

# COVER SHEET

for

## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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**COMPANY NAME**

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I	D	I	A	R	I	E	S																						

**PRINCIPAL OFFICE ( No. / Street / Barangay / City / Town / Province )**

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E	x	c	h	a	n	g	e		R	o	a	d	,		O	r	t	i	g	a	s		C	e	n	t	e	r	,	
P	a	s	i	g		C	i	t	y																					

Form Type

A	A	C	F	S
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Department requiring the report

C	R	M	
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Secondary License Type, If Applicable

N	/	A	
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**COMPANY INFORMATION**

Company's Email Address

Corpsec@apexmining.com

Company's Telephone Number

8706-2805

Mobile Number

+63 908 893 7925

No. of Stockholders

2,749

Annual Meeting (Month / Day)

6/30

Fiscal Year (Month / Day)

12/31

**CONTACT PERSON INFORMATION**The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Billy G. Torres

Email Address

bgtorres@apexmining.com

Telephone Number/s

8706-2805

Mobile Number

+639088937925

**CONTACT PERSON'S ADDRESS**

3304B West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City

**NOTE 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2:** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.





# APEX MINING CO., INC.

## Statement of Management's Responsibility for Financial Statements


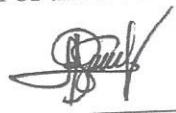

The management of **Apex Mining Co., Inc. and Subsidiaries** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting 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.

  
\_\_\_\_\_  
Jose Eduardo J. Alarilla  
Chairman of the Board  
\_\_\_\_\_  
Luis R. Sarmiento  
President & Chief Executive Officer  
\_\_\_\_\_  
Billy G. Torres  
VP Finance & Treasurer

Signed this 29<sup>th</sup> of April, 2022

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders  
Apex Mining Co., Inc.  
3304B West Tower, PSE Centre, Exchange Road  
Ortigas Center, Pasig City

### 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, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 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, 2021, the carrying value of the Group's deferred exploration costs amounted to ₱1.71 billion, net of allowance for impairment losses of ₱578.76 million. In 2021, the Group recognized impairment losses on deferred exploration costs amounting to ₱578.76 million. 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, 2021. 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, 2021 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, 2021 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.



Alexis Benjamin C. Zaragoza III  
Partner

CPA Certificate No. 109217

Tax Identification No. 246-663-780

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 109217-SEC (Group A)

Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-129-2019, November 27, 2019, valid until November 26, 2022

PTR No. 8854392, January 3, 2022, Makati City

April 29, 2022



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

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	<b>₱1,436,715,112</b>	₱1,399,909,932
Trade and other receivables (Note 5)	<b>26,207,449</b>	174,977,356
Inventories (Note 6)	<b>1,152,153,737</b>	992,714,146
Advances to related parties (Note 15)	<b>2,304,109</b>	2,304,109
Other current assets (Note 7)	<b>343,605,424</b>	146,374,910
	<b>2,960,985,831</b>	2,716,280,453
Asset held-for-sale (Note 8)	<b>—</b>	360,283,298
<b>Total Current Assets</b>	<b>2,960,985,831</b>	3,076,563,751
<b>Noncurrent Assets</b>		
Property, plant and equipment (Note 10)	<b>10,291,585,141</b>	9,840,989,728
Deferred exploration costs (Note 11)	<b>1,709,559,269</b>	1,996,121,548
Financial assets measured at fair value through other comprehensive income (FVOCI) (Note 9)	<b>4,000,000</b>	3,200,000
Intangible assets (Note 12)	<b>14,788,790</b>	2,589,256
Other noncurrent assets (Note 13)	<b>677,839,850</b>	694,323,505
<b>Total Noncurrent Assets</b>	<b>12,697,773,050</b>	12,537,224,037
<b>TOTAL ASSETS</b>	<b>₱15,658,758,881</b>	₱15,613,787,788
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Note 14)	<b>₱1,154,330,208</b>	₱996,885,753
Advances from related parties (Note 15)	<b>916,012,000</b>	976,012,000
Loans payable - net of noncurrent portion (Note 18)	<b>2,315,484,534</b>	2,201,741,649
Income tax payable	<b>355,482,968</b>	282,771,315
<b>Total Current Liabilities</b>	<b>4,741,309,710</b>	4,457,410,717
<b>Noncurrent Liabilities</b>		
Loans payable - net of current portion (Note 18)	<b>2,252,225,636</b>	3,027,059,715
Provision for retirement benefits (Note 16)	<b>292,055,276</b>	314,316,708
Provision for mine rehabilitation and decommissioning (Note 17)	<b>17,854,413</b>	42,135,633
Deferred income tax liabilities - net (Note 27)	<b>87,791,518</b>	229,476,950
<b>Total Noncurrent Liabilities</b>	<b>2,649,926,843</b>	3,612,989,006
<b>Total Liabilities</b>	<b>7,391,236,553</b>	8,070,399,723
<b>Equity Attributable to Equity Holders of the Parent Company</b>		
Issued capital stock (Note 19)	<b>6,227,887,491</b>	6,227,887,491
Additional paid-in capital (APIC) (Note 19)	<b>634,224</b>	634,224
Treasury shares (Note 19)	<b>(2,081,746,680)</b>	(2,081,746,680)
Revaluation surplus on property, plant and equipment (Note 10)	<b>280,481,926</b>	351,316,435
Remeasurement loss on financial asset at FVOCI (Note 9)	<b>(343,842,240)</b>	(344,642,240)
Remeasurement gain (loss) on retirement plan (Note 16)	<b>26,132,299</b>	(19,243,522)
Currency translation adjustment on foreign subsidiaries	<b>(1,708,473)</b>	2,682,086
Retained earnings (Note 19)	<b>4,128,503,222</b>	3,229,518,939
	<b>8,236,341,769</b>	7,366,406,733
<b>Non-controlling Interests (Note 19)</b>	<b>31,180,559</b>	176,981,332
<b>Total Equity</b>	<b>8,267,522,328</b>	7,543,388,065
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱15,658,758,881</b>	₱15,613,787,788

See accompanying Notes to Consolidated Financial Statements.



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

	<b>Years Ended December 31</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>REVENUES</b>			
Gold	<b>₱6,974,507,445</b>	₱5,924,012,213	₱4,652,511,732
Silver	<b>435,803,270</b>	393,665,353	308,414,719
	<b>7,410,310,715</b>	6,317,677,566	4,960,926,451
<b>COST OF PRODUCTION (Note 21)</b>	<b>(4,259,853,938)</b>	(3,470,277,662)	(3,836,689,476)
<b>EXCISE TAXES</b>	<b>(296,639,050)</b>	(265,565,506)	(194,059,918)
<b>GENERAL AND ADMINISTRATIVE EXPENSES (Note 22)</b>	<b>(211,296,582)</b>	(162,904,407)	(210,671,728)
<b>FINANCE COSTS (Note 26)</b>	<b>(165,097,803)</b>	(202,418,118)	(207,341,126)
<b>OTHER CHARGES - net (Note 23)</b>	<b>(1,325,813,136)</b>	(12,382,889)	(48,106,923)
<b>INCOME BEFORE INCOME TAX</b>	<b>1,151,610,206</b>	2,204,128,984	464,057,280
<b>BENEFIT FROM (PROVISION FOR) INCOME TAX (Note 27)</b>			
Current	<b>(626,071,910)</b>	(732,417,474)	(196,628,726)
Deferred	<b>131,716,674</b>	60,839,262	38,495,052
	<b>(494,355,236)</b>	(671,578,212)	(158,133,674)
<b>NET INCOME</b>	<b>₱657,254,970</b>	₱1,532,550,772	₱305,923,606
<b>Net income (loss) attributable to:</b>			
Equity holders of the Parent Company	<b>₱803,055,743</b>	₱1,532,853,728	₱306,163,821
Non-controlling interests	<b>(145,800,773)</b>	(302,956)	(240,215)
	<b>₱657,254,970</b>	₱1,532,550,772	₱305,923,606
<b>BASIC/DILUTED EARNINGS PER SHARE (Note 20)</b>	<b>₱0.14</b>	₱0.27	₱0.05

*See accompanying Notes to Consolidated Financial Statements.*





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

	Years Ended December 31		
	2021	2020	2019
<b>NET INCOME</b>	<b>₱657,254,970</b>	<b>₱1,532,550,772</b>	<b>₱305,923,606</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX</b>			
<i>Item that will be reclassified to profit or loss in subsequent periods</i>			
Exchange differences on translation of foreign subsidiaries	(4,390,559)	(117,789)	13,485,980
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>			
Appraisal increase, net of tax (Note 10)	—	—	368,197,602
Remeasurement gain (loss) on financial asset at FVOCI (Note 9)	800,000	(1,300,000)	1,297,760
Remeasurement gain (loss) on retirement plan, net of tax (Note 16)	45,375,821	1,787,257	(28,320,136)
	<b>41,785,262</b>	<b>369,468</b>	<b>354,661,206</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱699,040,232</b>	<b>₱1,532,920,240</b>	<b>₱660,584,812</b>
<b>Total comprehensive income (loss) attributable to:</b>			
Equity holders of the Parent Company	<b>₱844,841,005</b>	<b>₱1,533,223,196</b>	<b>₱660,825,027</b>
Non-controlling interests	<b>(145,800,773)</b>	<b>(302,956)</b>	<b>(240,215)</b>
	<b>₱699,040,232</b>	<b>₱1,532,920,240</b>	<b>₱660,584,812</b>

*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, 2021, 2020, AND 2019**

	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, 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



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
<b>Balances at December 31, 2020</b>	<b>₱6,227,887,491</b>	<b>₱634,224</b>	<b>₱351,316,435</b>	<b>(₱2,081,746,680)</b>	<b>(₱344,642,240)</b>	<b>(₱19,243,522)</b>	<b>₱2,682,086</b>	<b>₱3,229,518,939</b>	<b>₱176,981,332</b>	<b>₱7,543,388,065</b>
Net income	—	—	—	—	—	—	—	803,055,743	(145,800,773)	657,254,970
Other comprehensive income	—	—	—	—	800,000	45,375,821	(4,390,559)	—	—	41,785,262
<b>Total comprehensive income</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>800,000</b>	<b>45,375,821</b>	<b>(4,390,559)</b>	<b>803,055,743</b>	<b>(145,800,773)</b>	<b>699,040,232</b>
Transfer of portion of revaluation surplus realized through depreciation, depletion and disposal, net of tax (Note 10)	—	—	(95,928,540)	—	—	—	—	95,928,540	—	—
Effect of change in tax rate (Note 10)	—	—	25,094,031	—	—	—	—	—	—	25,094,031
<b>Balances at December 31, 2021</b>	<b>₱6,227,887,491</b>	<b>₱634,224</b>	<b>₱280,481,926</b>	<b>(₱2,081,746,680)</b>	<b>(₱343,842,240)</b>	<b>₱26,132,299</b>	<b>(₱1,708,473)</b>	<b>₱4,128,503,222</b>	<b>₱31,180,559</b>	<b>₱8,267,522,328</b>

See accompanying Notes to Consolidated Financial Statements.



