

# 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	n	u	e		c	o	r	n	e	r		P	a	c	i	f	i	c		D	r	i	v	e	,		M	
a	l	l		o	f		A	s	i	a		C	o	m	p	l	e	x	,		P	a	s	a	y		C	i	t	
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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

ir@atlasmining.com.ph

Company's Telephone Number

(632) 8403-0818

Mobile Number

09178048194

No. of Stockholders

20,699

Annual Meeting (Month / Day)

6/14

Fiscal Year (Month / Day)

12/31

**CONTACT PERSON INFORMATION**

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Mr. Fernando A. Rimando

Email Address

farimando@atlasmining.com.ph

Telephone Number/s

(632) 8403-0813 loc 25005

Mobile Number

N/A

**CONTACT PERSON'S ADDRESS**

Five E-com Center, Palm Coast Avenue corner Pacific Drive,  
Mall of Asia Complex, Pasay City

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

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



**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, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of 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.

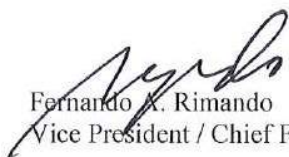
SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of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



Alfredo C. Ramos  
Chairman of the Board



Adrian Paulino S. Ramos  
President



Fernando A. Rimando  
Vice President / Chief Finance Officer

Signed this 14 day of Mar 2022

SUBSCRIBED AND SWORN to before me, this 17 MAR 2022 day of March 2022 at \_\_\_\_\_, affiant with Taxpayer Identification Numbers as follows:

<u>Name</u>	<u>Tax Identification Number</u>
Alfredo C. Ramos	132-017-513
Adrian Paulino S. Ramos	188-355-989
Fernando A. Rimando	101-647-461

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Book No. IX

Series of 2022

  
**ATTY. HENRY D. ADASA**  
NOTARY PUBLIC CITY OF MANILA  
NOTARIAL COMMISSION 2020-097 / 12/31/2021 Manila  
IBP NO. 178596-01/03/2022, PASIG  
PTR NO. 0060197-01/05/2021 MLA  
ROLL NO. 28577 TIR: 172-528-620  
(31) MCLE COMPL. NO. 104-9600155-7/26/2019 Valid April 14, 2025  
URBAN DECA HOMES MANILA, B-2, UNIT 155, TONDOK, MLA.  
UNDER SUPREME COURT B.M. NO. 3795 EXTENDED FROM JAN. 1 TO JUNE 30, 2022

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders  
Atlas Consolidated Mining and Development Corporation  
Five E-com Center, Palm Coast Avenue 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, 2021 and 2020, 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, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current 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, 2021, the Group has goodwill attributable to Carmen Copper Corporation amounting to ₱19.03 billion, and property, plant and equipment, and mining rights amounting to ₱41.25 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 and gold 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 evaluated 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 mineral reserve report, production reports from the operations departments, current tax laws, and forecasted copper and gold 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, 2021, 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, 2020 are expected to be made available to us after the date of this auditor's report.

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

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



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

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

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

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

## **Auditor's Responsibilities for the 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.

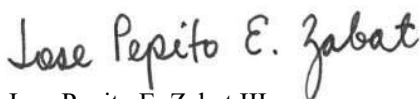
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Tax Identification No. 102-100-830

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

SEC Partner Accreditation No. 85501-SEC (Group A)

Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions

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

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

BIR Accreditation No. 08-001998-060-2020, December 3, 2020, valid until December 2, 2023

PTR No. 8854391, January 3, 2022, Makati City

March 4, 2022



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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Amounts in Thousands, Except Number of Shares)

	<b>December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash (Note 4)	<b>₱909,101</b>	₱1,205,161
Short-term investments (Note 4)	<b>283,600</b>	266,481
Trade and other receivables (Note 5)		
At fair value through profit or loss	<b>2,013</b>	594,127
At amortized cost – net	<b>51,928</b>	150,490
Inventories (Note 7)	<b>1,590,248</b>	1,146,832
Derivative asset (Note 6)	<b>78,385</b>	–
Other current assets (Note 8)	<b>756,438</b>	345,951
<b>Total Current Assets</b>	<b>3,671,713</b>	3,709,042
<b>Non-current Assets</b>		
Property, plant and equipment (Note 9):		
At cost	<b>33,487,271</b>	33,948,813
At revalued amount	<b>504,500</b>	504,500
Mining rights (Note 10)	<b>7,260,337</b>	7,558,229
Goodwill (Note 10)	<b>19,026,119</b>	19,026,119
Investments in associates (Note 12)	<b>257,929</b>	237,524
Deferred tax assets – net (Note 25)	<b>506,663</b>	832,144
Other non-current assets (Note 13)	<b>1,478,982</b>	1,570,026
<b>Total Noncurrent Assets</b>	<b>62,521,801</b>	63,677,355
<b>TOTAL ASSETS</b>	<b>₱66,193,514</b>	₱67,386,397
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable, contract liability and accrued liabilities (Note 14)	<b>₱2,044,893</b>	₱2,823,024
Lease liability – current (Note 15)	<b>2,556</b>	782
Bank loans (Note 16)	<b>–</b>	6,242,990
Current portion of long-term debts and other interest bearing liabilities (Note 16)	<b>2,592,437</b>	194,445
Derivative liability (Note 6)	<b>4,029</b>	59,308
Income tax payable	<b>185,586</b>	–
Other current liability (Note 16)	<b>1,910,355</b>	1,798,878
<b>Total Current Liabilities</b>	<b>6,739,856</b>	11,119,427
<b>Non-current Liabilities</b>		
Long-term debts and other interest-bearing liabilities – net of current portion (Note 16)	<b>18,271,722</b>	19,601,464
Retirement benefits liability (Note 24)	<b>563,042</b>	554,290
Lease liability – net of current portion (Note 15)	<b>7,506</b>	–
Liability for mine rehabilitation (Note 17)	<b>69,939</b>	74,187
Deferred tax liabilities (Note 25)	<b>1,937,438</b>	2,413,801
<b>Total Non-current Liabilities</b>	<b>20,849,647</b>	22,643,742
<b>Total Liabilities</b>	<b>₱27,589,503</b>	₱33,763,169



	December 31	
	2021	2020
<b>Equity</b>		
Capital stock (Note 18)	₱3,559,533	₱3,559,533
Additional paid-in capital (Note 18)	19,650,936	19,650,936
Subscription receivable (Note 18)	(4,841,801)	(4,841,801)
Revaluation increment on land (Note 9)	320,217	298,869
Remeasurement gain on retirement benefits liability (Note 24)	104,306	53,438
Cost of 1,980,000 treasury shares held by a subsidiary	(23,267)	(23,267)
Retained earnings (Note 18)	17,692,199	13,830,614
Cumulative translation adjustments	2,141,888	1,094,906
<b>Total Equity</b>	<b>38,604,011</b>	<b>33,623,228</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱66,193,514</b>	<b>₱67,386,397</b>

*See accompanying Notes to the 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		
	2021	2020	2019
<b>REVENUES FROM CONTRACTS WITH CUSTOMERS</b> (Note 20)			
Copper concentrate	<b>₱17,937,583</b>	₱17,509,200	₱16,162,945
<b>COSTS AND EXPENSES – NET</b>			
Mining and milling costs (Note 21)	<b>10,627,219</b>	11,262,137	12,021,027
General and administrative expenses (Note 22)	<b>1,130,893</b>	1,396,934	1,237,520
Mine products taxes (Note 21)	<b>701,718</b>	685,120	653,678
Depletion of mining rights (Note 10)	<b>297,892</b>	232,577	199,152
Others – net (Note 27)	<b>(476,383)</b>	381,882	70,585
	<b>12,281,339</b>	13,958,650	14,181,962
<b>OTHER INCOME (CHARGES)</b>			
Finance charges (Note 26)	<b>(1,241,766)</b>	(1,872,049)	(2,265,913)
Foreign exchange gains (losses) – net	<b>(326,973)</b>	237,659	193,025
Share in net income of associates (Note 12)	<b>222,005</b>	112,135	80,233
Fair value gain (loss) on derivatives – net (Note 6)	<b>113,107</b>	(870,237)	–
Interest income (Note 26)	<b>3,785</b>	20,008	68,826
Fair value gain (loss) on provisionally priced receivables – net (Notes 5 and 6)	<b>(779)</b>	(64,697)	93,443
	<b>(1,230,621)</b>	(2,437,181)	(1,830,386)
<b>INCOME BEFORE INCOME TAX</b>	<b>4,425,623</b>	1,113,369	150,597
<b>PROVISION FOR INCOME TAX</b> (Note 25)	<b>(564,038)</b>	(995,676)	(715,783)
<b>NET INCOME (LOSS)</b>	<b>₱3,861,585</b>	₱117,693	(₱565,186)

(Forward)



