–**	**97,547,858**
Advances to related parties	**2,304,109**	**–**	**–**	**–**	**2,304,109**
Others	**13,865,105**	**–**	**21,989,828**	**–**	**35,854,933**
MRF classified under "Other noncurrent assets"	**27,452,291**	**–**	**–**	**–**	**27,452,291**
Financial asset measured at FVOCI	**3,200,000**	**–**	**–**	**–**	**3,200,000**
	₱1,540,980,657	**₱–**	**₱21,989,828**	**₱147,521,191**	**₱1,710,491,676**

	2019				
	General Approach			Simplified	
	Stage 1	Stage 2	Stage 3	Approach	Total
Cash and cash equivalents*	₱703,512,042	₱–	₱–	₱–	₱703,512,042
Receivables:			–		
Trade	–	–	–	128,592,501	128,592,501
Advance to GMU	102,540,877	–	–	–	102,540,877
Advances to related parties	2,810,932	–		–	2,810,932
Others	8,852,330	–	21,989,828	–	30,842,158
MRF classified under "Other noncurrent assets"	26,156,301	–	–	–	26,156,301
Financial asset measured at FVOCI	53,528,321	–	–	–	53,528,321
	₱897,400,803	₱–	₱21,989,828	₱128,592,501	₱1,047,983,132

Simplified Approach

Set out below is the information about the credit risk exposure on the Group's trade receivables using simplified approach (provision matrix):

	2020							
			Days Due					
	Current	**<30 days**	**30-60 days**	**61-90 days**	**91-120 days**	**121-182 days**	**>182 days**	**Total**
Expected credit loss rate	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	
Estimated total gross carrying amount at default	**₱–**	**₱147,521,191**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱147,521,191**
Expected credit loss	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**

	2019							
			Days Due					
	Current	<30 days	30-60 days	61-90 days	91-120 days	121-182 days	>182 days	Total
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
Estimated total gross carrying amount at default	₱–	₱128,592,501	₱–	₱–	₱–	₱–	₱–	₱128,592,501
Expected credit loss	₱–	₱–	₱–	₱–	₱–	₱–	₱–	₱–

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 addresses liquidity concerns primarily through cash flows from operations and short-term borrowings.

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, 2020 and 2019.

2020	On demand	Less than three months	Three to 12 months	More than 12 months	Total
Trade and other payables					
Trade	**₱283,420,346**	**₱–**	**₱–**	**₱–**	**₱283,420,346**
Nontrade	**57,417,548**	**–**	**–**	**–**	**57,417,548**
Accrued expenses	**117,783,721**	**–**	**–**	**–**	**117,783,721**
Retention fees	**13,076,864**	**–**	**–**	**–**	**13,076,864**
Payables to employees	**90,374,467**	**–**	**–**	**–**	**90,374,467**
Others	**75,055,853**	**–**	**–**	**–**	**75,055,853**
Advances from related parties	**976,012,000**	**–**	**–**	**–**	**976,012,000**
Loans payable	**–**	**–**	**2,201,741,649**	**3,027,059,715**	**5,228,801,364**
	₱1,613,140,799	**₱–**	**₱2,201,741,649**	**₱3,027,059,715**	**₱6,841,942,163**

2020	On demand	Less than three months	Three to 12 months	More than 12 months	ECL	Total
Cash and cash equivalents						
Cash in banks	**₱1,396,611,294**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,396,611,294**
Trade and other receivables						
Trade	**147,521,191**	**–**	**–**	**–**	**–**	**147,521,191**
Others	**13,865,105**	**–**	**–**	**–**	**21,989,828**	**35,854,933**
Advances to related parties	**2,304,109**	**–**	**–**	**–**	**–**	**2,304,109**
Advance to GMU	**97,547,858**	**–**	**–**	**–**	**–**	**97,547,858**
MRF classified under "Other noncurrent assets"	**–**	**–**	**–**	**27,452,291**	**–**	**27,452,291**
Financial asset measured at FVOCI	**3,200,000**	**–**	**–**	**–**	**–**	**3,200,000**
	₱1,661,049,557	**₱–**	**₱–**	**₱27,452,291**	**₱21,989,828**	**₱1,710,491,676**

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	ECL	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	8,852,330	–	–	–	21,989,828	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
	₱999,837,003	₱–	₱–	26,156,301	₱21,989,828	₱1,047,983,132

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, 2020 and 2019 are as follows:

	2020		2019	
	US$	**Php**	US$	Php
Financial Assets				
Cash and cash equivalents	**$16,662,949**	**₱800,204,813**	$6,197,323	₱313,801,469
Trade receivables	**3,072,014**	**147,527,328**	2,757,701	139,636,188
	$19,734,963	**₱947,732,141**	$8,955,024.00	₱453,437,657
Financial Liabilities				
Trade payables	**3,798,346**	**182,407,971**	4,294,525	217,453,258
Loans payable	**24,177,401**	**1,161,071,328**	22,419,405	1,135,206,562
	27,975,747	**1,343,479,299**	26,713,930	1,352,659,820
Net financial liabilities	**($8,240,784.00)**	**(₱395,747,158)**	($17,758,906)	(₱899,222,163)