# APEX MINING CO., INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2021	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	₱1,151,610,206	₱2,204,128,984	₱464,057,280
Adjustments for:			
Depreciation, depletion and amortization (Notes 10, 12 and 24)	1,113,940,488	1,022,906,256	1,253,476,925
Provisions for impairment losses on:			
Deferred exploration costs (Notes 11 and 23)	578,755,160	—	—
Property, plant and equipment (Notes 10 and 23)	341,464,705	—	—
Intangible asset (Notes 12 and 23)	192,202,964	—	—
Input VAT (Notes 13 and 23)	143,098,681	—	—
Advances for land acquisition (Notes 13 and 23)	93,530,149	—	—
Finance costs (Note 26)	165,097,803	202,418,118	207,341,126
Movement in provision for retirement benefits (Note 16)	26,888,096	29,093,557	12,767,546
Unrealized foreign exchange loss (gain)	19,265,729	6,577,521	11,670,480
(Gain) loss on change in estimate on provision for mine rehabilitation and decommissioning (Notes 10,17 and 23)	(24,486,390)	3,911,192	6,191,868
Interest income (Note 23)	(972,760)	(1,756,452)	(6,081,172)
Loss (gain) on sale of property, plant and equipment	(3,476)	—	121,497
Operating income before working capital changes	3,800,391,355	3,467,279,176	1,949,545,550
Decrease (increase) in:			
Trade and other receivables	224,709,660	(21,850,558)	(125,117,160)
Other current assets	(340,329,195)	(56,676,977)	69,851,420
Inventories	(159,439,591)	(151,811,674)	40,322,605
Advances to related parties	—	—	1,265
Increase (decrease) in:			
Trade and other payables	146,264,103	(162,860,784)	(414,826,037)
Advances from related parties	(60,000,000)	(63,500,000)	—
Net cash generated from operations	3,611,596,332	3,010,579,183	1,519,777,643
Interest paid	(298,066,313)	(372,901,144)	(400,342,304)
Income taxes paid	(553,360,256)	(537,667,599)	(155,513,295)
Interest received (Note 23)	972,760	1,756,452	6,081,172
Net cash flows from operating activities	2,761,142,523	2,101,766,892	970,003,216
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment (Notes 10)	(1,750,325,890)	(1,347,417,177)	(1,903,970,946)
Proceeds from disposal (acquisition) of equity instrument	—	63,500,000	—
Acquisition of intangible assets (Note 12)	(13,623,119)	(1,073,500)	(2,372,808)
Decrease (increase) in:			
Deferred exploration costs	(292,192,881)	(254,670,970)	(117,252,955)
Other noncurrent assets	16,483,655	3,551,563	1,154,442
Proceeds from disposal of property plant and equipment	68,374	—	75,000
Net cash flows used in investing activities	(2,039,589,861)	(1,536,110,084)	(2,022,367,267)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Availment of loans (Note 18)	82,305,263	1,139,817,342	2,669,982,096
Payment of loans (Note 18)	(774,834,079)	(972,663,722)	(1,465,622,428)
Net cash flows (used in) from financing activities	(692,528,816)	167,153,620	1,204,359,668
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>29,023,846</b>	<b>732,810,428</b>	<b>151,995,617</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>7,781,334</b>	<b>(38,572,514)</b>	<b>16,254,243</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>1,399,909,932</b>	<b>705,672,018</b>	<b>537,422,158</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</b>	<b>₱1,436,715,112</b>	<b>₱1,399,909,932</b>	<b>₱705,672,018</b>

See accompanying Notes to Consolidated Financial Statement



# **APEX MINING CO., INC. AND SUBSIDIARIES**

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## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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### **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 has two wholly-owned subsidiaries, Itogon-Suyoc Resources, Inc. (ISRI) and Monte Oro Resources & Energy, Inc. (MORE). As at December 31, 2021 and 2020, the Parent Company has 2,749 and 2,479 stockholders, respectively, each holding at least 100 shares.

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 renewed in April 26, 2021 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 2024 subject to satisfactory results of annual audits.

##### *Itogon and Suyoc Mines*

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



The Sangilo mine has completed the rehabilitation and refurbishment of its mining and milling facilities and declared the commencement of its commercial operations on July 31, 2020 at 200 tonnes per day (TPD), while the Suyoc Mine continues its 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., 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), an Isles of Man 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, which is owned 51% by Minas de Oro Mongol LLC (Minas), a wholly-owned subsidiary of MORE, and 49% by Erdenejas LLC, a Mongolian exploration company. The project is under continued care and maintenance.

#### *Sierra Leone and Uganda Projects*

The Gori Hills Project located in the Republic of Sierra Leone in West Africa is owned 90% by MORE through Monte Oro Mining Co., Ltd. (MOMCL) which holds the tenements for the project, and MORE Minerals SL (MMSL), previously engaged in artisanal mining and gold trading. In 2021, it received a notice that its tenement license was revoked by the National Mineral Agency.

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. As at December 31, 2021, the operations are suspended due to dispute with the Myanmar government on the license terms.



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 West Philippine Sea in October 2020, allowing exploration activities to resume over the block. The consortium has 20 months or until June 2022 to drill two commitment wells under sub-phase 2. Failure to comply with the minimum work commitment for each sub-phase shall terminate the service contract. Any failure or delay in the performance of obligations and duties shall be excused to the extent attributable to *force majeure*. In 2021, the consortium started its preparations for the drilling of two commitment wells in the first half of 2022.

On April 6, 2022, Forum received a directive from the Department of Energy (DOE) to put on hold all exploration activities for SC 72 until such time that the Security, Justice and Peace Coordinating Cluster (SJPPC) has issued the necessary clearance to proceed. Forum, as the operator, complied with this directive by suspending the drilling activities.

On April 8, 2022, Forum sent a letter to DOE, expressing its willingness to resume activities immediately, no later than April 11, 2022, but if written confirmation from DOE would not be received by April 10, 2022, the consortium will consider the suspension of work issued by the DOE to be indefinite and a *force majeure* event that will entitle the consortium to be excused from the performance of the obligations and to the extension of the exploration period under SC 72.

As at April 29, 2022, the consortium has not received advise from the DOE that it can resume its exploration activities. Thus, the consortium was constrained to stand by the *force majeure* declaration and to terminate with immediate effect all the supply and services agreements that have been put in place to carry out the work obligations imposed by the DOE. The National Defense Secretary Delfin Lorenzana who heads SJPPC has publicly declared that the fate of oil exploration activities in the West Philippine Sea is now up to the next administration to be elected in the May 2022 national election.

c. Solid Waste Management

MORE owns 52% of International Cleanenvironment Systems, Inc. (ICSI) which has a Build-Operate-Transfer (BOT) 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 was 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 and which was further extended to May 31, 2021. The agreement to sell did not materialize until expiration of agreement in 2021 (see Note 8).

Authorization to issue the Consolidated Financial Statements

The accompanying consolidated financial statements of the Group as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, were authorized for issuance by the Parent Company's Board of Directors (BOD) on April 29, 2022.



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## 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, 2021 and 2020. 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:

	Nature of business	Country of incorporation	Effective percentage of ownership	
			2021	2020
ISRI	Mine exploration and development	Philippines	<b>100.00</b>	100.00
MORE	Mine and oil exploration and development	Philippines	<b>100.00</b>	100.00
MORE's Subsidiaries:				
Minas	Mine exploration and development, and gold trading	Mongolia	<b>100.00</b>	100.00
PGL	Mine exploration and development	Isle of Man	<b>100.00</b>	100.00
CRPI*	Mine exploration and development	Philippines	<b>100.00</b>	100.00
BMRC	Mine exploration and development	Philippines	<b>100.00</b>	100.00
MMSL	Mine exploration and development, and gold trading	Sierra Leone	<b>90.00</b>	90.00
MOMCL	Mine exploration and development, and gold trading	Sierra Leone	<b>90.00</b>	90.00
ICSI**	Solid waste management	Philippines	<b>52.00</b>	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, 2021. 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 16, *COVID-19-related Rent Concessions*
- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

#### 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, 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 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

*Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

*Effective beginning on or after January 1, 2025*

- 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, 2021 and 2020, 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), advance to GMU, and nontrade receivable under "Other noncurrent assets".

#### Hedging

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.



## 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.

## Noncurrent Assets Held-for-Sale and Discontinued Operations

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.

If the criteria for held for sale is no longer met, the Group shall cease to classify the asset (or disposal group) as held for sale. The Group shall measure a non-current asset (or disposal group) that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of:

- its carrying amount before the asset (or disposal group) was classified as held for sale or as held for distribution to owners, adjusted for any depreciation, amortization or revaluation that would have been recognized had the asset (or disposal group) not been classified as held for sale or as held for distribution to owners, and
- its recoverable amount at the date of the subsequent decision not to sell or distribute

#### 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 deferred 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.



Mine 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.

#### Deferred Exploration Costs

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 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.

#### *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.

#### 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.

#### Investment in an Associate

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 profit or loss as part of finance costs. For closed sites, changes to estimated costs are recognized immediately in 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 ore 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 deal confirmation of is drawn, 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.

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### **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 consolidated 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 was classified as an "Asset held-for-sale". As at December 31, 2020, 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.

The agreement to sell did not materialize until expiration of agreement on May 31, 2021. As a result, the assets and liabilities of ICSI ceased to be presented as an "Asset held-for-sale" in the consolidated statement of financial position as at December 31, 2021 (see Note 8).

#### *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. On October 16, 2020, MORE entered into a deed of assignment of subscription with PSHI where the rights, title, and interest of MEPC were assigned (see Note 9).

#### *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, 2021 and 2020, 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, Advances to GMU, and Nontrade Receivable*

The Group uses the general approach model as impairment requirement of PFRS 9 based on ECL. An assessment of the ECL relating to trade and other receivables, advances to related parties, advance to GMU, and nontrade receivable 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, advances to GMU, and nontrade receivable amounted to ₱207.73 million and ₱274.83 million, as at December 31, 2021 and 2020, respectively. These are net of allowance for impairment losses amounting to ₱115.52 million and ₱21.99 million as at December 31, 2021 and 2020, respectively (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, 2021 and 2020, the Group has net cumulative unrealized loss on financial assets at FVOCI amounting to ₱343.84 million and ₱344.64 million, respectively. As at December 31, 2021 and 2020, the fair value of the Group's financial assets at FVOCI amounted to ₱4.0 million and ₱3.2 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 ₱1.71 million, nil, and ₱11.26 million and provided an additional provision amounting to nil, ₱15.77 million, and nil in 2021, 2020 and 2019, respectively (see Note 6). As at December 31, 2021 and 2020, the carrying amounts of inventories amounted to ₱1.15 billion and ₱992.71 million, respectively, net of allowance for inventory losses and obsolescence amounting to ₱39.41 million and ₱41.12 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. As at December 31, 2021 and 2020, the aggregate carrying value of nonfinancial other current assets amounted to ₱343.61 million and ₱146.37 million, respectively (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.

In 2021, 2020 and 2019, the Group recognized provision for impairment losses amounting to ₱578.76 million, nil and nil, respectively (see Note 23). Deferred exploration costs amounted to ₱1.71 billion and ₱2.00 billion as at December 31, 2021 and 2020, respectively, net of allowance for impairment amounting to ₱578.76 million and nil as at December 31, 2021 and 2020, respectively (see Note 11).

*Estimation of Fair Values, Useful Lives and Residual Values of Property, Plant and Equipment*

The Group estimates the fair values, useful lives and residual values of property, plant and equipment based on the results of assessment of independent appraisers. Fair values 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. There were no changes in the estimated useful lives, fair values and residual values of property, plant and equipment in 2021 and 2020.

In 2021, 2020 and 2019, the Group recorded provision for impairment losses on property plant and equipment amounting to ₱341.46 million, nil and nil, respectively. Property, plant and equipment at fair value as at December 31, 2021 and 2020 has net book values amounting to ₱10.29 billion and ₱9.84 billion, respectively, while property, plant and equipment at cost as at December 31, 2021 and 2020 amounted to ₱9.92 billion and ₱9.34 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 estimation of provision for mine rehabilitation and decommissioning and, depletion and depreciation. The Group estimates its ore reserves based on information compiled by a qualified external competent person relating to the



geological and technical data on the size, depth, and shape of the ore body and suitable production techniques and recovery rates, 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.

The group estimates and reports ore reserves in line with the principles contained in the Philippine Mineral Reporting Code. On July 6, 2021, an ore reserves estimate with a cutoff date of May 31, 2021 was published by a competent person indicating an increase in ore reserves estimate and increasing its life on mine from 3 years to 10 years, replenished as exploration and mine development progresses. The increase in ore reserves estimate resulted to a decrease in depletion costs by ₱443.82 million.

Depletable mine and mining properties, net of accumulated depletion, amounted to ₱2.88 billion and ₱2.34 billion as at December 31, 2021 and 2020, 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 2021, 2020 and 2019 were 11%, 15%, and 15%, respectively. Depletion costs amounted to ₱295.28 million, ₱349.13 million, and ₱532.21 million, in 2021, 2020 and 2019, respectively. Depletable mine and mining properties, net of accumulated depletion amounted to ₱2.88 billion and ₱2.34 billion as at December 31, 2021 and 2020, 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 ₱10.98 billion and ₱10.54 billion as at December 31, 2021 and 2020, respectively (see Notes 10, 12, and 13).