	Years Ended December 31		
	2021	2020	2019
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>Items that will not be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Remeasurement gain (loss) on retirement benefits liability (Note 24)	<b>₱47,051</b>	(₱40,631)	(₱110,672)
Share in other comprehensive income (loss) of associates	<b>(212)</b>	339	1,306
<i>Items that may be reclassified subsequently to profit or loss in subsequent periods (net of tax):</i>			
Cumulative translation adjustments	<b>1,047,194</b>	(809,335)	(583,037)
	<b>1,094,033</b>	(849,627)	(692,403)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>₱4,955,618</b>	(₱731,934)	(₱1,257,589)
<b>EARNINGS (LOSS) PER SHARE</b> (Note 29)			
Basic earnings (loss) per share	<b>₱1.0855</b>	₱0.0331	(₱0.1589)
Diluted earnings (loss) per share	<b>₱1.0855</b>	₱0.0331	(₱0.1589)

See accompanying Notes to the Consolidated Financial Statements



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

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**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**

**(Amounts in Thousands, Except Par Value Per Share)**

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	Capital stock (Note 18)	Additional paid-in capital (Note 18)	Subscriptions receivable (Note 18)	Revaluation increment on land (Note 9)	Remeasurement gain (loss) on retirement benefits liability (Note 24)	Cumulative translation adjustments	Retained earnings (Note 18)	Total	Treasury shares held by a subsidiary	Total
<b>BALANCES AT JANUARY 1, 2019</b>	<b>₱3,559,533</b>	<b>₱19,650,936</b>	<b>(₱4,841,801)</b>	<b>₱298,869</b>	<b>₱204,741</b>	<b>₱2,485,633</b>	<b>₱14,278,107</b>	<b>₱35,636,018</b>	<b>(₱23,267)</b>	<b>₱35,612,751</b>
Net loss	-	-	-	-	-	-	(565,186)	(565,186)	-	(565,186)
Other comprehensive loss	-	-	-	-	(110,672)	(581,731)	-	(692,403)	-	(692,403)
Total comprehensive loss	-	-	-	-	(110,672)	(581,731)	(565,186)	(1,257,589)	-	(1,257,589)
<b>BALANCES AT DECEMBER 31, 2019</b>	<b>3,559,533</b>	<b>19,650,936</b>	<b>(4,841,801)</b>	<b>298,869</b>	<b>94,069</b>	<b>1,903,902</b>	<b>13,712,921</b>	<b>34,378,429</b>	<b>(23,267)</b>	<b>34,355,162</b>
Net income	-	-	-	-	-	-	117,693	117,693	-	117,693
Other comprehensive loss	-	-	-	-	(40,631)	(808,996)	-	(849,627)	-	(849,627)
Total comprehensive income (loss)	-	-	-	-	(40,631)	(808,996)	117,693	(731,934)	-	(731,934)
<b>BALANCES AT DECEMBER 31, 2020</b>	<b>3,559,533</b>	<b>19,650,936</b>	<b>(4,841,801)</b>	<b>298,869</b>	<b>53,438</b>	<b>1,094,906</b>	<b>13,830,614</b>	<b>33,646,495</b>	<b>(23,267)</b>	<b>33,623,228</b>
Effect of change in tax rate	-	-	-	21,348	3,817	-	-	25,165	-	25,165
Net income	-	-	-	-	-	-	3,861,585	3,861,585	-	3,861,585
Other comprehensive income	-	-	-	-	47,051	1,046,982	-	1,094,033	-	1,094,033
Total comprehensive income	-	-	-	-	47,051	1,046,982	3,861,585	4,955,618	-	4,955,618
<b>BALANCES AT DECEMBER 31, 2021</b>	<b>₱3,559,533</b>	<b>₱19,650,936</b>	<b>(₱4,841,801)</b>	<b>₱320,217</b>	<b>₱104,306</b>	<b>₱2,141,888</b>	<b>₱17,692,199</b>	<b>₱38,627,278</b>	<b>(₱23,267)</b>	<b>₱38,604,011</b>

*See accompanying Notes to the Consolidated Financial Statements*



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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Amounts in Thousands)

	Years Ended December 31		
	2021	2020	2019
<b>OPERATING ACTIVITIES</b>			
Income before income tax	<b>₱4,425,623</b>	₱1,113,369	₱150,597
Adjustments for:			
Depreciation, amortization and depletion (Notes 7, 9 and 10)	<b>4,370,925</b>	4,664,433	3,796,403
Finance charges (Note 26)	<b>1,241,766</b>	1,872,049	2,265,913
Provision for (reversal of) impairment of property, plant and equipment (Note 27)	<b>(534,472)</b>	538,151	–
Share in net income of associates (Note 12)	<b>(222,005)</b>	(112,135)	(80,233)
Unrealized foreign exchange losses – net	<b>122,011</b>	107,909	30,642
Loss on retirement of property and equipment (Notes 9 and 27)	<b>90,587</b>	691	1,019
Unrealized loss (gain) on derivatives (Note 6)	<b>(49,630)</b>	289,012	–
Movement in retirement benefits liability (Note 24)	<b>22,349</b>	20,068	11,044
Interest income (Note 26)	<b>(3,785)</b>	(20,008)	(68,826)
Unrealized fair value gain on investment in pooled funds (Notes 8 and 27)	<b>(1,313)</b>	(395)	(1,241)
Unrealized fair value loss (gain) on provisionally priced sales – net (Notes 5 and 6)	<b>779</b>	64,697	(93,443)
Unrealized fair value gain on investment in unit investment trust fund (Note 13)	<b>(54)</b>	(562)	(922)
Gain on disposal of property and equipment (Note 9)	<b>–</b>	(375)	(1,640)
Gain on loan restructuring – net (Notes 16 and 27)	<b>–</b>	(362,129)	–
Operating income before working capital changes	<b>9,462,781</b>	8,174,775	6,009,313
Decrease (increase) in:			
Receivables	<b>1,080,424</b>	270,100	(1,212,810)
Inventories	<b>(183,904)</b>	280,352	773,142
Other current assets	<b>(396,689)</b>	78,545	(11,661)
Other noncurrent assets	<b>184,416</b>	228,115	463,543
Increase (decrease) in accounts payable, contract liability and accrued liabilities	<b>(902,945)</b>	(481,268)	945,329
Net cash generated from operations	<b>9,244,083</b>	8,550,619	6,966,856
Interest paid	<b>(1,216,526)</b>	(1,809,248)	(1,802,930)
Income taxes paid	<b>(494,767)</b>	(134,493)	(109,334)
Interest received	<b>3,673</b>	21,229	70,664
Net cash flows from operating activities	<b>7,536,463</b>	6,628,107	5,125,256
<b>INVESTING ACTIVITIES</b>			
Proceeds from:			
Dividends received (Note 12)	<b>302,400</b>	75,726	50,400
Short-term investments	<b>–</b>	2,847,170	5,401,523
Disposal of property and equipment (Note 9)	<b>–</b>	375	1,640
Additions to:			
Property, plant and equipment (Note 9)	<b>(1,308,715)</b>	(2,390,280)	(4,457,875)
Short-term investments	<b>(7,144)</b>	(2,226,495)	(3,624,048)
Net cash flows used in investing activities	<b>(₱1,013,459)</b>	(₱1,693,504)	(₱2,628,360)

(Forward)



	<b>Years Ended December 31</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>FINANCING ACTIVITIES</b>			
Availments of:			
Long-term debts and other interest-bearing liabilities (Note 35)	<b>₱8,540,570</b>	<b>₱—</b>	<b>₱—</b>
Payments of:			
Long-term debts and other interest-bearing liabilities (Note 35)	<b>(8,801,431)</b>	(2,220,811)	(919,019)
Bank loans (Note 35)	<b>(6,629,870)</b>	(1,920,920)	(2,061,807)
Principal portion of of lease liability (Notes 15 and 35)	<b>(1,839)</b>	(2,316)	(2,208)
Net cash flows from (used in) financing activities	<b>(6,892,570)</b>	(4,144,047)	(2,983,034)
<b>NET EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>			
	<b>73,506</b>	(230,854)	(94,102)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(296,060)</b>	559,702	(580,240)
<b>CASH AT BEGINNING OF YEAR</b>	<b>1,205,161</b>	645,459	1,225,699
<b>CASH AT END OF YEAR (Note 4)</b>	<b>₱909,101</b>	<b>₱1,205,161</b>	<b>₱645,459</b>

*See accompanying Notes to the 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 Five E-com Center, Palm Coast Avenue corner Pacific Drive, Mall of Asia Complex, 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, 2021 and 2020. 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, 2021 and 2020:

Nature of Business		Percentage of Ownership	
		2021	2020
<b>Subsidiaries as at December 31, 2021 and 2020</b>			
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%</b>	100%
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%</b>	100%
AHI (see Note 10)	Incorporated in the Philippines on October 17, 2006 to hold assets for investment purposes	<b>100%</b>	100%
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%</b>	100%

- a. *AEI*  
In 2021, 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 ₱74 in 2021 and has cumulative capital deficiency of ₱108,685 as at December 31, 2021.
- b. *AI*  
In 2021, 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 ₱86 in 2021 and has cumulative capital deficiency of ₱32,345 as at December 31, 2021.
- 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 ₱78 in 2021 and has cumulative deficit of ₱3,365 as at December 31, 2021.
- 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).



