

# COVER SHEET

for  
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

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**COMPANY NAME**

A	T	L	A	S		C	O	N	S	O	L	I	D	A	T	E	D		M	I	N	I	N	G		A	N	D
D	E	V	E	L	O	P	M	E	N	T		C	O	R	P	O	R	A	T	I	O	N		A	N	D	S	U
B	S	I	D	I	A	R	I	E	S																			

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

F	i	v	e	E	-	c	o	m		C	e	n	t	e	r	,		P	a	l	m		C	o	a	s	t	A		
v	e	.		c	o	r	n	e	r		P	a	c	i	f	i	c		D	r	i	v	e	,		M	a	i	l	
				o	f		A	s	i	a		C	o	m	p	l	e	x	,		P	a	s	a	y		C	i	t	y

Form Type  

A	A	C	F	S
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Department requiring the report  

C	R	M	D
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Secondary License Type, If Applicable  

N	/	A
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**COMPANY INFORMATION**

Company's Email Address <table border="1" style="width: 100%;"><tr><td><b>ir@atlasmining.com.ph</b></td></tr></table>	<b>ir@atlasmining.com.ph</b>	Company's Telephone Number <table border="1" style="width: 100%;"><tr><td><b>(632) 8403-0813 loc. 25001</b></td></tr></table>	<b>(632) 8403-0813 loc. 25001</b>	Mobile Number <table border="1" style="width: 100%;"><tr><td><b>N/A</b></td></tr></table>	<b>N/A</b>
<b>ir@atlasmining.com.ph</b>					
<b>(632) 8403-0813 loc. 25001</b>					
<b>N/A</b>					
No. of Stockholders <table border="1" style="width: 100%;"><tr><td><b>20,728</b></td></tr></table>	<b>20,728</b>	Annual Meeting (Month / Day) <table border="1" style="width: 100%;"><tr><td><b>5/7</b></td></tr></table>	<b>5/7</b>	Fiscal Year (Month / Day) <table border="1" style="width: 100%;"><tr><td><b>12/31</b></td></tr></table>	<b>12/31</b>
<b>20,728</b>					
<b>5/7</b>					
<b>12/31</b>					

**CONTACT PERSON INFORMATION**

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number				
<table border="1" style="width: 100%;"><tr><td><b>Mr. Fernando A. Rimando</b></td></tr></table>	<b>Mr. Fernando A. Rimando</b>	<table border="1" style="width: 100%;"><tr><td><b>farimando@atlasmining.com.ph</b></td></tr></table>	<b>farimando@atlasmining.com.ph</b>	<table border="1" style="width: 100%;"><tr><td><b>(632) 8403-0813 loc 25005</b></td></tr></table>	<b>(632) 8403-0813 loc 25005</b>	<table border="1" style="width: 100%;"><tr><td><b>N/A</b></td></tr></table>	<b>N/A</b>
<b>Mr. Fernando A. Rimando</b>							
<b>farimando@atlasmining.com.ph</b>							
<b>(632) 8403-0813 loc 25005</b>							
<b>N/A</b>							

**CONTACT PERSON'S ADDRESS**

<b>FiveE-com Center, Palm Coast Ave. corner Pacific Drive, Mall of Asia Complex, Pasay City</b>
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**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.



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR CONSOLIDATED FINANCIAL STATEMENTS**

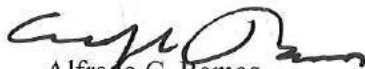
The management of Atlas Consolidated Mining and Development Corporation and Subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of 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.


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.

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



Alfredo C. Ramos  
Chairman of the Board



Adrian Paulino S. Ramos  
President



Fernando A. Rinfando  
Vice President / Chief Finance Officer

Signed this 16<sup>th</sup> day of March 2020

MAY 20 2020

SUBSCRIBED AND SWORN to before me, this \_\_\_\_\_ day of March 2020 at Makati City, affiant with Taxpayer Identification Numbers as follows:

Name

Alfredo C. Ramos

Adrian Paulino S. Ramos

Fernando A. Rimando

Tax Identification Number

██████████

██████████

██████████



FRANCIS NEALLE E. RICAGIO

Notary Public

Appointment No. M-453

Until 31 December 2020

Roll No. 68262

PTA No. 7341568 / 07 January 2019 / Makati City

BP No. 094556 / 07 January 2019 / Makati City

MCLE Compliance No. VI-0021564

Unit 201, NSR Building,

1837 Dallas St. corner Evangelista St., Makati City

TIN 412-127-570-000

Doc. No. 195

Page No. 39

Book No. II

Series of 2020

## INDEPENDENT AUDITOR'S REPORT

The Stockholders and Board of Directors  
Atlas Consolidated Mining and Development Corporation  
FiveE-com Center, Palm Coast Ave. corner Pacific Drive  
Mall of Asia Complex, Pasay City

### Opinion

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

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

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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 the 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 matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



### ***Impairment Testing of Goodwill, Property, Plant and Equipment, and Mining Rights***

Under PFRSs, the Group is required to annually test the amount of goodwill for impairment. In addition, in the event that an impairment indicator is identified, the Group tests the recoverability of property, plant and equipment, and mining rights. As of December 31, 2019, the Group has goodwill attributable to Carmen Copper Corporation amounting to ₱19.03 billion, and property, plant and equipment, and mining rights amounting to ₱46.68 billion, which are considered significant to the consolidated financial statements. The assessment of the recoverability of goodwill, property, plant and equipment, and mining rights requires significant judgment and involves estimation and assumptions about the expected life of the project, future production levels and costs, contributions to the government based on current regulations as well as external inputs such as copper prices and discount rate. Hence, such assessment is a key audit matter in our audit.

The disclosures in relation to property, plant and equipment, mining rights and goodwill are included in Notes 9 and 10 to the consolidated financial statements.

#### ***Audit Response***

We involved our internal specialist in evaluating the methodology and the assumptions used. These assumptions include the expected life of the project, future production levels and costs, contributions to the government based on current regulations as well as external inputs such as copper prices and discount rate. We compared the key assumptions used against the mine life based on the ore reserve report, production reports from the operations departments, current tax laws, and forecasted copper prices. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect on the determination of the recoverable amount of goodwill, property, plant and equipment, and mining rights.

#### **Other Information**

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

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

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



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

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

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

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

## **Auditor's Responsibilities for the Audit 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.

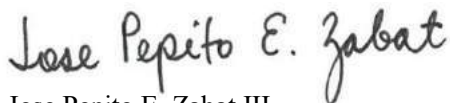
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 Jose Pepito E. Zabat III.

SYCIP GORRES VELAYO & CO.



Jose Pepito E. Zabat III

Partner

CPA Certificate No. 85501

SEC Accreditation No. 0328-AR-4 (Group A),

April 26, 2018, valid until April 25, 2021

Tax Identification No. 102-100-830

BIR Accreditation No. 08-001998-60-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 8125325, January 7, 2020, Makati City

March 11, 2020



**ATLAS CONSOLIDATED MINING AND DEVELOPMENT  
CORPORATION AND SUBSIDIARIES  
ANNUAL AUDITED FINANCIAL REPORT  
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DECEMBER 31, 2019**

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**ATLAS CONSOLIDATED MINING AND DEVELOPMENT  
CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Amounts in Thousands, Except Number of Shares)

	December 31	
	2019	2018
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	₱645,459	₱1,225,699
Short-term investments (Note 4)	935,468	2,812,863
Receivables (Note 5)	1,506,370	487,186
Inventories (Note 7)	1,452,710	2,279,974
Other current assets (Note 8)	442,513	445,953
<b>Total Current Assets</b>	<b>4,982,520</b>	<b>7,251,675</b>
<b>Noncurrent Assets</b>		
Property, plant and equipment (Note 9):		
At cost	38,443,729	38,891,632
At revalued amount	430,286	430,286
Mining rights (Note 10)	7,790,806	7,989,958
Goodwill (Note 10)	19,026,119	19,026,119
Investments in associates (Note 12)	226,189	221,682
Deferred tax assets (Note 25)	2,830,475	3,527,397
Other noncurrent assets (Note 13)	1,887,208	2,438,225
<b>Total Noncurrent Assets</b>	<b>70,634,812</b>	<b>72,525,299</b>
<b>TOTAL ASSETS</b>	<b>₱75,617,332</b>	<b>₱79,776,974</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable, contract liabilities and accrued liabilities (Note 14)	₱3,536,616	₱2,778,172
Lease liability – current (Note 15)	2,160	–
Bank loans (Note 16)	8,607,950	11,079,605
Current portion of long-term debts and other interest bearing liabilities (Note 16)	222,233	274,006
Income tax payable	54	86
Other current liability (Note 16)	1,896,720	1,969,576
<b>Total Current Liabilities</b>	<b>14,265,733</b>	<b>16,101,445</b>
<b>Noncurrent Liabilities</b>		
Long-term debts and other interest-bearing liabilities – net of current portion (Note 16)	22,940,754	24,113,614
Retirement benefits liability (Note 24)	482,230	308,306
Lease liability – net of current portion (Note 15)	782	–
Liability for mine rehabilitation (Note 17)	68,334	77,732
Deferred tax liabilities (Note 25)	3,504,337	3,563,126
<b>Total Noncurrent Liabilities</b>	<b>26,996,437</b>	<b>28,062,778</b>
<b>Total Liabilities</b>	<b>₱41,262,170</b>	<b>₱44,164,223</b>

(Forward)



	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<b>Equity</b>		
Capital stock (Note 18)	<b>₱3,559,533</b>	₱3,559,533
Additional paid-in capital (Note 18)	<b>19,650,936</b>	19,650,936
Subscription receivable (Note 18)	<b>(4,841,801)</b>	(4,841,801)
Revaluation increment on land (Note 9)	<b>298,869</b>	298,869
Remeasurement gain on retirement benefits liability (Note 24)	<b>94,069</b>	204,741
Cummulative translation adjustments	<b>1,903,902</b>	2,485,633
Retained earnings (Note 18)	<b>13,712,921</b>	14,278,107
Cost of 1,980,000 treasury shares held by a subsidiary	<b>(23,267)</b>	(23,267)
<b>Total Equity</b>	<b>34,355,162</b>	35,612,751
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱75,617,332</b>	₱79,776,974

*See accompanying Notes to Consolidated Financial Statements.*



**ATLAS CONSOLIDATED MINING AND DEVELOPMENT  
CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Amounts in Thousands, Except Loss Per Share)

	Years Ended December 31		
	2019	2018	2017
<b>REVENUES FROM CONTRACTS WITH CUSTOMERS</b> (Note 20)			
Copper concentrate	<b>₱16,162,945</b>	₱13,295,913	₱11,053,326
Magnetite concentrate	–	–	17,245
	<b>16,162,945</b>	13,295,913	11,070,571
<b>COSTS AND EXPENSES</b>			
Mining and milling costs (Note 21)	<b>12,021,027</b>	11,068,954	8,310,273
General and administrative expenses (Note 22)	<b>1,237,520</b>	1,289,837	1,404,939
Mine products taxes (Note 21)	<b>653,678</b>	542,223	215,506
Depletion of mining rights (Note 10)	<b>199,152</b>	191,685	165,471
	<b>14,111,377</b>	13,092,699	10,096,189
<b>OTHER INCOME (CHARGES)</b>			
Finance charges (Note 26)	<b>(2,265,913)</b>	(2,345,870)	(2,204,606)
Fair value gain (loss) on derivatives – net (Note 6)	–	559,551	(977,146)
Foreign exchange gains (losses) – net	<b>193,027</b>	(177,363)	(26,200)
Fair value gain (loss) on provisionally priced receivables – net (Note 5)	<b>93,443</b>	(151,000)	–
Fair value gain (loss) on investment in pooled funds (Note 8)	<b>1,241</b>	–	–
Loss on retirement of property and equipment (Note 9)	<b>(1,019)</b>	(96,238)	(4,660)
Share in net income (loss) of associates (Note 12)	<b>80,233</b>	81,417	(7,471)
Interest income (Note 26)	<b>68,826</b>	41,030	30,195
Gain (loss) on disposal of property and equipment (Note 9)	<b>1,640</b>	(6,235)	282
Gain on extinguishment of debt	–	–	28,434
Others – net	<b>(72,449)</b>	(73,295)	33,443
	<b>(1,900,971)</b>	(2,168,003)	(3,127,729)
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>150,597</b>	(1,964,789)	(2,153,347)
<b>BENEFIT FROM (PROVISION) INCOME TAX</b> (Note 25)	<b>(715,783)</b>	245,127	185,399
<b>NET LOSS</b>	<b>(₱565,186)</b>	(₱1,719,662)	(₱1,967,948)

(Forward)



	<b>Years Ended December 31</b>		
	<b>2019</b>	2018	2017
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gain (loss) on retirement benefits liability – net of tax (Note 24)	<b>(₱110,672)</b>	₱38,024	(₱12,151)
<i>Items that may be reclassified subsequently to profit or loss in subsequent periods:</i>			
Cumulative translation adjustments	<b>(581,731)</b>	903,186	106,537
	<b>(692,403)</b>	941,210	94,386
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>(₱1,257,589)</b>	(₱778,452)	(₱1,873,562)
<b>LOSS PER SHARE (Note 28)</b>			
Basic loss per share	<b>(₱0.1589)</b>	(₱0.4834)	(₱0.5532)
Diluted loss per share	<b>(₱0.1589)</b>	(₱0.4834)	(₱0.5532)

*See accompanying Notes to Consolidated Financial Statements.*



# ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017

(Amounts in Thousands, Except Par Value Per Share)

	Capital stock (Note 18)	Additional paid-in capital (Note 18)	Subscriptions receivable (Note 18)	Revaluation increment on land (Note 9)	Unrealized gain on available for sale financial asset (Note 18)	Remeasurement gain (loss) on retirement benefits liability (Note 24)	Cumulative translation adjustments	Retained earnings (Note 18)	Total	Treasury shares held by a subsidiary	Total
BALANCES AT JANUARY 1, 2017	₱2,087,033	₱14,686,962	₱-	₱298,869	₱4,861	₱178,868	₱1,475,910	₱17,960,856	₱36,693,359	(₱23,267)	₱36,670,092
Net loss	-	-	-	-	-	-	-	(1,967,948)	(1,967,948)	-	(1,967,948)
Other comprehensive income (loss)	-	-	-	-	-	(12,151)	106,537	-	94,386	-	94,386
Total comprehensive income (loss)	-	-	-	-	-	(12,151)	106,537	(1,967,948)	(1,873,562)	-	(1,873,562)
Subscriptions to capital stock (Note 18)	1,472,500	4,963,974	(4,841,801)	-	-	-	-	-	1,594,673	-	1,594,673
BALANCES AT DECEMBER 31, 2017	3,559,533	19,650,936	(4,841,801)	298,869	4,861	166,717	1,582,447	15,992,908	36,414,470	(23,267)	36,391,203
Effect of change in accounting policy	-	-	-	-	(4,861)	-	-	4,861	-	-	-
Net loss	-	-	-	-	-	-	-	(1,719,662)	(1,719,662)	-	(1,719,662)
Other comprehensive income	-	-	-	-	-	38,024	903,186	-	941,210	-	941,210
Total comprehensive income (loss)	-	-	-	-	-	38,024	903,186	(1,719,662)	(778,452)	-	(778,452)
BALANCES AT DECEMBER 31, 2018	3,559,533	19,650,936	(4,841,801)	298,869	-	204,741	2,485,633	14,278,107	35,636,018	(23,267)	35,612,751
Net loss	-	-	-	-	-	-	-	(565,186)	(565,186)	-	(565,186)
Other comprehensive income	-	-	-	-	-	(110,672)	(581,731)	-	(692,403)	-	(692,403)
Total comprehensive income (loss)	-	-	-	-	-	(110,672)	(581,731)	(565,186)	(1,257,589)	-	(1,257,589)
BALANCES AT DECEMBER 31, 2019	₱3,559,533	₱19,650,936	(₱4,841,801)	₱298,869	₱-	₱94,069	₱1,903,902	₱13,712,921	₱34,378,429	(₱23,267)	₱34,355,162

See accompanying Notes to Consolidated Financial Statements.



**ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Amounts in Thousands)

	Years Ended December 31		
	2019	2018	2017
<b>OPERATING ACTIVITIES</b>			
Loss before income tax	<b>₱150,597</b>	(₱1,964,789)	(₱2,153,347)
Adjustments for:			
Depreciation, amortization and depletion (Notes 7, 9 and 10)	<b>4,535,016</b>	3,568,078	2,929,342
Finance charges (Note 26)	<b>2,265,913</b>	2,345,870	2,204,606
Fair value loss (gain) on derivatives (Note 6)	–	(559,551)	977,146
Net unrealized foreign exchange losses (gains) - net	<b>(179,966)</b>	369,288	(356,985)
Fair value loss (gain) on provisionally priced sales (Note 5)	<b>(93,443)</b>	151,000	–
Share in net loss (income) of associates (Note 12)	<b>(80,233)</b>	(81,417)	7,471
Interest income (Note 26)	<b>(68,826)</b>	(41,030)	(30,195)
Movement in retirement benefits liability (Note 24)	<b>34,380</b>	28,636	6,486
Loss (gain) on disposal of property, plant and equipment (Note 9)	<b>(1,640)</b>	6,235	(282)
Fair value loss (gain) on investment in pooled funds (Note 8)	<b>(1,241)</b>	–	–
Loss on retirement of property, plant and equipment (Note 9)	<b>1,019</b>	96,238	4,660
Fair value gain on investment in unit investment trust fund (Note 13)	<b>(922)</b>	(330)	–
Gain on extinguishment of loan	–	–	(28,434)
Operating income before working capital changes	<b>6,560,654</b>	3,918,228	3,560,468
Decrease (increase) in:			
Receivables	<b>(1,021,022)</b>	(2,215)	56,091
Inventories	<b>827,264</b>	(116,966)	(472,484)
Other current assets	<b>3,440</b>	181,736	(173,882)
Increase (decrease) in accounts payable, contract liabilities and accrued liabilities	<b>758,444</b>	(175,537)	410,982
Net cash generated from operations	<b>7,128,780</b>	3,805,246	3,381,175
Interest paid	<b>(1,696,726)</b>	(1,536,909)	(1,754,747)
Income taxes paid	<b>(109,334)</b>	(117,371)	(90,909)
Interest received	<b>70,664</b>	40,177	168,975
Net cash flows from operating activities	<b>5,393,384</b>	2,191,143	1,704,494
<b>INVESTING ACTIVITIES</b>			
Proceeds from:			
Short-term investments	<b>1,877,395</b>	7,417,877	7,828,461
Disposal of property and equipment (Note 9)	<b>1,640</b>	17,937	375
Additions to:			
Property, plant and equipment (Note 9)	<b>(4,457,875)</b>	(3,434,441)	(3,801,509)
Short-term investments	–	(9,583,654)	(7,975,942)
Decrease (increase) in other noncurrent assets	<b>816,193</b>	(621,230)	279,292
Net cash flows used in investing activities	<b>(₱1,762,647)</b>	(₱6,203,511)	(₱3,669,323)

(Forward)



	<b>Years Ended December 31</b>		
	2019	2018	2017
<b>FINANCING ACTIVITIES</b>			
Availments of:			
Bank loans	₱-	9,444,948	₱-
Long-term debts and other interest-bearing liabilities (Note 35)	-	42,272	16,880,189
Payments of:			
Bank loans	<b>(3,021,926)</b>	(1,475,450)	(111,381)
Long-term debts and other interest-bearing liabilities (Note 35)	<b>(1,172,860)</b>	(4,122,169)	(16,910,063)
Principal portion of of lease liability (Note 15)	<b>(2,208)</b>	-	-
Proceeds from issuance of shares, net of transactions costs (Note 18)	-	-	1,594,673
Net cash flows from (used in) financing activities	<b>(4,196,994)</b>	3,889,601	1,453,418
<b>NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(13,983)</b>	(26,335)	(3,817)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(580,240)</b>	(149,102)	(1,044,068)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>1,225,699</b>	1,374,801	2,418,869
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</b>	<b>₱645,459</b>	₱1,225,699	₱1,374,801

*See accompanying Notes to Consolidated Financial Statements*



# ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Number of Shares, Loss Per Share Data and as Otherwise Indicated)

### 1. Corporate Information, Business Operations, and Authorization for the Issuance of the Consolidated Financial Statements

#### Corporate Information

Atlas Consolidated Mining and Development Corporation (the Parent Company) was incorporated and was registered with the Philippine Securities and Exchange Commission (SEC) as “Masbate Consolidated Mining Company, Inc.” on March 9, 1935 as a result of the merger of assets and equities of three pre-war mining companies, namely, Masbate Consolidated Mining Company, Antamok Goldfields Mining Company and IXL Mining Company. Thereafter, it amended its articles of incorporation to reflect the present corporate name and to extend its corporate life up to March 2035. The registered business address of the Parent Company is FiveE-com Center, Palm Coast Ave corner Pacific Drive, Mall of Asia Complex (1300), Pasay City.

The Parent Company, through its subsidiaries, is engaged in metallic mineral mining and exploration, and currently produces copper concentrate (with gold and silver).

The Parent Company’s shares of stock were listed with the Philippine Stock Exchange (PSE) on November 17, 1970.

A major restructuring of the Parent Company was undertaken in 2004 and 2005 with the creation of three special-purpose subsidiaries to develop the Toledo Copper Project, the Berong Nickel Project, and the Toledo-Cebu Bulk Water and Reservoir Project. As a result, Carmen Copper Corporation (CCC), Berong Nickel Corporation (BNC) and AquAtlas, Inc. (AI) were incorporated and, subsequently, were positioned to attract project financing, as well as specialist management and operating expertise. In addition, the Parent Company incorporated wholly owned subsidiaries: Atlas Exploration Inc. (AEI), to host, explore and develop copper, gold, nickel and other mineral exploration properties; and Amosite Holdings, Inc. (AHI) to hold assets for investment purposes. AEI will also explore for other metalliferous and industrial minerals to increase and diversify the mineral holdings and portfolio of the Parent Company.

#### Business Operations

The Parent Company has control of CCC, AI, AEI and AHI as at December 31, 2019 and 2018. The Parent Company has no geographical segments as these entities were incorporated and are operating within the Philippines.





The table below contains the details of the Parent Company's equity interest in its subsidiaries and a description of the nature of the business of each subsidiary as at December 31, 2019 and 2018:

Nature of Business		Percentage of Ownership	
		2019	2018
<u>Subsidiaries as at December 31, 2019 and 2018</u>			
AEI	Incorporated in the Philippines on August 26, 2005 to engage in the business of searching, prospecting, exploring and locating of ores and mineral resources, and other exploration work	<b>100.00</b>	100.00
AI	Incorporated in the Philippines on May 26, 2005 to provide and supply wholesale or bulk water to local water districts and other customers	<b>100.00</b>	100.00
AHI (see Note 10)	Incorporated in the Philippines on October 17, 2006 to hold assets for investment purposes	<b>100.00</b>	100.00
CCC (see Note 10)	Incorporated in the Philippines on September 16, 2004 primarily to engage in exploration work for the purpose of determining the existence of mineral resources, extent, quality and quantity, and the feasibility of mining them for profit	<b>100.00</b>	100.00

- a. *AEI*  
In 2019, AEI continued its exploration activities for the geotechnical survey of the Sigpit gold prospect and for the drilling at the southern extension of the Lutopan orebody. AEI incurred a net loss of ₱33 in 2019 and has cumulative capital deficiency of ₱103,499 as at December 31, 2019.
- b. *AI*  
In 2019, AI continued to explore and assess the feasibility of projects involving the bulk supply of potable water from the Parent Company's Malubog Dam. AI incurred a net loss of ₱93 in 2019 and has cumulative capital deficiency of ₱32,066 as at December 31, 2019.
- c. *AHI*  
AHI is the owner of certain real properties that are used in the mining operations of CCC. AHI incurred a net loss of ₱139 in 2019 and has cumulative deficit of ₱61,839 as at December 31, 2019.
- d. *CCC*  
In July 2011, the Parent Company acquired all of the equity interest of CASOP Atlas BV and CASOP Atlas Corporation (collectively called CASOP) in CCC. As a result, the Parent Company became the owner of 100% of CCC's outstanding capital stock. Prior to such acquisition, the Parent Company owned 54.45% of the outstanding capital stock of CCC.

On May 5, 2006, the Parent Company entered into an Operating Agreement with CCC (the Operating Agreement) respecting the terms of the assignment by the Parent Company to CCC of operating rights over the Toledo mining complex, and the right to acquire certain fixed assets. The agreement may be terminated by the Parent Company upon 30 days' prior written notice (see Note 34).



#### Authorization for the Issuance of the Consolidated Financial Statements

The consolidated financial statements of the Parent Company and its subsidiaries as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019 were authorized for issuance by the BOD on March 11, 2020.

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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 certain parcels of land, which are carried at revalued amounts, and derivatives and financial assets at fair value through profit or loss, which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso, which is the presentation currency under Philippine Financial Reporting Standards (PFRSs). Based on the economic substance of the underlying circumstances relevant to Atlas Consolidated Mining and Development Corporation and Subsidiaries (collectively, the Group), the functional currencies of the Parent Company and its associates and subsidiaries is the Philippine Peso, except for CCC whose functional currency is the US\$. All values are rounded to the nearest thousands (₱000), except when otherwise indicated.

### Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with PFRSs.

### Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at December 31, 2019 and 2018. Control is achieved when the Group 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. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure or rights to variable returns from its involvement with the investee and
- The ability to use its power over the investee to affect its returns

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

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group 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 Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Parent Company. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group'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 loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets, liabilities and other components of equity while any gain or loss is recognized in the consolidated statement of comprehensive income. Any investment retained is recognized at fair value.

The financial statements of the subsidiaries are prepared for the same accounting period as the Parent Company using uniform accounting policies.

#### Changes in Accounting Policies

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

- PFRS 16, *Leases*

PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted PFRS 16 using the modified retrospective approach upon adoption of PFRS 16 in 2019 and elects to apply the standard to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC-4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying PAS 17 and Philippine Interpretation IFRIC-4.

The effect of adoption PFRS 16 as at January 1, 2019 is, as follows:

	<u>Increase (decrease)</u>
Assets	
Property, plant and equipment	P4,827
Liabilities	
Lease liability	4,827

The Group has lease contracts for office space, parking lot and other equipment. Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets.

*Leases previously accounted for as operating leases*

The Group recognized right-of-use assets and lease liabilities for those leases previously



classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets and lease liability were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The right-of-use asset was adjusted for any related prepaid and accrued lease payments previously recorded.

The Group also applied the short-term leases exemption to leases with lease term that ends within 12 months of the date of initial application.

Based on the above, as at January 1, 2019:

- Property, plant and equipment was recognized amounting to ₱4,827, representing the amount of right-of-use assets set up on transition date.
- Additional lease liability of ₱4,827 was recognized.
- Deferred tax liabilities increased by ₱5 because of the deferred tax impact of the changes in assets and liabilities.

The lease liability as at January 1, 2019 as can be reconciled to the operating lease commitments as of December 31, 2018 follows:

<b>Operating lease commitments as at December 31, 2018</b>	<b>₱5,322</b>
Incremental borrowing rate at January 1, 2019	8.07%
<b>Discounted operating lease commitments at January 1, 2019</b>	<b>4,827</b>
<b>Lease liability recognized at January 1, 2019</b>	<b>₱4,827</b>

Due to the adoption of PFRS 16, the Group's operating profit in 2019 will improve, while its interest expense will increase. This is due to the change in the accounting for rent expense related to leases that were classified as operating leases under PAS 17.

The adoption of PFRS 16 did not have a significant impact on equity on January 1, 2019, since the Group elected to measure the right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statement of financial position immediately before the date of initial application.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.



The Group applies significant judgment in identifying uncertainties over income tax treatments. Since the Group operates in a complex operational environment, it assessed whether the interpretation had an impact on its consolidated financial statements.

Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions. The Group determined, based on its tax compliance and study, that its tax treatments (including those for its subsidiaries) will be accepted by the taxation authorities. Therefore, the interpretation did not have an impact on the consolidated financial statements.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are ‘solely payments of principal and interest on the principal amount outstanding’ (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments had no impact on the consolidated financial statements of the Group.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.



- *Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

The amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

- *Annual Improvements to PFRSs 2015-2017 Cycle*

- *Amendments to PFRS 3, Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

These amendments had no impact on the consolidated financial statements as there is no transaction where joint control is obtained.

- *Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.



An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments had no impact on the consolidated financial statements of the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

These amendments had no impact on the consolidated financial statements of the Group as dividends declared by the Group do not give rise to tax obligations under the current tax laws.

- *Amendments to PAS 23, Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

#### Standard Issued but not yet Effective

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

#### *Effective beginning on or after January 1, 2020*

- *Amendments to PFRS 3, Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.

- *Amendments to PAS 1, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.



An entity shall apply amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

*Effective beginning on or after January 1, 2021*

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

*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*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

## Summary of Significant Accounting Policies

### Presentation of Consolidated Financial Statements

The Group has elected to present all items of recognized income and expense in a single consolidated statement of comprehensive income.





#### 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 is 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 consists of cash on hand and in banks. Cash in banks earns interest at the respective 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 the date of acquisition and are subject to an insignificant risk of changes in value.

#### Short-term Investments

Short-term investments are cash placements with original maturities of more than three months but less than one year. Short-term investments with maturities of more than 12 months after the reporting period are presented under noncurrent assets and earn interest at the respective short-term investment rates.

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

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

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. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.



In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely for payments of principal and interest on the principal amount outstanding. This assessment is referred to as the solely for payments of principal and interest 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.

#### *Subsequent Measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets designated at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

#### *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 solely for payments of principal and interest on the principal amount outstanding.

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

The Group's financial assets at amortized cost include short-term investments, nontrade receivables, interest receivables, advances to related related parties, advances to officers and employees, and refundable security deposits under other noncurrent assets.

#### *Financial Assets at Fair Value through Profit or Loss*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely for payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.



Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in profit or loss in the consolidated statement of comprehensive income.

A derivative embedded in a hybrid contract with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

As PFRS 9 now has the solely for payments of principal and interest test for financial assets, the requirements relating to the separation of embedded derivatives is no longer needed for financial assets. An embedded derivative will often make a financial asset fail the solely for payments of principal and interest test thereby requiring the instrument to be measured at fair value through profit or loss in its entirety. This is applicable to the Group's trade receivables. These receivables relate to sales contracts where the selling price is determined after delivery to the customer, based on the market price at the relevant QP stipulated in the contract. This exposure to the commodity price causes such trade receivables to fail the solely for payments of principal and interest test. As a result, these receivables are measured at fair value through profit or loss from the date of recognition of the corresponding sale, with subsequent movements being recognized in fair value gain/loss on provisionally priced trade receivables in the consolidated statement of comprehensive income.

Aside from trade receivables, this category also includes quoted equity instrument, investment in pooled funds and investment in unit investment trust fund which the Group classified at fair value through profit or loss.

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

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available for sale financial assets or derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group determines the classification at initial recognition and, where allowed and appropriate, re-evaluates such designation at the end of each reporting period.

As at December 31, 2017, the Group's financial assets are in the nature of financial assets at fair value through profit or loss, loans and receivables, and available for sale financial assets. The Group has no financial instruments classified as held-to-maturity investments, and derivatives designated as hedging instruments in an effective hedge.

*Subsequent Measurement*

The subsequent measurement of financial assets prior to the adoption of PFRS 9 depend on their classification as follows:



#### *Financial Assets at Fair Value Through Profit or Loss*

Financial assets are classified in this category if acquired principally for the purpose of selling or repurchasing in the near term or upon initial recognition, it is designated by management as at fair value through profit or loss. Financial assets at fair value through profit or loss are designated by management on initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis; or (ii) the assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performances are evaluated on a fair value basis in accordance with a documented risk management or investment strategy; or (iii) the financial instrument contains an embedded derivative that would need to be separately recorded. Derivatives, including separated embedded derivatives, are also categorized as held at fair value through profit or loss, except those derivatives designated and considered as effective hedging instruments. Assets and liabilities classified under this category are carried at fair value in the consolidated statement of financial position. Changes in the fair value of such assets are accounted for in the consolidated statement of comprehensive income.

As at December 31, 2017, the Group's financial assets at fair value through profit or loss consist of derivative assets.

#### *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently carried at amortized cost using the EIR method, less impairment. Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

#### *Available for Sale Financial Assets*

Available for sale financial assets include investments in equity and debt securities. Equity investments classified as available for sale financial assets are those which are neither classified as held for trading nor designated as fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available for sale financial assets are subsequently measured at fair value with unrealized gains or losses recognized in the consolidated statement of comprehensive income in the unrealized gain (loss) on available for sale financial assets until the investment is derecognized, at which time the cumulative gain or loss is recognized in the consolidated statement of comprehensive income, or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statement of comprehensive income and removed from other comprehensive income.

The Group evaluates its available for sale financial assets whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances.

Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.



For a financial asset reclassified out of the available for sale financial assets category, any previous gain or loss on that asset that has been recognized in equity is amortized to the consolidated statement of comprehensive income over the remaining life of the investment using the EIR rate. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of comprehensive income.

#### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement-and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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.

#### *Impairment of Financial Assets*

The Group recognizes an allowance for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses 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.

Expected credit losses are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month expected credit losses). 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 expected credit losses).

For any other financial assets carried at amortised cost (which are due in more than 12 months), the expected credit losses is based on the 12-month expected credit losses. The 12-month expected credit losses is the proportion of lifetime expected credit losses 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 expected credit losses. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, 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 amortised 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.

#### *Loans and Receivables*

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of comprehensive income.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

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

In relation to receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when these are assessed as uncollectible.

#### *Available for Sale Financial Assets*

For available for sale financial assets, the Group assesses at each end of the reporting period whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available for sale financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. The determination of what is



significant or prolonged requires judgment. The Group treats 'significant' generally as 20% or more and 'prolonged' as greater than 12 months for quoted equity securities. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized on that investment is removed from other comprehensive income and recognized in the consolidated statement of comprehensive income. Impairment losses on equity investments are not reversed through the consolidated statement of comprehensive income. Increases in the fair value after impairment are recognized directly in other comprehensive income.

#### Financial liabilities

##### *Initial Recognition and Measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings and payables.

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

The Group's financial liabilities include payables and loans and borrowings.

##### *Subsequent Measurement*

##### *Financial Liabilities at Fair Value through Profit or Loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of comprehensive income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has designated its derivative liability as at fair value through profit or loss.

##### *Payables and Loans and Borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognized in the profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statements comprehensive income. This category generally applies to accounts payable, contract liabilities and accrued liabilities, bank loans, long-term debts and other interest-bearing liabilities, and other current liability.



### *Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of comprehensive income.

### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle 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

The Group measures financial instruments, such as derivatives, provisionally priced trade receivables, and non-financial asset such as land, at fair value at the end of the reporting period.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- |   |                 |
|---|-----------------|
| • Significant estimates and assumptions                 | Note 3          |
| • Derivatives   | Notes 5 and 6   |
| • Financial assets at fair value through profit or loss | Notes 11 and 13 |
| • Land  | Note 9          |
| • Financial instruments                                 | Note 30         |

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

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

The principal or the most advantageous market must be accessible by 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 benefit 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 fair value 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; and
- 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 each end of the reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### 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 cost. 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 comprehensive income in the period in which these are incurred.

#### Inventories

Mine products inventories, which consists of copper concentrate containing copper, gold and silver, and materials and supplies are valued at the lower of cost and net realizable value (NRV).

NRV for copper concentrate is the selling price in the ordinary course of business, less the estimated costs of completion and costs of selling the final product. In the case of materials and supplies, NRV is the value of the inventories when sold at their condition at the end of the reporting period.

Cost is determined using the following methods:

#### *Copper Concentrate*

The cost of copper concentrate, containing copper, gold and silver are determined using the moving average method and are comprised of materials and supplies, depreciation, depletion, personnel costs and other cost that are directly attributable in bringing the copper concentrates in its saleable condition.



#### *Materials and Supplies*

Materials and supplies primarily pertain to consumable bearing and grinding balls, coolant and lubricants for the concentrators, concentrator supplies such as flotation reagent for the processing of the extracted ores, spare parts for concentrator machinery, crushers and conveyors, supplies such as diesel and gasoline fuels used by dump trucks and drilling machinery in extracting and transporting the ores, and explosives and blasting accessories for open pit mining. Cost is determined using the weighted average method.

The Group determines the NRV of inventories at the end of the reporting period. If the cost of the inventories exceeds its NRV, the asset is written down to its NRV and impairment loss is recognized in the consolidated statement of comprehensive income in the period the impairment is incurred.

In case the NRV of the inventories increased subsequently, the NRV will increase carrying amount of inventories but only to the extent of the impairment loss previously recognized.

#### Other Current Assets

Other current assets pertain to other resources controlled by the Group as a result of past events. Other current assets are composed of deposits and advances to suppliers, creditable withholding taxes, derivative assets, prepaid insurance, and others. These are recognized in the financial statements when it is probable that future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

#### *Prepayments*

Prepayments include expenses already paid but not yet incurred and from which future economic benefits are expected to flow to the Group within twelve (12) months from the financial reporting date. These are measured at cost less impairment loss, if any.

#### *Creditable Withholding Taxes (CWT)*

CWTs are amounts withheld from income subject to expanded withholding taxes (EWT). CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation. CWTs which are expected to be utilized as payment for income taxes within twelve (12) months are classified as part of "Other current assets" in the parent company statement of financial position.

#### *Deposit to Suppliers*

Deposit to suppliers pertain to deposits made in connection with the mobility and security of delivery of goods and services

#### *Investment in Pooled Funds*

Investment in pooled funds are non-derivative financial assets that are not classified in any other categories. These are purchased and held indefinitely, and may be sold or withdrawn in response to liquidity requirements or changes in market conditions. Subsequent to initial recognition, investment in pooled funds are carried at fair value in the consolidated statement of financial position. Changes in the fair value of such assets are reported as net unrealized gain or loss on investment in pooled funds in the consolidated statement of comprehensive income under "Net unrealized gain (loss) in pooled investment funds" until the investment is derecognized or the investment is determined to be impaired. Interest earned on holding investment in pooled funds is recognized in the consolidated statement of income using the effective interest method. Investment in pooled funds are investment of extra cash holdings to maximize earnings. The pooling of funds is facilitated by SM Investments Corp. (SMIC) to provide a better return to the cash investments. Assets under this category are classified as current if expected to be disposed of within 12 months after the reporting period.



### Other Noncurrent Assets

Other noncurrent assets are composed of input VAT, deposits and advances to suppliers, deferred mine exploration costs, mine rehabilitation fund (MRF), social development and management program (SDMP) fund, investment in unit investment trust fund, refundable deposits and others.

### *Input VAT*

Input VAT represents the VAT imposed on the Group by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations. Deferred input VAT represents input VAT on the purchase of capital goods exceeding one million pesos. The related input VAT is recognized over five years or the useful life of the capital goods, whichever is shorter. The input VAT is recognized as an asset and will be used to offset against the Group's current output VAT liabilities and any excess will be claimed as tax credits. Input VAT is stated at cost less allowance for impairment.

### Property, Plant and Equipment

Items of property, plant and equipment, except land, are carried at cost less accumulated depreciation and depletion, and any impairment in value. Land is carried at revalued amount less any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes, and any directly attributable costs of bringing the property, plant and equipment to its working condition and location for its intended use. Expenditures incurred after the property, plant and equipment have been placed into operation, such as repairs and maintenance costs, are normally recognized in the consolidated statement of comprehensive income in the period they are incurred. When property, plant and equipment are sold or retired, the cost and related accumulated depletion and depreciation are removed from the accounts and any resulting gain or loss is recognized in the consolidated statement of comprehensive income.

Depreciation of property, plant and equipment, except mine development costs, is computed using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Number of Years</u>
Roadways and bridges	5 - 40
Buildings and improvements	5 - 25
Machinery and equipment	3 - 20
Transportation equipment	5 - 7
Furniture and fixtures	5

In 2016, the Group performed a technical evaluation and reassessed the useful lives of certain machinery and equipment. Useful lives of certain mill and plant equipment items with original estimated useful lives of three to 12 years were changed to 20 years. The reassessment was considered as a change in accounting estimate and was appropriately made on the basis of new information that arose from technical evaluation performed in 2016.

In 2019 and 2018, there were no changes made on the estimated useful lives of machinery and equipment.

Depreciation or depletion of an item of property, plant and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or depletion ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as



held for sale) in accordance with PFRS 5, *Non-current Assets Held for Sale and Discontinued*, and the date the asset is derecognized.

The estimated recoverable reserves, useful lives, and depreciation and depletion methods are reviewed periodically to ensure that the estimated recoverable reserves, periods and methods of depreciation and depletion are consistent with the expected pattern of economic benefits from the items of property, plant and equipment. The assets' useful lives and methods of depreciation are reviewed and adjusted, if appropriate, at the end of the reporting period.

Property, plant and equipment also include the estimated costs of rehabilitating the mine site, for which the Group is constructively liable. These costs, included under mine development costs, are amortized using the units-of-production method based on the estimated recoverable mine reserves until the Group actually incurs these costs in the future.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the year the asset is derecognized.

Expenditures on major maintenance refits or repairs comprise the cost of replacement assets or parts of assets and overhaul cost. Where an asset or part of an asset that was separately depreciated and is now written-off is replaced, and it is probable that future economic benefits associated with the item will flow to the Group through an extended life, expenditure is capitalized. All other day to day maintenance costs are expensed as incurred.

A portion of land is measured at fair value at the date of revaluation. Valuations are performed with sufficient frequency to ensure that carrying amount of revalued asset does not differ materially from its fair value. The net appraisal increment resulting from the revaluation of land is credited to the Revaluation increment on land account shown under the equity section of the consolidated statement of financial position. Any appraisal decrease is first offset against revaluation increment on earlier revaluation. The revaluation increment pertaining to disposed land is transferred to the retained earnings account.

Effective January 1, 2019, it is the Group's policy to classify right-of-use assets as part of property, plant and equipment. Prior to that date, all of the Group's leases are accounted for as operating leases in accordance with PAS 17, hence, not recorded on the consolidated statement of financial position. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject to impairment.



#### *Mine Development Costs*

Mine development costs are stated at cost, which includes cost of construction, borrowing costs and other direct costs. Mine development costs pertain to costs attributable to current commercial operations and are depleted using the units-of-production method based on estimated recoverable ore reserves.

Mine development costs also include the estimated costs of rehabilitating the mine site, for which the Group is constructively liable. These costs are amortized using the units-of-production method based on the estimated recoverable ore reserves until the Group actually incurs these costs in the future.

#### *Construction In-progress*

Construction in-progress includes mine development costs which are not attributable to current commercial operations and are not depleted until such time as the relevant assets are completed and become available for use. Construction in-progress are transferred to the related property, plant and equipment account when the construction or installation and related activities necessary to prepare the property, plant and equipment for their intended use are complete and the property, plant and equipment are ready for service.

#### *Deferred Stripping Costs*

Stripping costs incurred in the development of a mine before production commences are capitalized as part of the cost of constructing the mine (under construction in-progress) and subsequently amortized over the estimated life of the mine on a units-of-production basis. Where a mine operates several open pit that are regarded as separate operations for the purpose of mine planning, stripping costs are accounted for separately by reference to the ore from each separate pit. If, however, the pits are highly integrated for the purpose of the mine planning, the second and subsequent pits are regarded as extensions of the first pit in accounting for stripping costs. In such cases, the initial stripping (i.e., overburden and other waste removal) of the second and subsequent pits is considered to be production phase stripping relating to the combined operation.

For stripping costs incurred subsequently during the production stage of the operation, the stripping activity cost is accounted as part of the cost of inventory if the benefit from the stripping activity will be realized in the current period. When the benefit is the improved access to ore, the Group shall recognize these costs as stripping activity assets. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the deferred stripping cost is carried at its cost less depreciation or depletion and less impairment losses.

#### Deferred Mine Exploration Costs

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analyzing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

License costs paid in connection with a right to explore in an existing exploration area are capitalized and amortized over the term of the permit.



Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to the consolidated statement of comprehensive income as incurred, unless the Group concludes that a future economic benefit is more likely than not to be realized. These costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalized, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Expenditure on exploration and evaluation is accounted for in accordance with the area of interest method. Exploration and evaluation expenditure is capitalized provided the rights to tenure of the area of interest is current and either: the exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, then, any fulfillment exploration and evaluation expenditure is reclassified as mine properties and mine development costs included as part of property, plant and equipment. Prior to reclassification, exploration and evaluation expenditure is assessed for impairment.

When a project is abandoned, the related deferred mine exploration costs are written off. Exploration areas are considered permanently abandoned if the related permits of the exploration have expired and/or there are no definite plans for further exploration and/or development.

#### Mining Rights

Mining rights are identifiable intangible assets acquired by the entity to explore, extract, and retain, at least, a portion of the benefits from mineral deposits. A mining right shall be recognized if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

The cost of a separately acquired mining right comprises: (a) its purchase price and non-refundable purchase taxes; and (b) any directly attributable cost of preparing the asset for its intended use. Mining rights acquired through business combination is initially valued at its fair value at the acquisition date. The fair value of a mining right will reflect expectations about the probability that the expected future economic benefits embodied in the asset will flow to the entity.

Mining rights shall be subsequently depleted using the units-of-production method based on estimated recoverable ore reserves in tonnes or legal right to extract the minerals, whichever is shorter.

Depletion shall begin when the asset is available for use and shall cease at the earlier of the date that the asset is classified as held for sale in accordance with PFRS 5 and the date that the asset is derecognized. The depletion expense for each period shall be recognized in the consolidated statement of comprehensive income.

#### Business Combinations and Goodwill

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 non-controlling interest in the acquiree. For each business combination, the



acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets 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.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date, and any gain or loss is recognized in the consolidated statement of comprehensive income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with PAS 39, either in the consolidated statement of comprehensive income or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity. 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 remeasured and subsequent settlement is accounted per within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for any previous interest held, and any previous interest held, over the fair value of the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognized in the consolidated statement of comprehensive 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 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 cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

#### Investments in Associates

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 associates are 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 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 comprehensive 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.

The financial statements of the associates are prepared for the same reporting period and using uniform accounting policies as the Group. When necessary, adjustments are made to bring the accounting policies of the associates in line with those of the Group.

#### Impairment of Nonfinancial Assets

##### *Property, Plant and Equipment, and Mining Rights*

Property, plant and equipment and mining rights, except land, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's or cash-generating unit fair value less cost to sell and value-in-use, 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 which case the asset is tested as part of a large cash-generating unit. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value-in-use is the present value, using a pre-tax discount rate, of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. The pre-tax discount rate used reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in the consolidated statement of comprehensive income.

Recovery of impairment losses recognized in prior periods is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statement of comprehensive income. However, the increased carrying amount of an asset due to recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depletion and depreciation) had no impairment loss been recognized for that asset in prior periods.

##### *Deferred Mine Exploration Costs*

Exploration assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the following conditions is met:

- such costs are expected to be recouped in full through successful development and 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.

##### *Goodwill*

Goodwill is reviewed for impairment annually. Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount to which goodwill has been allocated, an impairment loss is recognized. Where goodwill forms part of cash-generating unit (or groups of cash-generating units) and part of the operations within that unit is disposed of, the goodwill associated





with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative fair values of the operation disposed of and the portion of the cash-generating unit retained. Impairment losses relating to goodwill cannot be reversed in the future periods.

#### *Investments in Associates*

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss as impairment loss in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of comprehensive income.

#### *Other Nonfinancial Assets*

The Group provides allowance for impairment losses on other nonfinancial assets when these can no longer be realized. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease other nonfinancial assets.

#### Foreign Currencies

The Group's consolidated financial statements are presented in Philippine Peso, which is also the functional currencies of the Parent Company, associates and subsidiaries, except CCC. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

#### *Transactions and Balances*

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in the consolidated statement of comprehensive income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to consolidated statement of comprehensive income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.



#### *Group Companies*

On consolidation, the assets and liabilities of foreign operations are translated into Philippine Peso at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the weighted average exchange rates of the year. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the consolidated statement of comprehensive income.

#### Leases (applicable until December 31, 2018 prior to adoption of PFRS 16)

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

#### *Operating Lease - Group as a Lessor*

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased assets and are recognized over the lease term on the same basis as rental income.

#### *Operating Lease - Group as a Lessee*

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

#### Leases (applicable effective January 1, 2019)

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.

### Income Taxes

#### *Current Income Tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as of the end of the reporting period. Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

#### *Deferred Tax*

Deferred tax is provided using the liability method on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused tax losses from net operating loss carry-over (NOLCO), to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and the carryforward benefits of excess MCIT and NOLCO can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences.

The carrying amount of deferred tax assets are reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized before their reversal or expiration. Unrecognized deferred tax assets are reassessed at each end of the reporting period and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the income tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

#### *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.

#### Share-based Payments

The cost of equity-settled transactions with employees is measured by reference to their fair value at the date they are granted, determined using the acceptable valuation techniques.

The cost of equity-settled transactions, together with a corresponding increase in equity, is recognized over the period in which the performance and/or service conditions are fulfilled ending on the date on which the employees become fully entitled to the award (vesting date). The cumulative expense recognized for equity-settled transactions at the end of the reporting period up to and until the vesting date reflects the extent to which the vesting period has expired, as well as the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for the period represents the movement in cumulative expense recognized at the beginning and end of that period. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which awards are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. An additional expense is likewise recognized for any modification which increases the total fair value of the share-based payment arrangement or which is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. If a new award, however, is substituted for the cancelled awards and designated as a replacement award, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

#### Capital Stock and Additional Paid-in Capital (APIC)

The Group has issued capital stock that is classified as equity. Incremental costs directly attributable to the issue of new capital stock are shown in the consolidated statement of changes in equity as a deduction, net of tax, from the proceeds.

#### Subscription Receivable

Subscription receivable represents outstanding receivables from stock subscription agreements.

The Group may present the subscription receivable as part of current assets when they have established the right to receive the outstanding receivables within the next 12 months from the end of the reporting period. Otherwise, this is presented as a deduction from equity.

#### Treasury Shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in share premium. Share options exercised during the reporting period are satisfied with treasury shares.

#### Retained Earnings

The amount included in retained earnings includes profit (loss) attributable to the Parent Company's equity holders and reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the Parent Company's



stockholders. Interim dividends, if any, are deducted from equity when these are paid. Dividends for the year that are approved after the end of the reporting period are dealt with as an event after the end of the reporting period.

Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions. Retained earnings may be appropriated for any plant expansion, investments and funding of certain reserve accounts to be established pursuant to the requirements of the lenders in accordance with the agreement. When appropriation is no longer needed, it is reversed.

When retained earnings account has a debit balance, it is called deficit. A deficit is not an asset but a deduction from equity.

#### Other Comprehensive Income

Other comprehensive income comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in the profit or loss for the year in accordance with PFRSs.

#### Revenue from Contracts with Customers

The Group is principally engaged in the business of producing copper concentrate and in some instances, magnetite concentrate. Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group has generally concluded that it is the principal in its revenue contracts because it typically controls the goods before transferring these to the customer.

#### *Contract Assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. The Group does not have any contract assets as at December 31, 2019 as performance and a right to consideration occurs within a short period of time and all rights to consideration are unconditional.

#### *Trade Receivables*

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

#### *Contract Liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract. The Group had ₱810,160 (US\$16.00 million) of contract liabilities as at December 31, 2019 (see Note 14).

#### *Copper Concentrate Sales*

The Group's copper concentrate has copper, gold and silver. For copper concentrate sales, the enforceable contract is each purchase agreement, which is an individual, short-term contract, while the performance obligation is the delivery of the concentrate.



Recognition of sales revenue for the commodities is based on determined metal in concentrate and the London Metal Exchange (LME) quoted prices, net of smelting and related charges. The sales of copper concentrate allow for price adjustments based on the LME price at the end of the QP stipulated in the contract. These are referred to as provisional pricing arrangements. Adjustments to the sales price occur based on movements in quoted market prices up to the end of the QP. The period between provisional invoicing and the end of the QP can be between one and three months. The end of the QP also marks the settlement date for each shipment. For its various customers, 80%-90% of the value of copper, gold and silver based on provisional prices is collected upon shipment, while the remaining 10%-20% is collected upon the determination of the final shipment value on final weight and assays for metal content and prices during the QP less deduction for smelting and other related charges.

Revenue is recognized when control passes to the customer, which occurs at a point in time when the copper concentrate is physically transferred onto the buyer's vessel and date of the bill of lading issued by the buyer's shipping agent. Under the terms of offtake agreements with customers, the Group issues a provisional invoice for the entire volume of concentrate loaded to customer's vessel. Final invoice is made thereafter upon customer's outturn of concentrates delivered and submission of their final assay report. Adjustment is accordingly made against the final invoice with respect to provisional collections received by the Group to determine amounts still owing from/to customers.

For these provisional pricing arrangements, any future changes that occur over the QP are embedded within the provisionally priced trade receivables and are, therefore, within the scope of PFRS 9 and not within the scope of PFRS 15. Given the exposure to the commodity price, these provisionally priced trade receivables will fail the cash flow characteristics test within PFRS 9 and will be required to be measured at fair value through profit or loss up from initial recognition and until the date of settlement. These subsequent changes in fair value are recognized in the consolidated statement of comprehensive income each period and presented separately from revenue from contracts with customers as part of fair value gain/loss on provisionally priced trade receivables. Changes in fair value over, and until the end of, the QP, are estimated by reference to updated forward market prices for gold and copper as well as taking into account relevant other fair value considerations as set out in PFRS 13, including interest rate and credit risk adjustments (see Note 29).

As the enforceable contract for the arrangements is the purchase agreement, the transaction price is determined at the date of each sale (i.e., for each separate contract) and, therefore, there is no future variability within scope of PFRS 15 and no further remaining performance obligations under those contracts.

#### *Interest Income*

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

#### *Others*

Revenue is recognized in the consolidated statement of comprehensive income as these are earned.

#### 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 decreases in equity, other than those relating to distributions to equity participants. Costs and expenses which include mining and milling costs, general administrative expenses, mine product taxes and depletion of mining rights, are generally recognized in the consolidated statement of comprehensive income when the services are used or the expenses are incurred.



### Operating Segments

For management purposes, the Group is organized into two major operating segments (mining and non-mining businesses) according to the nature of products and the services provided with each segment representing a strategic business unit that offers different products and serves different markets. The entities are the basis upon which the Group reports its primary segment information. Financial information on business segments is presented in Note 27.

### Basic Earnings/Loss Per Share

Basic earnings per share amounts are calculated by dividing net income (loss) attributable to the equity holders of the Parent Company by the weighted average number of common shares outstanding during the year.

### Diluted Earnings/Loss Per Share

Diluted earnings per share amounts are calculated by dividing the net income (loss) attributable to common equity holders of the Parent Company (after adjusting for interest on convertible preferred shares, warrants and stock options) by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued on conversion of all dilutive potential common shares into common shares.

### Provisions

#### *General*

Provisions, if any, 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. 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 assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

#### *Liability for Mine Rehabilitation*

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognized in the consolidated statement of comprehensive income under finance charges. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and liability for mine rehabilitation cost, respectively, when these occur.



The liability is reviewed on an annual basis for changes to obligations or legislation or discount rates that affect change in cost estimates or life of operations. The cost of the related asset is adjusted for changes in the liability resulting from changes in the estimated cash flows or discount rate, and the adjusted cost of the asset is depleted prospectively.

When rehabilitation is conducted progressively over the life of the operation, rather than at the time of closure, liability is made for the estimated outstanding continuous rehabilitation work at each end of the reporting period and the cost is charged to the consolidated statement of comprehensive income.

The ultimate cost of mine rehabilitation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience. The expected timing of expenditure can also change, for example in response to changes in ore reserves or production rates. As a result, there could be significant adjustments to the liability for mine rehabilitation cost, which would affect future financial results.

#### Employee Benefits

The net defined retirement benefits 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).

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 retirement benefits liability or asset
- Remeasurements of net defined retirement benefits 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 comprehensive 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 retirement benefits liability or asset is the change during the period in the net defined retirement benefits 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 retirement benefits liability or asset. Net interest on the net defined retirement benefits liability or asset is recognized as expense or income in the consolidated statement of comprehensive 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 retirement benefits liability) are recognized immediately in other comprehensive income in the period in which these arise.

Remeasurements are not reclassified to the consolidated statement of comprehensive income in subsequent periods. Remeasurements recognized in other comprehensive income after the initial adoption of Revised PAS 19, *Employee Benefits* are not closed to any other equity account.

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





#### *Termination Benefits*

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

#### *Employee Leave Entitlements*

Employee entitlements to annual leave are recognized as a liability when these are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before 12 months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

#### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

#### Events After the End of the Reporting Period

Events after the end of the reporting period that provide additional information about the Group's financial position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Events after the end of the reporting period that are not adjusting events are disclosed when material.

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### **3. Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements in accordance with PFRSs requires the Group to exercise judgment, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Accounting assumptions, estimates and judgments 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.

Other disclosures relating to the Group's exposure to risks and uncertainties include capital management, financial risk management and policies and sensitivity analyses disclosures (see Notes 29 and 31).



### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effects on amounts recognized in the consolidated financial statements:

#### *Going Concern*

Management has made an assessment on the Group's ability to continue as a going concern and is satisfied that it has the resources to continue business for the foreseeable future.

#### *Determination of Functional Currency*

The Parent Company and most of its subsidiaries, based on the relevant economic substance of the underlying circumstances, have determined their functional currency to be the Philippine Peso. CCC's functional currency is US\$. In making this judgment, each entity in the Group considered the following:

- The currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales price for its financial instruments and services are denominated and settled)
- The currency in which funds from financing activities are generated and
- The currency in which receipts from operating activities are usually retained

#### *Assessing Existence of Significant Influence*

In assessing whether significant influence still exists, the Group considered not only its percentage ownership but other factors such as Board seat representations it has in an associate's governing body and its interchange of managerial personnel with an associate, among others. As at December 31, 2019 and 2018, the Group assessed that it has significant influence over the associates and has accounted for the investments as investments in associates. The Group has the ability to participate in the financial and reporting decisions of the investee, but has no control or joint control over those policies (see Note 12).

#### *Definition of Default and Credit Impaired Financial Assets (applicable starting January 1, 2018 upon adoption of PFRS 9)*

The Group defines financial instruments as in default, which is fully aligned with the definition of credit-impaired, when a customer is more than 90 days past due on its contractual obligations. 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.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to calculate the Group's expected loss.

An instrument is considered to be no longer in default (i.e., to have cured) when it no longer meets any of the default criteria.

#### *General Approach for Debt Financial Assets Measured at Amortized Cost*

The expected credit loss is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired.

#### *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 as 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:

- existing or forecasted 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;
- 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 one year 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 fulfil 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.

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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.

Expected credit losses are the discounted product of the probability of default, loss given default, and exposure at default, defined as follows:

- *Probability of default.* The probability of default represents the likelihood of a debtor or customer defaulting on its financial obligation, either over the next 12 months, or over the remaining life of the obligation. Probability of default estimates are estimates at a certain date, which are calculated based on available market data using rating tools tailored to the various categories of counterparties and exposures. If a counterparty or exposure migrates between rating classes, then



this will lead to a change in the estimate of the associated probability of default. Probability of defaults are estimated considering the contractual maturities of exposures.

The 12-months and lifetime probability of default represent the expected point-in-time probability of a default over the next 12 months and remaining lifetime of the financial instrument, respectively, based on conditions existing at the balance sheet date and future economic condition that affect credit risk.

- *Loss given default.* Loss given default represents the Group's expectation of the extent of loss on a defaulted exposure, taking into account the mitigating effect of collateral, its expected value when realized and the time value of money. Loss given default varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support. Loss given default is expressed as a percentage loss per unit of exposure at the time of default.
- *Exposure at default.* Exposure at default is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

#### *Incorporation of Forward-looking Information*

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of expected credit loss.

To do this, the Group has considered a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of expected credit losses.

Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group considers two or more economic scenarios and the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables, and credit risk and credit losses. The Group considers macro-economic factors such as local GDP growth rates, inflation rates, and copper prices in its analysis.

Predicted relationship between the key indicators and default and loss rates on portfolios of financial assets have been developed based on analyzing historical data over the past three years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on expected credit loss due to lack of reasonable and supportive information.

#### *Grouping of Instruments for Losses Measured on Collective Basis*

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogenous. The Group considers in its collective assessment the type of counterparties and its geographical location.



#### *Bill and Hold Sales*

The Group recognized sale on deliveries classified as bill and hold when there is transfer of risk and reward from the Group to the buyer due to the following:

- It is probable that delivery will be made
- The item is on hand, identified and ready for delivery to the buyer at the time the sale is recognized
- The buyer specifically acknowledges the deferred delivery instructions and
- The usual payment terms apply

Bill and hold sales in 2019, 2018 and 2017 amounted to ₦980,190, nil, and ₦396,042 respectively.

#### *Operating Lease Commitments prior to January 1, 2019 - Group as a Lessee*

The Group has entered into leases of office, commercial spaces and land. The Group has determined that all significant risks and rewards of ownership of these spaces remain with the lessors due to the following:

- a. The ownership of the assets do not transfer to the Group at the end of the lease term
- b. The Group has no option to purchase the assets at prices which are expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the leases, it is reasonably certain that the option will be exercised
- c. The lease terms are not for the major part of the economic lives of the assets even if the titles are not transferred and
- d. At the inception of the lease, the present value of the minimum lease payments does not amount to at least substantially all of the fair values of the leased assets.

#### *Determination of lease term of contracts with renewal and termination options (applicable starting January 1, 2019 upon adoption of PFRS 16) – Group as a lessee*

The Group has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The renewal option for lease of office space is not included as part of the lease term because the Group might relocate depending on the decision of the stockholders. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

#### *Assessing 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 mine plant and equipment
- Ability to produce ore in saleable form and
- Ability to sustain ongoing production of ore



The Group determines when a mine moves into a production phase when the mine, is in the location and condition necessary for it to be capable of operating in the manner intended by the Group.

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 and depletion commences.

#### *Identification of the Enforceable Contract*

For copper concentrate sales, while there are master services agreements (offtake contracts) with key customers that set out the general terms and conditions governing any sales that occur, they do not contain any minimum volumes, i.e., the customer is not required to buy any concentrate. The customer is only obliged to purchase metal in concentrate when it places a purchase order for each shipment. Also, there are no terms which link separate purchase orders. For example, there are no rebates or discounts provided if a customer buys more than a specified amount each year, and there are no penalties that impact overall sales during a period. Therefore, for these arrangements, the enforceable contract has been determined to be each purchase order.

#### *Allocation of Stripping Costs*

Significant judgement is required to distinguish between development stripping and production stripping and to distinguish between the production stripping that relates to the extraction of inventory and that which relates to the creation of a stripping activity asset.

Once the Group has identified its production stripping for each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify and define these components, and also to determine the expected volumes (e.g., in tonnes) of waste to be stripped and ore to be mined in each of these components. These assessments are undertaken for each individual mining operation based on the information available in the mine plan. The mine plans and, therefore, the identification of components, will vary between mines for a number of reasons. These include, but are not limited to, the type of commodity, the geological characteristics of the ore body, the geographical location and/or financial considerations.

Judgement is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Group considers that the ratio of the expected volume (e.g., in tonnes) of waste to be stripped for an expected volume (e.g., in tonnes) of ore to be mined for a specific component of the ore body, is the most suitable production measure.

Furthermore, judgements and estimates are also used to apply the units of production method in determining the depreciable lives of the stripping activity asset(s).

#### *Determination of taxable profit, tax bases, unused tax losses, unused tax credits and tax rates – effective January 1, 2019*

Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax treatments. The Group applies significant judgement in identifying uncertainties over its income tax treatments. The Group assessed whether the Interpretation had an impact on its consolidated financial statements. The Group determined, based on its tax assessment, in consultation with its tax counsel, that it has no uncertain tax treatments (including those for the subsidiaries). Accordingly, the interpretation did not have significant impact on the consolidated financial statements of the Group.



### Estimates and Assumptions

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

#### *Business Model Assessment*

Classification and measurement of financial assets depends on the results of the solely for payments of principal and interest and the business model test (Note 2). The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

#### *Estimating the Incremental Borrowing Rate - Leases*

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates)

The Company's lease liability amounted to ₱2,942 as at December 31, 2019 (see Note 15).

#### *Estimating Impairment of Goodwill, Property, Plant and Equipment, and Mining Rights*

IFRSs require that an impairment review be performed when certain impairment indicators are present for property, plant and equipment and mining rights while goodwill is required to be tested for impairment at least annually. Impairment is determined for goodwill, property, plant and equipment, and mining rights by assessing the recoverable amount of the cash-generating unit to which those assets relate. Where recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods while any impairment loss for property, plant and equipment and mining rights may be reversed and such reversal must not exceed the carrying amount that would have been determined (net of depreciation and depletion) had no impairment loss been recognized in prior years.

Future events could cause the Group to conclude that the goodwill, property, plant and equipment and mining rights are impaired. Any resulting impairment loss could have a material adverse impact on the Group's financial condition and results of operations.

Management performed impairment test as at December 31, 2019 and 2018. The recoverable amount of the cash-generating unit has been determined based on a value calculation using cash flow projections from financial budgets approved by management covering the mine life of the cash-generating unit.



The calculation of value-in-use for the cash-generating unit incorporates the following key assumptions: a) expected life of the project; b) future production levels and costs which are based on the Group's historical experience; c) contributions to the government based on current regulations; d) commodity prices which are estimated with reference to external market forecasts; and e) pre-tax discount rates of 8.69% and 9.93% as at December 31, 2019 and 2018, respectively.

Based on the management's assessment, no impairment loss on property, plant and equipment, mining rights and goodwill was recognized in 2019, 2018 and 2017 (see Notes 9 and 10).