These are subjected to impairment testing when impairment indicators are present. As at December 31, 2021 and 2020, allowance for impairment loss on property, plant and equipment amounted to ₱504.14 million and ₱162.67 million, respectively (See Note 10). Impairment loss



recognized in 2021, 2020 and 2019 amounted to ₱341.46, nil and nil, respectively (see Note 23).

As at December 31, 2021 and 2020, allowance for impairment loss on intangibles assets amounted to ₱192.20 million and nil, respectively (see Note 12). Impairment loss recognized in 2021, 2020 and 2019 amounted to ₱192.20, nil and nil, respectively (Note 23).

As at December 31, 2021 and 2020, allowance for impairment loss on nonfinancial other noncurrent assets amounted to ₱236.63 million and nil, respectively (see Note 8). Impairment loss recognized in 2021, 2020 and 2019 amounted to ₱236.63, nil and nil, respectively (see Note 23). In 2021 and 2020, the Parent Company written off input VAT classified under other noncurrent assets amounted to ₱45.26 million, nil and nil in 2021, 2020, and 2019, respectively (Note 22).

#### *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 ₱52.97 million, ₱56.55 million, and ₱56.03 million in 2021, 2020 and 2019, respectively. Provision for retirement benefits amounted to ₱292.05 million, and ₱314.32 million and as at December 31, 2021 and 2020, respectively. Benefits paid in 2021, 2020 and 2019 amounted to ₱14.74 million, ₱27.46 million, and ₱43.27 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.

The Parent Company's revised Final Mine Rehabilitation and/or Decommissioning Plan (FMRDP) was approved on April 20, 2021, which consists of revised estimated mine life from 3 years to 10 years and discount rate compared to the original FMRDP that was approved on March 13, 2017. These changes resulted to a gain on change in estimate of ₱23.74 million (see Notes 10, 17 and 23).



Accretion expense amounted to ₱0.46 million and ₱1.51 million in 2021 and 2020, respectively (see Note 26). (Gain) loss on change in estimate of provision for mine rehabilitation amounted to (₱24.49million) and ₱4.55 million in 2021 and 2020, respectively (see Note 23). As at December 31, 2021 and 2020, the provision for mine rehabilitation and decommissioning amounted to ₱17.85 million and ₱42.14 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, 2021 and 2020, the Group recognized deferred tax asset related to retirement benefits, unrealized foreign exchange losses, and provision for mine rehabilitation amounting to ₱95.78 million and ₱123.64 million, respectively. As at December 31, 2021 and 2020, unrecognized deductible temporary differences amounted to ₱1.85 billion and ₱470.09 million, respectively (see Note 27).

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#### 4. Cash and cash equivalents

	2021	2020
Cash on hand	<b>₱2,298,397</b>	₱3,298,638
Cash with banks	<b>1,226,179,927</b>	1,188,374,506
Short-term deposits	<b>208,236,788</b>	208,236,788
	<b>₱1,436,715,112</b>	₱1,399,909,932

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 ₱0.97 million, ₱1.76 million, and ₱6.08 million in 2021, 2020 and 2019, respectively (see Note 23).

The Group has foreign currency-denominated cash amounting to US\$17.08 million and US\$16.66 million as at December 31, 2021 and 2020, respectively (see Note 28).



## 5. Trade and Other Receivables

	2021	2020
Trade	<b>₱—</b>	₱147,521,191
Advances to officers and employees	<b>12,352,565</b>	13,591,060
Others	<b>35,844,712</b>	35,854,933
	<b>48,197,277</b>	196,967,184
Less provision for ECL	<b>21,989,828</b>	21,989,828
	<b>₱26,207,449</b>	₱174,977,356

Trade receivables are noninterest-bearing and are generally on less than 15 days' terms. These are related to precious metal refining and 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 nil and US\$3.07 million as at December 31, 2021 and 2020, 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.

The provision for ECL on other receivables amounted to ₱21.99 million as at December 31, 2021 and 2020. The Group did not recognize any additional provision or reversal in 2021 and 2020.

## 6. Inventories

	2021	2020
Gold and silver bullions and buttons - at cost	<b>₱178,551,633</b>	₱195,614,183
Metals in-circuit - at cost	<b>65,883,727</b>	37,220,137
Ore stockpile - at cost	<b>29,458,578</b>	19,547,780
Materials and supplies - at NRV	<b>878,259,799</b>	740,332,046
	<b>₱1,152,153,737</b>	₱992,714,146

Cost of inventories recognized as part of cost of production amounted to ₱1.38 billion, ₱1.07 billion, ₱1.24 billion in 2021, 2020 and 2019, respectively (see Note 21).

Cost of materials and supplies recognized as part of general and administrative expenses in 2021, 2020 and 2019 amounted to ₱5.19 million, ₱1.96 million, and ₱2.97 million, respectively (see Note 22).



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

	2021	2020
Beginning balances	<b>₱41,119,145</b>	₱25,351,452
Provision	–	15,767,693
Reversal	<b>(1,705,857)</b>	–
Ending balances	<b>₱39,413,288</b>	₱41,119,145

The Group recognized reversal of allowance for inventory losses and obsolescence in 2021 amounting to ₱1.71 million and a provision for allowance of inventory losses and obsolescence in 2020 amounting to ₱15.77 million, which was lodged under materials and supplies of cost of production.

## 7. Other Current Assets

	2021	2020
Advances to suppliers and contractors	<b>₱308,733,324</b>	₱115,360,220
Prepayments	<b>19,158,664</b>	20,952,248
Others	<b>15,713,436</b>	10,062,442
	<b>₱343,605,424</b>	₱146,374,910

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.

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

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.



Major classes of assets and liabilities recognized as “Asset held-for-sale” as at December 31, 2020 are composed of the following:

	2021	2020
Cash and cash in bank	<b>₱—</b>	<b>₱55,349</b>
Nontrade receivable (Note 13)	—	75,939,753
Advances for the acquisition of land (Note 13)	—	93,530,149
Intangible asset (Note 12)	—	192,202,964
Trade payables	—	(1,444,917)
	<b>₱—</b>	<b>₱360,283,298</b>

The contract to sell between MORE and ABCI did not materialize until expiration of agreement on May 31, 2021. As a result, the assets and liabilities of ICSI ceased to be presented as an “Asset held-for-sale” in the consolidated statement of financial position as at December 31, 2021.

## 9. Financial Assets Measured at FVOCI

Rollforward analysis of equity securities for the years ended December 31, 2021 and 2020 follow:

	2021	2020
Cost	<b>₱347,842,240</b>	<b>₱396,870,561</b>
Derecognition	—	(49,028,321)
Total	<b>347,842,240</b>	<b>347,842,240</b>
Change in fair value of equity instrument		
financial assets:		
At the beginning of the year	<b>(344,642,240)</b>	<b>(343,342,240)</b>
Changes of fair value recognized in OCI	<b>800,000</b>	<b>(1,300,000)</b>
At the end of the year	<b>(343,842,240)</b>	<b>(344,642,240)</b>
	<b>₱4,000,000</b>	<b>₱3,200,000</b>

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.

On October 16, 2020, a Deed of Assignment of Subscription was 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 received 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. As a result of the transaction, the fair value of investment in MEPC at the date of assignment amounting to ₱49.03 million, which is equivalent to its carrying value, was derecognized. The investment was previously classified under Level 3 of the fair value hierarchy since it was based on significant unobservable input.

As at December 31, 2021 and 2020, financial assets at FVOCI pertains to MORE’s investment in National Prosperity Gold Production Group Ltd. (NPGPGL) and ISRI’s investment in Baguio Country Club (BCC) golf shares.

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, 2021 and 2020. The operations of NPGPGL were suspended due to dispute with the Myanmar government on the license terms. In 2018, the Group recognized remeasurement loss on the financial asset at FVOCI amounting to ₱344.64 million, thus as at December 31, 2021 and 2020, 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 2021 and 2020.

As at December 31, 2021 and 2020, the fair value of the financial asset at FVOCI of ISRI's investment in BCC shares amounted to ₱4.00 million and ₱3.20 million as at December 31, 2021 and 2020, respectively.



## 10. Property, Plant and Equipment

	2021							
	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
<b>At revalued amounts:</b>								
Balances at beginning 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
Additions	33,442,476	635,191,836	28,987,512	—	53,707,517	682,779,432	316,217,117	1,750,325,890
Capitalized borrowing cost (Note 18)	—	—	—	—	—	131,301,373	23,267,240	154,568,613
Capitalized depreciation	—	—	—	—	—	91,941,072	—	91,941,072
Change of estimate on provision for mine rehabilitation and decommissioning (Notes 17 and 23)	—	—	—	—	—	(252,584)	—	(252,584)
Reclassifications from construction in-progress	77,754,316	22,248,575	—	586,108	10,190,700	—	(110,779,699)	—
Disposals and write-off	—	—	—	—	(125,917)	—	—	(125,917)
Balances at end of year	479,969,832	7,044,963,130	732,155,665	1,055,257,227	502,436,257	9,276,643,700	1,606,306,411	20,697,732,222
<b>Accumulated depreciation and depletion:</b>								
Balances at beginning 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
Depreciation and depletion	37,437,406	697,950,847	57,824,938	73,796,592	42,166,405	295,281,787	—	1,204,457,975
Disposals and write-off	—	—	—	—	(61,019)	—	—	(61,019)
Balances at end of year	211,328,558	4,520,913,622	588,443,275	692,948,606	307,504,583	3,580,869,521	—	9,902,008,165
<b>Allowance for impairment:</b>								
Balances at beginning of year	126,037	3,318,744	—	159,229,430	—	—	—	162,674,211
Impairment	160,330	—	—	—	425,535	—	340,878,840	341,464,705
Balances at end of year	286,367	3,318,744	—	159,229,430	425,535	—	340,878,840	504,138,916
<b>Net book values</b>	<b>₱268,354,907</b>	<b>₱2,520,730,764</b>	<b>₱143,712,390</b>	<b>₱203,079,191</b>	<b>₱194,506,139</b>	<b>₱5,695,774,179</b>	<b>₱1,265,427,571</b>	<b>₱10,291,585,141</b>



	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 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	—	1,188,916,359
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



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 ₱280.28 million which was directly credited to the revaluation surplus, net of piecemeal realization amounting to ₱87.91 million. In 2021 and 2020, ₱95.93 million and ₱98.02 million, respectively, were 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, 2021 and 2020.

Movement in revaluation surplus in equity is as follows:

	2021	2020
Balances at beginning of year	<b>₱351,316,435</b>	₱449,332,647
Effect of change in tax rate	<b>25,094,031</b>	—
Realized portion through depreciation, net of tax (Note 19)	<b>(95,928,540)</b>	(98,016,212)
Balance at end of year	<b>₱280,481,926</b>	₱351,316,435

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:

	2021							
	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
<b>At cost:</b>								
Balances at end of year	₱436,237,743	₱7,547,090,622	₱809,079,229	₱1,026,892,133	₱553,275,993	₱9,276,643,699	₱1,392,863,138	₱21,042,082,557
<b>Accumulated depreciation and depletion:</b>								
Balances at end of year	235,057,573	5,080,900,395	616,459,814	727,390,016	379,657,083	3,580,869,521	–	10,620,334,402
<b>Allowance for impairment:</b>								
Balances at end of year	286,367	3,318,744	–	159,229,430	425,535	–	340,878,840	504,138,916
<b>Net book values</b>	<b>₱200,893,803</b>	<b>₱2,462,871,483</b>	<b>₱192,619,415</b>	<b>₱140,272,687</b>	<b>₱173,193,375</b>	<b>₱5,695,774,178</b>	<b>₱1,051,984,298</b>	<b>₱9,917,609,239</b>
	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
<b>At cost:</b>								
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
<b>Accumulated depreciation and depletion:</b>								
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
<b>Allowance for impairment:</b>								
Balances at beginning and end of year	126,037	3,318,744	–	159,229,430	–	–	–	162,674,211
<b>Net book values</b>	<b>₱123,182,134</b>	<b>₱2,392,973,425</b>	<b>₱215,150,332</b>	<b>₱210,687,572</b>	<b>₱147,670,488</b>	<b>₱5,085,286,673</b>	<b>₱1,164,158,483</b>	<b>₱9,339,109,107</b>



The cost of fully depreciated property, plant and equipment that are still being used amounted to ₱400.49 million and ₱379.44 million as at December 31, 2021 and 2020, respectively.