#### Carmen Pit Incident

On December 21, 2020, a landslide occurred at the Carmen Pit of CCC. This incident prompted the Mines and Geosciences Bureau (MGB) to order the immediate suspension of the operations at the Carmen Pit.

On February 5, 2021, MGB approved the Risk Reduction Management Plan (RRMP) submitted by the Company. The RRMP outlines the mitigating measures and the related safety protocols the Group will adopt and implement.

On March 9, 2021, the Secretary of the Department of Environment and Natural Resources (DENR) approved the partial lifting of the suspension order. The partial lifting of the suspension order allows the Group to resume mining operations in the Carmen Pit except in areas that were affected by the landslide, subject to compliance with certain conditions. The Group shall continue to undertake safety measures for the rehabilitation of the impacted areas at Carmen pit. The Group is working closely with the various regulating agencies, local government units in addressing the on-going rehabilitation initiatives.

#### Continuing Evolvement of the COVID-19 Pandemic

As the COVID-19 pandemic continues to evolve, the government is implementing additional measures to address the resulting public health issues and the economic impact.

The Group assessed that they are not expected to be impacted by developments and measures taken after the end of the reporting period. The Group continues to monitor the COVID-19 pandemic situation and will take further action, as necessary.

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

The consolidated financial statements of the Parent Company and its subsidiaries as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021 were authorized for issuance by the BOD on March 4, 2022.

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## **2. Basis of Preparation, Statement of Compliance, Changes in Accounting Policies and Summary of Significant Accounting Policies**

#### Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for parcels of land, which are carried at revalued amounts, trade receivables, derivatives, investment in pooled funds, quoted equity instrument, and investment in unit investment trust fund which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso, which is the presentation currency of the Group 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 United States Dollar (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, 2021 and 2020.



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 for the adoption of new standards effective in 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.



- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

The Group adopted the amendment beginning April 1, 2021.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The Group adopted the amendments beginning January 1, 2021.

#### Standard Issued but not yet Effective

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



*Effective beginning on or after January 1, 2022*

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

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

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

The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.



*Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 41, *Agriculture, Taxation in Fair Value Measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

*Effective beginning on or after January 1, 2023*

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether



such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

*Effective beginning on or after January 1, 2024*

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

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.



The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

*Effective beginning on or after January 1, 2025*

- 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

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, 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 IASB 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 non-current 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 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 non-current.

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 non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

### Cash

Cash consists of cash on hand and in banks. Cash in banks earns interest at the respective bank deposit rates.

### Short-term Investments

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

### Financial Instruments - Initial Recognition and Subsequent Measurement

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

#### Financial Assets

##### *Initial Recognition and Measurement*

Financial assets are measured at fair value on initial recognition, and are 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 a financial asset not at 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 cash, short-term investments, nontrade receivables, interest receivables, advances to related related parties, advances to officers and employees, and refundable deposits under other non-current 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 quotational period (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 derivative asset, quoted equity instrument, investment in unit investment trust fund and investment in pooled funds which the Group classified at fair value through profit or loss.

#### *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 pass-through 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 amortized 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 amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

#### 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 or as derivatives designated as hedging instruments in an effective hedge, as appropriate.



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, borrowings and derivative liabilities.

#### *Subsequent Measurement*

##### *Financial Liabilities at Amortized Cost*

After initial recognition, loans and borrowings and payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized, as well as through the EIR amortization process.

Amortized 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 amortization is included as finance costs in the consolidated statement of comprehensive income.

##### *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.

#### *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.

#### *Exchange or Modification of Financial Liabilities*

The Group considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).



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 a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

The Group's policy is to treat restructuring as extinguishment when there is revision of nominal interest rates for liabilities that are prepayable at par at a current market rate, and the prepayment at par i.e. unpaid principal and interest, at any time is with no penalty. The revision of the rates is in substance a settlement of the existing loan through the exercise of the prepayment option and commencement of a new loan at a market rate of interest. The cash flows of the original loan are deemed to have expired and should be derecognized with a corresponding new loan recognized.

#### 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 8, 11 and 13 |
| • Land  | Note 9             |
| • Financial instruments                                 | Note 31            |

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.

#### Derivative Financial Instruments

The Group uses derivative financial instruments, such as forward commodity contracts, to hedge its commodity price risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.



The documentation includes identification of the hedging instrument the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

#### *Fair Value Hedges*

The change in the fair value of a hedging instrument is recognized in the statement of comprehensive income as other income (charges). The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the statement of comprehensive income as other income (charges).

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

As at December 31, 2021, the Group has freestanding derivative instruments such as commodity swap transactions used to hedge risks associated with copper and gold prices.

#### 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 inventory, which includes coarse ore and fine ores and, copper concentrate containing copper, gold and silver, and materials and supplies are valued at the lower of cost and net realizable value (NRV).



Cost is determined using the following methods:

*Mine Products Inventory*

The cost of mine products is 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. NRV for mine product inventories 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. 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. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken by the Group to determine the extent of any provision for obsolescence.

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 investment in pooled funds, deposits and advances to suppliers, creditable withholding taxes, 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 12 months from the end of the reporting period. 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 12 months are classified as part of "Other current assets" in the consolidated statement of financial position.

*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*

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) on 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 to maximize earnings. Assets under this category are classified as current if expected to be disposed of within 12 months after the reporting period.

#### Other Non-current Assets

Other non-current 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. Parcels of land of the Group are 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:

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



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 Operations*, and the date the asset is derecognized.

The estimated mineral reserves, useful lives, and depreciation and depletion methods are reviewed periodically to ensure that the estimated mineral 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 and legally liable. These costs, included under mine development costs, are amortized using the units-of-production method based on the estimated mineral 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.

Parcels of land are 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 mineral reserves.

Mine development costs also include the estimated costs of rehabilitating the mine site, for which the Group is constructively and legally liable. These costs are amortized using the units-of-production method based on the estimated mineral 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 mineral 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 PFRS 9, 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 PFRS 9, 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

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, 2021 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 Liability*

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 has nil and ₱195,037 (US\$4,061) of contract liability as at December 31, 2021 and 2020, respectively (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%-95% of the value of copper, gold and silver based on provisional prices is collected upon shipment, while the remaining 5%-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 30).

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.

#### *Magnetite Concentrate Sales*

For magnetite concentrate sales, the enforceable contract is each purchase order, which is an individual, short-term contract, while the performance obligation is the delivery of the concentrate. Revenue is recognized when control passes to the customer, which occurs at a point in time when the magnetite concentrate is physically transferred onto the buyer's vessel and date of the bill of lading issued by the buyer's shipping agent. Selling prices are based on agreed prices between the customers and the Company which are known or can be reasonably estimated.

#### *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 bases upon which the Group reports its primary segment information. Financial information on business segments is presented in Note 28.

### 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 mineral 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 30 and 32).



### 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, 2021 and 2020, 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*

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 tolls 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-month 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 2021, 2020 and 2019 amounted to nil, nil, and ₱980,190, respectively.

#### *Determination of Lease Term of Contracts with Renewal and Termination Options*

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*

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 Group's lease liability amounted to ₱10,062 and ₱782 as at December 31, 2021 and 2020, respectively (see Note 15).

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

PFRSs 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, 2021 and 2020. 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 12.03% and 9.56% as at December 31, 2021 and 2020, respectively.



The Group also provides impairment loss on individual assets when impairment indicators are present and aimed at individual assets rather than the cash-generating unit of which they are part of.

Provision for impairment loss is on specifically identified property, plant and equipment items amounted to nil, ₱538,151 and nil in 2021, 2020 and 2019, respectively (see Note 9).

#### *Measurement of Expected Credit Losses*

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.

The Group recognized provision for expected credit losses amounting to ₱5, ₱41,683 and nil in 2021, 2020 and 2019, respectively. Allowance for expected credit losses on receivables amounted to ₱71,100 and ₱71,087 as at December 31, 2021 and 2020, respectively. Receivables, net of allowance for expected credit losses, amounted to ₱51,928 and ₱150,490 as at December 31, 2021 and 2020, respectively (see Note 5).

#### *Estimating Mineral Reserves*

Mineral 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 mineral 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 mineral 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.

Mineral reserves estimate for undeveloped or partially developed areas is subject to greater uncertainty over their future life than estimates of mineral reserves for areas that are substantially developed and depleted. As an area goes into production, the amount of proven mineral reserves will be subject to future revision once additional information becomes available. As those areas are further developed, new information may lead to revisions. In 2021, the SEC En Banc approved the 2020 Philippine Mineral Reporting Code (PMRC), which was modelled after the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore Reserves of the Australasian Joint Ore Reserves Committee (2012 JORC Code) and the 2019 International Reporting Template of the Committee for Mineral Reserves International Reporting Standards. The SEC required that the 2020 PMRC shall take effect immediately. To comply with the 2020 PMRC, the Group adopted the 2017 Mineral Resource and Ore Reserve Update Report for the Toledo Copper Project, which was prepared in accordance with the 2012 JORC Code. Based on PAS 8, a change in the mineral reserve estimate is considered as a change in accounting estimates and is to be accounted for prospectively.