*Measurement of Expected Credit Losses (applicable starting January 1, 2018 upon adoption of PFRS 9)*

Expected credit losses are derived from unbiased and probability weighted estimates of expected loss, and 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 the original effective interest rate, or an approximation thereof. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to contractual terms.

Allowance for expected credit losses on receivables amounted to ₱32,748 and ₱33,124 as at December 31, 2019 and 2018, respectively (see Note 5). Receivables, net of allowance for expected credit losses, amounted to ₱1,506,370 and ₱487,186 as at December 31, 2019 and 2018, respectively (see Note 5).

*Estimating Ore Reserves*

Ore reserves estimate for development projects is, to a large extent, based on the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies, which derive estimates of costs based upon anticipated tonnage and grades of ores to be mined and processed, the configuration of the ore body, expected recovery rates from the ore, estimated operating costs, estimated climatic conditions and other factors. Proven ore reserves estimate is attributed to future development projects only when there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. All proven ore reserves estimate for partially developed areas is subject to greater uncertainty over their future life than estimate to revision, either upward or downward, based on new information, such as from block grading and production activities or from changes in economic factors, including product prices, contract terms or development plans.

Ore reserves estimate for undeveloped or partially developed areas is subject to greater uncertainty over their future life than estimates of ore reserves for areas that are substantially developed and depleted. As an area goes into production, the amount of proven ore reserves will be subject to future revision once additional information becomes available. As those areas are further developed, new information may lead to revisions.

*Estimating Fair Value of Financial Assets and Financial Liabilities*

PFRSs requires that certain financial assets and liabilities be carried at fair value, which requires the use of accounting judgment and estimates. While significant components of fair value measurement are determined using verifiable objective evidence (e.g., foreign exchange rates, interest rates and volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and financial liabilities would directly affect net income or loss (see Note 30).





*Estimating NRV of Mine Products Inventory*

The selling price estimation of mine products inventory is based on the LME, which also represents an active market for the product. CCC concurrently uses the prices as agreed with its customers, and the weight and assay for metal content in estimating the fair value less cost to sell of mine products inventory. Any changes in the assay for metal content of the mine products inventory is accounted for and adjusted accordingly.

As at December 31, 2019 and 2018, the cost of mine products inventory is lower than its NRV. No provision for impairment loss on of mine products inventory was recognized in 2019 and 2018. Mine products inventory amounted to ₱93,438 and ₱711,113 as at December 31, 2019 and 2018, respectively (see Note 7).

*Estimating Allowance for Impairment on Materials and Supplies Inventory*

The Group provides allowance for materials and supplies whenever NRV of inventories becomes lower than cost due to damage, inventory losses, physical deterioration, obsolescence, changes in price levels or other causes. Materials and supplies inventory amounting to ₱510,372 and ₱517,822 as at December 31, 2019 and 2018, respectively, had been fully provided with an allowance for impairment losses (see Note 7).

Materials and supplies inventories, net of allowance for impairment losses, amounted to ₱1,359,272 and ₱1,568,861 as at December 31, 2019 and 2018, respectively (see Note 7).

*Estimating Volume of Mine Products Inventories*

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained concentrates in dry metric tonnes is based on assay data, and the estimated recovery percentage is based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

*Estimating Useful Lives of Property, Plant and Equipment, Except Land*

The estimated useful lives of mill and plant equipment were reviewed by the Group's experienced, qualified and certified engineers in 2016 resulting to adjustment in estimated useful lives.

The changes in the estimated useful lives of the assets were applied prospectively and resulted to a decrease in depreciation expense in 2016 until 2028 amounting ₱383,567 annually.

*Determining Appraised Value of Land*

The appraised value of land is based on a valuation by an independent appraiser firm, which management believes holds a recognized and relevant professional qualification and has recent experience in the location and category of the land being valued. The appraiser firm used the market data approach in determining the appraised value of land. As at December 31, 2019 and 2018, the fair value of the land amounted to ₱430,286 based on the latest valuation obtained in 2015 (see Note 9).

*Units-of-production Depreciation/Depletion*

Estimated recoverable ore reserves are used in determining the depreciation/depletion of mine specific assets. This results in a depreciation/depletion charge proportional to the depletion of the anticipated remaining mine life. Each item's life, which is assessed annually, has regard to both physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. The calculations require the use of estimates of future capital expenditure. The Group uses the tonnes of ore produced as the basis for depletion or depreciation. Any change in estimates is accounted for prospectively. Average depletions rate used by CCC in 2019, 2018 and 2017 are 2.51%, 2.33% and 1.98%, respectively.



*Estimating Recoverability of Deferred Mine Exploration Costs*

The application of the Group's accounting policy for deferred mine exploration costs requires judgment and estimates in determining whether it is likely that the future economic benefits are certain, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after deferred mine explorations costs are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written-off in the consolidated statement of comprehensive income in the period when the new information becomes available.

The Group reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts. An impairment loss is recognized when the carrying values of these assets are not recoverable and exceed their fair value. In 2019, 2018 and 207, no provision for impairment loss on the Group's deferred mine exploration costs was recognized (see Note 13).

*Estimating Impairment of Investment in Associate*

The Group determines whether its investments in associates and other nonfinancial assets are impaired at least on an annual basis. This requires an estimation of recoverable amount, which is the higher of an asset's or cash-generating unit's fair value less cost to sell and value-in-use. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and to choose an appropriate discount rate in order to calculate the present value of those cash flows. Estimating the fair value less cost to sell is based on the information available to reflect the amount that the Group could obtain as at the end of the reporting period. In determining this amount, the Group considers the outcome of recent transactions for similar assets within the same industry.

*Estimating Impairment of Input VAT*

The Group assesses on a regular basis if there is objective evidence of impairment of input VAT. The amount of impairment loss is measured as the difference between the carrying amount and the estimated recoverable amount. The recognition of impairment requires the Group to assess the status of its application for refund and tax credit certificates with government agencies.

The Group recognized allowance for possible losses on input VAT amounting to ₱210,952 and ₱219,042 as at December 31, 2019 and 2018, respectively (see Note 13).

*Estimating Retirement Benefits Costs*

The cost of defined retirement benefits as well as the present value of the retirement benefits liability 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, defined benefit retirement liability are highly sensitive to changes in these assumptions. All assumptions are reviewed at the end of the reporting period.

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 retirement benefits liability.

Further details about the assumptions used are provided in Note 24.



Retirement benefits liability amounted to ₱482,230 and ₱308,306 as at December 31, 2019 and 2018, respectively (see Note 24). Retirement benefits costs amounted to ₱52,561, ₱62,369 and ₱48,207 in 2019, 2018 and 2017, respectively (see Note 24).

#### *Estimating Liability for Mine Rehabilitation*

The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the liability for mine rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated statement of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognized as part of an asset measured in accordance with PAS 16. Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the consolidated statement of comprehensive 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 entity is required to consider whether this is an indication of impairment of the asset as a whole and test for impairment in accordance with PAS 36. Also, rehabilitation obligations that arose as a result of the production phase of a mine should be expensed as incurred. Liability for mine rehabilitation cost recognized as at December 31, 2019 and 2018 amounted to ₱68,334 and ₱77,732, respectively (see Note 17).

#### *Provisions and Contingencies*

The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Group's management and legal counsel believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements. Accordingly, no provision for probable losses arising from contingencies was recognized by the Group in 2019, 2018 and 2017.

#### *Measurement of Mine Products Sales*

Mine products sales are provisionally priced as these are not settled until predetermined future dates based on market prices at that time. Revenue on these sales are initially recognized based on shipment values calculated using the provisional metal prices, shipment weights and assays for metal content less deduction for insurance and smelting charges as marketing. The final shipment values are subsequently determined based on final weights and assays for metal content and prices during the applicable quotational period. Total mine product sales, net of smelting and related charges, amounted to ₱16,162,945, ₱13,295,913 and ₱11,070,571 in 2019, 2018 and 2017, respectively (see Note 20).



*Realizability of Deferred Tax Assets*

The Group reviews the carrying amounts of deferred tax assets at each end of the reporting period and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilized. As at December 31, 2019 and 2018, the Group has deductible temporary differences, NOLCO and excess MCIT totaling ₱892,204 and ₱1,224,843, respectively (see Note 25), for which no deferred tax assets were recognized. As at December 31, 2019 and 2018, deferred tax assets amounting to ₱2,830,475 and ₱3,527,397 were recognized as management believes that sufficient future taxable profits will be available against which benefits of the deferred tax assets can be utilized (see Note 25).

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**4. Cash and Cash Equivalents, and Short-term Investments**

Cash and Cash Equivalents

	<b>2019</b>	2018
Cash on hand	<b>₱2,886</b>	₱3,710
Cash in banks	<b>642,573</b>	1,160,957
Cash equivalents	–	61,032
	<b>₱645,459</b>	₱1,225,699

Interest income earned from cash in banks amounted to ₱1,972, ₱2,810 and ₱3,555 in 2019, 2018 and 2017, respectively (see Note 26).

Short-term Investments

A portion of the proceeds from operations was placed in time deposit accounts with various maturity periods reckoned from the date of placement. Such deposits amounting to ₱935,468 and ₱2,812,863 as at December 31, 2019 and 2018, respectively, are classified as short-term investments in the consolidated statement of financial position. Interest income earned from short-term investments amounted to ₱62,129, ₱38,100 and ₱25,324 in 2019, 2018 and 2017, respectively (see Note 26). Interest receivable from the said short-term investments amounted to ₱1,259 and ₱3,097 as at December 31, 2019 and 2018, respectively (see Note 5).

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**5. Receivables**

	<b>2019</b>	2018
Trade receivables	<b>₱1,309,809</b>	₱238,351
Nontrade	<b>148,868</b>	160,619
Interest (Note 4)	<b>1,259</b>	3,097
Advances to:		
Related parties (Note 23)	<b>69,261</b>	102,440
Officers and employees	<b>9,921</b>	15,803
	<b>1,539,118</b>	520,310
Less allowance for expected credit loss	<b>(32,748)</b>	(33,124)
	<b>₱1,506,370</b>	₱487,186

The Group's trade receivables arise from its shipments of copper concentrate, containing copper, gold, silver, and magnetite concentrate.



Trade receivables (subject to provisional pricing) are non-interest bearing, but are exposed to future commodity price movements over the QP and, hence, fail the solely for payments of principal and interest test and are measured at fair value up until the date of settlement. These trade receivables are initially measured at the amount which the Company expects to be entitled, being the estimate of the price expected to be received at the end of the QP. Approximately 90% of the provisional invoice (based on the provisional price, calculated as the average price five to 10 days prior to delivery) is received in cash when the goods are loaded onto the ship, which reduces the initial receivable recognized under PFRS 15. The QPs can range between one and three months post shipment and final payment is due between 30 to 60 days from the end of the QP.

Based on the Group's pricing agreements with its customers, copper sales will be provisionally priced at shipment subject to price and quantity adjustment after the QP. Under the offtake contracts with one of its customers, the Group, with the consent of the customer, can price fix the copper shipments before the QP. Copper sales that were not subject to price fixing are assessed as having embedded derivatives that are not clearly and closely related.

After adoption of PFRS 9 in 2018, the Group recognized net fair value gain amounting to ₱93,443 and net fair value loss of ₱151,000 on provisionally priced receivables in 2019 and 2018, respectively.

Nontrade receivables mainly comprise of receivables from the settlement of commodity swap transactions, and the outstanding balance of other billings which are not related to Group's operations. These are non-interest bearing and are generally collectible within one year. Advances from officers and employees are non-interest bearing and are subject to payroll deduction.

The Group applied the general approach on receivables carried at amortized cost. However, the expected credit loss obtained from the assessment was considered insignificant considering the high credit standing of the Group's counterparties, except for various individually significant accounts for which significant increase in credit risk has been recognized (see Note 29). As a result, the allowance provided in the prior years for credit losses expected over the remaining life of the exposure was still deemed reasonable. No provision for expected credit losses on receivables were recognized by the Group in 2019 and 2018.

For 2019 and 2018, movements in allowance for expected credit losses are as follows:

	<b>2019</b>	2018	2017
Balances at beginning of year	<b>₱33,124</b>	₱32,935	₱31,122
Provision for expected credit losses (Note 22)	-	-	1,822
Cumulative translation adjustment	<b>(376)</b>	189	(9)
Balances at end of year	<b>₱32,748</b>	₱33,124	₱32,935

As the Groups' nontrade receivables, interest receivables, advances to officers and employees, and advances to related parties, which the Group measures at amortized cost, are short-term (i.e., less than 12 months) and the Group's credit rating and risk management policies are in place, no additional provision for expected credit losses was provided as a result of the change to a forward-looking expected credit losses approach.



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## 6. Pricing Agreements, Hedging and Derivative Financial Instruments

### Hedging Objectives

The Group applies a mix of pricing agreements, natural hedges, and both freestanding and embedded derivatives in managing commodity price risk.

In 2019 and 2018, the Group, through CCC, has provisional pricing in shipment contracts. The Group has not designated any of these derivatives as accounting hedges. The Group has accounted for its derivatives at fair value and any changes in the fair value are recognized in the consolidated statement of comprehensive income.

### Pricing Agreements

In the normal course of selling its copper concentrate, the Group entered into several contracts of purchase with various customers whereby the Group agreed to sell a fixed volume of copper concentrate based on LME prices (as published in the Metal Bulletin) and as averaged over the QP.

The quality and quantity of the copper concentrate sold is determined through a sampling weight and assay analysis by an appointed independent surveyor. Under the contracts with one of its customers, CCC and its customer have the option to price-fix in advance of the QP the payable copper contents of the concentrate to be delivered, subject to adjustments during the QP. If the option to price-fix prior to the QP is exercised, (i) the fixed price and the volume to which the fixed price applies will be confirmed in writing by the parties, and (ii) an addendum to the contract of purchase will be executed to confirm the actual volume of the copper shipped based on the fixed price.

No price fixing was exercised in 2019 and 2018. The Group recognized copper concentrate sales amounting to ₱16,162,945, ₱13,295,913 and ₱11,053,326 in 2019, 2018 and 2017, respectively (see Note 20).

### Freestanding Derivatives

#### *Commodity Swap Transactions*

In November 2016 and in various dates in 2017, CCC entered into Copper Asian Swap transactions with Standard Chartered Bank fixing the copper prices at certain levels per metric tonne for a total notional quantity of 17,800 metric tonnes with settlement dates in 2017 and a total notional quantity of 14,400 metric tonnes with settlement dates in 2018. The settlement date will be five business days following the end of each calendar month based on the official settlement price (seller) for copper-LME cash (as determined by the LME) following the close of the 2nd ring in the first session. No additional commodity swap transactions were entered into by the Group in 2018 and 2019.

The Group recognized realized losses and related derivative liabilities on its commodity swap transactions amounting to nil, ₱223,249 and ₱311,334 in 2019, 2018 and 2017, respectively. The Group recognized unrealized losses and related derivative liabilities amounting to nil, nil and ₱742,043 in 2019, 2018 and 2017, respectively.

The unrealized loss and related derivative liability in 2017 amounting to ₱742,043, was subsequently reversed in 2018 with a cumulative translation adjustment of ₱40,757. The unrealized gain and related derivative asset in 2016 amounting to ₱7,308 was subsequently reversed in 2017 with cumulative translation adjustment of ₱100.



## 7. Inventories

This account consists of:

	2019	2018
At cost:		
Mine products		
Coarse and fine ore	₱15,818	₱24,835
Copper concentrate	77,620	686,278
	<b>93,438</b>	711,113
At lower of cost and NRV		
Materials and supplies (net of allowance for impairment losses of ₱510,372 and ₱517,822 as at December 31, 2019 and 2018, respectively)	1,359,272	1,568,861
	<b>₱1,452,710</b>	₱2,279,974

### Mine Products

Mine products include copper concentrate containing copper, gold and silver. The cost of mine products includes depreciation and depletion of property, plant and equipment amounting to ₱30,906, ₱29,672 and ₱90,518 as at December 31, 2019, 2018 and 2017, respectively (see Note 9).

### Materials and Supplies

Materials and supplies consist of consumable items and spare parts. Materials and supplies with cost amounting to ₱510,372 and ₱517,822 as at December 31, 2019 and 2018, respectively, are fully provided with allowance for impairment losses.

Movement of the allowance for impairment losses on inventories are as follows:

	2019	2018	2017
Balances at beginning of year	₱517,822	₱475,902	₱381,049
Provision for impairment losses (Note 22)	7	33,504	94,853
Cumulative translation adjustment	(7,457)	8,416	(625)
Balances at end of year	<b>₱510,372</b>	₱517,822	₱475,277

The cost of inventories recognized as expense amounted to ₱4,179,056, ₱3,866,317 and ₱2,647,263 in 2019, 2018 and 2017, respectively (see Notes 21 and 22).

## 8. Other Current Assets

This account consists of:

	2019	2018
Creditable withholding taxes	₱191,058	₱307,992
Deposits and advances to suppliers	151,500	123,137
Investment in pooled funds	81,241	-
Prepaid insurance	14,305	8,338
Others	4,409	6,486
	<b>₱442,513</b>	₱445,953



Deposits and Advances to Suppliers

Deposits and advances to suppliers pertain to deposits made in connection with the mobility and security of delivery of goods and services

Investment in Pooled Funds

In 2019, the Group invested in pooled funds for the purpose of earning interest and gains from the changes in the fair value of such funds. The Group recognized interest income on such funds amounting to ₱244 in 2019. Investment in pooled funds are investment of extra cash holdings to maximize earnings. The pooling of funds is facilitated by SM Investments Corp. (SMIC) to provide a better return to the cash investments. Change in the fair value of investment in pooled funds amounting to ₱1,241 in 2019 is reported as unrealized gain in the consolidated statement of comprehensive income.

Prepayments

Prepayments consist mainly of prepaid insurance.

Creditable Withholding Taxes (CWTs)

CWTs which are claimed against the income tax due, represent excess of the tax payable and are carried over in the succeeding period for the same purpose.





## 9. Property, Plant and Equipment

The composition of and movements of this account follow:

**December 31, 2019:**

	At Cost										
	Land	Mine Development Costs	Roadways and Bridges	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Construction In-progress	Right-of-use Asset (Note 2)	Total	Land at Revalued Amount
<b>Revalued amount/cost:</b>											
Balances at beginning of year, as previously reported	₱75,563	₱31,815,689	₱259,660	₱2,697,248	₱19,355,658	₱168,482	₱11,627	₱1,836,454	₱-	₱56,220,381	₱430,286
Effect of adoption of PFRS 16 (Note 2)	-	-	-	-	-	-	-	-	4,827	4,827	-
Restated balances at January 1	75,563	31,815,689	259,660	2,697,248	19,355,658	168,482	11,627	1,836,454	4,827	56,225,208	430,286
Additions	-	-	-	-	-	-	-	4,457,875	-	4,457,875	-
Capitalized of borrowing cost	-	-	-	-	-	-	-	103,839	-	103,839	-
Reclassifications	-	2,538,038	6,134	26,676	1,455,760	13,117	-	(4,039,725)	-	-	-
Retirements	-	-	-	-	(566,612)	(8,952)	(116)	-	-	(575,680)	-
Disposals	-	-	-	-	-	(4,728)	-	-	-	(4,728)	-
Change in estimate (Note 17)	-	(7,068)	-	-	-	-	-	-	-	(7,068)	-
Cumulative translation adjustment	(576)	(1,211,104)	(12,612)	(112,879)	(789,949)	(8,882)	(1,357)	(67,970)	-	(2,205,329)	-
<b>Balances at end of year</b>	<b>74,987</b>	<b>33,135,555</b>	<b>253,182</b>	<b>2,611,045</b>	<b>19,454,857</b>	<b>159,037</b>	<b>10,154</b>	<b>2,290,473</b>	<b>4,827</b>	<b>57,994,117</b>	<b>430,286</b>
<b>Accumulated depreciation, amortization and depletion:</b>											
Balances at beginning of year	-	5,852,021	230,039	1,440,383	9,650,074	148,556	7,676	-	-	17,328,749	-
Depreciation, amortization and depletion (Notes 7, 21 and 22)	-	1,691,132	13,377	223,996	1,686,864	10,491	429	-	1,869	3,628,158	-
Retirements	-	-	-	-	(565,615)	(8,952)	(116)	-	-	(574,683)	-
Disposals	-	-	-	-	-	(4,728)	-	-	-	(4,728)	-
Cumulative translation adjustment	-	(265,731)	(11,814)	(71,418)	(468,459)	(8,313)	(1,373)	-	-	(827,108)	-
<b>Balances at end of year</b>	<b>-</b>	<b>7,277,422</b>	<b>231,602</b>	<b>1,592,961</b>	<b>10,302,864</b>	<b>137,054</b>	<b>6,616</b>	<b>-</b>	<b>1,869</b>	<b>19,550,388</b>	<b>-</b>
<b>Net book values</b>	<b>₱74,987</b>	<b>₱25,858,133</b>	<b>₱21,580</b>	<b>₱1,018,084</b>	<b>₱9,151,993</b>	<b>₱21,983</b>	<b>₱3,538</b>	<b>₱2,290,473</b>	<b>₱2,958</b>	<b>₱38,443,729</b>	<b>₱430,286</b>



December 31, 2018:

	At Cost									Land at Revalued Amount
	Land	Mine Development Costs	Roadways and Bridges	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Construction In-progress	Total	
Revalued amount/cost:										
Balances at beginning of year	₱74,778	₱28,940,402	₱242,477	₱2,534,993	₱18,755,625	₱162,716	₱11,503	₱536,564	₱51,259,058	₱430,286
Additions	–	–	–	–	–	–	–	3,434,441	3,434,441	–
Reclassifications	–	1,273,787	–	8,910	870,811	9,574	–	(2,163,082)	–	–
Retirements	–	–	–	–	(882,221)	(16,247)	–	–	(898,468)	–
Disposals	–	–	–	–	(489,979)	–	–	–	(489,979)	–
Change in Estimate (Note 17)	–	16,434	–	–	–	–	–	–	16,434	–
Cumulative translation adjustment	785	1,585,066	17,183	153,345	1,101,422	12,439	124	28,531	2,898,895	–
Balances at end of year	75,563	31,815,689	259,660	2,697,248	19,355,658	168,482	11,627	1,836,454	56,220,381	430,286
Accumulated depreciation and depletion:										
Balances at beginning of year	–	4,122,304	198,302	1,135,200	8,684,542	141,307	7,421	–	14,289,076	–
Depreciation and depletion (Notes 7, 21 and 22)	–	1,496,929	16,928	226,418	1,653,430	12,229	131	–	3,406,065	–
Retirements	–	–	–	–	(786,020)	(16,210)	–	–	(802,230)	–
Disposals	–	–	–	–	(465,807)	–	–	–	(465,807)	–
Cumulative translation adjustment	–	232,788	14,809	78,765	563,929	11,230	124	–	901,645	–
Balances at end of year	–	5,852,021	230,039	1,440,383	9,650,074	148,556	7,676	–	17,328,749	–
Net book values	₱75,563	₱25,963,668	₱29,621	₱1,256,865	₱9,705,584	₱19,926	₱3,951	₱1,836,454	₱38,891,632	₱430,286

Construction in-progress includes cost of various projects at different stages of completion as at December 31, 2019 and 2018.

The Group capitalized borrowing costs amounting to ₱103,839 in construction-in-progress in 2019. The rate used to determine the amount of borrowing costs eligible for capitalization was 4.03% (see Note 16).



Mine development costs consist of the following:

**December 31, 2019:**

	Mine and Mining Properties	Mine Development Costs	Mine Rehabilitation Costs	Total
<b>Cost:</b>				
Balances at beginning of year	₱1,339,350	₱30,459,905	₱16,434	₱31,815,689
Reclassifications	–	2,538,038	–	2,538,038
Change in estimate (Note 17)	–	–	(7,068)	(7,068)
Cumulative translation adjustment	(52,046)	(1,158,452)	(608)	(1,211,106)
<b>Balances at end of year</b>	<b>1,287,304</b>	<b>31,839,491</b>	<b>8,758</b>	<b>33,135,553</b>
<b>Accumulated depletion:</b>				
Balances at beginning of year	270,985	5,581,036	–	5,852,021
Depletion	26,407	1,664,318	406	1,691,131
Cumulative translation adjustment	(13,123)	(252,600)	(9)	(265,732)
<b>Balances at end of year</b>	<b>284,269</b>	<b>6,992,754</b>	<b>397</b>	<b>7,277,420</b>
<b>Net book values</b>	<b>₱1,003,035</b>	<b>₱24,846,737</b>	<b>₱8,361</b>	<b>₱25,858,133</b>

**December 31, 2018:**

	Mine and Mining Properties	Mine Development Costs	Mine Rehabilitation Cost	Total
<b>Cost:</b>				
Balances at beginning of year	₱1,268,439	₱27,671,963	₱–	₱28,940,402
Reclassifications	–	1,273,787	–	1,273,787
Change in Estimate (Note 17)	–	–	16,434	16,434
Cumulative translation adjustment	70,911	1,514,155	–	1,585,066
<b>Balances at end of year</b>	<b>1,339,350</b>	<b>30,459,905</b>	<b>16,434</b>	<b>31,815,689</b>
<b>Accumulated depletion:</b>				
Balances at beginning of year	229,760	3,892,544	–	4,122,304
Depletion	25,474	1,471,455	–	1,496,929
Cumulative translation adjustment	15,751	217,037	–	232,788
<b>Balances at end of year</b>	<b>270,985</b>	<b>5,581,036</b>	<b>–</b>	<b>5,852,021</b>
<b>Net book values</b>	<b>₱1,068,365</b>	<b>₱24,878,869</b>	<b>₱16,434</b>	<b>₱25,963,668</b>

*Revaluation Increment on Land at Revalued Amount*

The fair value of the land amounted to ₱430,286 as at December 31, 2019 and 2018 based on the latest valuation obtained in 2015 by the Group. The resulting increase in the valuation of land amounting to ₱298,869 is presented as revaluation increment on land, net of the related deferred tax liability amounting to ₱128,087 (see Note 25). The carrying amount of the land had it been carried using the cost model is ₱3,330 as at December 31, 2019 and 2018.

*Fully Depreciated Property, Plant and Equipment*

Fully depreciated property, plant and equipment still used by the Group amounted to ₱2,825,136 and ₱2,931,503 as at December 31, 2019 and 2018, respectively. These are retained in the Group's records until these are disposed. No further depreciation is charged to current operations for these items.



*Disposals*

The Group sold items of property, plant and equipment in 2019, 2018 and 2017 with cost amounting to ₱4,728, ₱489,979 and ₱933, respectively and corresponding accumulated depreciation of ₱4,728, ₱465,807 and 840, respectively. Proceeds from the sales in 2019, 2018 and 2017 amounted to ₱1,640, ₱17,937 and ₱375, respectively, and the Group recognized gains on the disposal of items of property, plant and equipment amounting to ₱1,640 and ₱282 in 2019 and 2017, respectively, while the Group recognized loss on the said disposals amounting ₱6,235 in 2018.

*Retirements*

Total cost of property, plant and equipment retired in 2019, 2018 and 2017 amounted to ₱575,680, ₱898,468 and ₱44,540, respectively, with corresponding accumulated depreciation of ₱574,683, ₱802,230 and ₱39,880, respectively. The said retirements resulted in losses amounting to ₱1,019, ₱96,238 and ₱4,660 in 2019, 2018 and 2017, respectively.

*Collaterals*

The carrying value of the property, plant and equipment mortgaged as collaterals for various borrowings of the Group amounted to ₱913,664 and ₱1,146,709 as at December 31, 2019 and 2018, respectively (see Note 16).

*Commitments*

The Group has capital expenditure commitments amounting to ₱437,783 and ₱1,159,968 as at December 31, 2019 and 2018, respectively.

*Depreciation and Depletion*

The allocation of depreciation and depletion is as follows:

	2019	2018	2017
Inventories (Note 7)	<b>₱30,906</b>	₱29,672	₱90,518
Mining and milling costs (Note 21)	<b>3,536,656</b>	3,318,278	2,610,296
General and administrative expenses (Note 22)	<b>60,596</b>	58,115	63,057
	<b>₱3,628,158</b>	₱3,406,065	₱2,763,871

**10. Goodwill**

The carrying amount of goodwill includes:

Balance as at December 31, 2019 and 2018	
CCC	<b>₱19,011,108</b>
AHI	<b>15,011</b>
	<b>₱19,026,119</b>

*CCC*

On December 31, 2011, the Group recognized provisional fair values of identifiable assets and liabilities, including goodwill, amounting to ₱25,972,054. In July 2012, the Group finalized the fair values and recognized goodwill amounting to ₱19,011,108.



The adjustments to the provisional amounts resulted into the recognition of mining rights and related deferred tax liability. As a result of the recognition of mining rights and the related deferred tax liability, the Group restated its 2011 consolidated statements of financial position and consolidated statements of comprehensive income to reflect the depletion expense on the mining rights and the related reversal of the deferred tax liability amounting to ₱122,785 and ₱36,835, respectively.

The restatement resulted in the recognition of mining rights and deferred tax liability amounting to ₱9,821,424 and ₱2,946,427, respectively, and a decrease in retained earnings amounting to ₱85,950 in the consolidated statements of financial position as at December 31, 2011.

The Group recognized depletion of mining rights amounting to ₱199,152, ₱191,685 and ₱165,471 in 2019, 2018 and 2017, respectively. The carrying amount of mining rights amounted to ₱7,790,806 and ₱7,989,958 as at December 31, 2019 and 2018, respectively. The Group recognized the related reversal of deferred tax liability amounting to ₱59,746, ₱57,505 and ₱49,641 in 2019, 2018 and 2017, respectively.

#### *AHI*

On May 11, 2007, the Parent Company's BOD approved the execution and implementation of the Deed of Sale of the Shares of Stock entered into between the Parent Company and Anscor Property Holdings, Inc. (APHI) on the sale to the Parent Company of APHI's 75,005 common shares in AHI or equivalent to 99.99% of AHI's total issued and outstanding shares for ₱77,511. AHI is the holder of rights to certain properties needed in the operations of the Toledo Copper Mines.

The execution of the purchase of shares of stock of AHI was undertaken pursuant to the Memorandum of Agreement entered into by the Parent Company with APHI on May 4, 2006 embodying the mechanics for the Parent Company's acquisition of rights over the AHI properties. At the time of the acquisition, the estimated fair value of the net identifiable assets of AHI, consisting substantially of parcels of land, amounted to ₱62,500. The acquisition resulted in the recognition of goodwill of ₱15,011 in the consolidated statement of financial position.

No impairment loss on goodwill was recognized in 2019, 2018 and 2017.

#### Key Assumptions Used in Value in Use Calculations and Sensitivity to Changes in Assumptions

The Group performed its annual impairment test as at December 31, 2019. The cash-generating unit are concluded to be entire entities invested in.

The recoverable amount of the cash-generating unit has been determined based on a discounted cash flows (DCF) calculation using cash flow projections from financial budgets approved by senior management.

The projected cash flows have been developed to reflect the expected mine production over the life of the mine adjusted by the effects of other factors such as inflation rate. The pre-tax discount rate applied to cash flow projections as at December 31, 2019 is 8.69%. As a result of this analysis, management concluded that the goodwill is not impaired.

The calculation of DCF and cash-generating unit is most sensitive to the following assumptions:

- a. Expected life of the project
- b. Future production levels and costs
- c. Contributions to the government
- d. Copper prices
- e. Pre-tax discount rate



a. Expected Life of the Project

The Group projected a 31-year expected life of the project, which is based on the remaining mineable ore reserves of the project and their capacity to mine those remaining mineable ore reserves.

The remaining mineable ore reserves are based on a report issued by a competent person prepared in accordance with the Philippine Mineral Reporting Code.

b. Future Production Levels and Costs

Future production levels and costs include direct and indirect costs used to concentrate the mined ore reserves for the remaining life of the mine.

c. Contributions to the Government

The Group assumes the prevailing tax rates imposed on an entity that is engaged in mining operations.

d. Copper Prices

The Group considers the effect of commodity price changes. The Group considered the possible effect of the changes in the price of copper as it relates to the revenues that may be generated by the Group and the attainment of the cash flow projections. The Group used the data from the Wood Mackenzie Limited, a global mining and metals research and consultancy firm. The price is the function of a number of factors, which includes, among others, copper grade, moisture content and factor rate.

Generally, a higher grade and lower moisture content would yield higher recoverable amount otherwise, this may indicate impairment. The Group expects that the overall price of copper concentrate ore will improve throughout the life of mine.

e. Pre-tax Discount Rate

Discount rate represents the current market assessment of the risks specific to cash-generating unit, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments, and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Specific risk is incorporated by applying individual beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-discount rate. The pre-tax discount rates used by the Group are 8.69% and 9.93% as at December 31, 2019 and 2018, respectively.

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## 11. Quoted Equity Instrument

The Group's quoted equity instrument with original cost of ₱2,867 amounted to nil as at December 31, 2019 and 2018. On January 1, 2018, the cumulative change in fair value of the quoted equity instrument was reclassified to retained earnings as a result of the adoption of PFRS 9.