In 2021, the tenement applications related to mine project of PGL located in Jose Panganiban, Camarines Norte were adversely affected by the freeze on issuance of new mining licenses by the Philippine government. The Group deems it prudent to provide for the impairment of the related mineral processing plant assets. In 2021 and 2020, the Group recognized an allowance for impairment losses on property, plant and equipment amounting to ₱341.46 million and nil, respectively (Note 23).

The Group capitalized borrowing cost amounting to ₱23.27 million and ₱27.04 million for construction in-progress, ₱131.30 million and ₱157.74 million for mine development costs in 2021 and 2020, respectively. The rate used by the Parent Company to determine the amount of borrowing costs eligible for capitalization was 6.3% and 6.0% in 2021 and 2020 respectively. The rate used by ISRI was 8.8% in 2021 and 2020 (see Note 18).

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

2021					
	Depletable		Subtotal	Mine development cost	Total
	Mine and mining properties	Mine rehabilitation assets			
<b>Cost:</b>					
Balances at beginning of year	₱5,596,022,642	₱29,906,208	₱5,625,928,850	₱2,744,945,557	₱8,370,874,407
Additions	—	—	—	682,779,432	682,779,432
Capitalized depreciation	—	—	—	91,941,072	91,941,072
Capitalized borrowing costs	—	—	—	131,301,373	131,301,373
Transfers	832,306,356	—	832,306,356	(832,306,356)	—
Change in estimate	—	(252,584)	(252,584)	—	(252,584)
Balances at end of year	6,428,328,998	29,653,624	6,457,982,622	2,818,661,078	9,276,643,700
<b>Accumulated depletion:</b>					
Balances at beginning of year	3,260,287,784	25,299,950	3,285,587,734	—	3,285,587,734
Depletion	294,886,293	395,494	295,281,787	—	295,281,787
Balances at end of year	3,555,174,077	25,695,444	3,580,869,521	—	3,580,869,521
<b>Net book values</b>	<b>₱2,873,154,921</b>	<b>₱3,958,180</b>	<b>₱2,877,113,101</b>	<b>₱2,818,661,078</b>	<b>₱5,695,774,179</b>

2020					
	Depletable		Subtotal	Mine development cost	Total
	Mine and mining properties	Mine rehabilitation assets			
<b>Cost:</b>					
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
<b>Accumulated depletion:</b>					
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
<b>Net book values</b>	<b>₱2,335,734,858</b>	<b>₱4,606,258</b>	<b>₱2,340,341,116</b>	<b>₱2,744,945,557</b>	<b>₱5,085,286,673</b>

The carrying amount of the Parent Company's asset retirement obligation (ARO) pertaining to mine rehabilitation assets amounted to nil as at December 31, 2021 and 2020.



As at December 31, 2021 and 2020, the carrying amount of ISRI's ARO amounted to ₱3.96 million and ₱4.61 million, respectively.

## 11. Deferred Exploration Costs

	2021	2020
Balances at beginning of year	<b>₱1,996,121,548</b>	₱2,321,842,673
Additions	<b>292,192,881</b>	254,670,970
Transfers (Note 10)	–	(580,392,095)
	<b>2,288,314,429</b>	1,996,121,548
Less allowance for impairment losses	<b>578,755,160</b>	–
	<b>₱1,709,559,269</b>	₱1,996,121,548

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 nil and ₱580.39 million in 2021 and 2020, respectively (Note 10).

The Gori Hills project located in the Republic of Sierra Leone in West Africa is owned through MOMCL which holds the tenements for the project. In 2021, it received a notice that its tenement license was revoked by the National Mineral Agency. In 2021, BMRC tenement applications were adversely affected by the freeze on issuance of new mining licenses by the Philippine government. In 2021 and 2020, the Group recognized an allowance for impairment losses on deferred exploration costs amounting to ₱578.76 million and nil, respectively (Note 23).

## 12. Intangible Assets

	2021		
	Franchise (Note 8)	Computer Software	Total
<b>Cost:</b>			
Balances at beginning of year	₱–	₱55,554,791	₱55,554,791
Additions	–	13,623,119	13,623,119
Reclassifications	192,202,964	–	192,202,964
Balances at end of year	192,202,964	69,177,910	261,380,874
<b>Accumulated amortization:</b>			
Balances at beginning of year	–	52,965,535	52,965,535
Amortization (Note 24)	–	1,423,585	1,423,585
Balances at end of year	–	54,389,120	54,389,120
<b>Allowance for impairment:</b>			
Balances at the beginning of year	–	–	–
Additions	192,202,964	–	192,202,964
Balances at end of year	192,202,964	–	192,202,964
<b>Net book values</b>	<b>₱–</b>	<b>₱14,788,790</b>	<b>₱14,788,790</b>



	2020		
	Franchise	Computer Software	Total
Cost:			
Balances at beginning of year	P—	P54,481,291	P54,481,291
Additions	—	1,073,500	1,073,500
Balances at end of year	—	55,554,791	55,554,791
Accumulated amortization:			
Balances at beginning of year	—	51,914,469	51,914,469
Amortization (Note 24)	—	1,051,066	1,051,066
Balances at end of year	—	52,965,535	52,965,535
Net book values	P—	P2,589,256	P2,589,256

Franchise pertains to ICSI's cost of franchise for the implementation of the Solid Waste Management Project which was reclassified as intangible asset in 2021. As at December 31, 2021, the BOT contract with the Philippine government is not yet implemented. The Group deems it prudent to provide for the impairment of this asset (see Note 8).

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

### 13. Other Noncurrent Assets

	2021	2020
Advance to Gold Mines of Uganda Ltd. (GMU)	<b>P103,277,975</b>	P97,547,858
Input VAT	<b>553,128,465</b>	523,927,675
Advances for land acquisition (Note 8)	<b>93,530,149</b>	—
Nontrade receivable (Note 8)	<b>75,939,753</b>	—
MRF	<b>27,455,603</b>	27,452,291
National transmission lines	<b>17,312,180</b>	17,221,112
Deposits	<b>13,798,312</b>	13,440,236
Advances for royalties	<b>2,084,893</b>	2,084,893
Others	<b>27,941,350</b>	12,649,440
	<b>914,468,680</b>	694,323,505
Less allowance for impairment losses	<b>236,628,830</b>	—
	<b>P677,839,850</b>	P694,323,505

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.

Input VAT represents VAT imposed on the Group by its suppliers for the acquisition of goods and services, which the Group applies for cash refund by regulatory agencies.

The Group recognized allowance for impairment of input VAT amounting to P143.10 million and nil in 2021 and 2020, respectively (Note 23). The Group written off input VAT in 2021 amounting to P45.26 million and nil in 2021 and 2020, respectively (Note 22). Written off input VAT pertain to denied input VAT refund and prescribed for application for refund.

Nontrade receivable refers to the advances from stockholders with minority interest.





As at December 31, 2021 and 2020, 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 pertains to security deposits made to power suppliers 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.

Advances for the land acquisition consists of advance payments made to various land owners aggregating for the purchase of land to be used in the Group's project to construct and operate a sanitary landfill in relation to BOT contract with the Philippine government in Note 8, which is not yet implemented. Hence, these advances were impaired. Impairment loss relating to advances for land acquisition amounting to ₱93.53 million and nil was recognized in 2021, and 2020, respectively (see Note 23).

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

#### 14. Trade and Other Payables

	2021	2020
Trade	<b>₱402,985,985</b>	₱283,420,346
Nontrade	<b>316,073,995</b>	316,980,480
Accrued expenses	<b>172,393,860</b>	175,201,269
Accrued employee benefits	<b>103,118,337</b>	90,374,467
Payables to government agencies	<b>66,123,209</b>	42,776,474
Retention payable	<b>17,842,078</b>	13,076,864
Others	<b>75,792,744</b>	75,055,853
	<b>₱1,154,330,208</b>	₱996,885,753

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:						
<i>MORE Coal</i>	With common stockholders	2021	₱—	₱1,186,593	Due and demandable	Unsecured,
		2020	₱—	₱1,186,593	Due and demandable	cash-settled
<i>MORE Oil &amp; Gas</i>	With common stockholders	2021	—	603,126	Due and demandable	Unsecured,
		2020	—	603,126	Due and demandable	cash-settled
<i>MORE Reedbank</i>	With common stockholders	2021	—	514,390	Due and demandable	Unsecured,
		2020	—	514,390	Due and demandable	cash-settled
		2021	₱—	₱2,304,109		
		2020	₱—	₱2,304,109		
Cash advances from:						
<i>PSHI</i>	Parent	2021	(₱60,000,000)	₱916,012,000	Due and demandable	Unsecured,
		2020	(₱63,500,000)	₱976,012,000	Due and demandable	cash-settled

- Advances to related parties pertain to funds obtained for its working capital requirements.
- Advances from PSHI pertain to advances obtained by the Parent Company and MORE for its working capital requirements.
- 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 ₱15.23 million and ₱14.69 million, respectively, while the fair values amounted to ₱15.21 million and ₱15.24 million, respectively, as at December 31, 2021 and 2020 (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, 2021 and 2020, the retirement fund consists of investments in government bonds, cash and short-term deposits, equity instruments and others which accounts for 77.47% and 73.02%, 22.13% and 26.48%, and 0.40% and 0.50%, respectively, of its composition. The Parent Company made no contributions to the fund in 2021 and 2020 (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 2021, 2020 and 2019. The Group paid salaries and other short-term benefits to key management personnel amounting to ₱83.98 million, ₱69.48 million, and ₱104.37 million in 2021, 2020 and 2019, respectively.

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## 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:

	2021	2020	2019
Current service cost (Note 25)	<b>₱41,623,130</b>	₱43,257,274	₱39,042,397
Interest cost - net (Note 26)	<b>11,351,567</b>	13,296,284	16,993,828
	<b>₱52,974,697</b>	₱56,553,558	₱56,036,225



<b>2021</b>	<b>Defined benefits liability</b>	<b>Fair value of plan assets</b>	<b>Net defined benefit liability</b>
<b>At January 1</b>	<b>₱329,552,347</b>	<b>₱15,235,639</b>	<b>₱314,316,708</b>
Net interest (Note 26)	11,947,280	595,713	11,351,567
Current service cost (Note 25)	41,623,130	—	41,623,130
Benefits paid	(14,735,034)	—	(14,735,034)
<b>Remeasurement of actuarial losses (gains):</b>			
Experience	(20,123,373)	—	(20,123,373)
Changes in financial assumptions	(40,999,821)	—	(40,999,821)
Remeasurement gain - return on plan assets	—	(622,099)	622,099
	<b>(61,123,194)</b>	<b>(622,099)</b>	<b>(60,501,095)</b>
<b>At December 31</b>	<b>₱307,264,529</b>	<b>₱15,209,253</b>	<b>₱292,055,276</b>

<b>2020</b>	<b>Defined benefits liability</b>	<b>Fair value of plan assets</b>	<b>Net defined benefit liability</b>
<b>At January 1</b>	<b>₱302,110,575</b>	<b>₱14,334,200</b>	<b>₱287,776,375</b>
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)
<b>Remeasurement of actuarial losses (gains):</b>			
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)
	<b>(2,388,563)</b>	<b>164,661</b>	<b>(2,553,224)</b>
<b>At December 31</b>	<b>₱329,552,347</b>	<b>₱15,235,639</b>	<b>₱314,316,708</b>

Changes in defined benefits cost recognized in OCI in 2021 and 2020 are as follows:

	<b>2021</b>	<b>2020</b>
At January 1	<b>₱19,243,522</b>	₱21,030,779
Actuarial loss (gain) - defined benefit obligation	<b>(61,123,194)</b>	(2,388,563)
Remeasurement gain - plan asset	<b>622,099</b>	(164,661)
Income tax effect	<b>15,125,274</b>	765,967
<b>At December 31</b>	<b>(₱26,132,299)</b>	<b>₱19,243,522</b>

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

	<b>2021</b>	<b>2020</b>
Cash and short-term deposits	<b>77.47%</b>	73.02%
Debt instruments - government bonds	<b>22.13%</b>	26.48%
Others	<b>0.40%</b>	0.50%
	<b>100.00%</b>	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:

	2021	2020
Discount rate	5.10%	3.91%
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)	2021
Discount rates	6.10%	(P28,513,190)
	(4.10%)	P33,806,765

	Increase (decrease)	2020
Discount rates	4.91%	(P32,545,240)
	(2.91%)	P39,045,453

	Increase (decrease)	2021
Salary increase rate	6.00%	P35,032,941
	(4.00%)	(P30,060,411)

	Increase (decrease)	2020
Salary increase rate	6.00%	P39,840,808
	(4.00%)	(P33,852,819)

The latest available actuarial valuation report of the Parent Company was obtained on April 13, 2022, representing information as at December 31, 2021.