As at December 31, 2020 and 2019, the exchange rate based on the Philippine Dealing and Exchange Corporation of the Philippine peso to US$1.00 was ₱48.02 and ₱50.64, 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, 2020 and 2019 are as follows:

		Change in foreign exchange rates	Effect in income before tax
US$	**2020**	**₱0.11**	**(₱906,486)**
		(0.41)	**3,366,360**
	2019	₱0.61	₱10,788,534
		(0.63)	(11,232,507)

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 LBMA 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 2020 and 2019 as follows:

	Change in gold metal price	Effect on income before tax
2020	**Increase by 19%**	**₱1,125,562,320**
	Decrease by 19%	**(₱1,125,562,320)**
2019	Increase by 12%	₱558,301,408
	Decrease by 12%	(₱558,301,408)

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, 2020 and 2019.

The Group considers the following as its core economic capital:

	2020	2019
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.

29. Fair Value Measurements

AFS Financial Assets/Financial Asset at FVOCI
The quoted equity instruments designated at FVOCI/AFS financial assets as at December 31, 2020 and 2019 are classified under Level 1 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 3 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)
Financial asset measured at FVOCI (Note 9)	**2020**	**₱3,200,000**	**₱3,200,000**	**₱–**	**₱–**
	2019	₱53,528,321	₱4,500,000	₱–	₱49,028,321
Property, plant, and equipment (Note 10)	**2020**	**₱9,837,927,684**	**₱–**	**₱–**	**₱9,837,927,684**
	2019	₱8,768,574,217	₱–	₱–	₱8,768,574,217

Cash and Cash Equivalents, Trade and Other Receivables, Advances to Related Parties, 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.

MRF, Advance to GMU, Loans Payable
The carrying amounts of these financial instruments approximate their fair values. The effect of discounting on these financial instruments is not considered significant.

30. **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 2020, 2019, and 2018 royalties to IP recognized under “Cost of Production” amounted to ₱28.04 million, ₱10.98 million, and ₱46.27 million, respectively (see Note 21).

In 2020, 2019 and 2018 surface rights to IP recognized under “Cost of Production” amounted to ₱64.27 million, ₱48.26 million, and ₱44.67 million, respectively (see Note 21).

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. *EO 130*
On April 14, 2021, EO 130 was issued institutionalizing and implementing reforms in the Philippine Mining Sector, providing policies and guidelines to ensure environmental protection and responsible mining in the utilization of mineral resources. EO 130 lifted the moratorium on new mining agreements imposed by President Benigno Aquino III in 2012. The Government may now enter into new mineral agreements, subject to compliance with the Philippine Mining Act of 1995 and other applicable laws, rules, and regulations. Management believes that EO 130 has no impact on the Group's current operations since its mining properties are already covered by existing mineral permits and agreements with the government.

d. *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 ₱6.34 million, ₱13.48 million, and ₱15.24 million in 2020, 2019 and 2018, respectively (see Notes 21 and 22).

e. *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.

f. *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.

31. **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.

			2020		
	Mining	Oil and gas	Solid waste management	Eliminations	Total
Revenue					
External customer	**₱6,317,677,566**	**₱–**	**₱–**	**₱–**	**₱6,317,677,566**
Inter-segment	**–**	**–**	**–**	**–**	**–**
Consolidated revenue	**₱6,317,677,566**	**₱–**	**₱–**	**₱–**	**₱6,317,677,566**
Results					
EBITDA	**₱3,461,259,477**	**(₱18,897,184)**	**(₱385,397)**	**₱–**	**₱3,441,976,896**
Interest income (expense) - net	**(204,832,166)**	**2,414,048**	**–**	**–**	**(202,418,118)**
Income tax expense	**(671,502,604)**	**(75,608)**	**–**	**–**	**(671,578,212)**
Depreciation and depletion	**(1,022,473,483)**	**(432,773)**			**(1,022,906,256)**
Non-recurring items	**(7,079,837)**	**(5,443,701)**	**–**	**–**	**(12,523,538)**
Consolidated net income (loss)	**₱1,555,371,387**	**(22,435,218)**	**(₱385,397)**	**₱–**	**₱1,532,550,772**
Consolidated total assets	**₱10,949,239,952**	**₱4,243,738,621**	**₱420,809,215**	**₱–**	**₱15,613,787,788**
Consolidated total liabilities	**₱8,002,442,043**	**₱65,499,268**	**₱2,457,412**	**₱–**	**₱8,070,398,723**

	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

The total revenue from an external customer, attributable to the Philippines, which is the Group's country of domicile, amounted to ₱6.32 billion and ₱4.96 billion as at December 31, 2020 and 2019, respectively arising from the sale of gold and silver bullion.

32. Supplemental Disclosure to Statements of Cash Flows

The following table summarizes the changes in liabilities from financing activities in 2020.