## 12. Investments in Associates

The Group has the following investments in associates (collectively called the Nickel Corporations), which are domiciled in the Philippines:

a.) TMM Management, Inc. (TMMI)	60.00%	direct interest
b.) Ulugan Resources Holdings, Inc. (URHI)	70.00%	direct interest
c.) Ulugan Nickel Corporation (UNC)	42.00%*	effective interest
d.) Nickeline Resources Holdings, Inc. (NRHI)	42.00%*	effective interest
e.) Berong Nickel Corporation (BNC)	25.20%*	effective interest

\*URHI owns 60% of UNC and NRHI. NRHI owns 60% of BNC.

The remaining ownership of the above associates is owned by the combined interests of Toledo Mining Corporation (TMC) and DMCI Mining Corporation (DMCI), a third party.

In June 2014, the voting rights held by the Group were assigned to the representative of the DMCI and the management team from the DMCI assumed key positions in the said entities. Further, on July 11, 2014, a Memorandum of Agreement (MOA) was entered between TMC and the Group, which sets out the material terms under which the parties have agreed to hold their respective investments in respect of the exploration, development and utilization of Berong Mineral Properties [mining tenements or Mineral Production Sharing Agreement applications underlying the Berong Nickel Project necessary for operations] defined in the joint venture agreement dated January 9, 2005. The said MOA sets out the rights of each of the Group and TMC including the assignment of board seats, majority of which were assigned to TMC, and delegation to TMC of the operations and critical decision making in running the mining operations. Due to these factors the above entities were accounted for as associates, instead of subsidiaries. Consequently, the Group deconsolidated the above entities in 2014.

As at December 31, 2019 and 2018, the percentages of ownership of investment in associates are as follows:

<u>Company</u>	<u>Principal Activities</u>
TMMI	Management Services
URHI	Holding Company
UNC	Mining
NRHI	Holding Company
BNC	Mining

As at December 31, 2019 and 2018, the movements in the investments in associates account are as follows:

	<b>2019</b>	2018	2017
Balances at beginning of year	<b>₱221,682</b>	₱190,665	₱198,136
Accumulated equity:			
Share in net income	<b>80,233</b>	81,417	(7,471)
Dividend income	<b>(75,726)</b>	(50,400)	-
Balances at end of year	<b>₱226,189</b>	₱221,682	₱190,665

On December 16, 2019, BNC declared dividends amounting to ₱300,000 to all shareholders of record as of December 31, 2019.



The associates prepare financial statements for the same financial reporting period as the Parent Company.

Summarized financial information of the investments in associates as at December 31, 2019 and 2018, which are accounted for under the equity method, follow:

	2019	2018
Current assets	<b>₱1,083,083</b>	₱850,600
Noncurrent assets	<b>392,766</b>	510,832
Total assets	<b>1,475,849</b>	1,361,432
Current liabilities	<b>1,005,238</b>	587,020
Noncurrent liabilities	<b>31,832</b>	108,522
Total liabilities	<b>1,037,070</b>	695,542
Net assets	<b>438,779</b>	665,890
Net income	<b>₱606,768</b>	₱286,578
Other comprehensive income (loss)	<b>5,184</b>	(241)
Total comprehensive income	<b>₱611,952</b>	₱286,337

### 13. Other Noncurrent Assets

This account consists of:

	2019	2018
Input VAT (net of allowance for possible losses of ₱210,952 and ₱219,042 as at December 31, 2019 and 2018, respectively)	<b>₱1,526,672</b>	₱1,941,554
Deposits and advances to suppliers	<b>153,167</b>	295,633
MRF	<b>82,424</b>	74,157
SDMP fund	<b>68,390</b>	68,255
Investment in unit investment trust fund	<b>27,865</b>	27,999
Deferred mine exploration costs	<b>16,708</b>	16,708
Refundable deposits	<b>3,149</b>	4,906
Others	<b>8,833</b>	9,013
	<b>₱1,887,208</b>	₱2,438,225

#### Input VAT

The Group, through CCC, was able to monetize tax credit certificate from the Bureau of Customs amounting to ₱495,295, nil and ₱445,776 in 2019, 2018 and 2017, respectively.

Movements of the allowance for possible losses on input VAT are as follows:

	2019	2018	2017
Balances at beginning of year	<b>₱219,042</b>	₱211,388	₱206,833
Provision during the year (Note 22)	-	740	-
Write-off during the year	-	(740)	-
Cumulative translation adjustment	<b>(8,090)</b>	7,654	4,555
Balances at end of year	<b>₱210,952</b>	₱219,042	₱211,388





#### Deposits and Advances to Suppliers

The advances will be classified as non-current if such will be applied as payment for assets to be classified as property, plant and equipment or investment properties. These pertain mostly to advances made to the contractors for the Biga Tailings Storage Facility Enhancement Project of CCC.

#### Deferred Mine Exploration Costs

These pertain to field supplies and other costs incurred during evaluation and exploration of projects of the Parent Company. In 2013, deferred mine exploration costs pertain to BNC's exploration expenditures on the Moorsom, Dangla and Longpoint Projects (adjacent area covering the Berong Nickel Project). Management has established that economically recoverable reserves exist in the area, resulting in the decision to develop the area for commercial mining operation. BNC started to explore and develop the area adjacent to the Berong Nickel Project in 2008.

No provision for impairment loss on the deferred mine exploration costs was recognized in 2019 and 2018.

#### MRF

MRF pertains to rehabilitation trust funds that the Group is required by regulations to establish and maintain through cash deposits to cover their rehabilitation liability upon the closure of the mine and to ensure payment of compensable damages that may be caused by mine waste. The rehabilitation trust funds are held in government depository banks.

Interest income earned from MRF amounted to ₱4,344, ₱6 and ₱1,316 in 2019, 2018 and 2017 respectively (see Note 26).

#### SDMP Fund

SDMP fund pertains to the deposits for the unexpended budget for 2017 identified as on-going projects under the Group's SDMP.

Interest income earned from SDMP fund amounted to ₱137, ₱114 and nil in 2019, 2018 and 2017 respectively (see Note 26).

#### Investment in Unit Investment Trust Fund

On January 26, 2018, CCC entered into a Transmission Service Agreement with National Grid Power Corporation (NGPC). This required CCC to provide credit support to NGPC through opening of a bank account assignable to NGPC. On July 11, 2018, CCC instructed BDO to debit from CCC's current account the amount of ₱28,126 and to invest the amount to a unit investment trust fund. The unit investment trust fund is then assigned to NGPC as basic security deposit. The Group has assessed the the investment in unit investment trust fund is not for contractual cash inflows and that no interest will be collected, given that fair value changes are expected to arise from movements of the net asset value per unit.

As at December 31, 2019 and 2018, the Group has investment in unit investment trust fund amounting to ₱27,865 and ₱27,999, which have been measured at fair value (see Note 13). Unrealized gain on investment in unit investment trust fund, presented under Others - net in the consolidated statement of comprehensive income, amounted to ₱922 and ₱330 in 2019 and 2018, respectively, with cumulative translation adjustment of ₱1,056 and ₱457 in 2019 and 2018, respectively.

#### Refundable Security Deposits

Refundable security deposits pertain to amounts paid by the Group as security deposit to various contractors which shall be refunded after the performance/delivery of services/goods.



Others

Others consist mainly of advances for the Longos and Nesbitan Gold Projects, which were used for field supplies and other costs during exploration and evaluation phase of the said projects. Others also include other assets of the Group which are considered individually insignificant in amount.

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**14. Accounts Payable, Contract Liabilities and Accrued Liabilities**

This account consists of:

	2019	2018
Trade	<b>₱1,094,166</b>	₱978,170
Contract liability	<b>810,160</b>	-
Accrued expenses		
Rental	<b>392,321</b>	252,018
Power and other utilities	<b>296,173</b>	427,319
Personnel	<b>101,203</b>	117,914
Services	<b>47,640</b>	72,401
Coal	<b>30,307</b>	63,860
Insurance	<b>19,666</b>	19,088
Professional fees	<b>16,495</b>	1,771
Contracted services	<b>11,765</b>	117,018
Consigned fees	<b>11,560</b>	13,787
Explosives	<b>8,041</b>	32,158
Freight	<b>740</b>	1,608
Others	<b>173,995</b>	172,141
Interest (Note 16)	<b>267,538</b>	313,833
Government payables	<b>140,495</b>	125,292
Others	<b>114,351</b>	69,794
	<b>₱3,536,616</b>	₱2,778,172

Trade

Trade payables include import and local purchases of equipment, inventories and various parts and supplies used in the operations of the Group. These are non-interest bearing payables to various suppliers and are normally settled on terms ranging from 30 to 60 days.

Trade payables also include trust receipts, which are interest bearing. In 2019, the Group has obtained a total of ₱152,573 trust receipts, with various maturities in 2019, and interest rates of 3.13% to 4.00%. The related interest expense recognized related to trust receipts amounted to ₱1,910, ₱3,084 and ₱1,964 in 2019, 2018 and 2017, respectively (see Note 26).

Contract liability

Contract liability as at December 31, 2019 amounting to ₱810,160 (US\$16.00 million) pertains to advance payment received from one of its customers. In July 2019, CCC received US\$20.00 million as advance payment for the shipment of 50,000 dry metric tons (dmt) of copper concentrate to be delivered in lots of 5,000 dmt per shipment at some future dates in accordance with the purchase agreement entered into by the parties in April 2019. In 2019, US\$4 million was offset against the advance payments. This pertains to two shipments delivered in November and December 2019.



Accrued Expenses - Others

The accrued expenses - others consist largely of accruals for purchased materials and supplies for which invoices have yet to be issued by suppliers as at December 31, 2019 and 2018. These are normally settled within six months.

Interest

Interest pertains to accrued interest on bank loans and long-term debt and other interest-bearing liabilities.

Government Payables

Government payables consist of mandatory contributions and payments to Social Security System, Philippine Health Insurance Corporation, and Home Development Mutual Fund, withholding tax payable, excise tax payable, and customs duties, which are non-interest bearing and are usually settled within the next month following the month of incurrence.

Others

Others pertain to unclaimed termination benefits of former Parent Company employees before the temporary suspension of operations in prior years and other payables related to employee salary deductions. These also include miscellaneous non-interest bearing payables.

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**15. Leases**

*Group as a lessee*

The Group has lease contracts for office and parking spaces used in its operations. Leases of office generally has lease terms between 3 and 10 years, while machinery and other equipment generally have lease terms between 3 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The following are the amounts recognized in statement of income:

	2019
Expenses relating to short-term leases (included in mining and milling cost)	₱513,538
Expenses relating to leases of low-value assets (included in general and administrative expenses)	283,910
Depreciation expense of right-of-use assets included in property and equipment (Note 9)	1,869
Interest expense on lease liabilities (Note 26)	323
<b>Total amount recognized in statement of income</b>	<b>₱799,640</b>



The rollforward analysis of the lease liability follows:

	2019
As at January 1, 2019, as previously reported	P-
Effect of adoption of PFRS 16 (Note 9)	4,827
At January 1, 2019, as restated	4,827
Interest expense (Note 26)	323
Payments	(2,208)
As at December 31, 2019	<u>P2,942</u>

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Shown below is the maturity analysis of the undiscounted lease payments:

	2019
1 year	P2,160
more than 1 years to 2 years	782

## 16. Bank Loans, Long-term Debt and Other Interest Bearing Liabilities

### a. Bank loans

The Group entered into various short-term unsecured loans from different financial institutions as at December 31 below:

	2019	2018
China Banking Corporation (CBC)	<b>P8,607,950</b>	P8,938,600
Standard Chartered Bank (SCB)	-	788,700
Rizal Commercial Banking Corporation (RCBC)	-	525,800
Land Bank of the Philippines (LBP)	-	484,735
Banco de Oro (BDO)	-	289,190
Security Bank	-	52,580
	<b>P8,607,950</b>	<b>P11,079,605</b>

#### 1. CBC

On January 16, 2018, March 2, 2018 and October 11, 2018, CCC obtained from CBC short-term clean loans amounting to US\$50.0 million, US\$15.0 million and US\$105.0 million, respectively, with maturities in 2018 and interest rates of 2.87% to 3.95%. The loans were rolled over several times with the last roll-over done on December 23, 2019 to mature on June 19, 2020.

The interest expense recognized on the loans from CBC amounted to P354,741 and P154,943 in 2019 and 2018, respectively (see Note 26). The accrued interest payable amounted to P7,173 and P75,476 as at December 31, 2019 and 2018, respectively (see Note 14).



CCC capitalized borrowing cost amounting to ₱103,839 related to expenditures for construction-in-progress in 2019 (see Note 9). The rate used to determine the amount of borrowing cost eligible for capitalization was 4.03% in 2019.

2. SCB

On February 6, 2015, CCC obtained a short-term clean loan from SCB in the amount of US\$15.0 million at an interest rate of 3.00% per annum, which initially matured on August 5, 2015. The loan was rolled-over several times with the last roll over done on April 22, 2019 to mature on October 21, 2019 at an interest rate of 3.75% per annum. CCC fully paid the loans on June 18, 2019.

The interest expense recognized on the loans from SCB amounted to ₱25,493, ₱33,286 and ₱31,663 in 2019, 2018 and 2017, respectively (see Note 26). The accrued interest payable amounted to nil and ₱5,751 as at December 31, 2019 and 2018, respectively (see Note 14).

3. RCBC

On February 17, 2015, CCC obtained from RCBC a short-term loan amounting to US\$10.0 million, which was used to finance working capital requirements with a maturity date on August 14, 2015. The loan was rolled over several times with the last roll over done on July 27, 2018 to mature on July 22, 2019 at the interest rate of 3.75%. CCC fully paid the loan on July 31, 2019.

The interest expense recognized on the RCBC loan amounted to ₱12,282, ₱18,093 and ₱13,594 in 2019, 2018 and 2017, respectively (see Note 26). The accrued interest payable amounted to nil and ₱460 as at December 31, 2019 and 2018, respectively (see Note 14).

4. LBP

On April 23, 2013, CCC obtained a short-term clean loan with a dollar to peso convertibility clause from LBP with a maturity date on October 18, 2013 in the amount of US\$12.0 million, which was used to finance working capital requirements. The loan was rolled over several times with the last roll over done on September 28, 2018 to mature on March 27, 2019 at interest rates of 4.90% to 5.30%. CCC made several principal payments in accordance with the dollar to peso convertibility clause amounting to US\$0.5 million in 2013, US\$0.5 million in 2014, US\$0.4 million in 2015, US\$0.15 million in 2016, and US\$0.6 million in 2017. In 2018, CCC made partial payments to this loan amounting to US\$0.58 million. CCC fully paid the loans on May 31, 2019.

On March 7, 2018 and May 9, 2018, CCC obtained from LBP short-term clean loans of US\$3.6 million and US\$6.0 million, respectively, with maturity dates within 2018 at the interest rates of 4.03% to 4.90%. CCC fully paid the loans on October 30, 2018.

The interest expense recognized on the loans from LBP amounted to ₱9,823, ₱36,869 and ₱19,204 in 2019, 2018 and 2017, respectively (see Note 26). The accrued interest payable amounted to nil and ₱183 as at December 31, 2019 and 2018, respectively (see Note 14).

5. BDO

On February 10, 2014, CCC obtained a short-term clean loan from BDO with a maturity date on August 8, 2014 in the amount of US\$2.5 million, which was used to finance working capital requirements. The loan was rolled over several times with the last roll over done on December 21, 2018 to mature on December 16, 2019 with interest rate of 4.00%. CCC fully paid the loan on August 14, 2019.



On May 12, 2015, CCC obtained another short-term clean loan from BDO amounting to US\$3.0 million with a maturity date on November 9, 2015. The loan was rolled over several times with the last roll over done on July 17, 2019 to mature on April 8, 2020 with interest rate of 4.00%. CCC fully paid the loan on August 14, 2019.

The interest expense recognized on the loan from BDO amounted to ₱7,144, ₱9,108 and ₱7,760 in 2019, 2018 and 2017, respectively (see Note 26). The accrued interest payable amounted to nil and ₱82 as at December 31, 2019 and 2018, respectively (see Note 14).

6. Security Bank

On March 9, 2015, CCC obtained a short-term clean loan from Security Bank in the amount of US\$4.5 million with maturity date on September 4, 2015. The loan was rolled over several times with the last roll over done on December 20, 2018 to mature on March 20, 2019 with interest rate of 3.85%. CCC made principal payments amounting to US\$0.3 million in 2016, US\$1.2 million in 2017 and US\$2 million in 2018. The loans were fully paid on June 18, 2019.

The interest expense recognized amounted to ₱574, ₱3,692 and ₱6,822 in 2019, 2018 and 2017, respectively (see Note 26). The accrued interest payable amounted to nil as at December 31, 2019 and 2018, respectively (see Note 14).

7. UCPB

On March 23, 2015, CCC obtained a short-term clean loan from UCPB in the amount of US\$17.7 million with original maturity date of September 18, 2015. The loan was rolled over several times with the last roll over done on September 6, 2017 and matured on March 5, 2018, with interest accruing at the rates 2.80% to 3.50% per annum. On March 5, 2018, CCC fully paid the said loan.

The interest expense recognized from the loan from UCPB amounted to nil, ₱5,195 and ₱25,903 in 2019, 2018 and 2017, respectively (see Note 26).

b. Long-term debts and other interest-bearing liabilities

The Group's long-term debts and other interest-bearing liabilities as at December 31, 2019 and 2018 are as follows:

	2019	2018
BDO	₱15,657,816	₱15,767,076
SM Investments Corporation (SMIC; Note 23)	6,257,326	6,962,853
Anglo Philippine Holdings Corporation (APHC; Note 23)	557,713	620,596
BDO Leasing & Finance, Inc. (BDO Leasing)	552,652	848,673
Alakor Corporation (Alakor; Note 23)	137,480	152,981
LBP Leasing	-	35,441
	<b>23,162,987</b>	24,387,620
Less noncurrent portion	<b>22,940,754</b>	24,113,614
	<b>₱222,233</b>	₱274,006



The maturities of long-term debts and other interest-bearing liabilities at nominal values follow:

	2019	2018	2017
Due in:			
2019	P-	P-	P3,895,027
2020	222,233	274,006	266,091
2021 and thereafter	22,940,754	24,113,614	22,171,812
	<b>P23,162,987</b>	<b>P24,387,620</b>	<b>P26,332,930</b>

Current portion of long-term debts

	2019	2018
BDO Leasing	<b>P222,233</b>	P266,110
LBP Leasing	-	7,896
	<b>P222,233</b>	<b>P274,006</b>

1. BDO

On March 16, 2017, CCC availed a secured subordinated term loan from BDO amounting to US\$320.0 million to settle its US\$300.0 million bonds payable and for working capital requirements. The subordinated term loan has a term of seven years or will mature on March 15, 2024 with interest of 5.00% per annum, inclusive of final withholding tax and fixed for the first two years with a step up of 1.00% every year thereafter. Interest is payable semi-annually in arrears from March 16, 2017.

CCC shall not declare or pay dividends to its stockholders or partners (other than dividends payable or paid solely in shares of stock of CCC) or retain, retire, purchase or otherwise acquire any class of its capital stock or make any other capital or other asset distribution to its stockholders or partners upon the occurrence of an event of default. Also, CCC will not extend loans or advances to any of its directors, officers, stockholders or partners, except duly approved employee benefit loans.

Principal payment equivalent to 1.00% of the full drawn amount is payable at the end of the 5th year and 6th year while the remaining balance of 98% is payable at the end of the term. The loan is guaranteed by a shareholder through a certificate of time deposit. Consequently, the Group recognized other current liability amounting to P1,896,720. As at December 31, 2019 and 2018, the other current liability amounted to P1,896,720 and P1,969,576 respectively.

The interest expense recognized on the subordinated term loan, excluding the amortization of debt issue costs, amounted to P872,989 and P904,919 in 2019 and 2018, respectively (see Note 26). The amortization of debt issue cost recognized on the subordinated term loan amounted to P484,782 and P574,932 in 2019 and 2018, respectively. The total accrued interest payable to BDO amounted to P249,679 and P222,106 as at December 31, 2019 and 2018, respectively (see Note 14).

The carrying value of the loan as at December 31, 2019, 2018 and 2017 amounted to P15,657,816, P15,767,076 and P14,427,427, respectively, net of debt issue costs with carrying value of P545,384, P1,058,524 and P1,550,173 as at December 31, 2019, 2018 and 2017 respectively.



The movements in unamortized debt issue cost follow:

	2019	2018	2017
Balances at beginning of year	₱1,058,524	₱1,550,173	₱-
Additions			1,950,788
Amortization (Note 26)	(484,782)	(574,932)	(404,419)
Cumulative translation adjustment	(28,358)	83,283	3,804
Balances at end of year	₱545,384	₱1,058,524	₱1,550,173

2. Alakor, APHC, and SMIC

On March 21, 2017, CCC availed of unsecured loans from Alakor, APHC and SMIC totaling US\$167.4 million for working capital requirements. The loans shall be subordinated only to loans of CCC from financial institutions. The loans have a term of seven years or will mature on March 20, 2024, extendible at the option of the lender. Interest is 5.00% per annum for the first two years with a step up of 1.00% every year thereafter but subject to repricing at the option of the lenders. Interest is payable semi-annually in arrears from March 21, 2017. In December 2019 and August 2017, CCC made partial payments to the lenders amounting to US\$12.0 million and US\$25.4 million, respectively.

CCC shall not declare or pay dividends to its stockholders or partners (other than dividends payable or paid solely in shares of stock of CCC) or retain, retire, purchase or otherwise acquire any class of its capital stock or make any other capital or other asset distribution to its stockholders or partners. Also, CCC will not extend loans or advances to any of its directors, officers, stockholders or partners, except for duly approved employee benefit loans.

The interest expense recognized on the said loans, excluding amortization of debt issue costs, amounted to ₱431,120 and ₱221,321 in 2019 and 2018, respectively (see Note 26). The amortization of debt issue costs recognized amounted to ₱111,784 and ₱163,348 in 2019 and 2018, respectively. The total accrued interest payable amounted to ₱10,686 and ₱10,193 as at December 31, 2019 and 2018, respectively (see Note 14).

The carrying value of the loan as at December 31, 2019, 2018 and 2017 amounted to ₱6,952,094, ₱7,736,430 and ₱7,191,676 respectively, net of debt issue costs with carrying value of ₱349,380, ₱248,689 and ₱81,313 as at December 31, 2019, 2018 and 2017 respectively.

The movements in unamortized debt issue cost follow:

	2019	2018	2017
Balances at beginning of year	(₱249,307)	(₱81,313)	₱-
Additions	-	-	41,771
Amortization (Note 26)	(111,784)	(163,348)	(124,421)
Cumulative translation adjustment	11,711	(4,028)	1,337
Balances at end of year	(₱349,380)	(₱248,689)	(₱81,313)

3. BDO Leasing

Since 2011, CCC has availed of various peso-denominated finance lease facilities from BDO Leasing for the purchase of various equipment. The amounts availed under the facilities are payable within 36 months to 60 months and accrue interest at rates 4.75% to 6.75% per annum. In 2017, CCC availed of additional facilities from BDO Leasing covering the total amount of ₱1,179,207.





The carrying value of the property, plant and equipment mortgaged as collaterals for the BDO Leasing facilities amounted to ₱913,664 and ₱1,146,709 as at December 31, 2019 and 2018, respectively (see Note 9).

The interest expense on the said facilities amounted to ₱36,488, ₱51,555 and ₱32,398 in 2019, 2018 and 2017, respectively (see Note 26). The accrued interest payable amounted to nil and ₱116 as at December 31, 2019 and 2018, respectively (see Note 14).

4. LBP Leasing

On January 30, 2018, CCC obtained a ₱42.27 million peso-denominated equipment leasing loan from LBP Leasing payable monthly over 60 months at an interest rate of 6.00% reprisable annually. The related interest expense recognized amounted to ₱1,705, ₱2,146 and nil in 2019, 2018 and 2017, respectively (see Note 26).

No accrued interest payable was recognized as at December 31, 2019 and 2018.

5. Bilateral Loan Agreements

On October 10, 2014, CCC entered into bilateral term loan agreements with Security Bank, Maybank Philippines Inc., Maybank International Labuan branch, RCBC and UOB (the Bilateral Loan Agreements). The proceeds of the loans were used by CCC to fund its capital expenditures and refinance its outstanding short-term loan obligations.

The loans have a term of four years reckoned from the date of availment, and constitute unsubordinated obligations of CCC that rank at least *pari passu* in priority of payment with all its unsecured obligations.

On October 16, 2018, CCC fully paid the loans.

*Covenants*

The Bilateral Loan Agreements impose, certain restrictions and requirements with respect to, among others, the following:

(i) *Target Financial Ratios* - During the term of the loans, CCC shall ensure that:

- Its Debt to Equity Ratio does not exceed 2.0 in each of the calendar years 2014, 2015, 2016, and 2017, based on the audited financial statements as of the last day of each of such calendar years; Debt to Equity Ratio is total debt divided by total equity;
- Its Debt-Service Coverage Ratio (DSCR) shall not be less than (a) 1.5 in each of the calendar years 2014, 2015, and 2017, and (b) 1.1 in the calendar year 2016, based on the audited financial statements as of the last day of each of such calendar years; DSCR is the sum of Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) for the most recent audited year and the ending cash balance for the most recent audited year divided by the aggregate of principal, interest and lease payments for the current year; and
- Its Debt to EBITDA Ratio does not exceed 4.0 in each of the calendar years 2014, 2015, 2016 and 2017, based on the audited financial statements as of the last day of each of such calendar year Debt to EBITDA Ratio is total debt divided by EBITDA.

CCC's compliance with the financial covenants provided herein shall be determined annually by calculating the Financial Ratios for each of the relevant calendar years by no later than April 30 of the year following the calendar year with respect to which compliance is being tested.



In 2016, CCC was unable to achieve fully the Target Financial Ratios. However pursuant to the terms of the Bilateral Loan Agreements, CCC secured a waiver of its compliance with the covenants on the maintenance of the Target Financial Ratios before the close of the reporting period and the approval of the issuance of this report, except for the waiver of MayBank, which was issued after the close of the reporting period but before the approval of the issuance of the auditor's report. Accordingly, the loan from Maybank was classified as current. CCC settled the principal amounts and interests on a timely basis. The loans included in the Bilateral Loan Agreements amounted to ₱4,150,029 and ₱4,135,370 as at December 31, 2016 and 2015, respectively.

In 2017, CCC was unable to achieve fully the above covenants. This did not significantly impact the Group since the bilateral loans are already classified as current liabilities. On October 16, 2018, CCC fully paid the loans.

- (ii) *Payment of Dividends* - CCC shall not pay any dividends or make any distribution on or with respect to its capital stock (other than dividends or distributions payable or paid solely in shares of stock of CCC, other than Disqualified Stock or preferred stock) (i) if a default has occurred and is continuing at the time of such payment or distribution, or would occur as a result of such payment or distribution, or (ii) if after giving effect thereto, such payment or distribution, together with the aggregate amount of all dividend payments and distributions made by CCC since the issuance of the Bonds Payable shall exceed 50% of the aggregate amount of the net income of CCC accrued on a cumulative basis during the period beginning on January 1, 2012 and ending on the last day of CCC's most recently ended fiscal quarter for which financial statements of CCC are available and have been provided to the lenders at the time of such payment or distribution.

The total interest expense recognized related to the Bilateral Loan Agreements amounted to nil, ₱126,389 and ₱183,383 in 2019, 2018 and 2017, respectively (see Note 26). No accrued interest payable related to Bilateral Loan Agreements was recognized as at December 31, 2019 and 2018, respectively (see Note 14).

The Bilateral Loan Agreements consist of the following loans:

- UOB

The bilateral term loan agreement between CCC and UOB entered into on October 10, 2014 (the UOB TLA) covers a facility for the amount of US\$25.0 million, is unsecured and has a term of four years reckoned from the date of the loan availment. The loan accrues interest at the rate of 3.74% per annum. CCC fully availed of the facility covered by the UOB TLA. In 2017 and 2016, CCC made partial payments of the loan amounting to US\$3,770 and US\$910 respectively. On October 16, 2018, CCC fully paid the loan.

The interest expense recognized in respect of the UOB TLA amounted to nil, ₱37,200 and ₱53,104 in 2019, 2018 and 2017, respectively (see Note 26). Accrued interest payable on the UOB TLA as at December 31, 2019 and 2018 amounted to nil and nil (see Note 14).

- Security Bank

On October 16, 2014, CCC paid the outstanding portion of the loan amounting to US\$6.5 million from the proceeds of the ₱1,100,000 facility covered by the bilateral term loan agreement between CCC and Security Bank dated October 10, 2014 (the SB TLA). Under the terms of the SB TLA, the principal amount of the loan availed shall be payable within four years from the date of availment and shall accrue interest at the rate of 5.00% per annum. CCC fully availed the facility covered by the SB TLA. In 2017, CCC made partial



payments of the SB TLA amounting to ₱165,880. On October 16, 2018, CCC fully paid the loan.

The interest expense on the SB TLA recognized amounted to nil, ₱32,737 and ₱48,599 in 2019, 2018, and 2017, respectively (see Note 26).

- Maybank

On October 10, 2014, CCC entered into bilateral term loan agreements with Maybank Philippines and Maybank International, which cover facilities for the aggregate amount of US\$20.0 million (the Maybank TLA). Loan availments under the facilities are payable within four years from the drawdown date and accrues interest at an rate of 3.74% per annum. CCC fully availed the facilities covered by the Maybank TLA. In 2017, CCC made partial payments of the Maybank TLA amounting to US\$3.0 million. On October 16, 2018, CCC fully paid the loan.

The interest expense recognized on the Maybank TLA amounted to nil, ₱31,085 and ₱43,425 in 2019, 2018 and 2017, respectively (see Note 26). No accrued interest payable was recognized as at December 31, 2019 and 2018, respectively.

- RCBC

On April 11, 2014, CCC obtained a short-term loan from RCBC with a maturity date on October 8, 2014 in the amount of ₱450,000, which was used to finance working capital requirements. The amount drawn from the facility is payable within 180 days from the date of availment and accrues interest at a rate of 2.50% per annum. CCC paid the loan balance of ₱450,000 on October 16, 2014 using the proceeds from the availment under the bilateral term loan agreement between CCC and RCBC dated October 10, 2014 (the RCBC TLA).

The RCBC TLA covers a facility amounting to US\$19.5 million. Under the terms of the RCBC TLA, any loan shall be payable within four years from the date of availment and shall accrue interest at a rate of 3.74% per annum. CCC fully availed of the facility covered by the RCBC TLA. In 2017, CCC made partial payments of the RCBC TLA amounting to US\$2,941. On October 16, 2018, CCC fully paid the loan.

Total interest expense on the RCBC TLA amounted to nil, ₱25,367 and ₱38,255 in 2019, 2018 and 2017, respectively (see Note 26). No accrued interest payable was recognized as at December 31, 2019 and 2018, respectively.

6. SCB

On May 21, 2014, CCC executed an Omnibus Loan and Security Agreement (OLSA) with the Singapore Branch of SCB respecting a secured term loan facility covering a total amount of US\$20.0 million that may be availed in tranches, the proceeds of which were intended to fund the purchase of mining equipment. Under the OLSA, any availment accrues interest at an annual rate equivalent to the sum of 2.85% and the three-month US\$ London Interbank Offered Rate that corresponds to the relevant interest period. Each interest period for the reckoning of accrued payable interest on every availment spans three months, with the first interest period commencing on the date of the first availment under the OLSA. Accrued interest is payable on the last day of each interest period.

The first availment under the OLSA amounting to US\$8.4 million was made on June 11, 2014, and will accrue interest at a rate of 3.08% per annum. The second availment under the OLSA amounting to US\$5.45 million was made on March 23, 2015 and will accrue interest at a rate of 3.11% per annum. Each availment under the OLSA will mature three years from the date of



availability. Availments under the OLSA are secured by a chattel mortgage covering the movable equipment purchased using the proceeds thereof. In March 2018, the company fully paid the loan.

The interest expense recognized on the OLSA amounted to nil, ₱247 and ₱4,750 in 2019, 2018 and 2017, respectively (see Note 26). No accrued interest payable was recognized as at December 31, 2019 and 2018, respectively.

#### 7. Bonds Payable

On March 16, 2012, CCC completed the issuance of US\$-denominated fixed-rate bonds representing US\$300.0 million of CCC's senior unsecured debt with a tenor of five years and five days. The Bonds Payable, which were issued at 98.95% of face value, will pay interest semi-annually every 21st of March and September at the rate of 6.50% and will carry a yield to maturity of 6.75%. The interest expense recognized from the bonds payable amounted to nil, nil and ₱280,184 in 2019, 2018 and 2017, respectively (see Note 26).

The Bonds Payable have an identified call option as they may be redeemed fully prior to maturity at a redemption price equal to 100% of the principal amount plus applicable premium, and accrued and unpaid interest. The Bonds Payable also contains an equity clawback option that allows CCC to redeem up to 35% of the Bonds Payable at any time prior to March 21, 2015, at a redemption price of 106.50% of the principal amount plus accrued and unpaid interest, using the net proceeds of an equity offering (see Note 6).