The maturities of the undiscounted benefit payments as at December 31, 2021 and 2020 are shown below:

	2021	2020
Less than one year	P40,923,980	P46,360,735
More than one year to five years	88,517,468	90,130,698
More than five years to 10 years	164,267,341	153,221,916
	P293,708,789	P289,713,349



## 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:

	2021	2020
Balance at beginning of year	<b>₱42,135,633</b>	₱36,069,650
Accretion (Note 26)	<b>457,754</b>	1,513,666
Effect of change in estimate (Notes 10 and 23)	<b>(24,738,974)</b>	4,552,317
Balance at end of year	<b>₱17,854,413</b>	₱42,135,633

The Parent Company's FMRDP on its existing MPSAs was approved by the MGB on March 13, 2017 and revised FMRDP was approved on April 20, 2021. The revised FMRDP incorporated the latest ore reserves estimate which indicates that the mine life was extended from 3 years to 10 years. 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. Discount rate as of December 31, 2021 and 2020 is 4.98% and 1.84%, respectively. The change in mine life and discount rate resulted to (gain) loss on change in estimate amounting to (₱24.49 million) and ₱4.55 million in 2021 and 2020, respectively (Note 23).

As at December 31, 2021 and 2020, ISRI's provision for mine rehabilitation and decommissioning amounting to ₱4.71 million and ₱5.19 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

	2021	2020
Philippine National Bank (PNB)	<b>₱3,135,220,170</b>	₱3,827,748,986
Rizal Commercial Banking Corporation (RCBC)	<b>922,500,000</b>	922,500,000
Union Bank of the Philippines (UBP)	<b>509,990,000</b>	478,552,378
	<b>4,567,710,170</b>	5,228,801,364
Less current portion	<b>2,315,484,534</b>	2,201,741,649
Noncurrent portion	<b>₱2,252,225,636</b>	₱3,027,059,715

### PNB

PNB has granted the Parent Company and ISRI 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 with a new expiry date of July 31, 2022



As at December 31, 2021 and 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.

In May 2019, the ISRI was granted by PNB various credit facilities such as Omnibus Line in the principal amount of ₱200.00 million and Counterparty Line (FX Line) in the principal amount of ₱2.00 million for Pre-settlement Risk Line and ₱100.00 million for Settlement Risk Line.

The ISRI has outstanding unsecured TRs amounting to ₱106.12 million and ₱23.82 million for its importation of machinery and equipment using the standard credit terms with PNB of 180 days as at as at December 31, 2021 and 2020, respectively.

- 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 6.00% per annum. As part of its affirmative covenants, the Parent Company used the proceeds to pay off the obligations with BDO Unionbank, 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 Debt Service Coverage Ratio (DSCR), of at least 1.2x and a consolidated Debt-to-Equity Ratio (DER) of 70:30.

The Parent Company has an outstanding unsecured promissory note equivalent to ₱1.16 billion and ₱1.52 billion as at December 31, 2021 and 2020, respectively.

As at December 31, 2021 and 2020, 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 (8) 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, respectively, 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 fully drawn in May and June 2020, respectively, amounting to ₱500.00 million each with the same interest rate.

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

The Parent Company has an outstanding unsecured promissory note equivalent to ₱1.55 billion and ₱1.81 billion as at December 31, 2021 and 2020, respectively.

As at December 31, 2021 and 2020, 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 (5) 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 second 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 ISRI, 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 consolidated DER of not more than 70:30.

ISRI has an outstanding unsecured promissory note equivalent to ₱314.38 million and ₱471.46 million as at December 31, 2021 and 2020, respectively.

As at December 31, 2021 and 2020, all loan covenants are complied with.

#### *RCBC*

As at December 31, 2021, the Parent Company has outstanding unsecured promissory notes amounting to ₱922.5 million with maturity date on March 15, 2022, carrying an interest rate of 5.75% per annum. While the 2020 ₱922.5 million unsecured promissory notes carrying an interest rate of 6% per annum matured on March 22, 2021.

On March 15, 2022, the Parent Company was granted to rollover with partial payment on its unsecured promissory note for ₱900.0 million maturing on September 9, 2022, bearing an interest rate of 5.75% per annum.

#### *UBP*

As at December 31, 2021, the Parent Company has outstanding US\$6.84 million, US\$1.80 million and US\$1.36 million unsecured promissory note equivalent to ₱510.00 million with maturity date of February 21 and May 24 and May 24, 2022, respectively, bearing the interest rate of 5.75%

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

On February 21, 2022, the Parent Company was granted to rollover its unsecured promissory note for US\$6.84 million maturing on August 19, 2022 bearing an interest rate of 5.75%.

The Group's availment and payment of loans as at December 31, 2021 and 2020 are as follows:

	2021		2020	
	Availment	Payment	Availment	Payment
PNB	<b>₱82,305,263</b>	<b>₱774,834,079</b>	₱1,070,397,502	₱895,163,722
RCBC	—	—	—	77,500,000
UBP	—	—	69,419,840	—
	<b>₱82,305,263</b>	<b>₱774,834,079</b>	<b>₱1,139,817,342</b>	<b>₱972,663,722</b>





Interest expenses incurred in 2021 and 2020 in relation to the availed loans are as follows:

	2021	2020
PNB	<b>₱226,236,944</b>	₱272,036,513
RCBC	<b>53,127,031</b>	73,034,757
UBP	<b>28,493,120</b>	27,323,264
Subtotal	<b>307,857,095</b>	372,394,534
Capitalized borrowing costs (Note 10)	<b>(154,568,613)</b>	(184,786,366)
Interest on loans payable (Note 26)	<b>₱153,288,482</b>	₱187,608,168

The Group capitalized borrowing costs related to construction in-progress and mine development cost amounting to ₱154.56 million and ₱184.79 million in 2021 and 2020, respectively. The rate used by the Parent to determine the amount of borrowing costs eligible for capitalization was 6.3% and 6.0% in 2021 and 2020, respectively. The rate used by ISRI was 8.8% in 2021 and 2020 (see Note 10).

## 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, 2021 and 2020.

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

	2021		2020	
	Shares	Amount	Shares	Amount
<b>Issued and subscribed shares at beginning and end of year</b>	<b>6,227,887,491</b>	<b>₱6,227,887,491</b>	6,227,887,491	₱6,227,887,491
<b>Treasury shares</b>	<b>(555,132,448)</b>	<b>(2,081,746,680)</b>	(555,132,448)	(2,081,746,680)
<b>Outstanding shares at end of year</b>	<b>5,672,755,043</b>	<b>₱4,146,140,811</b>	5,672,755,043	₱4,146,140,811

### APIC

There were no movements in APIC. As at December 31, 2021 and 2020, APIC amounted to ₱634,224.

### Retained earnings

Movements in the retained earnings are as follows:

	2021	2020
Balance at beginning of year	<b>₱3,229,518,939</b>	₱1,598,951,955
Net income attributable to the equity holders of the Parent Company	<b>803,055,743</b>	1,532,550,772
Realization of revaluation surplus (Note 10)	<b>95,928,540</b>	98,016,212
Balance at end of year	<b>₱4,128,503,222</b>	₱3,229,518,939



## NCI

NCI consists of the following:

	2021	2020
NCI on net assets of:		
ICSI	<b>₱64,107,381</b>	₱201,432,399
Minas	<b>(22,133,536)</b>	(22,133,536)
MMSL	<b>(2,832,248)</b>	(2,583,923)
MOMCL	<b>(7,961,038)</b>	266,392
	<b>₱31,180,559</b>	₱176,981,332

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

Statements of comprehensive loss for the years ended December 31, 2021 and 2020:

	2021	2020
General and administrative expenses	<b>₱360,676</b>	₱385,397
Other charges	<b>285,733,113</b>	—
Loss before tax	<b>286,093,789</b>	385,397
Provision for income tax	—	—
Net loss	<b>₱286,093,789</b>	₱385,397
Attributable to:		
Equity holders of the Parent Company	<b>₱148,768,770</b>	₱200,406
Non-controlling interests	<b>137,325,019</b>	184,991

Statements of financial position as at December 31, 2021 and 2020:

	2021	2020
Current assets	<b>₱135,050,426</b>	₱135,076,102
Noncurrent assets	—	285,733,113
Current liabilities	<b>(1,779,917)</b>	(1,444,917)
Noncurrent liabilities	<b>(1,012,495)</b>	(1,012,495)
Total equity	<b>₱132,258,014</b>	₱418,351,803
Attributable to:		
Equity holders of the Parent Company	<b>₱68,774,167</b>	₱217,542,938
Non-controlling interests	<b>63,483,847</b>	200,808,865

## 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, 2021, 2020 and 2019 when there were no potentially dilutive common shares during the respective periods are as follows:

	2021	2020	2019
Net income attributable to the equity holders of the Parent Company	<b>₱803,055,743</b>	₱1,532,853,728	₱306,163,821
Weighted average number of common shares for basic and diluted earnings per share	<b>5,672,755,043</b>	5,672,755,043	5,672,755,043
Basic and diluted earnings per share	<b>₱0.14</b>	₱0.27	₱0.05

## 21. Cost of Production

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

	2021	2020	2019
Materials and supplies (Note 6)	<b>₱1,383,256,812</b>	₱1,070,827,546	₱1,240,052,500
Depreciation, depletion and amortization (Note 24)	<b>1,112,394,669</b>	1,021,751,310	1,251,947,956
Personnel costs (Note 25)	<b>663,484,216</b>	529,105,421	507,176,014
Contracted services	<b>360,270,500</b>	230,703,163	288,059,462
Utilities	<b>251,137,322</b>	233,373,311	225,993,321
Taxes, permits, and licenses	<b>103,920,465</b>	82,720,300	89,613,529
Surface rights to indigenous people (IP) (Note 30)	<b>70,260,235</b>	64,269,853	48,255,306
Bullion refining and transportation charges	<b>69,998,995</b>	58,654,361	39,903,348
Community development expenses	<b>68,373,360</b>	76,946,691	66,027,852
Insurance	<b>52,892,123</b>	36,493,259	25,233,012
Repairs and maintenance	<b>30,590,569</b>	4,413,272	4,595,893
Royalties to IP (Note 30)	<b>29,980,618</b>	28,043,908	10,982,168
Donations and contributions	<b>18,361,517</b>	7,101,139	1,893,684
Professional fees	<b>14,202,336</b>	10,433,115	7,660,421
Employee activities	<b>10,654,825</b>	4,692,011	5,174,417
Data and communication	<b>10,343,570</b>	7,160,190	8,961,286
Rent (Note 30)	<b>8,180,094</b>	1,878,993	8,858,761
Transportation and accommodation	<b>830,718</b>	1,285,806	5,666,235
Representation and entertainment	<b>720,994</b>	424,013	634,311
	<b>₱4,259,853,938</b>	₱3,470,277,662	₱3,836,689,476



The amounts were distributed as follows:

	2021	2020	2019
Mining	<b>₱1,207,618,795</b>	₱886,820,243	₱1,088,233,828
Milling	<b>749,156,119</b>	609,328,403	560,122,960
Compliance	<b>346,179,875</b>	316,343,312	282,083,576
Mine overhead	<b>1,956,899,149</b>	1,657,785,704	1,906,249,112
	<b>₱4,259,853,938</b>	₱3,470,277,662	₱3,836,689,476