#### *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 31).

*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, 2021 and 2020, the cost of mine products inventory is lower than its NRV.

No provision for impairment loss on of mine products inventory was recognized in 2021 and 2020. Mine products inventory amounted to ₱554,701 and ₱164,741 as at December 31, 2021 and 2020, respectively (see Note 7).

*Estimating Allowance for Inventory Obsolescence 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 ₱650,488 and ₱632,940 as at December 31, 2021 and 2020, respectively, had been fully provided with an allowance for inventory obsolescence (see Note 7).

Materials and supplies inventories, net of allowance for inventory obsolescence, amounted to ₱1,035,547 and ₱982,091 as at December 31, 2021 and 2020, 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 Group estimates the useful lives of property, plant and equipment based on the results of assessment of internal or external appraisers. Estimated useful lives of the property, plant and equipment are reviewed periodically, and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of assets. During 2021 and 2020, there were no changes in the estimated useful lives of the Group's property, plant and equipment.

*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, 2021 and 2020, the fair value of the land amounted to ₱504,500, based on the latest valuation obtained by the Group (see Note 9).



#### *Units-of-production Depreciation/Depletion*

Estimated recoverable mineral 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 depletion rates used by CCC in 2021, 2020 and 2019 are 3.94%, 2.99% and 2.51%, 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 2021, 2020 and 2019, no provision for impairment loss on the Group's deferred mine exploration costs was recognized (see Note 13).

#### *Estimating Impairment of Investment in Associates*

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 impairment losses on input VAT amounting to ₱377,259 and ₱355,266 as at December 31, 2021 and 2020, 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.

#### *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 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 recognized as at December 31, 2021 and 2020 amounted to ₱69,939 and ₱74,187, 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 2021, 2021 and 2020 (see Note 33).

#### *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 ₱17,937,583, ₱17,509,200 and ₱16,162,945 in 2021, 2020 and 2019, respectively (see Note 20).

#### *Estimating 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, 2021 and 2020, the Group has deductible temporary differences, NOLCO and excess MCIT totaling ₱421,371 and ₱742,139, respectively (see Note 25), for which no deferred tax assets were recognized. As at December 31, 2021 and 2020, deferred tax assets amounting to



₱623,700 and ₱1,592,130 were recognized as management assessed that sufficient future taxable profits will be available against which benefits of the deferred tax assets can be utilized (see Note 25).

#### 4. Cash and Short-term Investments

##### Cash

	2021	2020
Cash on hand	<b>₱38,485</b>	₱14,507
Cash in banks	<b>870,616</b>	1,190,654
	<b>₱909,101</b>	₱1,205,161

Cash in banks earn interest at the respective bank deposit rates. Interest income earned from cash in banks amounted to ₱802, ₱1,286 and ₱1,972 in 2021, 2020 and 2019, 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 ₱283,600 and ₱266,481 as at December 31, 2021 and 2020, respectively, are classified as short-term investments in the consolidated statement of financial position.

Interest income earned from short-term investments amounted to ₱691, ₱14,566 and ₱62,129 in 2021, 2020 and 2019, respectively (see Note 26). Interest receivable from the said short-term investments amounted to ₱150 and 38 as at December 31, 2021 and 2020, respectively (see Note 5).

#### 5. Trade and Other Receivables

	2021	2020
Trade receivables – at fair value through profit or loss	<b>₱2,013</b>	₱594,127
Other receivables – at amortized cost:		
Nontrade	<b>₱90,538</b>	₱194,970
Advances to:		
Related parties (Note 23)	<b>17,830</b>	17,830
Officers and employees	<b>14,510</b>	8,739
Interest (Note 4)	<b>150</b>	38
	<b>123,028</b>	221,577
Less allowance for expected credit losses	<b>71,100</b>	71,087
	<b>₱51,928</b>	₱150,490

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

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 Group expects to be entitled, being the estimate of the price expected to be received at the end of the QP. Approximately 80%-95% 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 concentrate 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 concentrate sales that were not subject to price fixing are assessed as having embedded derivatives that are not clearly and closely related.

The Group recognized net fair value loss amounting to ₱779 and ₱64,697 on provisionally priced receivables in 2021 and 2020, respectively, while the Group recognized net fair value gain of ₱93,443 in 2019.

Nontrade receivables mainly comprise of dividends receivables and receivables from 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 to officers and employees are non-interest bearing and are subject to payroll deduction.

Movements in allowance for expected credit losses are as follows:

	2021	2020	2019
Balance at beginning of year	₱71,087	₱32,748	₱33,124
Provisions (Note 22)	5	41,683	—
Cumulative translation adjustment	8	(3,344)	(376)
Balances at end of year	₱71,100	₱71,087	₱32,748

Provision for expected credit losses amounting to ₱5, ₱41,683 and nil was recognized in 2021, 2020 and 2019, respectively, related to receivables, which were considered as credit-impaired.

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

### Hedging Objectives

The Group's revenues are based on LME prices over which the Group has no influence or control. The volatilities in commodity prices expose the Group to significant risk in the results of its operations and cash inflows. To manage commodity price risk, the Group applies a mix of pricing agreements on both freestanding and embedded derivatives. The Group implements this mix of derivatives by diligently considering key elements affecting the trend of and prevailing commodity prices in support of the stability of its business plan. The underlying objective of implementing hedge transactions is to stabilize the results of operations and cash inflows and not as a means to generate gains or losses.

In 2021 and 2020, the Group, through CCC, has freestanding commodity swap agreements and embedded derivatives involving 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 recorded 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, 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 concentrate shipped based on the fixed price.

No price fixing was exercised in 2021, 2020 and 2019. The Group recognized copper concentrate sales amounting to ₱17,937,583, ₱17,509,200 and ₱16,162,945 in 2021, 2020 and 2019, respectively (see Note 20).

### Embedded Derivatives

#### *Provisional Pricing*

Based on CCC's pricing agreements, the copper concentrate sales will be provisionally priced at shipment date subject to price and quantity adjustment at the end of the QP. Copper concentrate sales that were not subject to price fixing are assessed as having embedded derivatives that are not clearly and closely related, and once the commodities have been delivered, it must be bifurcated on the delivery date or once the shipment is considered sold (in case of bill and hold sales).

The Group, through CCC, recognized net unrealized fair value loss on provisionally priced receivables amounting to ₱779 and ₱64,697 on its deliveries in 2021 and 2020, respectively, while CCC recognized unrealized fair value gain amounting to ₱93,443 on its deliveries in 2019.

### Freestanding Derivatives

#### *Commodity Swap Transactions*

The Group, through CCC, entered into commodity swap transactions with Standard Chartered Bank and Macquarie Bank, Ltd. to help stabilize and support the business plan upon due consideration of the impact of the pandemic on the world commodity market. In 2021 and 2020, CCC entered into commodity swap transactions fixing the copper prices at certain levels per dry metric tonne (DMT) for a total notional quantity of 17,850 DMT and 29,325 DMT, respectively; and gold prices at certain levels per ounce (oz) for a total notional quantity of 7,020 oz and 6,500 oz, respectively. The settlement dates were five to 10 business days following the end of each calendar month based on the official settlement price (seller) for copper and gold.

The Group has derivative asset amounting to ₱78,385 as at December 31, 2021 and derivative liability amounting to ₱4,029 and ₱59,308 as at December 31, 2021 and 2020, respectively. The derivative asset and liability of the Group represent the hedging component of shipments covered by the hedging agreement, but which remained unshipped as at December 31, 2021.

The Group recognized net gain on derivative financial instruments on its commodity swap transactions amounting to ₱113,107 in 2021 and net loss amounting to ₱870,237 in 2020. The Group recognized net gains and losses on outstanding derivative financial instruments amounting to ₱49,630 and ₱289,012 as at December 31, 2021 and 2020, respectively,



## 7. Inventories

This account consists of:

	2021	2020
At cost:		
Mine products		
Coarse and fine ore	<b>₱7,055</b>	₱14,964
Copper concentrate	<b>547,646</b>	149,777
	<b>554,701</b>	164,741
At lower of cost and NRV		
Materials and supplies (net of allowance for inventory obsolescence of ₱650,488 and ₱632,940 as at December 31, 2021 and 2020, respectively)	<b>1,035,547</b>	982,091
	<b>₱1,590,248</b>	₱1,146,832

### 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 ₱188,442, ₱43,367 and ₱30,906 as at December 31, 2021, 2020 and 2019, respectively (see Note 9).

### Materials and Supplies

Materials and supplies consist of consumable items and spare parts. Materials and supplies with cost amounting to ₱650,488 and ₱632,940 as at December 31, 2021 and 2020, respectively, are fully provided with allowance for inventory obsolescence.