#### *Covenants*

The agreement embodying the terms of the Bonds Payable (the Indenture) imposes, certain restrictions and requirements with respect to, among others, the following:

- (i) *Incurrence of Indebtedness Other than Permitted Indebtedness* - CCC may incur indebtedness other than those permitted under Clause 4.6(b) of the Indenture if at the time of incurrence and the receipt and application of the proceeds therefrom, (i) no default, as such is defined in the Indenture (Default), has occurred or is continuing, and (ii) the Fixed Charge Coverage Ratio (FCCR) of CCC is not less than 2.5 to 1.0 (the Incurrence Conditions). FCCR is the ratio of (1) the aggregate amount of earnings before interest, taxes, depreciation, and amortization (EBITDA) for the most recent four fiscal quarterly periods prior to the incurrence of the indebtedness (the Four Quarter Period); over (2) the aggregate fixed charges during the Four Quarter Period.
- (ii) *Payment of Dividends* - CCC may declare and/or pay dividends if at the time of the declaration and/or payment, (i) no default has occurred, is continuing, or will result from such declaration and/or payment, (ii) CCC can incur at least US\$1.00 of indebtedness without violating the Incurrence Conditions, and (iii) the sum of the amount of the dividend declared and/or paid and of the aggregate amount of all restricted payments (as such is defined under the Indenture) does not exceed the aggregate amount of the items enumerated under Clause 4.7 (a) (3) of the Indenture.

In March 2017, CCC fully settled its US\$300.0 million bonds using the proceeds from a seven-year term loan from BDO amounting to US\$320.0 million.



8. Convertible Loans - Alakor, APHC and SMIC

Senior unsecured convertible loan facilities covering the aggregate amount of ₱1.8 billion (the Convertible Loans) were obtained by the Parent Company from its principal shareholders, APHC, Alakor Corporation, and SMIC (the Lenders) in June 2015, under independent bilateral loan agreements with common terms. Proceeds of the Convertible Loans were used substantially to subscribe to the capital stock of its subsidiary, CCC.

The Convertible Loans (i) have a three-year tenure, (ii) accrue interest at the rate of 4.00% per annum payable semi-annually, (iii) with an indicative yield-to-maturity of 5.63% per annum, (iv) convertible into equity of the Parent Company at a conversion price equivalent to whichever is higher of 120% of the volume weighted average price of the Parent Company shares over the period of 10 trading days immediately preceding the drawdown date, or par value of the Parent Company shares, (v) may be paid before maturity at which the agreed yield will be realized (a) at the option of the lenders on the first anniversary of the drawdown date and at the end of every six-month period thereafter, and (b) at the option of the Parent Company at any time after the lapse of 18 months from the drawdown date, provided, that the closing price of the Parent Company shares on each of 20 trading days within any period of 30 consecutive trading days exceeds 130% of the conversion price on each of such trading days.

The Convertible Loans together with its features are evaluated to determine if the embedded components qualify as derivatives to be separately accounted for. As a result of this evaluation, the Group identified the conversion rights as derivative financial instruments to be taken up as equity. Using the residual approach, the proceeds are allocated between the debt instrument and the conversion rights. At inception date, the fair value of the debt instrument and conversion right presented as additional paid-in capital amounted to ₱1,751,153 and ₱48,847, respectively.

On February 28, 2017, the Parent Company made partial payment of the Convertible Loans from the Lenders amounting to ₱343,750. On March 21, 2017, the Convertible Loans were fully settled using the proceeds from an intercompany loan from CCC amounting to ₱1,456,250, which is equal to the remaining principal amount of the Convertible Loans. In 2017, the Parent Company recognized a gain on extinguishment of debt amounting to ₱28,434 while the embedded conversion option amounting to ₱48,847, which was recognized during the grant of the Convertible Loans is lodged in the additional paid-in capital account in the consolidated statement of financial position.

The interest expense recognized with respect to the Convertible Loans amounted to nil, nil and ₱24,984 in 2019, 2018 and 2017, respectively (see Note 26).

9. SMIC

On September 16, 2015, the Parent Company availed from SMIC a loan facility in the amount of ₱981,435 which was used to finance working capital requirements and its equity infusion to CCC. The essential terms of the loan include: interest rate at 5.00% per annum, subject to repricing at prevailing market rates; payable in 90 days extendible up to five years; and with prepayment option of all or part of the loan prior to maturity.

In January, February, March and September 2016, the Parent Company availed from SMIC additional senior unsecured loan facilities covering the aggregate amounts of ₱705, ₱1,346, ₱2,237 and ₱1,661, respectively, to raise additional working capital.

The loans are payable within five years from the dates of availment, accrued interest at the rate of 5.00% per annum subject to repricing at prevailing market rate and with prepayment option of all or part of the loan prior to maturity.



On March 21, 2017, the Parent Company extinguished all its loans payable to SMIC using the proceeds from an intercompany loan from CCC amounting to ₱6,930,563.

The interest expense recognized on the SMIC loan facility amounted to nil, nil and ₱77,006 in 2019, 2018 and 2017, respectively (see Note 26).

## 17. Liability for Mine Rehabilitation

Movements in the liability for mine rehabilitation are as follows:

	2019	2018	2017
Balances at beginning of year	₱77,732	₱55,849	₱53,266
Accretion of interest (Note 26)	558	2,490	2,380
Change in accounting estimate (Note 9)	(7,068)	16,434	–
Cumulative translation adjustment	(2,888)	2,959	203
<b>Balances at end of year</b>	<b>₱68,334</b>	<b>₱77,732</b>	<b>₱55,849</b>

Liability for mine rehabilitation cost represents the present value of future rehabilitation and other related costs. This provision was recognized based on the Group's internal estimates. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual costs will 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.

### CCC

In 2019, the estimated future cash flows of CCC's Final Mine Rehabilitation and Decommissioning Plan were updated to reflect forecasted changes in inflation and risk-free rates. As at December 31, 2019, the decrease in liability for mine rehabilitation amounted to ₱7,068. Discount rates used by the Group in determining the present value of the future rehabilitation costs is 4.26% as at December 31, 2019 and 2018.

## 18. Equity

### a. Capital Stock

The table below presents the details of the Parent Company's authorized and issued and outstanding capital stock as at December 31:

	2019		2018	
	No. of Shares	Amount	No. of Shares	Amount
Authorized - (₱1 par value)	8,890,000,000	₱8,890,000	8,890,000,000	₱8,890,000
Issued	2,087,032,774	2,087,033	2,087,032,774	2,087,033
Subscribed	1,472,500,000	1,472,500	1,472,500,000	1,472,500
Total shares issued and subscribed	3,559,532,774	₱3,559,533	3,559,532,774	₱3,559,533



*Increase in Authorized Capital Stock and Stock Subscriptions*

In 2017, the Parent Company's BOD and shareholders approved the increase in authorized capital stock (ACS) of the Parent Company from ₱3,000,000 to ₱8,890,000, divided into 8,890,000,000 common shares with a par value of ₱1 per share, thereby amending its articles of incorporation. In addition, the Parent Company secured from the minority shareholders a waiver of the requirement to the conduct of public or rights offering of the shares subscribed out of the increase in the authorized capital stock. A majority vote representing the outstanding shares held by minority shareholders present or represented by proxies granted the said waiver.

Pursuant to the increase in authorized capital stock, the Parent Company entered into Stock Subscription Agreements, with subscription price of ₱4.3842 per share, with the following entities:

Subscriber	No. of shares subscribed	Total subscription price	Capital stock	Additional paid-in capital	Subscription receivable
SMIC	598,049,708	₱2,621,970	₱598,050	₱2,016,098	₱1,966,477
APHC	845,000,292	3,704,650	845,000	2,848,597	2,778,488
Alakor	29,450,000	129,115	29,450	99,279	96,836
	1,472,500,000	₱6,455,735	₱1,472,500	₱4,963,974	₱4,841,801

The subscription price of ₱4.3842 per share is based on the 90-day volume weighted average price preceding the pricing date, November 16, 2016. In 2017, a portion of the subscriptions were paid in cash amounting to ₱1,613,934.

Transaction costs on the issuance of shares amounting to ₱19,261, were accounted for as a deduction from additional paid-in capital, and include registration and regulatory fees and stamp duties.

The dividend, voting and preemption rights of the subscribed shares are the same with the rights being enjoyed by the current shareholders. The subscribed shares will not have any effect upon the rights of the existing shareholders.

On November 17, 2017, the Philippine SEC approved the Parent Company's application to increase its ACS and amend its articles of incorporation.

The increase in the ACS will enable the Parent Company to have sufficient unissued shares of stock. Warrants and the Underlying Common Shares of Stock as a result of the exercise of the warrants as briefly described below coupled, with the flexibility to raise fresh funds. With available and sufficient unissued capital stock, the Parent Company will have the capability for any future capital initiative.

As at December 31, 2019 and 2018, the Parent Company is compliant with the minimum public float as required by the PSE.

2016

*Reduction in Par Value and Decrease in Authorized Capital Stock*

In 2016, the Parent Company's BOD and shareholders approved the change in the par value of common shares from ₱8 per share, with ACS of ₱24,000,000 divided into 3,000,000,000 common shares, to ₱1 per share, with ACS of ₱3,000,000 divided into 3,000,000,000 common shares.



The lower par value of ₱1 per share would allow the Parent Company to raise fresh funds through primary shares issuance, if needed. The decrease in ACS and par value reduction resulted in additional paid-in capital of ₱14,609,229. The SEC approved the reduction in par value and capital stock on June 29, 2016.

b. Warrants Issue

On February 21, 2017, the shareholders approved the issuance of approximately 5.6 billion warrants and the corresponding 5.6 billion underlying common shares for the refinancing of the US\$300.00 million bonds of CCC as well as the Parent Company's shareholders' advances to a subordinated loan with warrants.

The warrants shall be issued by the Parent Company to its major shareholders or their assigns, among others. As at December 31, 2019, no warrants were issued by the Parent Company.

The following are the salient features, terms and conditions, and other relevant information of the Warrants Issue:

- The number of warrants to be issued to the Parent Company's major shareholders is approximately 5.6 billion, subject to the exchange rate on the date all regulatory approvals are secured and full compliance with all legal laws, rules and regulations for the issuance of warrants.
- Entitlement ratio is one common stock to one warrant; thus the corresponding number of underlying securities is approximately 5.6 billion common shares. Exercise period of the warrants shall be from and including the date of issue of the warrants up to 5:00 p.m. on the day immediately preceding the date of the 7th anniversary of the date of issue of the warrants. Expiry date is the 7th anniversary of the date of the issue of the warrants.
- The basis of determining the exercise price of ₱4.3842 is the 90-day volume weighted average price preceding the pricing date, November 16, 2016.
- Timetable for the issuance of the warrants will be upon obtaining the following:  
(i) shareholders' approval to the increase in the ACS and amendment to Article VII of the Parent Company's articles of incorporation (AOI); (ii) SEC approval of the increase in ACS and amendment to AOI, and (iii) other regulatory approvals and compliance with all legal requirements.
- The warrants constitute direct, unsecured and unsubordinated obligations of the Parent Company, and will at all times rank *pari passu* without preference among themselves and with all other outstanding unsecured and unsubordinated obligations of the Parent Company, past and future.
- Exercise of the warrants is subject to all applicable laws, regulations and practices in force on the relevant Exercise Date.
- Warrants are exercisable on any business day during the exercise period.
- The Parent Company may, but is not obligated, at any time to purchase the warrants at any price.





- The Parent Company may modify the terms and conditions without the consent of the warrant holders which the Parent Company may deem necessary or desirable provided the modification is not materially prejudicial to the interests of the warrant holders.
- If any event occurs which would reasonably be expected to have an effect on the exercise price, upon written opinion of an independent investment bank, adjustments shall be made as appropriate on account of such event.

Below is the Parent Company's track record of registration of securities under the Philippine SEC:

Date of Registration (SEC Approval)	Description	Authorized Shares	Number of shares issued	Par value per share	Total amount (in 000's)
December 31, 2009	Common shares	12,000,000,000	1,048,931,882	₱10.00	₱10,489,319
October 8, 2010	Increase in number of common shares	14,200,000,000	1,059,931,882	10.00	10,599,319
September 5, 2011	Increase in number of common shares	20,000,000,000	1,336,614,382	10.00	13,366,144
November 8, 2011	Increase in number of common shares	30,000,000,000	1,336,614,382	10.00	13,366,144
January 23, 2013	Decrease in number of common shares and reduction in par value	24,000,000,000	2,074,366,980	8.00	16,594,936
June 29, 2016	Reduction in par value consequently decreasing the number of common shares	3,000,000,000	2,087,032,774	1.00	2,087,033
November 17, 2017	Increase in number of common shares	8,890,000,000	3,359,532,774	1.00	3,359,533
<b>As at December 31, 2019</b>		<b>8,890,000,000</b>	<b>3,359,532,774</b>	<b>₱1.00</b>	<b>₱3,359,533</b>

c. Additional Paid-In Capital  
*Convertible Loans*

Additional paid-in capital amounting to ₱48,847 was recognized as a result of the equity conversion option from the ₱1.8 billion convertible loans availed by the Parent Company from SMIC, Alakor and APHC (see Note 16).

Additional paid-in capital amounted to ₱19,650,936 as at December 31, 2019 and 2018.

d. Retained Earnings

The details and movements of the Group's retained earnings are as follows:

	2019	2018
Beginning balances	<b>₱14,278,107</b>	₱15,992,908
Net loss	<b>(565,186)</b>	(1,719,662)
Effect of adoption of PFRS 9 (Note 2)	—	4,861
Ending balances	<b>₱13,712,921</b>	₱14,278,107

*Dividend Declaration*

There were no dividends declared and paid in 2019 and 2018.

e. Number of Shareholders

As at December 31, 2019 and 2018, the Parent Company has 20,728 and 20,753 shareholders, respectively.



## 19. Comprehensive Stock Option Plan

On July 18, 2007, the Parent Company's stockholders and BOD approved and ratified the Comprehensive Stock Option Plan for the Parent Company's qualified employees. The salient terms and features of the stock option plan, among others, are as follows:

- i. Participants: directors, officers, managers and key consultants of the Parent Company and its significantly owned subsidiaries;
- ii. Number of underlying shares: 50,000,000 common shares to be taken out of the unissued portion of the Parent Company's authorized capital stock with 25,000,000 of the underlying shares already been earmarked for the first-tranche optionees as duly approved by the Parent Company's stockholders during the annual general meeting (AGM) held on July 18, 2007;
- iii. Option period: Three years from the date the stock option is awarded to the optionees;
- iv. Vesting period: 1/3 of the options granted will vest in each year; and
- v. Exercise price: ₱10.00 per share benchmarked on the average closing price of the Parent Company's shares of stock as traded on the PSE during the period between September 6, 2006 (date of the AGM during which the stock option plan was first approved) and June 18, 2007 (the date of the BOD meeting during which the terms of the stock option plan were approved); such average closing price was ₱11.05 (the exercise price represents the average closing price discounted at the rate of 9.50%).

The Parent Company used the Black-Scholes model to compute for the fair value of the stock options based on the following assumptions as at July 18, 2007:

Spot price per share	₱15.00
Time to maturity	3 years
Volatility*	52.55%
Dividend yield	0.00%

\*Volatility is calculated using historical stock prices and their corresponding logarithmic returns.

Qualified employees who were previously granted stock option awards did not exercise subscription rights in the past four (4) years: 2019, 2018, 2017 and 2016.

## 20. Revenues from Contracts with Customers

Revenue from contracts with customers is disaggregated into the following:

	2019	2018	2017
<b>Type of goods</b>			
Copper concentrate containing:			
Copper	<b>₱14,580,608</b>	₱12,572,825	₱10,703,420
Gold	<b>2,547,096</b>	1,635,403	1,242,285
Silver	<b>883</b>	1,665	1,212
Smelting and related charges	<b>(965,642)</b>	(913,980)	(893,591)
	<b>16,162,945</b>	13,295,913	11,053,326
Magnetite concentrate	-	-	17,245
<b>Total revenues from contracts with customers</b>	<b>₱16,162,945</b>	<b>₱13,295,913</b>	<b>₱11,070,571</b>

All revenue from copper and magnetite concentrate is recognized at a point in time when control transfers.



## 21. Mining and Milling Costs, and Mine Products Taxes

Mining and milling costs consists of:

	2019	2018	2017
Materials and supplies (Note 7)	<b>₱4,157,433</b>	₱3,854,057	₱2,641,122
Depreciation and depletion (Note 9)	<b>3,536,656</b>	3,318,278	2,610,296
Communication, electricity and water	<b>2,453,950</b>	2,513,234	2,043,759
Personnel costs (Note 22)	<b>689,966</b>	651,920	606,437
Contracted services	<b>594,837</b>	583,420	279,337
Other costs	<b>588,185</b>	148,045	129,322
	<b>₱12,021,027</b>	₱11,068,954	₱8,310,273

Other costs consist of freight expenses, customs duties, insurance costs of vehicles used in the mine operations and other expenses, which are individually insignificant in amount.

### Mine Products Taxes

Excise taxes amounting to ₱653,678, ₱542,223 and ₱215,506 in 2019, 2018 and 2017, respectively, pertain to the taxes paid and accrued by the Group related to the production of copper concentrate.

## 22. General and Administrative Expenses

	2019	2018	2017
Personnel costs	<b>₱385,113</b>	₱402,645	₱412,959
Rentals	<b>283,910</b>	253,239	336,004
Taxes and licenses	<b>233,161</b>	166,584	188,433
Professional fees	<b>75,472</b>	43,911	58,496
Depreciation, amortization and depletion (Note 9)	<b>60,596</b>	58,115	63,057
Community assistance	<b>50,735</b>	104,988	114,318
Insurance	<b>26,389</b>	24,203	19,878
Communication, light and water	<b>24,254</b>	22,915	21,502
Materials and supplies (Note 7)	<b>21,623</b>	12,260	6,141
Transportation and travel	<b>16,822</b>	5,632	269
Entertainment, amusement and recreation	<b>7,361</b>	8,487	13,731
Bond premium expense	-	-	1,764
Repairs and maintenance	<b>1,037</b>	1,357	1,157
Provision for impairment losses:			
Inventories (Note 7)	7	33,504	94,853
Receivables (Note 5)	-	-	1,822
Input VAT (Note 13)	-	740	-
Others	<b>51,040</b>	151,257	70,555
	<b>₱1,237,520</b>	₱1,289,837	₱1,404,939

Rentals pertain to land, office and equipment rentals not directly related to the mining operations.

Others consist primarily of insurance fees, diesel fuel costs, severance pay, costs of general consumption items, medical expenses, drilling expenses, and cost of training and seminars, not directly related to operations of the Group.



Personnel costs recognized in mining and milling costs, and general and administrative expenses consist of the following:

	2019	2018	2017
Salaries and wages	<b>₱939,870</b>	₱906,483	₱890,878
Retirement benefits cost (Note 24)	<b>34,525</b>	47,338	35,328
Other employee benefits	<b>100,684</b>	100,192	93,190
	<b>₱1,075,079</b>	₱1,054,013	₱1,019,396

	2019	2018	2017
Mining and milling costs (Note 21)	<b>₱689,966</b>	₱651,920	₱606,437
General and administrative expenses	<b>385,113</b>	402,093	412,959
	<b>₱1,075,079</b>	₱1,054,013	₱1,019,396

### 23. 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 Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and 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 the legal form.

In the normal course of business, transactions with related parties consist mainly of payments made by the Parent Company for various expenses and non-interest bearing, short-term cash advances for working capital requirements.

All intercompany transactions are eliminated at the consolidated level. Items eliminated are separately disclosed in a schedule in accordance with Philippine SEC requirements under SRC Rule 68, as Amended (2011).

- a. The consolidated statements of financial position include the following amounts resulting from the various transactions with related parties, which are expected to be settled in cash as at December 31:



2019				
	Amount/ Volume	Outstanding Balance	Terms	Conditions
<b>Associates</b>				
<i>Receivables</i> (Note 5)				
BNC	₱29,558	₱50,297	On demand; non-interest bearing	Unsecured, no guarantee
URHI	-	3,006	On demand; non-interest bearing	Unsecured, no guarantee
UNC	613	15,950	On demand; non-interest bearing	Unsecured, no guarantee
<b>Entities with significant influence over the Group</b>				
<i>Receivables</i> (Note 5)				
Alakor and others	(3,016)	8	On demand; non-interest bearing	Unsecured, no guarantee
	<b>₱27,155</b>	<b>₱69,261</b>		
<b>Entities with significant influence over the Group</b>				
<i>Loans</i> (Note 16)				
SMIC	₱705,527	₱6,257,326	Interest-bearing; 5% for the first two years; repriceable at the option of the lender at prevailing market rates	Unsecured, no guarantee
APHC	62,883	557,713	Interest-bearing; 5% for the first two years; repriceable at the option of the lender at prevailing market rates	Unsecured, no guarantee
Alakor	15,501	137,480	Interest-bearing; 5% for the first two years; repriceable at the option of the lender at prevailing market rates	Unsecured, no guarantee
	<b>₱783,911</b>	<b>₱6,952,519</b>		
2018				
	Amount/ Volume	Outstanding Balance	Terms	Conditions
<b>Associates</b>				
<i>Receivables</i> (Note 5)				
BNC	₱33,700	₱79,855	On demand; non-interest bearing	Unsecured, no guarantee
URHI	-	3,006	On demand; non-interest bearing	Unsecured, no guarantee
UNC	-	16,563	On demand; non-interest bearing	Unsecured, no guarantee
<b>Entities with significant influence over the Group</b>				
<i>Receivables</i> (Note 5)				
Alakor	-	3,016	On demand; non-interest bearing	Unsecured, no guarantee
	<b>₱33,700</b>	<b>₱102,440</b>		
<b>Entities with significant influence over the Group</b>				
<i>Loans</i> (Note 16)				
SMIC	₱146,756	₱6,962,853	Interest-bearing; 5% for the first two years; repriceable at the option of the lender at prevailing market rates	Unsecured, no guarantee
APHC	13,081	620,596	Interest-bearing; 5% for the first two years; repriceable at the option of the lender at prevailing market rates	Unsecured, no guarantee
Alakor	3,224	152,981	Interest-bearing; 5% for the first two years; repriceable at the option of the lender at prevailing market rates	Unsecured, no guarantee
	<b>₱163,061</b>	<b>₱7,736,430</b>		



b. *Compensation of Key Management Personnel*

The Group considers all senior officers as key management personnel.

	2019	2018	2017
Short-term benefits	<b>₱69,844</b>	₱76,289	₱100,925
Retirement benefits	<b>6,985</b>	3,754	8,334
	<b>₱76,829</b>	₱80,043	₱109,259

## 24. Retirement Benefits Liability

The Group has an unfunded defined retirement benefits plan covering substantially all of its employees. The plan provides a retirement of amount equal to one month's salary for every year of service, with six months or more of service considered as one year.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Summary of retirement benefits liability and retirement benefits cost as at December 31, 2019, 2018 and 2017:

	2019		2018		2017	
	Retirement benefits liability	Retirement benefits costs	Retirement benefits liability	Retirement benefits costs	Retirement benefits liability	Retirement benefits costs
Parent Company	<b>₱7,385</b>	<b>₱1,537</b>	₱8,940	₱1,907	₱9,869	₱1,971
CCC	<b>474,845</b>	<b>51,024</b>	299,366	60,462	306,621	46,236
	<b>₱482,230</b>	<b>₱52,561</b>	₱308,306	₱62,369	₱316,490	₱48,207

The movements in remeasurement gain on retirement benefits liability, net of tax, of the Parent Company and CCC are as follows:

	2019	2018
Balances at beginning of year	<b>₱204,741</b>	₱166,717
Actuarial gains (losses):		
Experience adjustments	<b>(7,879)</b>	(3,399)
Demographic assumptions	<b>(262)</b>	6,075
Financial assumptions	<b>(102,531)</b>	35,348
	<b>(110,672)</b>	38,024
Remeasurement gain on retirement benefits liability - net of tax	<b>₱94,069</b>	₱204,741

### Parent Company Retirement Benefits Liability

The details of retirement benefits cost follow:

	2019	2018	2017
Current service cost (Note 22)	<b>₱1,073</b>	₱1,473	₱1,501
Interest cost (Note 26)	<b>464</b>	434	470
	<b>₱1,537</b>	₱1,907	₱1,971



The movements in the present value of the retirement benefits liability are as follows:

	2019	2018	2017
Balances at beginning of year	<b>₱8,940</b>	₱9,869	8,536
Current service cost (Note 22)	<b>1,073</b>	1,473	1,501
Interest cost (Note 26)	<b>464</b>	434	470
Actuarial losses (gains):			
Experience adjustments	<b>(501)</b>	(963)	245
Demographic assumptions	<b>375</b>	(1,110)	(73)
Financial assumptions	<b>1,688</b>	(763)	(200)
Benefits paid	<b>(4,654)</b>	-	(610)
Balances at end of year	<b>₱7,385</b>	₱8,940	9,869

The Parent Company does not have any plan assets.

The retirement benefits cost as well as the present value of the retirement benefits liability is determined using actuarial valuation. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining retirement benefits costs and retirement benefits liability for the Parent Company's defined retirement benefits plan are shown below:

	2019	2018	2017
Discount rate	<b>4.90%</b>	7.33%	5.77%
Expected rate of salary increase	<b>5.00%</b>	5.00%	5.00%
	<b>17% at age 18</b>	22% at age 18	8% at age 18
	<b>decreasing to</b>	decreasing to	decreasing to
Turnover rate	<b>0% at age 60</b>	0% at age 60	0% at age 60

The sensitivity analyses below have been determined based on reasonably possible changes of each significant assumption on the defined retirement benefits liability as at the end of the reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	2019	2018
Discount rates	+1%	(₱768)	(₱411)
	-1%	895	469
Salary increase rate	+1%	₱924	₱521

The Parent Company does not expect to contribute to the defined retirement benefits plan in 2019. The Parent Company does not have a trustee bank, and does not currently employ any asset-liability matching.



Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2019 and 2018:

	2019	2018
Less than one year	P-	P5,236
More than five years to 10 years	10,511	10,316
More than 10 years to 15 years	1,716	1,482
More than 15 years to 20 years	23,745	12,756
More than 20 years	6,863	7,434
	<b>P42,835</b>	<b>P37,224</b>

The average duration of the defined retirement benefits liability as at December 31, 2019 and 2018 is 15.95 years and 13.49 years, respectively.

#### CCC Retirement Benefits Liability

The details of retirement benefits costs follow:

	2019	2018	2017
Current service cost (Note 22)	P33,452	P45,865	P33,827
Interest cost (Note 26)	17,572	14,597	12,409
	<b>P51,024</b>	<b>P60,462</b>	<b>P46,236</b>

The movements in present value of the retirement benefits liability are as follows:

	2019	2018	2017
Balances at beginning of year	P299,367	P306,621	P275,573
Current service cost (Note 22)	33,452	45,865	33,827
Interest cost (Note 26)	17,572	14,597	12,409
Actuarial losses (gains):			
Experience adjustments	11,495	5,819	21,537
Demographic assumptions	-	(7,568)	210
Financial assumptions	141,558	(49,735)	(9,568)
Benefits paid	(13,525)	(18,702)	(28,232)
Cumulative translation adjustment	(15,074)	2,470	865
Balances at end of year	<b>P474,845</b>	<b>P299,367</b>	<b>P306,621</b>

CCC does not have any plan assets.

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

The principal assumptions used in determining retirement benefits costs and retirement benefits liability for CCC's defined retirement benefits plan are shown below:

	2019	2018	2017
Discount rate	5.01%	7.38%	5.77%
Expected rate of salary increase	6.00%	5.00%	5.00%
	9% at age 18	9% at age 18	8% at age 18
	decreasing to	decreasing to	decreasing to
Turnover rate	0% at age 65	0% at age 65	0% at age 65





The sensitivity analyses below have been determined based on reasonably possible changes of each significant assumption on the defined retirement benefits liability as at the end of the reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	2019	2018
Discount rates	+1%	(₱50,557)	(₱24,621)
	-1%	61,136	29,198
Salaries increased rates	+1%	₱62,004	₱31,356

CCC does not expect to contribute to the defined retirement benefits plan in 2019. CCC does not have a trustee bank, and does not currently employ any asset-liability matching.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2019 and 2018:

	2019	2018
Less than one year	₱10,230	₱6,525
More than one year to five years	88,224	59,571
More than five years to 10 years	225,310	188,442
More than 10 years to 15 years	338,039	261,028
More than 15 years to 20 years	499,216	395,470
More than 20 years	1,645,950	1,224,649
	<b>₱2,806,969</b>	<b>₱2,135,685</b>

The average duration of the defined retirement benefits liability as at December 31, 2019 and 2018 is 21.19 years and 20.99 years, respectively.

The defined retirement benefits plan typically exposes the Group to a number of risks such as interest rate risk and salary risk. The most significant of which relate to interest rate risk. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement liability. An increase in government bond yields will decrease the defined benefit obligation. Hence, the present value of defined benefit obligation is directly affected by the discount rate to be applied by the Group.

## 25. Income Taxes

The components of the provision for (benefit from) income tax are as follow:

	2019	2018	2017
Current	₱109,302	₱117,428	₱69,716
Deferred	606,481	(362,555)	(255,115)
	<b>₱715,783</b>	<b>(₱245,127)</b>	<b>(₱185,399)</b>

The provision for current income tax pertains to the excess MCIT over RCIT in 2019, 2018 and 2017.



Parent Company, AEI, AHI and AI

The Parent Company, AEI, AHI and AI has the following carry-forward benefits of NOLCO and MCIT, and deductible temporary differences in 2019 and 2018, for which no deferred tax assets were recognized as it is not probable that sufficient future taxable profits will be available against which the benefits can be utilized:

	2019	2018
Carry-forward benefits of:		
NOLCO	₱263,671	₱589,999
MCIT	406	622
Allowance for impairment losses on:		
Inventories	316,239	316,232
Receivables	29,359	29,359
Quoted equity instrument	2,867	2,867
Unrealized foreign exchange losses	273,835	273,960
Retirement benefits liability	5,823	11,804
	<b>₱892,204</b>	<b>₱1,224,843</b>

CCC

The components of deferred tax assets of CCC as at December 31, 2019 and 2018:

	2019	2018
<i>Recognized directly in profit or loss</i>		
Deferred tax assets:		
NOLCO	₱938,695	₱1,339,726
Unrealized foreign exchange losses	283,695	1,180,069
Retirement benefits liability	119,066	268,463
Excess of MCIT over RCIT	295,122	238,467
Provision for impairment losses:		
Input VAT	63,192	65,619
Inventories	58,240	60,477
Receivables	1,017	1,143
Debt issue costs	39,427	56,035
Liability for mine rehabilitation	20,500	23,320
	<b>₱1,818,954</b>	<b>3,233,319</b>
<i>Recognized in other comprehensive income</i>		
Remeasurement loss on retirement benefits liability	118,713	-
Cumulative translation adjustments	892,808	294,078
	<b>1,011,521</b>	<b>294,078</b>
Deferred tax assets	<b>₱2,830,475</b>	<b>₱3,527,397</b>



The components of deferred tax liabilities of the Group as at December 31, 2019 and 2018:

	2019	2018
<i>Recognized directly in profit or loss</i>		
Deferred tax liability:		
Mining rights	₱2,337,672	₱2,397,418
Unrealized foreign exchange gains	837,077	835,656
	<b>3,174,749</b>	<b>3,233,074</b>
<i>Recognized in Other Comprehensive Income</i>		
Revaluation increment on land (Note 9)	128,087	128,087
Remeasurement gain on retirement benefits liability	192,139	192,608
Cumulative translation adjustments	9,362	9,357
	<b>329,588</b>	<b>330,052</b>
<b>Deferred tax liabilities</b>	<b>₱3,504,337</b>	<b>₱3,563,126</b>

As at December 31, 2019, the Group's NOLCO and MCIT that can be claimed as deduction against future taxable income and future tax liabilities, respectively, are as follows:

Year incurred	Available until	NOLCO	MCIT
2019	2022	₱53,482	₱109,114
2018	2021	1,164,878	117,427
2017	2020	2,174,296	69,716
		<b>₱3,392,656</b>	<b>₱296,257</b>

Movements in NOLCO and MCIT are as follows:

	2019	2018
NOLCO:		
Beginning of year	₱5,119,948	₱5,935,224
Additions	53,482	1,100,628
Applications	(1,352,263)	-
Expirations	(428,511)	(1,999,959)
End of year	<b>₱3,392,656</b>	<b>₱5,035,893</b>
MCIT:		
Beginning of year	₱239,090	₱158,872
Additions	109,114	117,427
Expirations	(51,947)	(37,209)
End of year	<b>₱296,257</b>	<b>₱239,090</b>



- b. A reconciliation of the benefit from income tax computed at the statutory income tax rate with the benefit from income tax is presented as follows:

	2019	2018	2017
Benefit from income tax at statutory income tax rates	<b>₱45,179</b>	(₱589,437)	(₱646,004)
Additions to (reductions in) income tax resulting from:			
Nondeductible expenses	<b>186,636</b>	981,133	732,850
Income exempt from income tax	<b>(98,444)</b>	(835,802)	(493,969)
Expired NOLCO	<b>128,553</b>	599,988	60,414
Application NOLCO	<b>405,679</b>	-	-
Cumulative translation adjustments	<b>103,257</b>	(215,537)	317,101
Movements on unrecognized deferred tax assets	<b>(112,154)</b>	(70,591)	(19,294)
Excess MCIT over RCIT	<b>109,049</b>	(69,482)	(67,403)
Depletion of mining rights	<b>(59,746)</b>	(57,075)	(49,641)
Expired MCIT	<b>51,947</b>	37,209	-
Equity in net earnings in an associate	<b>(24,070)</b>	(24,425)	-
Interest income subjected to final tax and others	<b>(20,108)</b>	(1,108)	(8,980)
Effect of adoption of PFRS 16	<b>5</b>	-	-
Reversal of deferred tax liability on equity conversion option	-	-	(10,473)
	<b>₱715,783</b>	(₱245,127)	(₱185,399)

Section 27 of the National Internal Revenue Code, as amended, provides that an MCIT of 2% based on the gross income as at the end of the taxable year shall be imposed on a corporation beginning the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the MCIT is greater than the RCIT computed for the taxable year.