## 22. General and Administrative Expenses

	2021	2020	2019
Personnel costs (Note 25)	<b>₱71,900,061</b>	₱91,401,823	₱114,692,944
Write off of input VAT (Note 13)	<b>45,259,705</b>	—	—
Professional fees	<b>33,833,144</b>	24,737,720	26,365,782
Taxes, licenses and permits	<b>22,771,807</b>	19,507,683	41,220,277
Rent (Note 30)	<b>5,576,677</b>	4,465,285	4,619,550
Materials and supplies (Note 6)	<b>5,189,436</b>	1,958,949	2,973,623
Transportation and accommodation	<b>2,807,746</b>	1,351,710	4,919,990
Utilities	<b>1,621,785</b>	4,434,102	1,371,378
Depreciation and amortization (Note 24)	<b>1,545,819</b>	1,154,946	1,528,969
Representation and entertainment	<b>1,039,516</b>	719,170	1,608,402
Insurance	<b>700,693</b>	584,005	3,015,007
Repairs and maintenance	<b>589,635</b>	225,439	378,785
Community development expenses	<b>16,283</b>	96,336	630,466
Others	<b>18,444,275</b>	12,267,239	7,346,555
	<b>₱211,296,582</b>	₱162,904,407	₱210,671,728

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

## 23. Other Income (Charges) - net

	2021	2020	2019
Provision for impairment losses on:			
Deferred exploration costs (Note 11)	<b>(₱578,755,160)</b>	₱—	₱—
Property, plant and equipment (Note 10)	<b>(341,464,705)</b>	—	—
Intangible asset (Note 12)	<b>(192,202,964)</b>	—	—
Input VAT (Note 13)	<b>(143,098,681)</b>	—	—
Advances for land acquisition (Note 13)	<b>(93,530,149)</b>	—	—
Gain (loss) on change of estimate on provision for mine rehabilitation and decommissioning (Notes 10 and 17)	<b>24,486,390</b>	(3,911,192)	(4,785,323)
Foreign exchange gains (losses) - net	<b>(2,958,848)</b>	17,721,593	4,583,762
Interest income (Note 4)	<b>972,760</b>	1,756,452	6,081,172
Proceeds from insurance	—	13,006,911	—
Miscellaneous	<b>738,221</b>	(40,956,653)	(53,986,534)
	<b>(₱1,325,813,136)</b>	(₱12,382,889)	(₱48,106,923)



## 24. Depreciation, Depletion and Amortization

	2021	2020	2019
Property, plant and equipment (Note 10)	<b>₱1,112,516,903</b>	₱1,021,855,190	₱1,252,941,432
Intangible asset (Note 12)	<b>1,423,585</b>	1,051,066	535,493
	<b>₱1,113,940,488</b>	₱1,022,906,256	₱1,253,476,925

The amounts were distributed as follows:

	2021	2020	2019
Cost of production (Note 21)	<b>₱1,112,394,669</b>	₱1,021,751,310	₱1,251,947,956
General and administrative expenses (Note 22)	<b>1,545,819</b>	1,154,946	1,528,969
	<b>₱1,113,940,488</b>	₱1,022,906,256	₱1,253,476,925

The Group capitalized depreciation, depletion, and amortization costs amounting to ₱91.94 million and ₱148.09 million as part of mine development costs in 2021 and 2020, respectively (see Note 10).

## 25. Personnel Costs

	2021	2020	2019
Salaries and wages	<b>₱387,173,367</b>	₱406,466,606	₱427,494,758
Other employee benefits	<b>306,587,780</b>	170,783,364	155,331,803
Retirement benefits cost (Note 16)	<b>41,623,130</b>	43,257,274	39,042,397
	<b>₱735,384,277</b>	₱620,507,244	₱621,868,958

The amounts were distributed as follows:

	2021	2020	2019
Cost of production (Note 21)	<b>₱663,484,216</b>	₱529,105,421	₱507,176,014
General and administrative expenses (Note 22)	<b>71,900,061</b>	91,401,823	114,692,944
	<b>₱735,384,277</b>	₱620,507,244	₱621,868,958

## 26. Finance Costs

	2021	2020	2019
Interest on loans payable (Note 18)	<b>₱153,288,482</b>	₱187,608,168	₱188,373,113
Net interest cost on retirement benefits (Note 16)	<b>11,351,567</b>	13,296,284	16,993,828
Accretion expense (Note 17)	<b>457,754</b>	1,513,666	1,974,185
	<b>₱165,097,803</b>	₱202,418,118	₱207,341,126



## 27. Income Tax

The Group's provision for income tax in 2021, 2020 and 2019 are presented below. Provision for current income tax in 2021, 2020 and 2019 pertain to RCIT and MCIT for each year.

	2021	2020	2019
Current	<b>(P626,071,910)</b>	(P732,417,474)	(P196,628,726)
Deferred	<b>131,716,674</b>	60,839,262	38,495,052
	<b>(P494,355,236)</b>	(P671,578,212)	(P158,133,674)

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

	2021	2020	2019
Provision for income tax computed at statutory income tax rate of 25% in 2021 and 30% in 2020 and 2019	<b>(P287,902,552)</b>	(P671,794,852)	(P151,096,731)
Effect of change in tax rate	<b>74,182,253</b>	—	—
Changes in unrecognized deferred income tax assets	<b>(258,365,012)</b>	27,526,992	18,272,187
Add (deduct) tax effects of:			
Expired NOLCO	<b>(16,328,121)</b>	(25,869,568)	(20,685,254)
Nondeductible expenses	<b>(6,133,940)</b>	(1,710,972)	(6,445,957)
Expired MCIT	<b>(51,054)</b>	(256,747)	(2,239)
Interest income subjected to final tax	<b>243,190</b>	526,935	1,824,320
	<b>(P494,355,236)</b>	(P671,578,212)	(P158,133,674)

Details of unrecognized deductible temporary differences, MCIT and NOLCO as at December 31, 2021 and 2020 are as follows:

	2021	2020
NOLCO	<b>P181,342,461</b>	P203,861,166
Allowance for impairment losses on:		
Deferred exploration cost	<b>578,755,160</b>	—
Property, plant and equipment	<b>504,138,916</b>	162,674,211
Intangibles	<b>192,202,964</b>	—
Input VAT	<b>143,098,681</b>	—
Advances for land acquisition	<b>93,530,149</b>	21,989,828
Inventory losses and obsolescence	<b>39,413,288</b>	41,119,145
Receivables	<b>21,989,828</b>	—
Unrealized foreign exchange losses	<b>92,120,952</b>	39,603,373
MCIT	<b>219,166</b>	257,952
Provision for mine rehabilitation and decommissioning cost of a subsidiary	<b>360,751</b>	583,002
	<b>P1,847,172,316</b>	P470,088,677



The Group has recognized deferred income tax liabilities and assets as at December 31, 2021 and 2020 on the following:

	2021	2020
Deferred income tax liabilities:		
Fair value increment on deferred exploration cost and mine and mining properties	<b>₱74,951,658</b>	₱186,155,338
Revaluation surplus on property, plant and equipment	<b>93,493,974</b>	150,564,185
Unrealized foreign exchange gain	<b>15,130,391</b>	16,395,549
	<b>183,576,023</b>	353,115,072
Deferred income tax assets:		
Provision for retirement benefits	<b>(73,013,818)</b>	(94,295,012)
Provision for mine rehabilitation and decommissioning cost	<b>(3,284,997)</b>	(11,083,912)
Unrealized foreign exchange loss	<b>(19,485,690)</b>	(18,259,198)
	<b>(95,784,505)</b>	(123,638,122)
Net deferred tax liabilities	<b>₱87,791,518</b>	₱229,476,950

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.

The Group has NOLCO from taxable year 2020 and subsequently as follows:

Year incurred	Year of expiration	NOLCO
2020	2025	₱57,335,605
2021	2026	42,793,779
		<b>₱100,129,384</b>

The Group has incurred NOLCO 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
2019	2022	₱81,213,076

The movements of NOLCO are as follows:

	2021	2020
Balance at beginning of the year	<b>₱203,861,166</b>	₱232,660,815
Additions	<b>42,793,779</b>	57,432,241
Expirations	<b>(65,312,485)</b>	(86,231,890)
Balance at end of the year	<b>₱181,342,460</b>	₱203,861,166



The Group's MCIT that can be claimed as deduction against future taxable liabilities as follows:

Year incurred	Year of expiration	MCIT
2019	2022	₱156,291
2020	2023	37,955
2021	2024	24,920
		<b>₱219,166</b>

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

	2021	2020
Balance at beginning of the year	<b>₱257,952</b>	₱464,092
Additions	<b>24,920</b>	50,607
Expirations	<b>(51,054)</b>	(256,747)
Effect of change in tax rate	<b>(12,652)</b>	—
Balance at end of the year	<b>₱219,166</b>	₱257,952

The Group did not avail of the Optional Standard Deduction in 2021 and 2020.

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

	Parent	MORE	CRPI	BMRC	ISRI	Total
Balance at beginning of year	₱—	₱29,344,555	₱76,598,851	₱8,242,204	₱89,675,556	₱203,861,166
Additions	—	16,318,924	15,615,029	3,003,520	7,856,306	42,793,779
Expirations	—	—	(13,147,792)	(848,690)	(51,316,003)	(65,312,485)
Balance at end of year	₱—	₱45,663,479	₱79,066,088	₱10,397,034	₱46,215,859	₱181,342,460

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

	Parent	MORE	CRPI	BMRC	ISRI	Total
Balance at beginning of year	₱—	₱243,345	₱1,955	₱—	₱—	₱245,300
Additions	—	24,920	—	—	—	24,920
Expirations	—	(51,054)	—	—	—	(51,054)
Balance at end of year	₱—	₱217,211	₱1,955	₱—	₱—	₱219,166

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 ₱5 million and with total assets not exceeding ₱100 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.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

Applying the provisions of CREATE Law, the Group have been subjected to lower RCIT of 25% or the reduced MCIT of 1% of gross income effective July 1, 2020. Likewise, the impact on the December 31, 2020 consolidated financial statements had the CREATE Law been substantially enacted as of then, were adjusted in 2021, as follows:

	Debit (Credit)
Prior year current income tax	(₱61,030,124)
Deferred tax liability	(13,152,129)
	<u>(₱74,182,253)</u>

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## 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, nontrade receivable, 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, 2021 and 2020.

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*

2021					
	General Approach			Simplified Approach	Total
	Stage 1	Stage 2	Stage 3		
Cash with banks and cash equivalents	₱1,434,416,715	₱—	₱—	₱—	₱1,434,416,715
Receivables:					
Trade	—	—	—	—	—
Others	13,377,244	—	21,989,828	—	35,367,072
Advances to related parties	2,304,109	—	—	—	2,304,109
Other noncurrent assets:					
Advance to GMU	103,277,975	—	—	—	103,277,975
Nontrade receivable	75,939,753	—	—	—	75,939,753
MRF	27,455,603	—	—	—	27,455,603
Financial asset measured at FVOCI	4,000,000	—	344,640,000	—	348,640,000
	₱1,660,771,399	₱—	₱366,629,828	₱—	₱2,027,401,227

2020					
	General Approach			Simplified Approach	Total
	Stage 1	Stage 2	Stage 3		
Cash with banks and cash equivalents	₱1,396,611,294	₱—	₱—	₱—	₱1,396,611,294
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
Other noncurrent assets:					
Advance to GMU	97,547,858	—	—	—	97,547,858
MRF classified	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

*Simplified Approach*

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

2021								
	Days Due							Total
	Current	<30 days	30-60 days	61-90 days	91-120 days	121-182 days	>182 days	
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	₱—	₱—	₱—	₱—	₱—	₱—	₱—	₱—
Expected credit loss	₱—	₱—	₱—	₱—	₱—	₱—	₱—	₱—

2020								
	Days Due							Total
	Current	<30 days	30-60 days	61-90 days	91-120 days	121-182 days	>182 days	
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	₱—	₱—	₱—	₱—	₱—	₱—	₱—	₱—

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, 2021 and 2020.