	January 1, 2020	**Availments**	**Payments**	**Foreign exchange Loss (Gain)**	**December 31, 2020**
Current Liabilities:					
Bank loans	**₱2,212,605,242**	**₱271,141,498**	**₱250,010,098**	**(₱31,994,993)**	**₱2,201,741,649**
Noncurrent Liabilities:					
Bank loans	**2,881,037,495**	**868,675,844**	**722,653,624**	**–**	**3,027,059,715**
	₱5,093,642,737	**₱1,139,817,342**	**₱972,663,722**	**(₱31,994,993)**	**₱5,228,801,364**

The Group had non-cash investing and financing activities in 2020, 2019, and 2018, which were considered in the preparation of the consolidated statements of cash flows, as follows:

	2020	2019	2018
Investing activities:			
Addition (reduction) to property, plant and equipment pertaining to capitalized mine rehabilitation cost (Note 10)	**₱641,125**	₱1,406,546	(₱875,723)

33. **Events After the Reporting Period**

“Corporate Recovery and Tax Incentives for Enterprises Act” or “CREATE” Act

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5 million and with total assets not exceeding Php100 million (excluding land on which the business entity’s office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%; and

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Company would have been subjected to lower regular corporate income tax rate of 27.5% effective July 1, 2020.

- Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Company for CY2020 is 27.5%. This will result in lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020, amounting to ₱671.38 million and ₱221.74 million, respectively, or a reduction of ₱61.03 million and ₱23.56 million, respectively. The reduced amounts will be reflected in the Company’s 2020 annual income tax return. However, for financial reporting purposes, the changes will only be recognized in the 2021 financial statements.

- This will result in lower deferred tax assets and liabilities as of December 31, 2020 and provision for deferred tax for the year then ended by ₱19.12 million and ₱5.07 million, respectively. These reductions will be recognized in the 2021 financial statements.

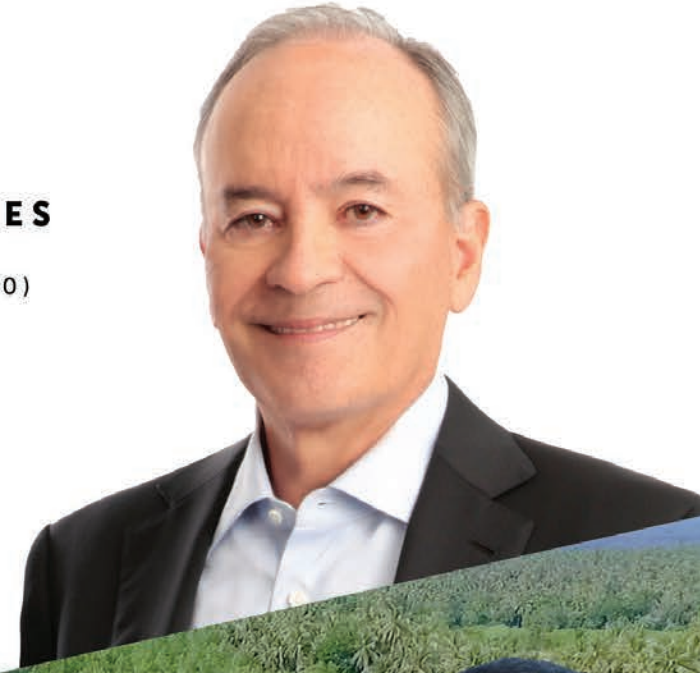
BOARD OF DIRECTORS

RAMON Y. SY
CHAIRMAN

WALTER W. BROWN
CHAIRMAN EMERITUS

LUIS R. SARMIENTO
PRESIDENT & CEO

JOSE EDUARDO J. ALARILLA
DIRECTOR



STEPHEN A. PARADIES
DIRECTOR
(Commencing July 30, 2020)

JOSELITO H. SIBAYAN
INDEPENDENT DIRECTOR

VALENTINO S. BAGATSING
INDEPENDENT DIRECTOR

CORPORATE SECRETARY

SILVERIO 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

BILLY G. TORRES
VP – Finance, Treasurer & Compliance Officer
(Effective October 15, 2020)

SILVERIO BENNY J. TAN
Corporate Secretary

RETIRED:

ELISA R. DUNGCA
Assistant Corporate Secretary &
AVP Corporate Affairs
(As of June 30, 2021)

RENATO N. MIGRIÑO
VP - Finance, Treasurer & Compliance Officer
(As of October 15, 2020)

ROBERT F. WAGTINGAN
VP & Resident Manager – Maco Mine
(As of April 16, 2021)

113

CORPORATE DIRECTORY

HEAD OFFICE
3304-B West Tower, Tektite Towers
(formerly 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: (639) 99-885-3046

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
STOCK TRANSFER SERVICE, INC.,
34th Floor, Unit D, Rufino Pacific Tower,
6784 Ayala Avenue, Makati City
Tel. No. (632) 8403-2410; 8403-2412

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.