*Board of Investments (BOI) of CCC*

CCC benefits from the automatic VAT zero-rating of its purchase of goods and services from domestic suppliers on account of the certification by the BOI that 100% of its sales are export sales.



## 26. Interest Income and Finance Charges

Sources of interest income are as follows:

	2019	2018	2017
Cash in banks (Note 4)	<b>₱1,972</b>	₱2,810	₱3,555
Short-term investments (Note 4)	<b>62,129</b>	38,100	25,324
Other noncurrent assets (Note 13)	<b>4,481</b>	120	1,316
Investment in pooled funds – SMIC (Note 8)	<b>244</b>	–	–
	<b>₱68,826</b>	₱41,030	₱30,195

Finance changes consists of:

	2019	2018	2017
Interest expense on loans and long-term debt and other interest-bearing liabilities (Note 16)	<b>₱1,648,520</b>	₱1,586,985	₱1,658,543
Amortization of debt issue cost (Note 16)	<b>596,566</b>	738,280	528,840
Interest cost on retirement benefits liability (Note 24)	<b>18,036</b>	15,031	12,879
Interest on trust receipts (Note 14)	<b>1,910</b>	3,084	1,964
Accretion of interest on liability for mine rehabilitation cost (Note 17)	<b>558</b>	2,490	2,380
Lease Liability (Note 15)	<b>323</b>	–	–
	<b>₱2,265,913</b>	₱2,345,870	₱2,204,606

## 27. Segment Information

The primary segment reporting format is determined to be the business segments since the Group is organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit. The mining segment is engaged in exploration and mining operations. Meanwhile, the non-mining segment is engaged in bulk water supply or acts as holding company.

The Group's operating business segments remain to be neither organized nor managed by geographical segment.



<b>2019:</b>	<b>Mining</b>	<b>Non-Mining</b>	<b>Total</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Segment revenue</b>					
<b>From external customers</b>	<b>₱16,162,945</b>	<b>₱-</b>	<b>₱16,162,945</b>	<b>₱-</b>	<b>₱16,162,945</b>
<b>Cost of sales</b>	<b>₱12,021,027</b>	<b>₱-</b>	<b>₱12,021,027</b>	<b>₱-</b>	<b>₱12,021,027</b>
<b>General and administrative expenses</b>	<b>1,173,635</b>	<b>63,885</b>	<b>1,237,520</b>	<b>-</b>	<b>1,237,520</b>
<b>Mine tax/royalties/business tax</b>	<b>653,678</b>	<b>-</b>	<b>653,678</b>	<b>-</b>	<b>653,678</b>
<b>Operating income (loss)</b>	<b>2,314,605</b>	<b>(63,885)</b>	<b>2,250,720</b>	<b>-</b>	<b>2,250,720</b>
<b>Depreciation, amortization and depletion</b>	<b>3,594,092</b>	<b>3,160</b>	<b>3,597,252</b>	<b>-</b>	<b>3,597,252</b>
<b>Earnings before interest, income taxes, and depreciation and amortization (EBITDA)</b>	<b>₱5,908,697</b>	<b>₱ (60,725)</b>	<b>₱5,847,972</b>	<b>₱-</b>	<b>₱5,847,972</b>
<b>Segment results</b>					
<b>Income (loss) before income tax</b>	<b>₱326,644</b>	<b>₱18,598</b>	<b>₱345,242</b>	<b>(₱194,646)</b>	<b>₱150,596</b>
<b>Benefit from income tax</b>	<b>(774,037)</b>	<b>(1,491)</b>	<b>(775,528)</b>	<b>59,746</b>	<b>(715,782)</b>
<b>Net loss</b>	<b>(₱447,393)</b>	<b>₱17,107</b>	<b>(₱430,286)</b>	<b>(₱134,900)</b>	<b>(₱565,186)</b>
<b>Assets</b>					
<b>Total assets</b>	<b>₱54,527,686</b>	<b>₱19,572,828</b>	<b>₱74,100,514</b>	<b>₱1,516,818</b>	<b>₱75,617,332</b>
<b>Investments</b>	<b>-</b>	<b>25,801,934</b>	<b>25,801,934</b>	<b>(25,575,745)</b>	<b>226,189</b>
<b>Goodwill</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,026,119</b>	<b>19,026,119</b>
<b>Mining rights</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,790,806</b>	<b>7,790,806</b>
<b>Liabilities</b>					
<b>Total liabilities</b>	<b>₱37,723,817</b>	<b>₱175,135</b>	<b>₱37,898,951</b>	<b>₱3,363,218</b>	<b>₱41,262,170</b>
<b>Other segment information</b>					
<b>Depreciation, amortization and depletion</b>	<b>3,594,092</b>	<b>3,160</b>	<b>3,597,252</b>	<b>-</b>	<b>3,597,252</b>
<b>Finance charges</b>	<b>2,265,126</b>	<b>787</b>	<b>2,265,913</b>	<b>-</b>	<b>2,265,913</b>

2018

	<b>Mining</b>	<b>Non-Mining</b>	<b>Total</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Segment revenue</b>					
<b>From external customers</b>	<b>₱13,295,913</b>	<b>₱-</b>	<b>₱13,295,913</b>	<b>₱-</b>	<b>₱13,295,913</b>
<b>Cost of sales</b>	<b>₱11,068,954</b>	<b>₱-</b>	<b>₱11,068,954</b>	<b>₱-</b>	<b>₱11,068,954</b>
<b>General and administrative expenses</b>	<b>1,226,774</b>	<b>63,108</b>	<b>1,289,882</b>	<b>(45)</b>	<b>1,289,837</b>
<b>Mine tax/royalties/business tax</b>	<b>542,223</b>	<b>-</b>	<b>542,223</b>	<b>-</b>	<b>542,223</b>
<b>Operating income (loss)</b>	<b>457,962</b>	<b>(63,108)</b>	<b>394,854</b>	<b>45</b>	<b>394,854</b>
<b>Depreciation, amortization and depletion</b>	<b>3,404,575</b>	<b>1,490</b>	<b>3,406,065</b>	<b>-</b>	<b>3,406,065</b>
<b>EBITDA</b>	<b>₱3,862,537</b>	<b>(₱61,618)</b>	<b>₱3,800,919</b>	<b>₱45</b>	<b>₱3,800,919</b>
<b>Segment results</b>					
<b>Loss before income tax</b>	<b>(₱1,800,579)</b>	<b>(₱3,587)</b>	<b>(₱1,804,166)</b>	<b>(₱160,623)</b>	<b>(₱1,964,789)</b>
<b>Benefit from income tax</b>	<b>189,387</b>	<b>(1,765)</b>	<b>187,622</b>	<b>57,505</b>	<b>245,127</b>
<b>Net loss</b>	<b>(₱1,611,192)</b>	<b>(₱5,352)</b>	<b>(₱1,616,544)</b>	<b>(₱103,118)</b>	<b>(₱1,719,662)</b>
<b>Assets</b>					
<b>Total assets</b>	<b>₱58,680,579</b>	<b>₱26,689,952</b>	<b>₱85,370,531</b>	<b>(₱5,593,557)</b>	<b>₱79,776,974</b>
<b>Investments</b>	<b>-</b>	<b>25,801,934</b>	<b>25,801,934</b>	<b>(25,575,745)</b>	<b>226,189</b>
<b>Goodwill</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,026,119</b>	<b>19,026,119</b>
<b>Mining rights</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,989,958</b>	<b>7,989,958</b>
<b>Liabilities</b>					
<b>Total Liabilities</b>	<b>40,661,822</b>	<b>7,308,273</b>	<b>47,970,095</b>	<b>(3,805,872)</b>	<b>44,164,223</b>
<b>Other segment information</b>					
<b>Depreciation, amortization and depletion</b>	<b>3,404,575</b>	<b>1,490</b>	<b>3,406,065</b>	<b>-</b>	<b>3,406,065</b>
<b>Finance charges</b>	<b>2,345,436</b>	<b>434</b>	<b>2,345,870</b>	<b>-</b>	<b>2,345,870</b>

2017:

	<b>Mining</b>	<b>Non-Mining</b>	<b>Total</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Segment revenue</b>					
<b>From external customers</b>	<b>₱11,070,571</b>	<b>₱-</b>	<b>₱11,070,571</b>	<b>₱-</b>	<b>₱11,070,571</b>
<b>Cost of sales</b>	<b>₱8,310,273</b>	<b>₱-</b>	<b>₱8,310,273</b>	<b>₱-</b>	<b>₱8,310,273</b>
<b>General and administrative expenses</b>	<b>1,333,557</b>	<b>71,382</b>	<b>1,404,939</b>	<b>-</b>	<b>1,404,939</b>
<b>Mine tax/royalties/business tax</b>	<b>215,506</b>	<b>-</b>	<b>215,506</b>	<b>-</b>	<b>215,506</b>
<b>Operating income (loss)</b>	<b>1,211,235</b>	<b>(71,382)</b>	<b>1,139,853</b>	<b>-</b>	<b>1,139,853</b>
<b>Depreciation, amortization and depletion</b>	<b>2,670,263</b>	<b>3,090</b>	<b>2,673,353</b>	<b>-</b>	<b>2,673,353</b>
<b>EBITDA</b>	<b>₱3,881,498</b>	<b>(₱68,292)</b>	<b>₱3,813,206</b>	<b>₱-</b>	<b>₱3,813,206</b>
<b>Segment results</b>					
<b>Loss before income tax</b>	<b>(₱1,850,641)</b>	<b>(₱129,764)</b>	<b>(₱1,980,405)</b>	<b>(₱172,942)</b>	<b>(₱2,153,347)</b>
<b>Benefit from income tax</b>	<b>126,095</b>	<b>9,663</b>	<b>135,758</b>	<b>49,641</b>	<b>185,399</b>
<b>Net loss</b>	<b>(₱1,724,546)</b>	<b>(₱120,101)</b>	<b>(₱1,844,647)</b>	<b>(₱123,301)</b>	<b>(₱1,967,948)</b>

Forward



	Mining	Non-Mining	Total	Eliminations	Consolidated
<b>Assets</b>					
Total assets	₱53,835,366	₱26,712,601	₱80,547,967	(₱6,145,093)	₱74,402,874
Investments	–	25,801,934	25,801,934	(25,575,745)	226,189
Goodwill	–	–	–	19,026,119	19,026,119
Mining rights	–	–	–	8,181,643	8,181,643
<b>Liabilities</b>					
Total liabilities	35,231,788	7,327,556	42,559,344	(4,547,673)	38,011,671
<b>Other segment information</b>					
Depreciation, amortization and depletion	2,670,263	3,090	2,673,353	–	2,673,353
Finance charges	2,102,145	102,461	2,204,606	–	2,204,606

**Adjustments and Eliminations:**

No operating segments have been aggregated to form the above reportable segments.

The Group's 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 revenues, EBITDA and profit or loss, and are measured consistently in the consolidated financial statements. EBITDA is the measure of segment profit or loss and comprises gross profit, general and administrative expenses, before depreciation and depletion.

The Group's management reporting and controlling systems use accounting policies that are the same as those described in Note 2 to the consolidated financial statements. Segment assets principally comprise all assets while segment liabilities principally comprise all liabilities.

Adjustments and eliminations are part of the detailed reconciliations presented below.

**Reconciliation of segment loss before tax:**

	2019	2018	2017
Total segment net income (loss)			
before tax	<b>₱345,242</b>	(₱1,804,166)	(₱1,980,405)
Depletion of mining rights (Note 10)	<b>(199,152)</b>	(191,685)	(165,471)
Share in net income (loss) of associates			
(Note 12)	<b>80,233</b>	81,417	(7,471)
Dividend income	<b>(75,726)</b>	(50,400)	–
General and administrative expenses	–	45	–
Combined segment net loss before tax	<b>₱150,597</b>	(₱1,964,789)	(₱2,153,347)

**Reconciliation of segment assets:**

	2019	2018	2017
Total segment assets	<b>₱74,100,514</b>	₱85,370,531	₱80,547,967
Receivables	<b>(125,352)</b>	(7,430,185)	(7,356,460)
Goodwill (Note 10)	<b>19,026,119</b>	19,026,119	19,026,119
Property, plant and equipment at cost	<b>(551,596)</b>	(551,596)	(551,596)
Mining rights (Note 10)	<b>7,790,806</b>	7,989,958	8,181,643
Deferred tax assets	<b>1,017,467</b>	1,017,468	236,370
Quoted equity instrument	<b>(4,881)</b>	(5,069)	(9,900)
Investments in shares of stocks	<b>(25,801,934)</b>	(25,801,934)	(25,801,934)
Investment in associates (Note 12)	<b>226,189</b>	221,682	190,665
Other noncurrent assets	<b>(60,000)</b>	(60,000)	(60,000)
Combined segment assets	<b>₱75,617,332</b>	₱79,776,974	₱74,402,874



Reconciliation of segment liabilities:

	2019	2018	2017
Total segment liabilities	<b>₱45,146,369</b>	₱47,970,095	₱42,559,344
Accounts payable, contract liabilities and accrued liabilities	<b>(1,277)</b>	(1,051)	(1,051)
Payable to related parties	<b>(7,247,418)</b>	(7,229,063)	(7,247,272)
Deferred tax liabilities	<b>3,364,496</b>	3,424,242	2,700,650
<b>Combined segment liabilities</b>	<b>₱41,262,170</b>	₱44,164,223	₱38,011,671

Revenues of the Group, through CCC, are from MRI, TTSA, Mitsui, PASAR and Cliveden Trading, AG, and are covered by Pricing Agreements.

	2019	2018	2017
MRI	<b>₱8,338,552</b>	₱8,919,309	₱7,968,617
TTSA	<b>6,894,930</b>	920,012	-
Mitsui	<b>929,463</b>	-	-
PASAR	-	3,456,592	3,064,337
Cliveden Trading, AG	-	-	37,167
<b>Total</b>	<b>₱16,162,945</b>	₱13,295,913	₱11,070,571

## 28. Basic/Diluted Loss Per Share

Basic loss per share is computed as follows:

	2019	2018	2017
Net loss	<b>(₱565,186)</b>	(₱1,719,662)	(₱1,967,948)
Divided by basic weighted average number of common shares outstanding (in thousands)	<b>3,557,553</b>	3,557,553	3,557,553
	<b>(₱0.1589)</b>	(₱0.4834)	(₱0.5532)

Diluted loss per share is computed as follows:

	2019	2018	2017
Net loss	<b>(₱565,186)</b>	(₱1,719,662)	(₱1,967,948)
Divided by basic weighted average number of common shares outstanding (in thousands)	<b>3,557,553</b>	3,557,553	3,557,553
	<b>(₱0.1589)</b>	(₱0.4834)	(₱0.5532)

Reconciliation of the weighted average number of common shares outstanding (in thousands) used in computing basic and diluted earnings per share as follows:

	2019	2018	2017
Basic weighted average number of common shares outstanding	<b>3,557,553</b>	3,557,553	3,557,553
Diluted weighted average number of common shares outstanding	<b>3,557,553</b>	3,557,553	3,557,553





There have been no other transactions involving common shares or potential common shares between the reporting date and the date of authorization of these consolidated financial statements.

## 29. Financial Risk Management Objectives and Policies

The Group's main financial instruments are cash and cash equivalents, short-term investments, investment in pooled funds, quoted equity instrument, investment in unit investment trust fund and refundable security deposits under other noncurrent assets, bank loans, long-term debts and other interest-bearing liabilities, and derivatives. It has various other financial assets and liabilities such as receivables, and accounts payable, contract liabilities and accrued liabilities, which mainly arise from the Group's operations.

The main risks arising from the Group's financial instruments are market risk, credit risk, and liquidity risk. The BOD reviews and adopts relevant policies for managing each of these risks and these are summarized onto the succeeding paragraphs.

### Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk, and other price risk, such as equity price risk and commodity risk. The value of a financial instrument may change as a result of changes in foreign currency exchange rates, interest rates, equity prices and other market changes.

### Foreign Currency Risk

Foreign currency risk is that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group has foreign currency risk arising from its cash in banks, short-term investments, receivables, bank loans, accounts payable, contract liabilities and accrued liabilities except, long-term debt and derivatives. To mitigate the risk of incurring foreign exchange losses, foreign currency holdings are matched against the potential need for foreign currency in financing equity investments and new projects. The Group also uses foreign currency forwards to hedge its risk exposures.

As at December 31, 2019 and 2018, foreign currency-denominated assets and liabilities follow:

	2019		2018	
	Original Currency	Peso Equivalent	Original Currency	Peso Equivalent
<u>Assets</u>				
Cash in banks	US\$7,232 JP¥16 GB£183	₱366,197 7 12,277	US\$14,898 JP¥4 GB£177	₱783,337 2 11,812
Short-term investments	US\$18,475	935,468	US\$51,373	2,701,181
Receivables	US\$55,577	2,814,139	US\$6,565	345,198
	US\$81,284 GB£183 JP¥16	₱4,115,804 ₱12,277 ₱7	US\$72,836 GB£177 JP¥4	₱3,829,716 ₱11,812 ₱2

Forward



	2019		2018	
	Original Currency	Peso Equivalent	Original Currency	Peso Equivalent
<b>Liabilities</b>				
Accounts payable, contract liabilities and accrued expenses	US\$31,809	₱1,610,661	US\$48,412	₱2,545,480
	JP¥48	22	JP¥50,452	23,970
	AUS286	10,150	AUS163	6,045
	EU€-	-	EU€11	638
Long-term debt	US\$447,364	22,652,271	US\$447,005	23,503,506
Bank Loans	US\$170,000	8,607,950	US\$210,719	11,079,605
	US\$649,173	₱32,870,882	US\$706,136	₱37,128,591
	JP¥48	₱22	JP¥50,452	₱23,970
	AUS286	₱10,150	AUS163	₱6,045
	EU€-	₱-	EU€11	₱638
Net liabilities in US\$	US\$567,889	₱28,755,078	US\$633,300	₱33,298,875
Net assets in GB£	GB£183	₱12,277	GB£177	₱11,812
Net liabilities in AU\$	AUS286	₱10,150	AUS163	₱6,045
Net liabilities in JP¥	JP¥32	₱15	JP¥50,448	₱23,968
Net liabilities in EU€	EU€-	₱-	EU€11	₱638

As at December 31, 2019 and 2018, foreign exchange closing rates used in converting foreign currency-denominated assets and liabilities are as follows:

	2019	2018
US\$	50.635	₱52.580
AUS	35.504	37.070
JP¥	0.4659	0.4751
EU€	56.808	60.311
GB£	67.120	66.733

Based on the historical movement of the US\$, AU\$, JP¥, EU€, GB£ and the Philippine Peso, the management believes that the estimated reasonably possible change in the next 12 months would be:

	2019		2018	
	Peso Strengthens	Peso Weakens	Peso Strengthens	Peso Weakens
US\$	₱0.39	₱0.61	₱0.67	₱0.44
AUS	0.42	0.20	0.47	0.54
JP¥	0.01	0.01	0.01	0.01
EU€	0.51	0.33	1.19	1.30
GB£	1.13	0.76	1.58	1.40

Sensitivity of the Group's pre-tax income to foreign currency risks are as follows:

Year ended December 31, 2019:

- An increase of ₱23,550 in the pre-tax income if peso strengthens by ₱0.39 against the US\$.
- A decrease of ₱34,769 in the pre-tax income if peso weakens by ₱0.61 against the US\$.

Year ended December 31, 2018:

- An increase of ₱421,144 in the pre-tax income if peso strengthens by ₱0.67 against the US\$.
- A decrease of ₱278,652 in the pre-tax income if peso weakens by ₱0.44 against the US\$.



Management believes that the foreign currency risk associated with AU\$, JP¥, EU€, GB£-denominated accounts will not have a significant effect on consolidated financial statements, and as such, did not present a sensitivity analysis are considered insignificant.

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

#### *Commodity Price Risk*

The Group's copper concentrate revenues are based on international commodity quotations (i.e., primarily on the LME) over which the Group has no significant influence or control.

This exposes the Group's results of operations to commodity price volatilities that may significantly impact its cash inflows. The Group enters into derivative transactions as a means to mitigate the risk of fluctuations in the market prices of its mine products. An analysis is made based on the assumption that copper prices move using the implied volatility based on one year historical LME copper prices, with all other variables held constant.

Shown below is the Group's sensitivity to changes in the copper prices arising from its copper derivatives and trade receivables (subject to provisional pricing) in 2019 and 2018 follows:

#### **December 31, 2019:**

<b>Change in Copper Prices</b>	<b>Effect on Income Before Income Tax</b>
<b>Increase by 3%</b>	<b>¥497,527</b>
<b>Decrease by 3%</b>	<b>(497,527)</b>

#### December 31, 2018:

Change in Copper Prices	Effect on Income Before Income Tax
Increase by 10%	¥1,356,079
Decrease by 10%	(1,356,079)

The rate used for the sensitivity analysis of changes in copper prices changed from 10% to 3% to reflect the actual monthly changes in copper prices to represent a more accurate sensitivity analysis on the commodity price risk.

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

#### *Equity Price Risk*

Equity price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to equity price risk because of its investment in shares of stock of an entity listed in the local stock exchange, and its investment in unit investment trust fund, which are classified as financial asset at fair value through profit or loss. Management believes that the fluctuation in the fair value of financial asset at fair value through profit or loss and investment in pooled funds will not have a significant effect on the consolidated financial statements, and as such, did not present a sensitivity analysis

#### Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.



*Cash in banks, cash equivalents, and short-term investments*

Credit risk from balances with banks and financial institutions is managed by the Group in accordance with its policies. Credit risk is mitigated by the short-term and/or liquid nature of its cash investments placed with approved financial institutions of high credit standing. The expected credit loss on the Group's cash in banks, cash equivalents, and short-term investments is calculated using the general approach.

*Trade receivables*

Customer credit risk is managed by the Group's policy, procedures, and control relating to customer credit risk management. The Group trades only with recognised creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures, short-term liquidity and financial position. In addition, outstanding trade receivable balances are regularly monitored on an ongoing basis, with the result that the Group's exposure to credit-impaired balances and bad debts is not significant. The Group's trade receivables are not subject to the recognition of expected credit loss since these are measured at fair value through profit or loss.

At December 31, 2019 and 2018, the Group only had three customers that accounted for all trade receivables. The maximum exposure to credit risk for trade receivables at the reporting date is also the carrying value (see Note 5). The Group does not hold collateral as security.

*Other financial assets*

With respect to credit risk arising from the other financial assets of the Group, which comprise investment in pooled funds, derivative asset, quoted equity instrument, and investment in unit investment trust fund and refundable security deposits under other noncurrent assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group limits its counterparty credit risk on these assets by dealing only with financial institutions with high credit ratings. The expected credit loss on the other financial assets of the Group measured at amortized cost is computed using the general approach.

The following table summarizes the gross maximum exposure to credit risk for the components of the consolidated statements of financial position. The maximum exposure shown is gross, before the effect of any allowance for impairment.

	2019	2018
Cash and cash equivalents		
Cash in banks	₱642,573	₱1,160,957
Cash equivalents	–	61,032
Short-term investments	935,468	2,812,863
Receivables		
Trade	1,309,809	238,351
Nontrade	148,868	160,619
Interest	1,259	3,097
Advances to		
Related parties	69,261	102,440
Officers and employees	9,921	15,803
Other current asset		
Investment in pooled funds	81,241	–
Other noncurrent assets		
Investment in unit investment trust fund	27,865	27,999
Refundable security deposits	3,149	4,906
	<b>₱3,229,414</b>	<b>₱4,588,067</b>



*Credit Quality Per Class of Financial Assets*

The credit quality by class of asset for the Group's financial assets as at December 31, 2019 and 2018 based on credit rating system follows:

**December 31, 2019**

	Neither Past due nor impaired High Grade	Past Due But Not Impaired	Impaired	Total
<b>Cash and cash equivalents</b>				
Cash in banks	₱642,573	₱–	₱–	₱642,573
Short-term investments	935,468	–	–	935,468
Receivables				–
Trade	1,309,809	–	–	1,309,809
Nontrade	–	115,883	32,985	148,868
Interest	1,259	–	–	1,259
Advances to				–
Related parties	–	69,261	–	69,261
Officers and employees	–	9,921	–	9,921
Other current asset				
Investment in pooled funds	81,241	–	–	81,241
Other noncurrent assets				
Investment in unit investment trust fund	27,865	–	–	27,865
Refundable security deposits	3,149	–	–	3,149
	<b>₱3,001,364</b>	<b>₱195,065</b>	<b>₱32,985</b>	<b>₱3,229,414</b>

**December 31, 2018**

	Neither Past due nor impaired High Grade	Past Due But Not Impaired	Impaired	Total
<b>Cash and cash equivalents</b>				
Cash in banks	₱1,160,957	₱–	₱–	₱1,160,957
Cash equivalents	61,032	–	–	61,032
Short-term investments	2,812,863	–	–	2,812,863
Receivables				
Trade	238,351	–	–	238,351
Nontrade	–	131,260	29,359	160,619
Interest	3,097	–	–	3,097
Advances to				
Related parties	–	102,440	–	102,440
Officers and employees	–	12,038	3,765	15,803
Other noncurrent asset				
Investment in unit investment trust fund	27,999	–	–	27,999
Refundable security deposits	4,906	–	–	4,906
	<b>₱4,309,205</b>	<b>₱245,738</b>	<b>₱33,124</b>	<b>₱4,588,067</b>

The credit quality of the financial assets was determined as follows:

- Cash and cash equivalents, short-term investments and related interest receivables are assessed as high-grade since these are deposited in reputable banks, which have a low probability of insolvency.
- Trade receivables, which pertain mainly to receivables from sale of copper concentrate, are assessed as high-grade. These are assessed based on past collection experience of full settlement within two months after invoice date with no history of default.
- Nontrade receivables, which mainly pertain to receivables from the settlement of commodity swap transactions, and other billings not related to main operations, consist of past due but not impaired and impaired accounts.
- Advances to related parties are assessed as past due but not impaired since the Group still expects to collect the balance from its related parties.
- Advances to officers and employees, which pertain mainly to advances subject to payroll deduction, consist of both past due but not impaired, and impaired accounts.



- Investment in pooled funds is assessed as high grade since this is investment in a diversified market which have low probability of insolvency.
- Quoted equity instrument is assessed as impaired since the Group no longer expects future benefits from the said equity instrument.
- Investment in unit investment trust fund is assessed as high grade since this is deposited in a reputable bank.
- Refundable security deposits are assessed as high grade since these are still expected to be received after the completion/performance of the Group's contracts with various counterparties.

The above high grade credit quality financial assets pertain to financial assets with insignificant risk of default based on historical experience.

#### *Interest Rate Risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's mix of fixed and floating interest rate debts is 0:100, 0:100 and 12:88 in 2019, 2018 and 2017, respectively. The Group monitors its exposure to fluctuations in interest rates by measuring the impact of interest rate movements on the Group's net worth. This is done by modeling the impact of various changes in interest rates to the Group's net interest positions.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax, through the impact of financial liabilities amounting to ₱31,773,880 and ₱35,467,225 as at December 31, 2019 and 2018, respectively.

	<b>Change in interest rates (in basis points)</b>	<b>Sensitivity of income before income tax</b>
<b>2019</b>	<b>+100</b>	<b>(₱318,268)</b>
	<b>-100</b>	<b>318,268</b>
	Change in interest rates (in basis points)	Sensitivity of income before income tax
2018	+100	(₱355,296)
	-100	355,296

#### *Concentration of Risk*

In 2019 and 2018, majority of the Group's copper production were sold to two customers only. However, it has no significant concentration of credit risk since it can sell its copper concentrate to other third party customers. The Group continuously monitors its receivables from these two customers to assess its credit risk exposure.

#### Liquidity Risk

Liquidity risk is the risk where the Group becomes unable to meet its payment obligations when these fall due under normal and stress circumstances. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group also manages its liquidity risk on a consolidated basis based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

The tables below of the Group, as well as financial assets considered by management as part of its liquidity risk management based on remaining undiscounted contractual obligations as at December 31, 2019 and 2018 follow:



The aging analyses and maturity profile of the Group's financial assets and liabilities are as follow:

**December 31, 2019**

	On demand	Within one year	1 to < 3 years	> 3 years	Total
<b>Cash and cash equivalents</b>					
Cash in banks	₱642,573	₱-	₱-	₱-	₱642,573
Cash equivalents	-	-	-	-	-
<b>Short-term investments</b>	-	935,468	-	-	935,468
<b>Receivables</b>					
Trade	-	1,309,809	-	-	1,309,809
Nontrade	148,868	-	-	-	148,868
Interest	-	1,259	-	-	1,259
Advances to					
Related parties	69,261	-	-	-	69,261
Officers and employees	9,921	-	-	-	9,921
<b>Other current asset</b>					
Investment in pooled funds	-	81,241	-	-	81,241
<b>Other noncurrent assets</b>					
Investment in unit investment trust fund	-	-	-	27,865	27,865
Refundable security deposits	-	-	-	3,149	3,149
	<b>₱870,623</b>	<b>₱2,327,777</b>	<b>₱-</b>	<b>₱31,014</b>	<b>₱3,229,414</b>
<b>Financial liabilities:</b>					
Accounts payable, contact liabilities and accrued liabilities*	₱-	₱3,396,121	₱-	₱-	₱3,396,121
Bank loans	-	8,607,950	-	-	8,607,950
<b>Other current liability</b>	-	1,896,720	-	-	1,896,720
Long-term debt and other interest-bearing liabilities	-	222,233	328,750	22,612,004	23,162,987
Lease liability	-	2,160	782	-	2,942
		<b>14,125,184</b>	<b>329,532</b>	<b>22,612,004</b>	<b>37,066,720</b>
	<b>₱870,623</b>	<b>(₱11,797,407)</b>	<b>(₱329,532)</b>	<b>(₱22,580,990)</b>	<b>(₱33,837,306)</b>

\*\*Excluding government payables

**December 31, 2018**

	On demand	Within one year	1 to < 3 years	> 3 years	Total
<b>Cash and cash equivalents</b>					
Cash in banks	₱1,160,957	₱-	₱-	₱-	1,160,957
Cash equivalents	61,032	-	-	-	61,032
<b>Short-term investments</b>	-	2,812,863	-	-	2,812,863
<b>Receivables</b>					
Trade	-	238,351	-	-	238,351
Nontrade	160,619	-	-	-	160,619
Interest	-	3,097	-	-	3,097
Advances to					
Related parties	102,440	-	-	-	102,440
Officers and employees	15,803	-	-	-	15,803
<b>Other noncurrent assets</b>					
Investment in unit investment trust fund	-	-	-	27,999	27,999
Refundable security deposits	-	-	-	4,906	4,906
	<b>₱1,500,851</b>	<b>₱3,054,311</b>	<b>₱-</b>	<b>₱32,905</b>	<b>₱4,588,067</b>
<b>Financial liabilities:</b>					
Accounts payable, contact liabilities and accrued liabilities*	₱-	₱2,644,799	₱-	₱-	₱2,644,799
Bank loans	-	11,079,605	-	-	11,079,605
<b>Other current liability</b>	-	1,969,576	-	-	1,969,576
Long-term debt and other interest-bearing liabilities	-	274,006	609,295	23,504,319	24,387,620
	<b>₱-</b>	<b>₱15,967,986</b>	<b>₱609,295</b>	<b>₱23,504,319</b>	<b>₱40,081,600</b>
	<b>₱1,500,851</b>	<b>(₱12,913,675)</b>	<b>(₱609,295)</b>	<b>(₱23,471,414)</b>	<b>(₱35,493,533)</b>

\*Excluding government payables



### 30. Fair Value of Financial Instruments

Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments other than those with carrying amounts that are reasonable approximations of fair values as at December 31 of each year:

	Carrying Values		Fair Values	
	2019	2018	2019	2018
<b>Other Financial Liabilities</b>				
Long-term debt and other interest-bearing liabilities:				
BDO	<b>₱15,657,816</b>	₱15,767,076	<b>₱19,659,860</b>	₱21,268,023
SMIC	<b>6,257,326</b>	6,962,853	<b>8,258,646</b>	9,234,287
APHC	<b>557,713</b>	620,596	<b>691,665</b>	759,657
BDO Leasing	<b>552,652</b>	848,674	<b>554,946</b>	822,139
Alakor Corporation	<b>137,480</b>	152,980	<b>170,499</b>	187,259
LBP Leasing	—	35,441	—	35,524
	<b>₱23,162,987</b>	₱24,387,620	<b>₱29,335,616</b>	₱32,306,889

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

#### *Cash and Cash Equivalents, Short-term Investments and Receivables*

The carrying amounts of cash and cash equivalents, short-term investments and interest receivables approximate their fair value due to the relatively short-term maturities of these financial instruments.