2021	On demand	Less than three months	Three to 12 months	More than 12 months	Total
<b>Trade and other payables</b>					
Trade	₱402,985,983	₱—	₱—	₱—	₱402,985,983
Nontrade	59,267,226	—	—	—	59,267,226
Accrued expenses	113,126,634	—	—	—	113,126,634
Retention fees	17,842,078	—	—	—	17,842,078
Payables to employees	103,118,337	—	—	—	103,118,337
Others	75,792,748	—	—	—	75,792,748
Advances from related parties	916,012,000	—	—	—	916,012,000
Loans payable	—	—	2,315,484,534	2,252,225,636	4,567,710,170
	<b>₱1,688,145,006</b>	<b>₱—</b>	<b>₱2,315,484,534</b>	<b>₱2,252,225,636</b>	<b>₱6,255,855,176</b>

2021	On demand	Less than three months	Three to 12 months	More than 12 months	ECL/ Remeasure- ment loss on FVOCI	Total
<b>Cash and cash equivalents</b>	<b>₱1,436,715,112</b>	<b>₱—</b>	<b>₱—</b>	<b>₱—</b>	<b>₱—</b>	<b>₱1,436,715,112</b>
<b>Receivables:</b>						
Trade	—	—	—	—	—	—
Others	13,377,244	—	—	—	21,989,828	35,367,072
<b>Advances to related parties</b>	<b>2,304,109</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,304,109</b>
<b>Other noncurrent assets:</b>						
Advance to GMU	103,277,975	—	—	—	—	103,277,975
MRF	—	—	—	27,455,603	—	27,455,603
Nontrade receivable	75,939,753	—	—	—	—	75,939,753
<b>Financial asset measured at FVOCI</b>	<b>4,000,000</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>4,000,000</b>
	<b>₱1,635,614,193</b>	<b>₱—</b>	<b>₱—</b>	<b>₱27,455,603</b>	<b>₱21,989,828</b>	<b>₱1,685,059,624</b>

2020	On demand	Less than three months	Three to 12 months	More than 12 months	Total
<b>Trade and other payables</b>					
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
	<b>₱1,613,140,799</b>	<b>₱—</b>	<b>₱2,201,741,649</b>	<b>₱3,027,059,715</b>	<b>₱6,841,942,163</b>



2020	On demand	Less than three months	Three to 12 months	More than 12 months	ECL	Total
Cash and cash equivalents						
Cash in banks	₱1,399,909,932	₱—	₱—	₱—	₱—	₱1,399,909,932
Trade and other receivables						
Trade	147,521,191	—	—	—	—	147,521,191
Others	13,865,105	—	—	—	21,989,828	35,854,933
Advances to officers and employees	—	—	—	—	—	—
Advances to related parties	2,304,109	—	—	—	—	2,304,109
Advances 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	—	—	—	344,640,000	347,840,000
	₱1,664,348,195	₱—	₱—	₱27,452,291	₱366,629,828	₱2,058,430,314

### 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, 2021 and 2020 are as follows:

	2021		2020	
	US\$	Php	US\$	Php
<b>Financial Assets</b>				
Cash and cash equivalents	\$17,076,056	₱870,861,783	\$16,662,949	₱800,204,813
Trade receivables	—	—	3,072,014	147,527,328
	17,076,056	870,861,783	19,734,963	947,732,141
<b>Financial Liabilities</b>				
Trade payables	4,359,078	212,073,791	3,798,346	182,407,971
Loans payable	24,477,802	1,248,343,423	24,177,401	1,161,071,328
	28,836,880	1,460,417,214	27,975,747	1,343,479,299
<b>Net financial liabilities</b>	<b>(\$11,760,824)</b>	<b>(₱589,555,431)</b>	<b>(\$8,240,784)</b>	<b>(₱395,747,158)</b>

As at December 31, 2021 and 2020, the exchange rate based on the Philippine Dealing and Exchange Corporation of the Philippine peso to US\$1.00 was ₱50.99 and ₱48.02, 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, 2021 and 2020 are as follows:

		Change in foreign exchange rates	Effect in income before tax
US\$	<b>2021</b>	<b>₱0.94</b>	<b>₱7,170,553</b>
		<b>(0.26)</b>	<b>2,004,555</b>
	<b>2020</b>	<b>₱0.11</b>	<b>(₱906,486)</b>
		<b>(0.41)</b>	<b>3,366,360</b>

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, in 2021 and 2020 as follows:

	Change in gold metal price	Effect on income before tax
<b>2021</b>	<b>Increase by 13%</b>	<b>₱906,685,968</b>
	<b>Decrease by 13%</b>	<b>(₱906,685,968)</b>
<b>2020</b>	<b>Increase by 19%</b>	<b>₱1,125,562,320</b>
	<b>Decrease by 19%</b>	<b>(₱1,125,563,320)</b>

#### 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, 2021 and 2020.



The Group considers the following as its core economic capital:

	2021	2020
Issued capital stock	<b>₱6,227,887,491</b>	₱6,227,887,491
APIC	<b>634,224</b>	634,224
Treasury shares	<b>(2,081,746,680)</b>	(2,081,746,680)
	<b>₱4,146,775,035</b>	₱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, 2021 and 2020 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 cost approach 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)
<i>Financial asset measured at FVOCI (Note 9)</i>	<b>2021</b>	<b>₱4,000,000</b>	<b>₱4,000,000</b>	<b>₱—</b>	<b>₱—</b>
	2020	₱3,200,000	₱3,200,000	₱—	₱—
<i>Property, plant, and equipment (Note 10)</i>	<b>2021</b>	<b>₱10,291,585,141</b>	<b>₱—</b>	<b>₱—</b>	<b>₱10,291,585,141</b>
	2020	₱9,840,989,728	₱—	₱—	₱9,840,989,728

*Cash and Cash Equivalents, Trade and Other Receivables, Advances to Related Parties, Trade and Other Payables, Accrued Liabilities, Payable to Employees, Retention Fees, Nontrade Receivable*  
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.



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### 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 2021, 2020, and 2019 royalties to IP recognized under “Cost of Production” amounted to ₱29.98 million, ₱28.04 million, and ₱10.98 million, respectively (see Note 21).

In 2021, 2020 and 2019 surface rights to IP recognized under “Cost of Production” amounted to ₱70.26 million, ₱64.27 million, and ₱48.26 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 were 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. DENR DAO No. 2021-40*

On December 23, 2021, DENR issues Department Administrative Order (DAO) No. 2021-40 which lifted the four-year-old ban on the open-pit method of mining for copper, gold, silver, and complex ores in the country. DAO No. 2021-40 has no impact on the Group's current operations since its mining method is underground mining and already permitted.

*e. 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 ₱13.76 million, ₱6.34 million, and ₱13.48 million in 2021, 2020 and 2019, respectively (see Notes 21 and 22).

*f. Refining and Transportation Agreement with Heraeus*

On April 1, 2021, 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.

*g. 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 101 which 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.

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## **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.

2021					
	Mining	Oil and gas	Solid waste management	Eliminations	Total
Revenue					
External customer	₱7,410,310,715	₱—	₱—	₱—	₱7,410,310,715
Inter-segment	—	—	—	—	—
Consolidated revenue	₱7,410,310,715	₱—	₱—	₱—	₱7,410,310,715
Results					
EBITDA	₱1,547,566,226	(₱18,570,027)	(₱360,676)	₱—	₱1,528,635,523
Interest income (expense)					
- net	(167,503,073)	2,405,270	—	—	(165,097,803)
Income tax expense	(492,893,150)	(1,462,086)	—	—	(494,355,236)
Depreciation and depletion	1,114,373,260	(432,772)	—	—	1,113,940,488
Non-recurring items	(1,045,924,003)	5,789,114	(285,733,113)	—	(1,325,868,002)
Consolidated net income (loss)	₱955,619,260	(₱12,270,501)	(₱286,093,789)	₱—	₱657,254,970
Consolidated total assets	₱11,246,686,352	₱4,277,022,103	₱135,050,426	₱—	₱15,658,758,881
Consolidated total liabilities	₱7,321,801,568	₱66,642,573	₱2,792,412	₱—	₱7,391,236,553

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	₱8,002,443,043	₱65,499,268	₱2,457,412	₱—	₱8,070,399,723

The total revenue from an external customer, attributable to the Philippines, which is the Group's country of domicile, amounted to ₱7.41 billion and ₱6.32 billion in 2021 and 2020, 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 2021 and 2020:

	January 1, 2021	Availments	Payments	Foreign exchange Loss (Gain)	December 31, 2021
<b>Current Liabilities:</b>					
Bank loans	₱2,201,741,649	₱82,305,263	₱—	₱31,437,622	₱2,315,484,534
<b>Noncurrent Liabilities:</b>					
Bank loans	3,027,059,715	—	(774,834,079)	—	2,252,225,636
	₱5,228,801,364	₱82,305,263	(₱774,834,079)	₱31,437,622	₱4,567,710,170



	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
	<b>₱5,093,642,737</b>	<b>₱1,139,817,342</b>	<b>(₱972,663,722)</b>	<b>(₱31,994,993)</b>	<b>₱5,228,801,364</b>

The Group had non-cash investing and financing activities in 2021, 2020 and 2019, which were considered in the preparation of the consolidated statements of cash flows, as follows:

	2021	2020	2019
<i>Investing activities:</i>			
Addition to property, plant and equipment pertaining to capitalized mine rehabilitation cost (Note 10)	<b>₱–</b>	₱641,125	₱1,406,546



## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
Apex Mining Co., Inc.  
3304B West Tower, PSE Centre, Exchange Road  
Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Apex Mining Co., Inc. and its subsidiaries (the Group) as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, included in this Form 17-A and have issued our report thereon dated April 29, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Alexis Benjamin C. Zaragoza III  
Partner

CPA Certificate No. 109217

Tax Identification No. 246-663-780

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 109217-SEC (Group A)

Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-129-2019, November 27, 2019, valid until November 26, 2022

PTR No. 8854392, January 3, 2022, Makati City

April 29, 2022



## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors  
Apex Mining Co., Inc.  
3304B West Tower, PSE Centre, Exchange Road  
Ortigas Center, Pasig City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Apex Mining Co., Inc. and its subsidiaries (the Group) as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated April 29, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Alexis Benjamin C. Zaragoza III

Partner

CPA Certificate No. 109217

Tax Identification No. 246-663-780

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 109217-SEC (Group A)

Valid to cover audit of 2019 to 2023 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-129-2019, November 27, 2019, valid until November 26, 2022

PTR No. 8854392, January 3, 2022, Makati City

April 29, 2022



**APEX MINING CO., INC.**  
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**FOR THE YEAR ENDED DECEMBER 31, 2021**

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Schedule E: Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Schedule F: Guarantees of Securities of Other Issuers

Schedule G: Capital Stock

\*These schedules, which are required by Revised SRC Rule 68, as amended, have been omitted because the total indebtedness in such Statements of Financial Position does not exceed five percent (5%) of total assets as shown in the related Statements of Financial Position at either the beginning or end of the period; or there have been no changes in the information requires to be filed from the previously reported.