Movements of the allowance for inventory loss are as follows:

	2021	2020	2019
Balances at beginning of year	<b>₱632,940</b>	₱510,372	₱517,822
Provision for inventory loss (Note 22)	–	176,766	7
Write-off	<b>(2,009)</b>	(38,480)	–
Cumulative translation adjustment	<b>19,557</b>	(15,718)	(7,457)
Balances at end of year	<b>₱650,488</b>	₱632,940	₱510,372

Provision for inventory loss amounting to nil, ₱176,766 and ₱7 in 2021, 2020 and 2019, respectively, was recognized on inventory items assessed by management as obsolete, non-moving, expired and/or damaged.

The Group has written-off materials and supplies inventory amounting to ₱2,009 and ₱38,480 in 2021 and 2020, respectively, which pertain to disposed inventories and parts of dump trucks that have been retired. The materials and supplies written-off during the year have related allowance for inventory loss recognized in prior years.

The cost of inventories recognized as expense amounted to ₱3,180,836, ₱3,383,827 and ₱4,179,056 in 2021, 2020 and 2019, respectively (see Notes 21 and 22).

The Group has no inventories pledged as security for liabilities as at December 31, 2021 and 2020. The Group also has no inventories carried at fair value less cost to sell as at December 31, 2021 and 2020.



## 8. Other Current Assets

This account consists of:

	2021	2020
Investment in pooled funds	<b>₱378,574</b>	₱143,659
Deposits and advances to suppliers	<b>259,953</b>	106,789
Creditable withholding taxes	<b>76,093</b>	51,849
Prepaid insurance	<b>13,797</b>	16,417
Others	<b>28,021</b>	27,237
	<b>₱756,438</b>	₱345,951

### Investment in Pooled Funds

In 2021, 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 ₱1,419, ₱2,023 and ₱244 in 2021, 2020 and 2019, respectively (see Note 26).

Investment in pooled funds is an investment of excess cash 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 ₱1,313, ₱395 and ₱1,241, in 2021, 2020 and 2019, respectively, is reported as unrealized gain in the consolidated statement of comprehensive income (see Note 27).

### Deposits and Advances to Suppliers

Deposits and advances to suppliers are nonfinancial assets arising mainly from advanced payments made by the Group to its suppliers and contractors before goods or services have been received or rendered. The eventual realization of such advances is determined by the usage/realization of the asset to which it was advanced for. These are classified as current if such will be applied as payments for assets to be classified as inventories or other working capital accounts and are recognized in the books at amounts initially paid. Purchases from suppliers generally require advance payments equivalent to 10% to 60% of the contract price.

Amounts deposited will be applied as part of the full payment of the contract price upon completion of the contract. Other deposits and advances to suppliers in Note 13 were presented as non-current since these are expected to be applied as payments for assets to be classified as property, plant and equipment or other noncurrent assets.

### 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.

### Prepayments

Prepayments consist mainly of prepaid insurance and rent.

### Others

Prepaid others consist of advance payments on real property taxes and other expenses of the Group.



## 9. Property, Plant and Equipment

The composition of and movements of this account follow:

December 31, 2021:

	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
Revalued amount/cost:										
Balances at beginning of year,	₱32,599,421	₱261,316	₱2,494,585	₱20,885,422	₱161,682	₱7,936	₱208,827	₱4,827	₱56,624,016	₱504,500
Additions	-	-	-	-	-	351	1,296,850	11,514	1,308,715	-
Retirements	-	-	-	(1,520,034)	(2,802)	-	-	(4,827)	(1,527,663)	-
Capitalization of borrowing cost	-	-	-	-	-	-	3,155	-	3,155	-
Change in estimate (Note 17)	(10,461)	-	-	-	-	-	-	-	(10,461)	-
Disposals	-	-	-	(42)	-	-	-	-	(42)	-
Reclassifications	157,665	-	62,965	1,088,434	21,304	-	-	-	-	-
Cumulative translation adjustment	2,082,616	21,231	178,733	1,403,013	15,450	123	(1,330,368)	-	3,713,111	-
Balances at end of year	34,829,241	282,547	2,736,283	21,856,793	195,634	8,410	190,409	11,514	60,110,831	504,500
Accumulated depreciation, amortization, depletion and impairment:										
Balances at beginning of year	8,994,291	226,479	1,688,216	11,630,498	127,626	4,433	-	3,660	22,675,203	-
Depreciation, amortization and depletion	1,829,356	6,594	166,250	2,242,124	14,929	95	-	2,127	4,261,475	-
(Notes 7, 21 and 22)	-	-	-	(1,429,447)	(2,802)	-	-	(4,827)	(1,437,076)	-
Retirements	-	-	-	-	-	-	-	-	-	-
Reversal of impairment loss	(105,747)	-	(7,484)	(421,241)	-	-	-	-	(534,472)	-
(Note 27)	-	-	-	(30)	-	-	-	-	(30)	-
Disposals	-	-	-	856,626	13,000	123	-	-	1,658,460	-
Cumulative translation adjustment	637,494	19,302	131,915	856,626	13,000	-	-	-	-	-
Balances at end of year	11,355,394	252,375	1,978,897	12,878,530	152,753	4,651	-	960	26,623,560	-
Net book values	₱23,473,847	₱30,172	₱757,386	₱8,978,263	₱42,881	₱3,759	₱190,409	₱10,554	₱33,487,271	₱504,500



December 31, 2020:

	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
Revalued amount/cost:										
Balances at beginning of year, as previously reported	₱33,135,555	₱253,182	₱2,611,045	₱19,454,857	₱159,037	₱10,154	₱2,290,473	₱4,827	₱57,919,130	₱504,500
Additions	-	-	-	123	-	-	2,390,157	-	2,390,280	-
Retirements	-	-	-	(561,813)	(9,119)	(2,116)	-	-	(573,048)	-
Capitalization of borrowing cost	-	-	-	37,354	-	-	6,801	-	44,155	-
Change in estimate (Note 17)	8,617	-	-	-	-	-	-	-	8,617	-
Disposals	-	-	-	-	(864)	-	-	-	(864)	-
Reclassifications	1,212,239	25,387	36,505	3,061,493	24,773	-	(4,360,397)	-	-	-
Cumulative translation adjustment	(1,756,990)	(17,253)	(152,965)	(1,106,592)	(12,145)	(102)	(118,207)	-	(3,164,254)	-
Balances at end of year	32,599,421	261,316	2,494,585	20,885,422	161,682	7,936	208,827	4,827	56,624,016	504,500
Accumulated depreciation, amortization, depletion and impairment:										
Balances at beginning of year	7,277,422	231,602	1,592,961	10,302,864	137,054	6,616	-	1,869	19,550,388	-
Depreciation, amortization and depletion (Notes 7, 21 and 22)	2,072,973	11,384	194,770	2,182,414	11,850	41	-	1,791	4,475,223	-
Retirements	-	-	-	(561,145)	(9,119)	(2,116)	-	-	(572,380)	-
Provision for impairment loss (Note 27)	105,747	-	7,484	424,920	-	-	-	-	538,151	-
Disposals	-	-	-	-	(864)	-	-	-	(864)	-
Cumulative translation adjustment	(461,851)	(16,507)	(106,999)	(718,555)	(11,295)	(108)	-	-	(1,315,315)	-
Balances at end of year	8,994,291	226,479	1,688,216	11,630,498	127,626	4,433	-	3,660	22,675,203	-
Net book values	₱23,605,130	₱34,837	₱806,369	₱9,254,924	₱34,056	₱3,503	₱208,827	₱1,167	₱33,948,813	₱504,500

Construction in-progress includes cost of various projects at different stages of completion as at December 31, 2021 and 2020.

The Group capitalized borrowing costs amounting to ₱3,155 on construction in-progress in 2021 and ₱37,354 and ₱6,801 as part of machinery and equipment completed during the year and construction-in-progress, respectively, in 2020. The rate used to determine the amount of borrowing cost eligible for capitalization is 2.69% and 3.37% in 2021 and 2020, respectively (see Note 16).