Trade receivables are measured at fair value. Subsequent movements on provisionally priced trade receivables are being recognized in fair value gain/loss in the consolidated statement of comprehensive income. The fair value of provisionally priced trade receivables is determined by obtaining future prices of copper and gold and applying the projected prices to the outstanding trade receivables.

#### *Investment in Pooled funds*

The fair value of investment in pooled funds is determined by referencing the fund's portfolio with the fair value of other similar funds.

#### *Equity Instrument*

The fair value of quoted equity instrument is determined by reference to market bid quotes at the end of the reporting period and is carried at fair value.

#### *Investment in Unit Investment Trust Fund*

The fair value of the investment in unit investment trust fund is determined by the movements of its net asset value per unit, which is computed as the total market value of the assets, less fees, taxes, and other qualified expenses divided by total outstanding units.





*Accounts Payable, Contract Liabilities and Accrued Liabilities except Government Payables, Bank Loans and Other Current Liability*

The carrying amounts of accounts payable, contract liabilities and accrued liabilities excluding government payables, other current liability and bank loans approximate their fair values due to the relatively short-term maturities of these financial instruments.

*Long-term Debt and Other Interest-bearing Liabilities*

Fair value of long-term debt and other interest-bearing liabilities is estimated using the discounted cash flow methodology using the benchmark risk free rates for similar types of long-term debt and other interest-bearing liabilities.

The fair value hierarchy of the financial assets and liabilities is presented in the following table:

**December 31, 2019**

	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value:</b>				
Trade receivables	₱-	₱1,309,809	₱-	₱1,309,809
Investment in pooled funds	81,241	-	-	81,241
Investment in unit investment trust fund	27,865	-	-	27,865
<b>Total</b>	<b>₱109,106</b>	<b>₱1,309,809</b>	<b>₱-</b>	<b>₱1,418,915</b>
<b>Liability for which fair values are disclosed:</b>				
Long-term debt and other interest-bearing liabilities	-	-	(29,335,616)	(29,335,616)
<b>Total</b>	<b>₱-</b>	<b>₱-</b>	<b>(₱29,335,616)</b>	<b>(₱29,335,616)</b>

**December 31, 2018**

	Level 1	Level 2	Level 3	Total
<b>Asset measured at fair value:</b>				
Trade receivables	₱-	₱238,351	₱-	₱238,351
Investment in pooled funds	-	-	-	-
Investment in unit investment trust fund	27,999	-	-	27,999
<b>Total</b>	<b>27,999</b>	<b>238,351</b>	<b>-</b>	<b>266,350</b>
<b>Liability for which fair values are disclosed:</b>				
Long-term debt and other interest-bearing liabilities	-	-	(32,306,889)	(32,306,889)
<b>Total</b>	<b>₱-</b>	<b>₱-</b>	<b>(₱32,306,889)</b>	<b>(₱32,306,889)</b>

There were no transfers between levels of fair value measurement as at December 31, 2019 and 2018.

### 31. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

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 adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during 2019 and 2018.



The table below summarizes the total capital considered by the Group:

	2019	2018
Capital stock (Note 18)	<b>₱3,559,533</b>	₱3,559,533
Additional paid-in capital (Note 18)	<b>19,650,936</b>	19,650,936
Subscription receivable (Note 18)	<b>(4,841,801)</b>	(4,841,801)
Revaluation increment on land (Note 9)	<b>298,869</b>	298,869
Remeasurement gain on retirement benefits liability (Note 24)	<b>94,069</b>	204,741
Cumulative translation adjustments	<b>1,903,902</b>	2,485,633
Retained earnings	<b>13,712,921</b>	14,278,107
Cost of 1,980,000 treasury shares held by a subsidiary	<b>(23,267)</b>	(23,267)
	<b>₱34,355,162</b>	₱35,612,751

## 32. Commitments and Contingencies

### *Parent Company*

#### Contingencies

The Parent Company filed with the Court of Tax Appeals (CTA) a Petition for Review with an Application for Temporary Restraining Order and/or Writ of Preliminary Injunction and Motion for the Suspension of Collection of Tax against the Commissioner of Internal Revenues (CIR) from assessing and collecting excise taxes from the Parent Company for July 1991 to August 1994, the period to collect having lapsed.

On October 14, 2010, the CTA issued an order granting the Company's motion for the suspension of the collection of the taxes.

After trial on the merits, the Court in Division issued a *Decision* in favor of the Company, and cancelled/withdrew the assessment notices issued against the Company for taxable years 1991, 1992 and 1993 which ruling was affirmed by the Court in Division and subsequently by the *CTA En Banc* in its Decision dated August 14, 2015 and Resolution dated January 29, 2016.

Not satisfied with the adverse rulings, the CIR filed a Petition for Review on Certiorari to the Supreme Court (SC) seeking to annul and set aside the Decision and Resolution of the CTA En Banc. The SC in its Resolution dated December 7, 2016 denied the CIR's petition and affirmed the decision of the CTA En Banc. Subsequently, the SC denied with finality the Motion for Reconsideration filed by the CIR on 5 April 2017. On 30 August 2017, the Parent Corporation received the Entry of Judgement certifying that the SC Resolution dated 7 December 2016 affirming the decision of the CTA En Banc has on 5 April 2017 become final and executory and the same is recorded in the Book of Entries of Judgments.

### *CCC*

#### Power Agreements

On June 5, 2012, CCC signed a twelve-year Electric Power Purchase Agreement (EPPA) with Toledo Power Company (TPC). Pursuant to the terms of the EPPA, TPC will build and operate a 72-megawatt net output clean coal-fired power plant in Toledo City (the Plant) that will guarantee the supply of up to 60 megawatts of electric power to the CCC's mining operations upon its commissioning. The power plant was completed in December 2014.



On December 15, 2014, CCC and TPC executed a twelve-year Energy Conversion Agreement pursuant to which CCC shall supply to TPC the coal needed to generate electric power from the plant under the terms of the EPPA.

In June 2008, CCC entered into a power supply agreement with Cebu III Electric Cooperative, Inc. (CEBECO III) for the supply of 2MW of firm electric power at agreed prices.

Total utilities expense related to the said power agreements amounted to ₱2,470,814, ₱2,528,461 and ₱2,056,703 in 2019, 2018 and 2017, respectively. Related accrued expenses amounted to ₱296,173 and ₱427,319 as at December 31, 2019 and 2018, respectively.

#### Waste Stripping Services Agreement

A contract for lease was executed between Galeo Equipment and Mining Company, Inc. (Galeo) and CCC covering a period of 16 months beginning on September 22, 2016 or from the time the equipment is made available at CCC, whichever is earlier.

On November 1, 2018, CCC and Galeo signed a new Mining Equipment Rental Agreement (Rental Agreement) with a rental period of up to January 20, 2020 or not less than 15 months from date of effectivity. Pursuant to the Rental Agreement, CCC duly notified Galeo in November 2019 that the Rental Agreement will be up to end of March 2020.

Total expenses related to waste stripping services agreement and lease amounted to ₱1,771,388, ₱527,800 and ₱1,147,963 in 2019, 2018 and 2017, respectively. Related accrued expenses amounted to ₱275,330 and ₱129,914 as at December 31, 2019 and 2018, respectively.

#### Fuel and Lubricants Supply Agreements

In May 2016, CCC signed a new four-year supply agreement with Pilipinas Shell Petroleum Corporation for the purchase of fuel at established pricing formulas. Total expenses related to the fuel supply agreement amounted to ₱1,215,882, ₱1,357,897 and ₱697,823 in 2019, 2018 and 2017, respectively. Accrued expenses amounted to ₱11,349 and ₱32,804 as at December 31, 2019 and 2018, respectively.

#### Legal Contingencies

The Group is a party to minor labor cases arising from its operations. The Group's management and legal counsel believe that the eventual resolution of these cases will not have a material effect on the Group's consolidated financial statements. Accordingly, no provision for probable losses was recognized by the Group in 2019, 2018 and 2017.

#### Collective Bargaining Agreement (CBA)

A new CBA was executed on January 30, 2015 (the 2015 CBA). The 2015 CBA shall be valid as to the representation aspect for a period of five years. Under the provisions of the Labor Code, the economic provisions of the 2015 CBA shall be re-negotiated on the third anniversary of its execution.

On January 31, 2018, CCC and the Union agreed and signed on the economic terms of the remaining two-year term of the 2015 CBA.



### Consignment Agreements

#### *Shorr Industrial Sales, Inc.*

In September 2012, CCC entered into a consignment agreement with Shorr Industrial Sales, Inc. for the supply of parts and tools for heavy equipment. The the latest agreement expired on June 30, 2018 but was extended and negotiation for renewal is on-going.

#### *Synchrotek Corporation*

In December 2017, CCC renewed its consignment contract with Synchrotek Corporation for the supply of filters, lubricants and other heavy equipment parts. The contract expired in December 2018 but was extended and negotiation for renewal is currently on-going.

#### *Morse Hydraulics*

CCC entered into a consignment agreement with Morse Hydraulics for the supply of hydraulic hoses and fittings at established price list valid for one year beginning July 1, 2012 to June 30, 2013. The agreement has since been renewed and the new contract is set to expire in January 14, 2021.

#### *Orica Philippines, Inc.*

In 2013, CCC entered into a consignment agreement with Orica Philippines, Inc. for the supply of explosives and blasting accessories for use in mining and mine development activities. The consignment agreement ensures the availability of the goods covered thereby and pegs a price range for the supply of such goods during the period of effectivity. The consignment agreement has since been renewed and the new contract is set to expire on July 31, 2020.

#### *Le Price International Corporation*

In 2013, CCC entered into a consignment agreement with Le Price International Corporation for the supply of a centralized lubrication, a filtration, a fire suppression and a refueling system. The consignment agreement ensures the availability of the goods covered thereby and pegs a price range for the supply of such goods during the period of effectivity. The consignment agreement has since been renewed and the new contract is set to expire on December 2, 2020.

#### *Atlas Copco Phils.*

In 2015, CCC entered into a consignment agreement with Atlas Copco for the supply of drill equipment parts and accessories. This ensured the availability of the critical parts required for continued operations, and pegs a price range for the supply of such goods during the period of effectivity. The consignment agreement has since been extended and the negotiation for the renewal is currently on-going.

#### *Maxima Machineries, Inc.*

CCC entered into a consignment agreement in April 2013 with Maxima Machineries, Inc. for the supply of excavators, dump trucks, bulldozers and other heavy equipment parts and accessories. This ensured the availability of the critical parts required for continued operations, and pegs a price range for the supply of such goods during the period of effectivity. The consignment agreement has since been renewed and extended pending the on-going negotiation for renewal.



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### 33. Events After the Reporting Period

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, unless earlier lifted or extended. These measures have not yet caused significant disruptions to Group's operations and economic activities since it is an export-oriented business and its employees are exempted from the mandatory home quarantine.

The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Group cannot determine at this time the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation.

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### 34. Other Matters

a. SDMP

The five-year SDMP plans of CCC covering years 2014-2018 and years 2019-2023, in compliance with DENR Administrative Order 2010-21, were duly approved by the MGB. In 2019 and 2018, actual spent and commitment totaled ₱159,875 and ₱196,148, respectively. In 2017, actual spent and commitment totaled ₱165,943, with ₱77,385 of which was the utilization of the 2016 provision.

The Company has a five-year SDMP in compliance with DENR Administrative Order 96-40, as amended. The Company has been implementing its SDMP as approved by the MGB.

b. Operating Agreement (the Agreement) with CCC

On May 5, 2006, the Parent Company and CCC executed the Agreement wherein the Parent Company conveyed to CCC its exploration, development and utilization rights with respect to certain mining rights and claims (the "Toledo Mine Rights") and the right to rehabilitate, operate and/or maintain certain of its fixed assets.

In consideration of CCC's use of the Toledo Mine Rights, the Agreement provides that CCC shall pay the Parent Company a fee equal to 10% of the sum of the following:

- a. Royalty payments to third party claim holders of the Toledo Mine Rights,
- b. Lease payments to third party owners of the relevant portions of the parcels of land covered by the surface rights, and
- c. Real property tax payments on the parcels of land covered by the surface rights and on the relevant fixed assets

On March 10, 2010, the Parent Company and CCC agreed on a royalty payment arrangement and on the computation of the basis of royalty income which is 2% of the gross sales by CCC of copper concentrates.

Pursuant to the Operating Agreement, the BOD of the Parent Company approved the moratorium on its entitlement to receive royalties from CCC for the years 2019, 2018 and 2017.



### 35. Supplemental Disclosure to Consolidated Statements of Cash Flows

The following table summarizes the changes in liabilities arising from financing activities:

	January 1, 2019	Cash flows		Effect of exchange rate changes	Others	December 31, 2019
		Availments	Payments			
Bank loans	₱11,079,605	₱-	(₱3,021,927)	₱550,272	₱-	₱8,607,950
Long-term debt and other interest-bearing liabilities	24,387,620	-	(1,172,860)	(648,340)	596,567	23,162,987
Principal portion of lease liability	-	-	(2,208)	-	5,150	2,942
	<b>₱35,467,225</b>	<b>₱-</b>	<b>(₱4,196,995)</b>	<b>(₱98,068)</b>	<b>₱601,717</b>	<b>₱31,773,879</b>

	January 1, 2018	Cash flows		Effect of exchange rate changes	Others	December 31, 2018
		Availments	Payments			
Bank loans	₱2,953,360	₱9,444,948	(₱1,475,450)	₱156,747	₱-	₱11,079,605
Long-term debt and other interest-bearing liabilities	26,332,930	42,272	(4,122,169)	1,396,307	738,280	24,387,620
Principal portion of lease liability	-	-	-	-	-	-
	<b>₱29,286,290</b>	<b>₱9,487,220</b>	<b>(₱5,597,619)</b>	<b>₱1,553,054</b>	<b>₱738,280</b>	<b>₱35,467,225</b>

Others in 2019 refer to the noncash financing activity of the Group related to the financial guarantee on BDO loan of CCC, while the other movement in 2019 refer to the amortization of the said financial guarantee (see Note 16).

The other non-cash activity of the Group pertains to the initial recognition of the ROU asset included as part of property, plant and equipment, and lease liability under PFRS 16 (see Note 2).

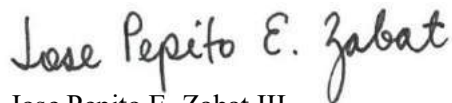


## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and Board of Directors  
Atlas Consolidated Mining and Development Corporation  
FiveE-com Center, Palm Coast Ave. corner Pacific Drive  
Mall of Asia Complex, Pasay City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Atlas Consolidated Mining and Development Corporation and Subsidiaries (the Group) as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, included in this form 17-A, and have issued our report thereon dated March 11, 2020. Our audits were made for the purpose of forming an opinion on the 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 consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Jose Pepito E. Zabat III  
Partner  
CPA Certificate No. 85501  
SEC Accreditation No. 0328-AR-4 (Group A),  
April 26, 2018, valid until April 25, 2021  
Tax Identification No. 102-100-830  
BIR Accreditation No. 08-001998-60-2018,  
February 26, 2018, valid until February 25, 2021  
PTR No. 8125325, January 7, 2020, Makati City

March 11, 2020

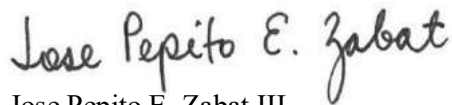


## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and Board of Directors  
Atlas Consolidated Mining and Development Corporation  
FiveE-com Center, Palm Coast Ave. corner Pacific Drive  
Mall of Asia Complex, Pasay City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Atlas Consolidated Mining and Development Corporation and Subsidiaries (the Group) as at December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated March 11, 2020. Our audits were made for the purpose of forming an opinion on the 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 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, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Jose Pepito E. Zabat III  
Partner  
CPA Certificate No. 85501  
SEC Accreditation No. 0328-AR-4 (Group A),  
April 26, 2018, valid until April 25, 2021  
Tax Identification No. 102-100-830  
BIR Accreditation No. 08-001998-60-2018,  
February 26, 2018, valid until February 25, 2021  
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March 11, 2020





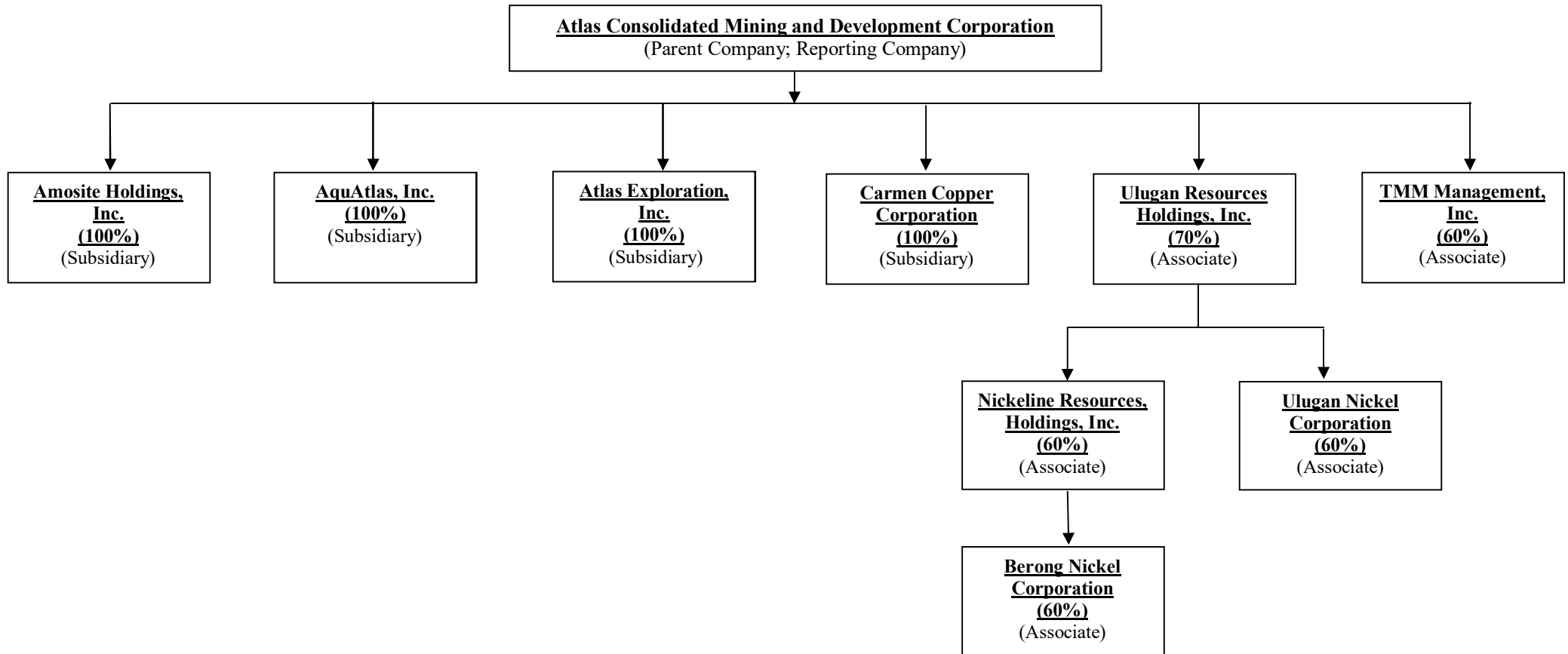
**SCHEDULE I**  
**ATLAS CONSOLIDATED MINING AND DEVELOPMENT**  
**CORPORATION AND SUBSIDIARIES**  
**COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**  
**PURSUANT TO THE REVISED SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2019**

Ratio	Formula	Current Year	Prior Year
Current Ratio	Total Current Assets divided by Total Current Liabilities	0.35	0.45
	Total Current Assets	4,982,520	
	Divide by: Total Current Liabilities	14,265,733	
	Current Ratio	0.35	
Acid test ratio	Quick assets ( <i>Total Current Assets less Inventories and Other Current Assets</i> ) divided by Total Current Liabilities	0.22	0.28
	Total Current Assets	4,982,520	
	Less: Inventories	(1,452,710)	
	Other current assets	(442,513)	
	Quick assets	3,087,297	
	Divide by: Total Current Liabilities	14,265,733	
Acid test ratio	0.22		
Solvency ratio	Net Income (Loss) After Tax Plus Depreciation, Amortization and Depletion divided by Total Liabilities	0.08	0.04
	Net Income (Loss) After Tax	(565,186)	
	Add: Depreciation, Amortization and Depletion	3,796,404	
	Net Income (Loss) After Tax, Depreciation, Amortization and Depletion	3,231,218	
	Divide by: Total Liabilities	41,262,170	
	Solvency ratio	0.08	
Debt-to-equity ratio	Total Liabilities divided by Total Equity ( <i>Excluding Cumulative Translation Adjustment and Treasury Shares</i> )	1.27	1.16
	Total Liabilities	41,262,170	
	Divide by: Total Equity		
	Total Equity	34,355,162	
	Less: Cumulative translation adjustment	(1,903,902)	
	Add: Treasury Shares	23,267	
	Subtotal	32,474,527	
Debt-to-equity ratio	1.27		
Asset-to-equity ratio	Total Assets divided by Total Equity ( <i>Excluding Cumulative Translation Adjustment and Treasury Shares</i> )	2.33	2.09
	Total Assets	75,617,332	
	Divide by: Total Equity		
	Total Equity	34,355,162	
	Less: Cumulative translation adjustment	(1,903,902)	
	Add: Treasury Shares	23,267	
	Subtotal	32,474,527	
Asset-to-equity ratio	2.33		

Ratio	Formula	Current Year	Prior Year
Interest rate coverage ratio	Earnings Before Interest and Taxes divided by Interest Expense	1.07	0.16
	Net Income (Loss) Before Tax	150,597	
	Add: Finance Charges	2,265,913	
	Earnings Before Interest and Taxes	2,416,510	
	Divide by: Finance Charges	2,265,913	
	Interest rate coverage ratio	1.07	
Return on equity	Net Income (Loss) After Tax divided by Total Equity ( <i>Excluding Cumulative Translation adjustment and Treasury Shares</i> )	-1.72%	-5.19%
	Net Income (Loss) After Tax	(565,186)	
	Divide by: Average Total Equity		
	Equity at beginning of the year	33,150,385	
	Equity at end of the year	32,474,527	
	Average Total Equity	32,812,456	
	Return on equity	-1.72%	
Return on assets	Net Income (Loss) After Tax divided by Total Assets	-0.73%	-2.23%
	Net Income (Loss) After Tax	(565,186)	
	Divide by: Average Total Assets		
	Assets at beginning of the year	79,776,974	
	Assets at end of the year	75,617,332	
	Average Total Assets	77,697,153	
	Return on assets	-0.73%	
Net profit margin	Net Income (Loss) After Tax divided by Total Revenue	-3.50%	-12.93%
	Net Income (Loss) After Tax	(565,186)	
	Divide: Total Revenue	16,162,945	
	Net profit margin	-3.50%	
Operating profit margin	Net Income (Loss) Before Tax divided by Total Revenue	0.93%	-14.78%
	Net Income (Loss) Before Tax	150,597	
	Divide: Total Revenue	16,162,945	
	Net profit margin	0.93%	
Gross profit margin	Gross Profit Tax ( <i>Total Revenues less Cost of Sales</i> ) divided by Total Revenue	25.63%	16.75%
	Total Revenues	16,162,945	
	Less: Cost of Sales (Mining and Milling Costs)	(12,021,027)	
	Gross Profit	4,141,918	
	Divide: Total Revenue	16,162,945	
	Net profit margin	25.63%	



**SCHEDULE I**  
**ATLAS CONSOLIDATED MINING AND DEVELOPMENT**  
**CORPORATION AND SUBSIDIARIES**  
**MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP**  
**PURSUANT TO THE REVISED SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2019**



**SCHEDULE II**  
**ATLAS CONSOLIDATED MINING AND DEVELOPMENT**  
**CORPORATION AND SUBSIDIARIES**  
**RECONCILIATION OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**PURSUANT TO THE REVISED SEC RULE 68, AS AMENDED AND**  
**SEC MEMORANDUM CIRCULAR NO. 11, SERIES OF 2008**  
**As of December 31, 2019**  
(Amounts in thousands)

<b>Unappropriated Retained Earnings, beginning</b>		P663,826
Adjustment for treasury shares		(23,267)
<b>Unappropriated Retained Earnings, as adjusted, beginning</b>		P640,559
<b>Add: Net income actually earned/realized during the period</b>		
Net income (loss) during the period closed to Retained Earnings	P17,339	
Less: Non-actual/unrealized income net of tax	(3,113)	
Equity in net income of associate/joint venture	(80,233)	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	(3,494)	
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 - gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under PFRS	-	
Subtotal	(86,840)	
<b>Add: Non-actual losses</b>		
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS - loss	-	
Unrealized actuarial loss	1,094	
Loss on fair value adjustment of investment property (after tax)	-	
Subtotal	1,094	
<b>Add (Less):</b>		
Dividend declarations during the period	-	
Appropriations of retained earnings	-	
Reversals of appropriations	-	
Treasury shares	-	
Subtotal	(P-) (68,407)	
<b>Unappropriated Retained Earnings, as adjusted, ending</b>		P572,152

**SCHEDULE A**

**ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**FINANCIAL ASSETS**  
**DECEMBER 31, 2019**

Name of issuing entity and association of each issue	Number of shares or principal amounts of bonds and notes	Amount shown in the balances sheet (figures in thousands)	Values based on market quotation at end of reporting period	Income received and accrued
<b>Financial assets at Fair Value through Profit or Loss:</b>				
Investment in pooled funds	62,515	₱81,241	₱81,241	₱1,241
Quoted Equity Instrument	2,100	–	(see Note below)	–
Investment in Unit Investment Trust Fund	N/A	27,865	27,865	–

*Note: Financial asset at fair value through profit or loss is valued based on quoted price of the shares of stocks as at December 31, 2019. Financial assets at fair value through profit or loss is carried at fair value with changes being presented in the consolidated statements of comprehensive income.*

**SCHEDULE B**

**ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES  
AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS  
(OTHER THAN RELATED PARTIES)  
DECEMBER 31, 2019**

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected / Settlements	Amounts Written-off	Current	Not Current	Balance at end period
NONE							

**SCHEDULE C**

**ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**AMOUNTS RECEIVABLE / PAYABLE FROM RELATED PARTIES**  
**WHICH ARE ELIMINATED DURING THE**  
**CONSOLIDATION OF FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected	Amounts Written-off	Current	Not Current	Balance at end period
CCC	(₱7,243,976,183)	(₱124,142,355)	₱-	₱-	(₱7,368,118,538)	₱-	(₱7,368,118,538)
AEI	100,701,782	4,773,274	-	-	105,475,056	-	105,475,056
AI	31,876,749	95,166	-	-	31,971,915	-	31,971,915
AHI	(2,163,474)	-	299,492	-	(1,863,982)	-	(1,863,982)

SCHEDULE D

**ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**LONG-TERM DEBT**  
**DECEMBER 31, 2019**

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under the caption "Current Portion of long-term borrowings" in related balance sheet	Amount shown under the caption "Long-term borrowings- net of current portion" in related balance sheet	Interest rates	Number of periodic installment payments	Maturity date
Banco De Oro Unibank, Inc. – <i>Term Loan</i>	P–	P–	P15,657,815,797	5.00%	13	March 16, 2024
SM Investments Corporation – <i>Term Loan</i>	–	–	6,257,326,164	5.00%	31	March 21, 2024
BDO Leasing & Finance, Inc. – <i>Leasing</i>	–	222,233,317	330,419,013	This is composed of several agreements with interest rates ranging from 4.75% - 5.25% and has maturity dates stretching from March 2018 up to September 2022 and monthly installment payments.		
Anglo Philippine Holdings Corporation – <i>Term Loan</i>	–	–	557,713,371	5.00%	31	March 21, 2024
Alakor Corporation – <i>Term Loan</i>	–	–	137,479,633	5.00%	31	March 21, 2024



**SCHEDULE E**

**ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES  
INDEBTEDNESS TO RELATED PARTIES  
(LONG-TERM LOANS FROM RELATED COMPANIES)  
DECEMBER 31, 2019**

<u>Name of Related Party</u>	<u>Balance at beginning of period</u>	<u>Balance at end of period</u>
SM Investments Corporation	₱6,962,853,003	₱6,257,326,164
Anglo Philippine Holdings Corporation	620,596,252	557,713,371
Alakor Corporation	152,980,681	137,479,633

*Notes:*

*On March 21, 2017, Carmen Copper Corporation, a subsidiary of the Parent Company availed of loans from SM Investments Corporation, Anglo Philippine Holdings Corporation and Alakor Corporation for working capital requirements.*

**SCHEDULE F**

**ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES  
GUARANTEES OF SECURITIES OF OTHER ISSUERS  
DECEMBER 31, 2019**

Name of issuing entity of securities guaranteed by the Parent 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
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NOT APPLICABLE

**SCHEDULE G**

**ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES  
CAPITAL STOCK  
DECEMBER 31, 2019**

The Parent Company's authorized share capital is ₱8.89 billion divided into 8.89 billion shares at ₱1 par value. As at December 31, 2019, total shares issued and outstanding is 3,559,532,774 held by 20,728 shareholders.

<u>Title of Issue</u>	<u>Number of shares authorized</u>	<u>Number of shares issued and outstanding as shown under related balance sheet caption</u>	<u>Number of shares reserved for options, warrants, conversions and other rights</u>	<u>Number of shares held by related parties</u>	<u>Directors, officers, and employees</u>	<u>Others</u>
Common Stock	8,890,000,000	3,559,532,774	–	2,710,157,396	133,036,753	716,338,625

**ATLAS CONSOLIDATED MINING  
AND DEVELOPMENT CORPORATION  
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULES  
SEC FORM 17-A  
DECEMBER 31, 2019**

Report of Independent Auditor's on Supplementary Schedules

SCHEDULE I. Map of the Relationships of the Companies within the Group

SCHEDULE II. Reconciliation of Retained Earnings Available for Dividend Declaration

Schedules under Annex 68-J of the Revised SRC Rule 68

SCHEDULE A. Financial Assets in Equity Securities

SCHEDULE B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than Related Parties)

SCHEDULE C. Amounts Receivable from Related Parties which are eliminated during the Consolidation of Financial Statements

SCHEDULE D. Long-Term Debt

SCHEDULE E. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

SCHEDULE F. Guarantees of Securities of Other Issuers

SCHEDULE G. Capital Stock

## Atlas Consolidated Mining and Development Corporation

Minutes of the Annual Stockholders' Meeting (ASM)  
via Remote Communication  
14 June 2021, 10:00AM

	No. of Shares	Percentage
<i>Total no. of shares held by Shareholders who participated via remote communication or by proxy, Annex "A" hereof</i>	3,295,141,391	92.57%

Directors Present:

<i>Alfredo C. Ramos</i>	<i>Chairman, Board of Directors</i>
<i>Frederic C. DyBuncio</i>	<i>Vice Chairman, Board of Directors Chairman, Executive Committee Member, Audit Committee</i>
<i>Adrian Paulino S. Ramos</i>	<i>President and Chief Executive Officer (CEO) Member, Executive Committee</i>
<i>Jose T. Sio</i>	<i>Member, Executive Committee</i>
<i>Martin C. Buckingham</i>	<i>Member, Executive Committee</i>
<i>Gerard Anton S. Ramos</i>	<i>Member, Executive Committee Member, Audit Committee</i>
<i>Laurito E. Serrano</i>	<i>Lead Independent Director Chairman, Audit Committee Member, Board Risk Oversight Committee Member, Related Party Transaction Committee</i>
<i>Emilio S. de Quiros, Jr.</i>	<i>Independent Director Chairman, Board Risk Oversight Committee Member, Audit Committee Member, Corporate Governance Committee Member, Related Party Transaction Committee</i>
<i>Jose P. Leviste, Jr.</i>	<i>Independent Director</i>
<i>Roberto Cecilio O. Lim</i>	<i>Independent Director</i>

Also Present:

*Roderico V. Puno, Corporate Secretary  
Roy O. Deveraturda, CCC CEO  
Alexei Jerome Javellanosa, Executive Vice President (EVP)*

*Fernando A. Rimando, Chief Finance Officer (CFO) & Chief Risk Officer (CRO)*  
*Feliciano B. Alvarez, Chief Audit Executive (CAE)*  
*Leila Marie P. Cabañes, Treasurer*  
*Maria Eleonor A. Santiago, Asst. Corp. Sec. & Compliance Officer*  
*Amour A. Belen, Investor Relations Officer*  
*Representatives of Sycip Gorres Velayo & Co., External Auditor*  
*Representative of Alberto, Pascual and Associates, Third Party Tabulator*

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After the National Anthem, the host of the meeting and Atlas Consolidated Mining and Development Corporation's Corporate Secretary, Atty. Roderico V. Puno, welcomed the Shareholders to the 2021 Annual Shareholders' Meeting (AGM). He acknowledged one by one the Directors, Nominee Director and Executive Officers who all joined the AGM remotely. He likewise acknowledged the presence of the representatives of Sycip Gorres Velayo & Co., external auditor, and Alberto Pascual and Associates (APA), the third party tabulator.