**SCHEDULE I**  
**RECONCILIATION OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**As of December 31, 2021**

**APEX MINING CO., INC.**  
**3304B West Tower, PSE Centre, Exchange Road, Ortigas Center, Pasig City**

Unappropriated Retained Earnings, <i>as of December 31, 2020, as reflected in audited financial statements</i>	₱3,506,360,210
Prior year adjustments	<u>(170,374,796)</u>
Unappropriated Retained Earnings, <i>as adjusted to available for dividend distribution, beginning</i>	3,335,985,414
<b>Add: Net income actually earned/realized during the period</b>	
Net income during the period closed to Retained Earnings	₱1,821,571,986
Less: Non-actual/unrealized income net of tax	—
Unrealized foreign exchange gain(loss) - net (except those attributable to cash and cash equivalents)	—
Deferred income tax assets	—
Equity in net income of associate/joint venture	—
Unrealized actuarial gain	—
Fair value adjustment (mark-to-market gains)	—
Fair value adjustment of investment property resulting to gain	—
Adjustment due to deviation from PFRS/GAAP – gain	—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	<u>(95,784,507)</u>
Subtotal	<u>1,725,787,479</u>
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	95,928,540
Adjustment due to deviation from PFRS/GAAP – loss	—
Loss on fair value adjustment of investment property (after tax)	—
Subtotal	<u>95,928,540</u>
<b>Net income actually incurred during the period</b>	1,821,716,019
Add (Less):	
Dividend declarations during the period	—
Additional paid-in capital	—
Appropriations of retained earnings	—
Reversals of appropriations	—
Effects of change in accounting policy	—
Treasury shares	—
Equity Restructuring	—
Subtotal	<u>—</u>
<b>TOTAL RETAINED EARNINGS, END</b>	<u>1,821,716,019</u>
<b>AVAILABLE FOR DIVIDEND</b>	<u><u>₱5,157,701,433</u></u>

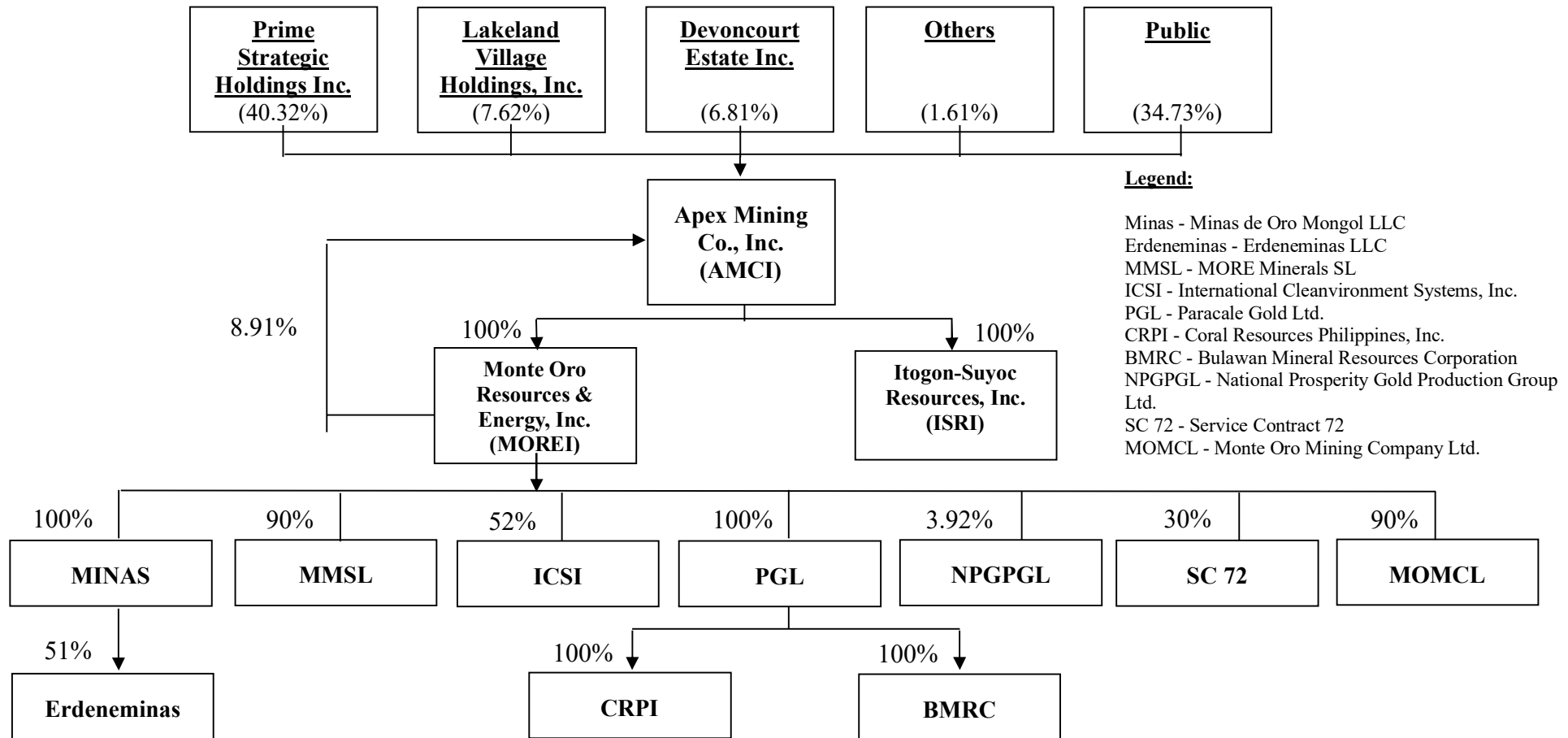
**SCHEDULE II**  
**APEX MINING CO., INC.**  
**COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**  
**PURSUANT TO THE REVISED SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2021**

<b>Ratio</b>	<b>Formula</b>	<b>Current Year</b>	<b>Prior Year</b>
Current Ratio	Total Current Assets divided by Total Current Liabilities	<b>0.62</b>	<b>0.79</b>
	Total Current Assets 2,960,985,831		
	Divide by: Total Current Liabilities 4,741,309,710		
	Current Ratio 0.62		
Acid test ratio	Quick assets ( <i>Total Current Assets less Inventories and Other Current Assets</i> ) divided by Total Current Liabilities	<b>0.31</b>	<b>0.35</b>
	Total Current Assets 2,960,985,831		
	Less: Inventories 1,152,153,737		
	Other current assets 345,909,533		
	Quick assets 1,462,922,561		
	Divide by: Total Current Liabilities 4,741,309,710		
	Acid test ratio 0.31		
Solvency ratio	Net Income (Loss) After Tax Plus Depreciation, Amortization and Depletion divided by Total Liabilities	<b>0.24</b>	<b>0.32</b>
	Net Income (Loss) After Tax 657,254,970		
	Add: Depreciation, Amortization and Depletion 1,113,940,488		
	Net Income (Loss) After Tax, Plus Depreciation, Amortization and Depletion 1,771,195,458		
	Divide by: Total Liabilities 7,391,236,553		
	Solvency ratio 0.24		
Debt-to-equity ratio	Total Liabilities divided by Total Equity ( <i>Excluding Cumulative Translation Adjustment and Treasury Shares</i> )	<b>0.71</b>	<b>0.84</b>
	Total Liabilities 7,391,236,553		
	Divide by: Total Equity		
	Total Equity 8,267,522,328		
	Cumulative translation adjustment (1,708,473)		
	Treasury Shares 2,081,746,680		
	Subtotal 10,350,977,481		
	Debt-to-equity ratio 0.71		
Asset-to-equity ratio	Total Assets divided by Total Equity ( <i>Excluding Cumulative Translation Adjustment and Treasury Shares</i> )	<b>1.51</b>	<b>1.62</b>
	Total Assets 15,658,758,881		
	Divide by: Total Equity		
	Total Equity 8,267,522,328		
	Cumulative translation adjustment (1,708,473)		
	Treasury Shares 2,081,746,680		
	Subtotal 10,350,977,481		
	Asset-to-equity ratio 1.51		



Ratio	Formula	Current Year	Prior Year
Interest rate coverage ratio	Earnings Before Interest and Taxes divided by Interest Expense  <div> <div>Net Income (Loss) Before Tax1,151,610,206</div> <div>Add: Finance Charges165,097,803</div> </div> <div> <div>Earnings Before Interest and Taxes1,316,708,009</div> <div>Divide by: Finance Charges165,097,803</div> <div>Interest rate coverage ratio7.98</div> </div>	7.98	11.89
Return on equity	Net Income (Loss) After Tax divided by Total Equity ( <i>Excluding Cumulative Translation adjustment and Treasury Shares</i> ) <div> <div>Net Income (Loss) After Tax657,254,970</div> <div>Divide by:</div> <div>Total Equity8,267,522,328</div> <div>Less: Cumulative translation adjustment(1,708,473)</div> <div>Add: Treasury Shares2,081,746,680</div> <div>Total Equity10,350,977,481</div> <div>Return on equity6.35%</div> </div>	6.35%	15.93%
Return on assets	Net Income (Loss) After Tax divided by Total Assets <div> <div>Net Income (Loss) After Tax657,254,970</div> <div>Divide by: Average Total Assets</div> <div>Assets at beginning of the year15,613,787,788</div> <div>Assets at end of the year15,658,758,881</div> <div>Average Total Assets15,636,273,335</div> <div>Return on assets4.20%</div> </div>	4.20%	10.35%
Net profit margin	Net Income (Loss) After Tax divided by Total Revenue <div> <div>Net Income (Loss) After Tax657,254,970</div> <div>Divide: Total Revenue7,410,310,715</div> <div>Net profit margin8.87%</div> </div>	8.87%	24.26%
Operating profit margin	Net Income (Loss) Before Interest and Tax divided by Total Revenue <div> <div>Net Income (Loss) Before Tax1,151,610,206</div> <div>Add: Finance Cost165,097,803</div> <div>Net Income (Loss) Before Interest and Tax1,316,708,009</div> <div>Divide: Total Revenue7,410,310,715</div> <div>Operating profit margin17.77%</div> </div>	17.77%	38.09%
Gross profit margin	Gross Profit Tax ( <i>Total Revenues less Cost of Sales</i> ) divided by Total Revenue <div> <div>Total Revenues7,410,310,715</div> <div>Less: Cost of Sales(4,259,853,938)</div> <div>Gross Profit3,150,456,777</div> <div>Divide: Total Revenue7,410,310,715</div> <div>Net profit margin42.51%</div> </div>	42.51%	45.07%

**SCHEDULE III**  
**APEX MINING CO., INC.**  
**A MAP SHOWING THE RELATIONSHIP BETWEEN THE PARENT COMPANY**  
**AND ITS SUBSIDIARIES**  
**PURSUANT TO REVISED SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2021**



**SCHEDULE IV**  
**APEX MINING CO., INC.**  
**SCHEDULE A**  
**FINANCIAL ASSETS**  
**December 31, 2021**  
**(Amounts in Thousands, Except Number of Shares)**

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received and accrued
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<b>NOT APPLICABLE</b>
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**APEX MINING CO., INC.**  
**SCHEDULE B**  
**AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL**  
**STOCKHOLDERS (OTHER THAN RELATED PARTIES)**  
**December 31, 2021**

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
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<b>NOT APPLICABLE</b>
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**APEX MINING CO., INC.**  
**SCHEDULE C**  
**AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED**  
**DURING CONSOLIDATION**  
**December 31, 2021**  
**(Amounts in Thousands)**

Name and Designation of Debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
ISRI	₱848,003	₱423,751	₱—	₱—	₱1,271,754	₱—	₱1,271,754
CRPI	88,842	55,383	—	—	144,225	—	144,225
BMRC	5,309	—	—	—	5,309	—	5,309
	₱942,154	₱479,134	₱—	₱—	₱1,421,288	₱—	₱1,421,288

**APEX MINING CO., INC.**  
**SCHEDULE D**  
**LONG TERM DEBT**  
**December 31, 2021**  
**(Amounts in Thousands)**

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt"	Amount shown caption "Long-term Debt"
Term Loan Facility	₱2,500,000 <sup>1</sup>	₱357,143	₱803,571
Term Loan Facility	2,000,000 <sup>2</sup>	262,648	1,291,354
Term Loan Facility	550,000 <sup>3</sup>	157,080	156,080

Note:

1. On October 24, 2017 PNB granted AMCI an unsecured Term Loan Facility of up to ₱2.50 billion with tenor of seven years with equal quarterly principal repayment was obtained to refinance the Parent Company's short-term loans. Interest is set at 6.00% per annum
2. On September 13, 2019, PNB granted AMCI a 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. In 2020, the Parent Company drew the third to sixth tranches amounting to ₱500.0 million each with the same interest rate of 6.5% per annum.
3. 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.

**APEX MINING CO., INC.**  
**SCHEDULE E**  
**INDEBTEDNESS TO RELATED PARTIES (LONG - TERM LOANS FROM RELATED COMPANIES)**  
**December 31, 2021**

Name of the Related Party

Balance at beginning of period

Balance at end of period

<b>NOT APPLICABLE</b>
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**APEX MINING CO., INC.**  
**SCHEDULE F**  
**GUARANTEES OF SECURITIES OF OTHER ISSUERS**  
**December 31, 2021**

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owed by person for which statement is filed	Nature of guarantee
ISRI	Debt Security – Debenture	₱314,380,000	₱314,380,000	Unconditionally and irrevocably, jointly and severally



**APEX MINING CO., INC.**  
**SCHEDULE G**  
**CAPITAL STOCK**  
**December 31, 2021**

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding as shown under related financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common	12,800,000,000	6,227,887,491	—	3,964,980,592	49,547,918	2,213,358,981