Mine development costs consist of the following:

**December 31, 2021:**

	Mining Properties	Development Costs	Mine Rehabilitation Costs	Total
<b>Cost:</b>				
Balances at beginning of year	₱1,217,409	₱31,365,089	₱16,923	₱32,599,421
Reclassifications	—	157,665	—	157,665
Change in estimate (Note 17)	—	—	(10,461)	(10,461)
Cumulative translation adjustment	79,635	2,002,296	685	2,082,616
<b>Balances at end of year</b>	<b>1,297,044</b>	<b>33,525,050</b>	<b>7,147</b>	<b>34,829,241</b>
<b>Accumulated depletion:</b>				
Balances at beginning of year	294,497	8,699,180	614	8,994,291
Depletion	37,385	1,791,659	312	1,829,356
Reversal of impairment loss (Note 27)	—	(105,747)	—	(105,747)
Cumulative translation adjustment	23,756	613,689	49	637,494
<b>Balances at end of year</b>	<b>355,638</b>	<b>10,998,781</b>	<b>975</b>	<b>11,355,394</b>
<b>Net book values</b>	<b>₱941,406</b>	<b>₱22,526,269</b>	<b>₱6,172</b>	<b>₱23,473,847</b>

**December 31, 2020:**

	Mining Properties	Development Costs	Mine Rehabilitation Costs	Total
<b>Cost:</b>				
Balances at beginning of year	₱1,287,304	₱31,839,493	₱8,758	₱33,135,555
Reclassifications	—	1,212,239	—	1,212,239
Change in estimate (Note 17)	—	—	8,617	8,617
Cumulative translation adjustment	(69,895)	(1,686,643)	(452)	(1,756,990)
<b>Balances at end of year</b>	<b>1,217,409</b>	<b>31,365,089</b>	<b>16,923</b>	<b>32,599,421</b>
<b>Accumulated depletion:</b>				
Balances at beginning of year	284,269	6,992,756	397	7,277,422
Depletion	29,339	2,043,389	245	2,072,973
Provision for impairment loss	—	105,747	—	105,747
Cumulative translation adjustment	(19,111)	(442,712)	(28)	(461,851)
<b>Balances at end of year</b>	<b>294,497</b>	<b>8,699,180</b>	<b>614</b>	<b>8,994,291</b>
<b>Net book values</b>	<b>₱922,912</b>	<b>₱22,665,909</b>	<b>₱16,309</b>	<b>₱23,605,130</b>

*Revaluation Increment on Land at Revalued Amount*

The fair value of the land amounted to ₱504,500 as at December 31, 2021 and 2020 based on the latest valuation obtained 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 as at December 31, 2020 (see Note 25). The enactment of the CREATE Act resulted in the increase in revaluation increment on land to ₱320,217. The carrying amount of the land had it been carried using the cost model is ₱77,544 as at December 31, 2021 and 2020.



*Fully Depreciated Property, Plant and Equipment*

Fully depreciated property, plant and equipment still used by the Group amounted to ₱5,167,102 and ₱5,586,650 as at December 31, 2021 and 2020, 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 2021, 2020 and 2019 with cost amounting to ₱42, ₱864 and ₱4,728, respectively and corresponding accumulated depreciation of ₱30, ₱864 and ₱4,728, respectively. Proceeds from the sales in 2021, 2020 and 2019 amounted to ₱12, ₱375 and ₱1,640, respectively, and the Group recognized gains on the disposal of items of property, plant and equipment amounting to nil, ₱375 and ₱1,640 in 2021, 2020 and 2019, respectively.

*Retirements*

Total cost of property and equipment retired in 2021, 2020 and 2019 amounted to ₱1,527,663, ₱573,048 and ₱575,680, respectively, with corresponding accumulated depreciation of ₱1,473,076, ₱572,380 and ₱574,683, respectively. The said retirements resulted in losses amounting to ₱90,587, ₱691 and ₱1,019 in 2021, 2020 and 2019, respectively.

*Impairment Loss*

Provision for impairment losses on property, plant and equipment amounted to ₱538,151 (see Note 27). The provision pertains to specific individual assets such as trucks, dewatering facility, molybdenum plant and pumps. Management recognized the provision for impairment losses on the assessment that the said assets are damaged, obsolete and no longer operational. In 2021, the Group reversed the said impairment losses on property, plant and equipment (see Note 27).

*Collaterals*

The carrying value of the property, plant and equipment mortgaged as collaterals for various borrowings of the Group amounted to ₱363,377 and ₱708,703 as at December 31, 2021 and 2020, respectively (see Note 16).

*Commitments*

The Group has capital expenditure commitments amounting to ₱712,681 and ₱505,364 as at December 31, 2021 and 2020, respectively.

*Depreciation, Amortization and Depletion*

The allocation of depreciation, amortization and depletion is as follows:

	2021	2020	2019
Inventories (Note 7)	<b>₱188,442</b>	₱43,367	₱30,906
Mining and milling costs (Note 21)	<b>4,041,169</b>	4,376,898	3,536,656
General and administrative expenses (Note 22)	<b>31,864</b>	54,958	60,596
	<b>₱4,261,475</b>	₱4,475,223	₱3,628,158



## 10. Mining Rights and Goodwill

### *Mining Rights*

The carrying amount of mining rights amounted to ₱7,260,337 and ₱7,558,229 as at December 31, 2021 and 2020, respectively. The Group recognized depletion of mining rights amounting to ₱297,892, ₱232,577 and ₱199,152 in 2021, 2020 and 2019, respectively. The Group recognized the related reversal of deferred tax liability arising from the depletion of mining rights amounting to ₱74,473, ₱69,773 and ₱59,746 in 2021, 2020 and 2019, respectively. The enactment of CREATE Act resulted in the additional reversal of deferred tax liability on mining rights amounting to ₱377,911.

### *Goodwill*

The carrying amount of goodwill includes:

Balance as at December 31, 2021 and 2020:	
CCC	₱19,011,108
AHI	15,011
	<u>₱19,026,119</u>

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

The Group performed its annual impairment test as at December 31, 2021. The cash-generating unit is concluded to be the assets attributable to CCC, including goodwill, mining rights, and property, plant and equipment.

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, 2021 is 12.03%. 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 and gold prices
- e. Pre-tax discount rate

- a. Expected Life of the Project

The Group projected a 22-year expected life of the project, which is based on the remaining mineral ore reserves of the project and their capacity to mine those remaining mineral reserves.

The remaining mineral reserves are based on the updated mineral resources and mineral reserves estimates report, issued by an accredited competent person, prepared in accordance with the JORC Code which the Group adopted to comply with the 2020 PMRC (see Estimating Mineral Reserves in Note 3).



b. Future Production Levels and Costs

Future production levels and costs include direct and indirect costs used to concentrate the mined mineral 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 and Gold Prices

The Group considers the effect of commodity price changes. The Group considered the possible effect of the changes in the price of copper and gold 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, gold content, 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 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 12.03% and 9.56% as at December 31, 2021 and 2020, respectively.

No impairment loss on goodwill was recognized in 2021, 2020 and 2019.

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## 11. Quoted Equity Instrument

The Group's quoted equity instrument amounted to nil as at December 31, 2021 and 2020, net of allowance for impairment loss amounting to ₱2,867.



## 12. Investments in Associates

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

Company	Principal Activities
TMM Management, Inc. (TMI)	Management Services
Ulugan Resources Holdings, Inc. (URHI)	Holding Company
Ulugan Nickel Corporation (UNC)	Mining
Nickeline Resources Holdings, Inc. (NRHI)	Holding Company
Berong Nickel Corporation (BNC)	Mining

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, 2021 and 2020, the percentages of ownership of investment in associates are as follows:

a.) TMI	60.00%	direct interest
b.) URHI	70.00%	direct interest
c.) UNC	42.00%*	effective interest
d.) NRHI	42.00%*	effective interest
e.) BNC	25.20%*	effective interest

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

As at December 31, 2021 and 2020, the movements in the investments in associates account are as follows:

	2021	2020	2019
Balances at beginning of year	<b>₱237,524</b>	₱226,189	₱221,682
Accumulated equity:			
Share in net income	<b>222,005</b>	112,135	80,233
Dividend income	<b>(201,600)</b>	(100,800)	(75,726)
Balances at end of year	<b>₱257,929</b>	₱237,524	₱226,189

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, 2021 and 2020, which are accounted for under the equity method, follow:

	2021	2020
Current assets	<b>₱641,214</b>	₱856,014
Noncurrent assets	<b>272,985</b>	283,001
Total assets	<b>914,199</b>	1,139,015
Current liabilities	<b>324,866</b>	704,861
Noncurrent liabilities	<b>124,183</b>	33,250
Total liabilities	<b>449,049</b>	738,111
Net assets	<b>465,150</b>	400,904
Net income	<b>₱1,631,500</b>	₱832,010
Other comprehensive income	<b>748</b>	1,344
Total comprehensive income	<b>₱1,632,248</b>	₱833,354

### 13. Other Noncurrent Assets

This account consists of:

	2021	2020
Input VAT (net of allowance for impairment losses of ₱377,259 and ₱355,266 as at December 31, 2021 and 2020, respectively)	<b>₱1,246,271</b>	₱1,278,742
MRF	<b>86,753</b>	85,856
Deposits and advances to suppliers	<b>18,971</b>	81,541
SDMP fund	<b>68,510</b>	68,493
Investment in unit investment trust fund	<b>28,699</b>	26,972
Deferred mine exploration costs	<b>16,707</b>	16,707
Refundable deposits	<b>3,169</b>	3,113
Others	<b>9,902</b>	8,602
	<b>₱1,478,982</b>	₱1,570,026

#### Input VAT

The Group, through CCC, was able to monetize tax credit certificates from the Bureau of Customs (BOC) amounting to ₱271,776, ₱163,237 and ₱495,295 in 2021, 2020 and 2019, respectively.