*I. Call to Order*

The Chairman of the Board, Mr. Alfredo C. Ramos, welcomed the Shareholders of Atlas Consolidated Mining and Development Corporation ("AT" or the "Corporation") to the 2021 Annual Stockholders' Meeting ("ASM"), AT's first virtual AGM, streaming live via Zoom Webinar, in compliance with the Government's directive on physical distancing and for the safety of everyone. He thanked everyone for registering online, voting and for joining the Meeting.

The Chairman called the meeting to order at 10:05AM.

*II. Certification of Notice and Quorum*

The Chairman inquired from the Corporate Secretary whether Notices of the AGM were sent and if there is a quorum for the Meeting. The Corporate Secretary, Atty. Roderico V. Puno, certified that:

1. In compliance with the rules issued by the Securities and Exchange Commission (SEC) the Notices with the (i) *Agenda with Explanation*, and (ii) *Definitive Information Statement (DIS)* along with the Company's *Guidelines for Participation for this Meeting via Remote Communication and Voting in Absentia* were uploaded via PSE EDGE and posted on the Company's website beginning May 10, 2021.

Said Notice and Agenda with Explanation were likewise published for two (2) consecutive days, both in print and online format, in two (2) newspapers of general circulation, the Manila Standard and business section of the Manila Times.

2. Based on record of attendance, Shareholders attending by proxy and Shareholders who have registered to remotely join the virtual meeting represent 3,295,141,391 shares of stock or 92.57% of the Corporation's total outstanding capital stock.
3. He confirmed that there was a quorum for the transaction of business at the Meeting.
4. The Corporate Secretary informed the Shareholders and participants of the following:
  - (i) Alberto, Pascual and Associates (APA) has been engaged as third party tabulator of the votes cast for the meeting;
  - (ii) Unqualified votes cast for each item for approval at the meeting, shall be counted in favor of the matter under consideration; and
  - (iii) The meeting will be recorded.

*III. Approval of the Minutes of the 2020 ASM held on 24 August 2020*

The Chairman proceeded to the approval of the minutes of the ASM held on 24 August 2020. The Chairman asked the Corporate Secretary if copies of the minutes were made available to Shareholders and the results of the voting for this item.

The Corporate Secretary stated that copy of the minutes of the ASM held on 20 August 2020 had been uploaded to the Company's website soon after its adjournment last year. The URL or link has also been provided in the Definitive Information Statement which was uploaded to the PSE EDGE and posted on the Company's website. The minutes reflect the proceedings of the last ASM, including all the resolutions adopted and approved, with the corresponding tabulation of the votes cast for each item of the agenda

The Corporate Secretary then presented the tabulation of votes for the approval of the minutes: Shareholders holding 3,295,141,391 shares representing 100% of the total votes cast have voted YES to the approval of the Minutes of 2019 ASM.

	<i>Approve/Ratify</i>	<i>Disapprove</i>	<i>Abstain</i>
<i>Number of Voted Shares</i>	3,295,141,391	0	0
<i>Percentage of Shares Voted</i>	100%	0%	0%

With the above vote in favor, the following resolution was passed and adopted:

*“Resolved, That the reading of the minutes of the Annual Stockholders’ Meeting of Atlas Consolidated Mining and Development Corporation held on 24 August 2020 are approved.”*

#### *IV. Annual Report and Audited Financial Statements for the year ended 31 December 2020:*

The Chairman proceeded to the next order of business, the Annual Report on the activities and operations of the Corporation during the last fiscal year including the Corporation's Audited Financial Statements (AFS) for the year ended 31 December 2020.

The Chairman gave the floor to the President and CEO, Mr. Adrian Paulino S. Ramos, to render the Annual Report and thereafter take up the remaining items in the agenda. The President reported as follows:

“Ladies and gentlemen, distinguished guests – good morning!

I am privileged this morning to share with you the results of operations of Atlas Mining for the year 2020. I shall apprise you also of the results of the first quarter 2021.

2020 brought unparalleled challenges to the whole world that adversely affected every person, every household and every organization. Atlas Mining has faced challenges in more than six decades of operations and has proven resilient in overcoming these challenges. At every turn, our values guided us in making tough decisions and taking responsibility in everything we do. Through the years, we have always put our stakeholders' interests first and sought ways to make long-term positive impact in their lives. The same values helped us navigate through the Covid-19 pandemic.

And so a very challenging 2020 turned out to be a breakthrough and turn-around year for Atlas Mining with sustained growth in production and operational efficiency, and with strengthened earnings that sustained our objective of paying down debts.

#### **Operational Results**

Production and shipment volumes were sustained with production matching the highest milestone attained in 2019 of 107 million lbs of copper metal. This was driven by the improvement in tons milled by 5% to offset the impact of lower grades realized in 2020. Shipment volume likewise remained at high levels with 106 million lbs in 2020 compared to 110 million lbs in 2019.

For gold, 2020 production reached 48k ounces, the highest since resumption of operation in 2007. Compared to 2019, this was a 27% increase from the 38K ounces produced. The increase was attributed mainly to the increase in gold grade.

As previously discussed, our 8-year mine plan was optimized where the last phase of high stripping ended in 2019. Accordingly waste mined decreased by 29 million tons in 2020 but ore mined increased by 2 million tons. This was made possible by the stripping program implemented in prior years as per our long-term mine plan.

Our optimized mine plan was complemented by the sustained efficiency of our milling operation. While head grade was lower this year at 0.304% from 0.319%, this slight decrease in grade was tempered by the increase in milling tonnage where 18.3 million tons were milled in 2020 versus 17.6 million tons in 2019.

Cash operating cost per pound of copper or the C1 cost decreased by 34% from US\$1.38/lb in 2019 to US\$0.90/lb in 2020. This is one critical impact of the efficiencies in mining and milling operations, and the significant improvement in gold credits that were mentioned earlier. Ultimately, lower costs translate to higher margins.

In 2020, Atlas realized an average copper price of \$2.79/lb or about same level as in 2019 of \$2.72/lb but the margin increased by 41% from \$1.34/lb to \$1.89/lb due to the decrease in C1 cost.

As we have always believed, a cost efficient operation is the best hedge against any downward trend in metal prices.

#### Financial Results -2020

The breakthrough and turn-around that Atlas has attained in 2020 was further validated by its net income of P118 million compared to the net loss of Php565 million in 2019. This turn-around came from a solid revenue performance and more so from cost efficiencies:

- Revenues increased by 7% mainly on account of gold due to the significant increase in both gold volume and price.
- In 2020, stability and efficiency in production complemented the lower input costs in bringing down operating costs. The result was a decrease in operating cash cost by 14%.
- Core Income accordingly increased by 510% or Php2.6 billion. With provisions for mark to market, impairment for obsolescence, and deferred taxes, Atlas realized a net income of Php118 million.

The sustained strong financial performance enabled Atlas to continue paying down debts. It has repaid a total of US\$133 million, consisting of US\$53 million in 2019 and additional US\$80 million in 2020. The objective is to continue paying down debts in the succeeding years.

#### Operational Performance-first quarter 2021

Moving on to the first quarter operational results, Atlas reported lower production by 43% due to the lower grades and tonnage of ore milled as the ores were sourced mainly from stockpiles. These caused copper metal production to decrease from 27.92 million pounds in 2020 to 15.93 million pounds in 2021. Gold production decreased by 52% from 11,169 ounces to 5,346 ounces as grades also dipped.

#### Financial Performance –first quarter 2021

The financial results for the first quarter, however, has shown a sustained turn-around performance of Atlas with a net income of Php420 million compared to a net loss of Php37 million for the first quarter of 2019.

Sustaining its stable operation has driven the significant turn-around in the bottom line as it was able to capture the increase in copper prices which more than offset the lower volume of production and shipments.

Cash costs decreased by 20% to Php1.96 billion in 2021 as volume of shipments and production decreased.

These pushed Earnings before interest, tax, depreciation and amortization or EBITDA 3% higher to Php1.677 billion on the strength of improving metal prices. Core income for the period significantly improved by 412% to Php576 million in 2021 due to lower depreciation and financing charges as loans were paid and interest rates were lowered.

The rising metal prices in the second half of 2020 continued in the first quarter of 2021 where copper price increased by 55% to \$3.93/lb or \$8,660/ton. In fact copper prices already breached \$10,000/ton in April and



May. Gold price also continued to improve by 14% to USD1,797/ounce compared to the same period last year.

The increasing copper price was attributed mainly to increasing demand with the global economy starting to open up and with higher consumption from the auto industry for electric vehicles. In the medium-term and long-term, the outlook is very bullish with rising demand still expected as the “green economy” gains footing coupled with supply seen to lag behind.

Atlas Mining has long been held up as an example in responsible mining.

As the Covid pandemic ravaged the world and our country, the health and safety of our co-workers remained our top priority as we maintained full operations. Immediately, we implemented emergency protocols, installed health and safety measures throughout our operations, intensified our awareness campaigns and conducted regular screening of our co-workers. Our early response to initial cases of infection helped mitigate risks of an outbreak within the mine. This enabled us to continue operating during the pandemic with minimal disruptions.

We looked after the welfare of our host communities under our Social Development and Management Program and regularly engaged our stakeholders to understand their rapidly evolving needs as a result of the pandemic. Our strong relationships with the local government of our host communities enabled us to bring help where they needed it most. We mobilized Php16 million to provide immediate relief to communities both within and outside our mining areas. We invested Php130 million in our social development programs. We built two health centers and twelve kilometers of road networks, supported 359 scholars, and supplied 659 cubic meters of water to our communities. As quarantines eased, we reopened the doors of our Carmen Copper Heritage Center to help support local tourism in Toledo.

We also continued to give sustained attention to the protection and rehabilitation of our natural habitats. We recognize that environmental risks can disrupt business and severely impact our economy in the future, in ways that the COVID-19 pandemic affected our stakeholders. We do our share in minimizing our environmental impact by continuously improving our operational efficiency, decreasing our waste stripping and energy intensity. In our conservation efforts, we invested Php107 million in our Environmental Protection and Enhancement Program in 2020. To date, we have reforested 1,588 hectares of land and continue to monitor the biodiversity in our mine site.

In all these, we anchor on our culture of good governance as the driver for sustainable mining.

Looking forward, we will pursue the highest standards of responsible mining practices in health, safety and environmental responsibility.

Our results are a testament to the resilience and stability of the operations of Atlas which enabled it to benefit from the improvement in the commodities markets. We are ever more confident that with our focus on responsible mining, operational stability, safety and efficiencies, Atlas Mining will sustain the growth it has achieved.

Thank you and good morning!”

Copies of the relevant presentation slides were shown on screen while the President reported and are integrally attached and deemed incorporated into these Minutes. The Annual Report and 2020 AFS attached to the Definitive Information Statement were uploaded via PSE Edge and posted on the Corporation’s website.

The President then asked the Corporate Secretary to announce the results of the voting. The Corporate Secretary presented the tabulation of votes. As tabulated, the votes of shares present and represented, on the motion for the approval of the 2019 Annual Report and the 2020 AFS are as follows:

	Approve/Ratify	Disapprove	Abstain
Number of Voted Shares	3,294,313,891	0	827,500
Percentage of Shares Voted	99.97%	0	0.03%

With the above vote in favor, the following resolution was passed and adopted:

*“Resolved, That the Annual Report and the Audited Financial Statements of Atlas Consolidated Mining and Development Corporation are approved.”*

V. *Amendment to the Corporation’s By-Laws*

The next item on the Agenda was the amendment to the Company’s By-Laws. Atty. Puno showed the pertinent provisions of the By-Laws and the proposed revision.

For Article I. Meetings of Stockholders:

Modes of service of notice of meetings to include electronic mail, publication or any means of communication & to be given 21 days prior to meeting;

To incorporate remote communication or voting in absentia as modes by which Shareholders may participate in meetings; & Shareholders may propose the holding of special shareholders’ meetings subject to legal guidelines.

Article II. Board of Directors:

Summarize the corporate powers of the Board and increase the number of independent directors from 2 to at least 20% of the Board

Article III. Meetings of Directors:

Board shall have regular meetings at least once everyquarter; Modes of holding Board meetings & service of notice of meeting to include remote communication & electronic mail respectively

Article V. Compensation of Directors:

To grant directors reasonable compensation and per diem

Article VI. Officers of the Corporation:

To include Compliance Officer in the list of officers and merge into one the President and CEO

Article XV. Changes in By-Laws:

Deletion of the phrase in the article on non-notification of the proposed changes and to revise effectivity of the revisions only upon approval by the SEC.

Atty. Puno informed the Shareholders that the proposed amendments to the Corporation’s By-Laws were necessary or appropriate to be consistent with the Revised Corporation Code, various SEC memorandum circulars, regulations and guidelines and the Code of Corporate Governance. These were also being proposed to align the By-Laws with the present situation in the Company and to promote good corporate governance.

On 11 June 2021, the Board of Directors approved and adopted the resolutions which are being presented here to amend the aforementioned articles of the By-Laws.

The Corporate Secretary presented the tabulation of votes. As tabulated, the votes of shares present and represented, on the motion for the approval to amend the Corporation’s By-Laws are as follows:

	<i>Approve/Ratify</i>	<i>Disapprove</i>	<i>Abstain</i>
<i>Number of Voted Shares</i>	<i>3,295,141,391</i>	<i>0</i>	<i>0</i>
<i>Percentage of Shares Voted</i>	<i>100%</i>	<i>0%</i>	<i>0%</i>

With the above vote in favor, the following resolution was passed and adopted:

## Article I

"Resolved, as it is hereby resolved that Article I of the Corporation's By-Laws be amended:

*Article I. Meetings of Stockholders Under Section 1, In the sending of notices for the annual meeting of stockholders to include electronic mail, publication or any means of communication and which notice must be given 21 days prior to the meeting.*

*Under Section 2, For Stockholders to propose the holding of a special meeting and items in the agenda subject to the guidelines set under existing laws and relevant regulations. At all stockholders' meetings, stockholders may attend or vote in person, by proxy or through remote communication in absentia and those participating through remote communication or in absentia shall be counted for quorum purposes.*

*Under Section 4, to include in the computation of the required quorum for the transaction of business stockholders who participate through remote communication.*

**Such that the said Sections 1, 2 and 4 of Article I shall read as follows:**

### **"ARTICLE I MEETINGS OF STOCKHOLDERS**

*Section 1. The annual meeting of stockholders for the election of directors and for the transaction of such other business as may be proper shall be held at the city or municipality where the principal office of the Corporation is located or at any place designated by the Board of Directors in Metro Manila on the last Wednesday of April of each year, at 4:00 o'clock in the afternoon, unless a different date and time is set by the Board of Directors within a reasonable period from the date herein fixed. **Written** notice of the time and place of such meeting shall be sent **to all stockholders of record at least 21 days prior to the meeting, through mail or electronic mail or publication or such other manner as the Securities and Exchange Commission (SEC) shall allow under its guidelines.***

*Section 2. Special meetings of the stockholders may be called by the president, or by a majority of the Board of Directors, upon regular notice as for annual meetings. **Stockholders may propose the holding of a special meeting and items to be included in the agenda subject to the guidelines set under existing laws and relevant regulations.** At all stockholders' meetings, stockholders of record may **attend or vote in person**, by proxy **or through remote communication or voting in absentia.** The record holders of the majority of the issued and outstanding stock attending such meeting, either in person or by proxy **or through remote communication or in absentia**, shall constitute a quorum. Each share or stock shall be entitled to one vote and may be cast by the record holder thereof, either in person or by proxy or **in absentia.***

*Section 4. The Chairman of the Board of Directors of the Corporation or in case of his absence or disability, the President, any of the Vice-Presidents, a member of the Board of Directors, or in case of the absence of all such persons, any stockholder, shall call to order any meeting of the stockholders, which may then proceed to the transaction of business, provided, a majority of the shares issued and outstanding be present, in person or by proxy **or through remote communication.** If a quorum of the stock shall not be present at any meeting, the meeting may be adjourned by the stockholders present from time to time until a quorum is*

obtained.”

## Article II

“Resolved, as it is hereby resolved that Article II of the Corporation’s By-Laws be amended:

### *Article II. Board of Directors*

*Under Section 1, To summarize the duties and functions of the Board of Directors and provide that the Board shall exercise the corporate powers, conduct all business and control all properties of the Corporation. Increase the number of independent directors (IDs) that they shall constitute at least 20% of the 11-member Board. To summarize the second paragraph of the Section and provide that the nomination and election of IDs shall comply with existing laws, regulations and SEC requirements.*

*Such that the said Section 1, Article II shall read as follows:*

### **“ARTICLE II BOARD OF DIRECTORS**

***Section 1. The Board of Directors shall exercise the corporate powers, conduct all business and control all properties of the Corporation. The Board of Directors shall consist of eleven (11) members with independent directors constituting at least twenty percent (20%) of such Board.***

*The nomination and election of the Corporation’s independent directors shall comply with existing laws, regulations and other requirements that the SEC may prescribe.*”

## Article III

“Resolved, as it is hereby resolved that Article III of the Corporation’s By-Laws be amended:

### *Article III. Meetings of the Directors*

*Under Section 1, For regular meetings of the Board to be held at least once every quarter.*

*Under Section 2, the phrase on the notice to be given to directors be deleted in this section and to move this phrase to Section 4 to cover both regular and special meetings of the Board.*

*Under Section 4, For the meetings of the Board, whether regular or special may also be held through remote communication and the notice of meeting to be given to directors may also be by electronic mail or any means allowed by law or the SEC.*

***Such that the said Sections 1, 2 and 4 of Article III shall read as follows:***

### **“ARTICLE III MEETINGS OF THE DIRECTORS**

***Section 1. The regular annual meeting of the Board of Directors for the election of officers and the transaction of such other business as shall properly come before it, shall be held immediately after the adjournment of the annual stockholders’ meeting. Thereafter, the Board of Directors***

shall hold regular meetings **at least once every quarter**, on such dates and at such particular hour and place, as the Board may fix.

Section 2. Special Meetings of the Board of Directors may be held at the call of the President, and upon the written request of a majority of the directors, the President shall call a meeting.

Section 4. Meetings of the Board of Directors, **whether regular or special**, may be held at any time at any place in the Philippine Islands, or elsewhere provided all the directors shall consent, **or virtually, through remote communication. Notice of the meeting shall be given personally or by mail or electronic mail, or through telephone or telegraph or any means allowed by law or the SEC to each director at least twenty-four hours prior to such meeting.**

#### **Article V**

“Resolved, as it is hereby resolved that Article V of the Corporation’s By-Laws be amended:

Article V. Compensation of Directors

Section 1, For the Board of Directors to receive reasonable compensation and per diem.

**Such that the said Section 1 of Article V shall read as follows:**

#### “ARTICLE V COMPENSATION OF DIRECTORS

Section 1. **The Board of Directors shall receive reasonable compensation and per diem.**”

#### **Article VI**

“Resolved, as it is hereby resolved that Article VI of the Corporation’s By-Laws be amended:

Article VI. Officers of the Corporation

Under Section 1, To include in the list of corporate officers a Compliance Officer and to merge the President and Chief Executive Officer into one. As a consequence thereof to add the words “and Chief Executive Officer” after the word “President” in the first sentence of Section 4 and to delete the whole provision of Section 5. The numbering of the subsequent sections shall then be adjusted accordingly.

Such that the said Sections 1, 4 and 5 of Article VI shall read:

#### “ARTICLE VI OFFICERS OF THE CORPORATION

Section 1. The officers of the Corporation shall be a Chairman of the Board, a Vice-Chairman of the Board, a President **and** Chief Executive Officer, a Chief Operating Officer, one or more Vice-Presidents, a Secretary, **a Compliance Officer**, and a Treasurer who shall be elected for one year, and shall hold office until their successors are elected and qualified. The Board may elect or appoint other officers and assistant officers who shall have powers and duties as the Board may entrust or delegate. Any two or more offices may be held concurrently by the same person, except that the Chairman cannot hold the position of either treasurer or secretary at the same time.”

Section 4. The President **and Chief Executive Officer, responsible for the general supervision, administration, operation and management of the Corporation,** shall ensure that policies of the Corporation and the resolutions of the Board of Directors are duly executed and carried out. He shall prepare such statement and reports of the Corporation as may be required by law and perform such other duties as are incident to his office or as the Board may from time to time assign to him. Unless otherwise directed by the Board, the President shall exercise the functions of the Chairman of the Board in the event of absence or temporary disability of the Chairman and Vice-Chairman of the Board. In the absence of disability of the President, one of the Vice-Presidents shall exercise all his functions, and all questions of precedence shall be decided by the Board of Directors.

Section 5. **< deleted >** “

#### **Article XV**

“Resolved, as it is hereby resolved that Article XV of the Corporation’s By-Laws be amended:

##### **Article XV. Change in By-Laws**

Under Section 1, To delete the phrase pertaining to no prior notification required for the proposed changes in the by-laws. And to revise the effectivity of the amended by-laws only upon the issuance by the SEC of a certification that the same is in accordance with the relevant laws.

**Such that the said Section 1 of Article XV shall read as follows:**

#### **“ARTICLE XV CHANGE IN BY-LAWS**

Section 1. The by-laws may be altered, amended, added to or repealed at any meeting of the Board of Directors by the vote of the majority of the full Board and any such changes **shall be effective only upon the issuance by the SEC of a certification that the amended by-laws are in accordance with the relevant laws.** Provided, however, That any power delegated to the Board of Directors to amend or repeal any by-law or to adopt new by-laws shall be considered revoked whenever a majority of the stockholders of the Corporation shall so vote at a regular or special meeting.”

#### **VI. Election of Directors for 2021-2022**

The next order of the business was the election of the members of the Board of Directors for the ensuing year.

Independent Director and Corporate Governance Committee Chairman, Atty. Roberto Cecilio O. Lim, was requested to announce the nomination and election to the Corporation’s 10-member Board.

Atty. Lim informed the Shareholders that the nominees for directors were vetted and selected through the nomination process determined and implemented by the Corporate Governance Committee (CGC), in accordance with the procedure prescribed under the Corporation’s By-Laws, Code of CG, CG Committee Charter, and based on legal requirements.

Based on determination by the CG Committee and as confirmed by the Board of Directors, the following nominees for directors and independent directors were found to possess all the qualifications and none of the disqualifications of a director or an independent director, and their capabilities are aligned with the Company’s strategic direction.

He then announced the final list of nominees to the Board for 2021-2022.

The Nominees for Directors are:

Alfredo C. Ramos  
Frederic C. DyBuncio  
Martin C. Buckingham  
Isidro A. Consunji  
Adrian Paulino S. Ramos  
Gerard Anton S. Ramos  
Jose T. Sio

And the Nominees for Independent Director are:

Emilio S. de Quiros, Jr. as Independent Director  
Jose P. Leviste, Jr. as Independent Director  
Roberto C.O. Lim as Independent Director

Messrs. De Quiros, Jr., Leviste, Jr. and Lim were nominated to serve as Independent Directors in compliance with Rule 38 of the Implementing Rules and Regulations (IRR) of the Securities Regulation Code (SRC). The nominees for Independent Directors had accepted and conformed on their nomination.

The President, Mr. Adrian S. Ramos, before proceeding with the results of the election, took the opportunity, to thank Mr. Laurito E. Serrano, Atlas outgoing Lead Independent Director for having provided the Corporation and the Atlas Mining Board his expertise, dedication and independence.

He further stated that under Mr. Serrano's able leadership, strategic thinking and hard work as Chairperson of the Audit Committee, he had done an excellent job in shepherding the Audit Committee, the Company's Internal Audit and the audit process year in and year out for the past 9 years.

He proceeded to give the floor to Mr. Serrano for his message

Mr. Serrano, thanked the President for the kind words. He took the opportunity to thank everyone. He said that every director served at the pleasure of the shareholders within the bounds of the law. He took the time to share his experience with Atlas. He said that he took comfort and pride that Atlas had now pivoted despite the challenges in the past. He wished the Company well and challenged the management team to carry on the same dedication to AT's vision and commitment to the mission and keep the enterprise widely delicate to the principle of good governance and stewardship with utmost concern to all stockholders.

Atty. Puno informed the shareholders and participants that for the ensuing year, based on the tally of votes, as confirmed by the independent third party tabulator, APA, each of the 10 nominees enumerated earlier and listed in the Definitive Information Statement, received sufficient votes to elect them as Director of the Corporation. As tabulated, the final votes received by the nominees are as follows:

<i>Nominee</i>	<i>Vote For</i>	<i>Percentage of Shares Voted</i>	<i>Withhold Vote (Abstain)</i>
<i>Alfredo C. Ramos</i>	<i>3,293,816,890</i>	<i>99.96%</i>	<i>1,267,700</i>
<i>Frederic C. DyBuncio</i>	<i>3,293,816,890</i>	<i>99.96%</i>	<i>1,267,700</i>
<i>Martin C. Buckingham</i>	<i>3,293,898,890</i>	<i>99.96%</i>	<i>1,185,700</i>
<i>Isidro A. Consunji</i>	<i>3,293,816,890</i>	<i>99.96%</i>	<i>1,267,700</i>
<i>Adrian Paulino S. Ramos</i>	<i>3,295,084,590</i>	<i>100%</i>	<i>0</i>
<i>Gerard Anton S. Ramos</i>	<i>3,293,816,890</i>	<i>99.96%</i>	<i>1,267,700</i>

<i>Nominee</i>	<i>Vote For</i>	<i>Percentage of Shares Voted</i>	<i>Withhold Vote (Abstain)</i>
<i>Jose T. Sio</i>	<i>3,293,898,890</i>	<i>99.96</i>	<i>1,185,700</i>
<i>Emilio S. de Quiros, Jr.(ID)</i>	<i>3,295,002,590</i>	<i>99.99%</i>	<i>82,000</i>
<i>Jose P. Leviste, Jr. (ID)</i>	<i>3,295,002,590</i>	<i>99.99%</i>	<i>82,000</i>
<i>Roberto C.O. Lim .(ID)</i>	<i>3,295,084,590</i>	<i>100%</i>	<i>0</i>

The Corporate Secretary then announced that all 10 nominees are elected to the Board who will serve as such until the election and qualification of their successors. The following resolution was thus passed and adopted:

*“Resolved, That the following are elected directors of Atlas Consolidated and Mining Development Corporation for 2021-2022 to serve as such beginning today until their successors are elected and qualified:*

Alfredo C. Ramos  
 Frederic C. DyBuncio  
 Martin C. Buckingham  
 Isidro A. Consunji  
 Adrian Paulino S. Ramos  
 Gerard Anton S. Ramos  
 Jose T. Sio  
 Emilio de Quiros, Jr., Independent Director (ID)  
 Jose P. Leviste, Jr., Jr., Independent Director (ID)  
 Roberto C.O. Lim., Independent Director (ID)

#### *VII.Ratification of the acts and resolutions of the Board of Directors and Management for the year 2020*

The next item of the Agenda was the ratification of the acts, transactions, proceedings as well as resolutions of the Board of Directors, its various Committees and of Management from the date of the 2020 AGM, 24 August 2020 up to the date of this Meeting. The proposed resolution and voting results on this item were flashed on the screen.

The Corporate Secretary presented the tabulation of votes:

	<i>Approve/Ratify</i>	<i>Disapprove</i>	<i>Abstain</i>
<i>Number of Voted Shares</i>	<i>3,294,313,891</i>	<i>0</i>	<i>827,500</i>
<i>Percentage of Shares Voted</i>	<i>99.97%</i>	<i>0%</i>	<i>0.03%</i>

With the above vote in favor, the following resolution was passed and adopted, which was flashed on the screen:

*“Resolved that the acts of the Board of Directors, Board Committees and Management of Atlas Consolidated and Mining Development Corporation (“AT” or the “Corporation”) from the date of the last AGM held on 24 August 2020 up to the date of this Meeting, are hereby, in all respect, approved and ratified and that all contracts, acts, proceedings, elections and appointments made or taken by the Board of Directors, its Committees and/or the Management of the Corporation and all acts and proceedings performed or taken pursuant thereto, be, and hereby are, in all respects, approved, ratified and confirmed.”*

#### *VIII. Appointment of External Auditor*



The next item on the Agenda was the appointment of the Corporation's external auditor for the fiscal year ending 31 December 2021. Mr. Laurito E. Serrano, Lead Independent Director and Chairman of the Audit Committee was called to make the recommendation.

Mr. Serrano announced that the Audit Committee evaluated the performance of the present auditor of the Corporation, Sycip Gorres Velayo & Company (SGV), during the past year and found it to be satisfactory. The Audit Committee and the Board of Directors agree to endorse SGV as the Corporation's external auditor for the ensuing year, 2021-2022.

The Corporate Secretary then announced the results of the voting:

	<i>Approve/Ratify</i>	<i>Disapprove</i>	<i>Abstain</i>
<i>Number of Voted Shares</i>	<i>3,295,141,391</i>	<i>0</i>	<i>0</i>
<i>Percentage of Shares Represented</i>	<i>100%</i>	<i>0%</i>	<i>0%</i>

With the above vote in favor, the following resolution was passed and adopted:

*“Resolved, as duly endorsed by the Board of Directors of Atlas Consolidated Mining and Development Corporation (the “Corporation”), to approve the re-election of Sycip Gorres Velayo & Co. as the external auditor of the Corporation for the ensuing year.”*

#### IX. Other Matters

The Chairman inquired from the Corporation's Corporate Secretary if there would be other matters to be presented. The Corporate Secretary informed the Chairman that there was no other matter.

#### X. Open Forum

The next item of the Agenda is the Open Forum. The President read what was stated in the *Guidelines for Participating via Remote Communication and Voting In Absentia (the “Guidelines”)* regarding the question and answer portion of the meeting: As stated in the Guidelines for participating in this meeting via remote communication, we will answer questions or comments from Shareholders pertaining to the items in the Agenda during the Open Forum. All Shareholders of record were allowed to submit and send their questions or comments in advance by sending an email to <AGM@atlasmining.com.ph> and through the chat box of this livestream. We thank our Shareholders for sending their questions and comments. We will now answer the questions and reply to the comments, if any.

Atty. Puno, read the questions received from the Shareholders. The first question was from Mr. George H. Tan, and it read:

“Open pit mining is now allowed under the latest draft of the DENR IRR. Copper price is in a very strong up move. It now hover way above the cost of production. Kindly describe the plan to develop MPSA 307-2009-VII. This is one great opportunity to maximize the benefits from the expected decade long shortage in copper supply.”

The President answered that MPSA 307-2009-VII other tenements' mine plan had already been submitted to MGB. The Company had always been exploring the best possible option moving forward. He believed that the Company remained in the best position for any future supply or demand gap; given that the other MPSAs of the Company could sufficiently provide at least twenty years of cooper ore at the current annual rate of the Company's production. He also assured that the Company was always looking for the expanding opportunities within the mine.

The second question was from Mr. Ismael Sam Canua, and it read:

How many employees will be given the Covid19 vaccines? What are the Company's response related to the Covid19 situation?

The President answered that vaccines would be available to all employees who wished to be vaccinated. The Company was coordinating the roll out to LGU once vaccines were made available. In the meantime the Company continued to observe the safety and health protocols.

The third question was from Mr. Tan again which came from the Chat Box, it read:

Would Atlas be able to bring production to 27M pounds for 3<sup>rd</sup> Quarter and 4<sup>th</sup> Quarter. The President answered and assured the stockholders that the Company was doing everything maximizing production for the year.

#### *XI. Adjournment*

There being no other matters to discuss, upon motion duly seconded, the Meeting was adjourned.

Prepared by:

*Maria Eleonor A. Santiago*  
Assistant Corporate Secretary

Attested by:

*Alfredo C. Ramos*  
Chairman

## ANNEX A

### Atlas Consolidated Mining and Development Corporation

Annual General Meeting of the Shareholders via  
Remote Communication  
14 June 2021, 10:00AM

#### RECORD OF ATTENDANCE

Total number of voting shares outstanding	3,559, 532,774
Total number of shares participating remotely & by proxy	3,295,141,391
Total number of shares represented	3,295,141,391
Attendance percentage	92.57%