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

	2021	2020	2019
Balances at beginning of year	<b>₱355,266</b>	₱210,952	₱219,042
Provision (Note 27)	<b>20</b>	160,341	—
Cumulative translation adjustment	<b>21,973</b>	(16,027)	(8,090)
Balances at end of year	<b>₱377,259</b>	₱355,266	₱210,952

Provisions for impairment losses on input VAT amounting to ₱20 and ₱160,341 in 2021 and 2020, respectively (see Note 27) pertain mainly to input VAT that have been disallowed by the Bureau of Internal Revenue (BIR), BOC and Court of Tax Appeals.



#### 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.

#### 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 2021 and 2020.

#### 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 ₱873, ₱1,615 and ₱4,344 in 2021, 2020 and 2019 respectively (see Note 26).

#### SDMP Fund

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

Interest income earned from SDMP fund amounted to nil, ₱518 and ₱137 in 2021, 2020 and 2019 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 Banco de Oro (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 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, 2021 and 2020, the Group has investment in unit investment trust fund amounting to ₱28,699 and ₱26,972, which have been measured at fair value. Unrealized gain on investment in unit investment trust fund, presented under Others - net in the consolidated statement of comprehensive income, amounted to ₱54, ₱562 and ₱922 in 2021, 2020 and 2019, respectively, with cumulative translation adjustment of ₱1,673, ₱1,455 and ₱1,056 in 2021, 2020 and 2019, respectively.

#### Refundable Deposits

Refundable 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.

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

This account consists of:

	2021	2020
Trade	<b>₱1,066,546</b>	₱1,285,436
Nontrade	<b>144,977</b>	615,047
Accrued expenses		
Coal	<b>214,308</b>	47,531
Services	<b>80,447</b>	50,265
Rental	<b>68,168</b>	126,810
Power and other utilities	<b>28,656</b>	62,838
Personnel	<b>27,546</b>	25,309
Others	<b>215,968</b>	243,773
Government payables	<b>130,867</b>	123,695
Interest (Note 16)	<b>67,410</b>	47,283
Contract liability	—	195,037
	<b>₱2,044,893</b>	<b>₱2,823,024</b>

#### 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 2018, the Group has obtained trust receipts with a total amount of ₱158,434, with various maturities in 2019, and interest rates of 3.13% to 4.00%. The Company has no remaining trust receipts as at December 31, 2021.

Interest expense recognized related to trust receipts amounted to nil, nil and ₱1,910 in 2021, 2020 and 2019, respectively (see Note 26).

#### Contract liability

Contract liability pertains to the advance payment received from one of its customers. In July 2019, the Company received \$20.0 million as advance payment for the shipment of 50,000 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, \$4.0 million was offset against the advance payments. This pertains to two shipments delivered in November and December 2019.

In April 2020, the Company received from the same customer \$12.0 million as advance payment for the shipment of 30,000 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. Proceeds from shipments amounting to \$4.0 million, \$24.0 million and \$4.0 million were offset against the advance payments in 2021, 2020 and 2019, respectively.



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.

Nontrade and Other Accrued Expenses

Other accrued expenses include 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, insurance, contracted services and professional fees. 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, and machinery and other equipment used in its operations. Leases of office generally have lease terms between three and 10 years, while leases machinery and other equipment generally have lease terms between three and five 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, 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:

	2021	2020	2019
Expenses relating to leases of low-value assets included in general and administrative expenses (Note 22)	<b>₱38,403</b>	₱296,898	₱283,910
Amortization expense of right-of-use assets included in property and equipment (Note 9)	<b>2,127</b>	1,791	1,869
Interest expense on lease liabilities (Note 26)	<b>366</b>	156	323
Expenses relating to short-term leases included in mining and milling costs - others	—	—	513,538
Total amount recognized in statement of income	<b>₱40,896</b>	₱298,845	₱799,640



The rollforward analysis of the lease liability follows:

	2021	2020
As at January	₱782	₱2,942
Additions	10,753	—
Interest expense (Note 26)	366	156
Payments	(1,839)	(2,316)
As at December 31	10,062	782
Less noncurrent portion	7,506	—
	₱2,556	₱782

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:

	2021	2020
One year	₱2,556	₱782
More than one year up to five years	7,506	—

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

### a. Bank loans

The Group entered into various short-term, unsecured loans from different financial institutions. Outstanding balances as at December 31, 2021 and 2020 are as follows:

	2021	2020
China Banking Corporation (CBC)	₱—	₱6,242,990

#### 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 18, 2020 to mature on January 18, 2021. On various dates in 2021 and 2020, CCC made full principal payments of US\$130.0 million and partial principal payments of US\$40.0 million, respectively.

The interest expense recognized on the loans from CBC amounted to ₱147,188, ₱260,545 and ₱354,741 in 2021, 2020 and 2019, respectively (see Note 26). The accrued interest payable amounted to nil and ₱6,405 as at December 31, 2021 and 2020, respectively (see Note 14).

CCC capitalized borrowing cost amounting to ₱3,155 and ₱44,155 related to expenditures for machinery and equipment completed during the year and construction-in-progress in 2021 and 2020, respectively. The rate used to determine the amount of borrowing cost eligible for capitalization is 2.69% and 3.37% in 2021 and 2020, respectively (see Note 9).



2. Standard Chartered Bank (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 with maturity date of October 21, 2019 at an interest rate of 3.75% per annum. CCC fully paid the loan on June 18, 2019.

The related interest expense recognized on the loans from SCB amounted to nil, nil and ₱25,493 in 2021, 2020 and 2019, respectively (see Note 26).

3. Rizal Commercial Banking Corporation (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 and matured 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 nil, nil and ₱12,282 in 2021, 2020 and 2019, respectively (see Note 26).

4. Land Bank of the Philippines (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 and matured 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 loan 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, which matured within 2018 and has interest rates of 4.03% to 4.90%, respectively. CCC fully paid the loans on October 30, 2018.

The interest expense recognized on the loans from LBP amounted to nil, nil and ₱9,823 in 2021, 2020 and 2019, respectively (see Note 26).

5. Banco De Oro Unibank, Inc. (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 and matured on December 16, 2019 with interest rate of 4.00%.

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 with maturity date of 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 nil, nil and ₱7,144 in 2021, 2020 and 2019, respectively (see Note 26).



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 and matured 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\$2.0 million in 2018. The loans were fully paid on June 18, 2019.

The interest expense recognized amounted to nil, nil and ₱574 in 2021, 2020 and 2019, respectively (see Note 26).

Presented below is the summary of interest expense recognized on bank loans (see Note 26):

	2021	2020	2019
CBC	<b>₱147,188</b>	₱260,545	₱354,741
SCB	—	—	25,493
RCBC	—	—	12,282
LBP	—	—	9,823
BDO	—	—	7,144
Security Bank	—	—	574
Balances at end of year	<b>₱147,188</b>	<b>₱260,545</b>	<b>₱410,057</b>

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

The Group's long-term debts and other interest-bearing liabilities as at December 31, 2021 and 2020 are as follows:

	2021	2020
CBC	<b>₱8,841,676</b>	₱—
BDO	<b>6,361,593</b>	13,686,677
SMIC (Note 23)	<b>5,526,604</b>	5,204,104
BDO Leasing & Finance, Inc. (BDO Leasing)	<b>134,286</b>	326,945
Anglo Philippine Holdings Corporation (APHC; Note 23)	—	463,843
Alakor Corporation (Alakor; Note 23)	—	114,340
	<b>20,864,159</b>	19,795,909
Less non-current portion	<b>18,271,722</b>	19,601,464
	<b>₱2,592,437</b>	<b>₱194,445</b>

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

	2021	2020
Due in:		
2022	<b>₱2,592,437</b>	₱—
2024	<b>11,724,976</b>	194,445
2025 and thereafter	<b>6,546,746</b>	19,601,464
	<b>₱20,864,159</b>	<b>₱19,795,909</b>



#### Restructuring of loans

On September 15, 2020, an amendment to the loan's nominal interest rates was agreed between BDO and the Group, changing the incremental nominal interest rates to a fixed single rate of 5.37%. The amendment was effective starting September 16, 2020 until maturity of loan. The change on the interest rate was assessed by the Group as a substantial modification which resulted in the derecognition of the old loan and recognition of new financial liability. Loss on loan restructuring recognized in the consolidated statement of comprehensive income amounted to ₱11,903 in 2020 (see Note 27).

On September 20, 2020, an amendment to the loan's nominal interest rate was agreed between the Shareholders and the Company, changing the incremental nominal interest rates to a fixed single rate of 5.37%. The amendment was effective starting September 21, 2020 until maturity of loan. The change on the interest rate was assessed by the Group as a substantial modification which resulted in the derecognition of the old loans and recognition of new financial liabilities. Gain on loan restructuring recognized on loans from SMIC, APHC and Alakor amounted to ₱336,635, ₱30,001 and ₱7,396, respectively in 2020 (see Note 27). The total gain on loan restructuring attributable to the shareholders in the 2020 consolidated statement of comprehensive income amounted to ₱374,032.

Presented below is the summary of gains (losses) on the loan restructuring (see Note 27):

	2020
SMIC	₱336,635
APHC	30,001
Alakor	7,396
	374,032
BDO	(11,903)
Total	₱362,129

#### 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. On various dates in 2021 and 2020, the Company made partial principal payments amounting to US\$162.6 million and US\$30.0 million, respectively.

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 98.00% is payable at the end of the term. CCC can prepay the loan in part or full together with accrued interest thereof to prepayment date, subject to a 1% penalty for foreign currency borrowing and 3% penalty for peso borrowing. Prepayment penalty or breakfunding cost on outstanding principal amount under the facility shall



be waived subject to at least fifteen (15) days prior written notice. The loan is guaranteed by a shareholder through a certificate of time deposit. Consequently, the Group recognized other current liability amounting to ₱1,870,312. As at December 31, 2021 and 2020, the other current liability amounted to ₱1,910,355 and ₱1,798,878 respectively.

#### *Restructuring of Loans*

On September 15, 2020, an amendment to the loan's nominal interest rates was agreed between BDO and the Group, changing the incremental nominal interest rates to a fixed single rate of 5.37%. The amendment was effective starting September 16, 2020 until maturity of loan. The change on the interest rate was assessed by the Group as a substantial modification which resulted in the derecognition of the old loan and recognition of new financial liability. Loss on loan restructuring recognized in the consolidated statement of comprehensive income amounted to ₱11,903 in 2020 (see Note 27).

The interest expense recognized on the subordinated term loan, excluding the amortization of debt issue costs, amounted to ₱578,879, ₱900,760 and ₱872,989 in 2021, 2020 and 2019, respectively (see Note 26). The amortization of debt issue cost recognized on the subordinated term loan amounted to ₱116,882, ₱274,597 and ₱484,782 in 2021, 2020 and 2019, respectively (Note 26). The total accrued interest payable to BDO amounted to ₱12,744 and ₱31,665 as at December 31, 2021 and 2020, respectively (see Note 14).

The carrying value of the loan as at December 31, 2021 and 2020 amounted to ₱ 6,361,593 and ₱13,686,677, respectively, net of debt issue costs with carrying value of ₱134,994 and ₱239,993 as at December 31, 2021 and 2020, respectively.

The movements in unamortized debt issue cost follow:

	2021	2020	2019
Balances at beginning of year	<b>₱239,993</b>	₱545,384	₱1,058,524
Amortization (Note 26)	<b>(116,882)</b>	(274,597)	(484,782)
Effect of loan restructuring	—	(11,903)	—
Cumulative translation adjustment	<b>11,883</b>	(18,891)	(28,358)
Balances at end of year	<b>₱134,994</b>	₱239,993	₱545,384

## 2. SMIC, APHC and Alakor

On March 21, 2017, CCC availed of unsecured loans from SMIC, APHC and Alakor 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. CCC, at its option, prepay the loans in part or full together with accrued interest and other charges accruing thereon up to the date of prepayment with no penalty. In July 2020, December 2019, and August 2017, CCC made partial payments to the lenders amounting to US\$10.0, US\$12.0 and US\$25.4 million, respectively. On November 8, 2021, CCC fully paid the outstanding loans from APHC and Alakor amounting to US\$9.659 million and US\$2.381 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.



### *Restructuring of Loans*

On September 20, 2020, an amendment to the loan's nominal interest rate was agreed between the Shareholders and the Company, changing the incremental nominal interest rates to a fixed single rate of 5.37%. The amendment was effective starting September 21, 2020 until maturity of loan. The change on the interest rate was assessed by the Group as a substantial modification which resulted in the derecognition of the old loans and recognition of new financial liabilities. Gain on loan restructuring recognized on loans from SMIC, APHC and Alakor amounted to ₱336,635, ₱30,001 and ₱7,396, respectively in 2020 (see Note 27). The total gain on loan restructuring attributable to the shareholders in the 2020 consolidated statement of comprehensive income amounted to ₱374,032.

The interest expense recognized on the said loans, excluding amortization of debt issue costs, amounted to ₱318,401, ₱404,697 and ₱431,120 in 2021, 2020 and 2019, respectively (see Note 26). The amortization of debt issue costs recognized amounted to nil, ₱32,046 and ₱111,784 in 2021, 2020 and 2019, respectively. The total accrued interest payable amounted to ₱9,975 and ₱9,213 as at December 31, 2021 and 2020, respectively (see Note 14).

The carrying value of the loans as at December 31, 2021 and 2020 amounted to ₱5,526,604 and ₱5,782,287, respectively.

The movements in unamortized debt issue cost follow:

	2021	2020	2019
Balances at beginning of year	₱—	₱349,380	₱249,307
Effect of loan restructuring	—	(374,032)	—
Amortization (Note 26)	—	32,046	111,784
Cumulative translation adjustment	—	(7,394)	(11,711)
Balances at end of year	₱—	₱—	₱349,380

### 3. CBC

On November 4, 2021, the Company entered into a term loan agreement with CBC, which makes available to the Company a loan facility with an aggregate amount of US\$420.0 million at an interest rate of 3.75% per annum payable every quarter. The loan is payable within five years from the date of the first drawdown. The proceeds from the loan facility shall be exclusively used by the Company to refinance its existing shareholders' loans, the loan from CBC and the loan from BDO. The loan is not covered by any guarantee or collateral.

On November 8 2021, the Company has drawn from the loan facility a total amount of US\$174.6 million, which was used to fully settle its loans from CBC, APHC and Alakor, and partially settle its BDO loan. The Group recognized debt issue cost amounting to ₱66,806.

The interest expense recognized on the loan, excluding amortization of debt issue costs, amounted to ₱44,691 in 2021 (see Note 26). Amortization of debt issue costs amounted to ₱3,372 in 2021 (see Note 26). The total accrued interest payable amounted to ₱44,691 as at December 31, 2021 (see Note 14).

The carrying value of the loan as at December 31, 2021, amounted to ₱8,841,676, net of unamortized debt issue cost amounting to ₱63,434.



4. 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 ₱363,377 and ₱708,703 as at December 31, 2021 and 2020, respectively (see Note 9).

The interest expense on the said facilities amounted to ₱12,674, ₱22,991 and ₱36,488 in 2021, 2020 and 2019, respectively (see Note 26).

5. 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% repriced annually. The related interest expense recognized amounted to nil, nil and ₱1,705 in 2021, 2020 and 2019, respectively (see Note 26). The loans were fully paid on May 31, 2019.

Presented below is the summary of interest expense recognized on long-term debts (see Note 26):

	2021	2020	2019
BDO	<b>₱578,879</b>	₱900,760	₱872,989
Shareholders Loan:			
SMIC	<b>290,786</b>	364,311	388,019
APHC	<b>22,154</b>	32,400	34,584
Alakor	<b>5,461</b>	7,986	8,517
CBC	<b>44,691</b>	—	—
BDO Leasing	<b>12,674</b>	22,991	36,488
LBP Leasing	—	—	1,705
Balances at end of year	<b>₱954,645</b>	₱1,328,448	₱1,342,302

Presented below is the summary of accrued interest on long-term debts (see Note 14):

	2021	2020
BDO	<b>₱12,744</b>	₱31,665
Shareholders' Loan:		
SMIC	<b>9,975</b>	8,368
APHC	—	678
Alakor	—	167
CBC	<b>44,691</b>	—
Balances at end of year	<b>₱67,410</b>	₱40,878



## 17. Liability for Mine Rehabilitation

Movements in the liability for mine rehabilitation are as follows:

	2021	2020	2019
Balances at beginning of year	<b>₱74,187</b>	₱68,334	₱77,732
Accretion of interest (Note 26)	<b>1,913</b>	787	558
Change in accounting estimate (Note 9)	<b>(10,461)</b>	8,617	(7,068)
Cumulative translation adjustment	<b>4,300</b>	(3,551)	(2,888)
Balances at end of year	<b>₱69,939</b>	₱74,187	₱68,334

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 2021, the estimated discounted 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, 2021 and 2020, the decrease/increase in the liability for mine rehabilitation amounted to ₱10,461 and ₱8,617, respectively. Discount rates used by the Group in determining the present value of the future rehabilitation costs is 3.98% and 2.55% as at December 31, 2021 and 2020, respectively.

## 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:

	2021		2020	
	No. of Shares	Amount	No. of Shares	Amount
Authorized - (₱1 par value)	<b>8,890,000,000</b>	<b>₱8,890,000</b>	8,890,000,000	₱8,890,000
Issued	<b>2,087,032,774</b>	<b>2,087,033</b>	2,087,032,774	2,087,033
Subscribed	<b>1,472,500,000</b>	<b>1,472,500</b>	1,472,500,000	1,472,500
Total shares issued and subscribed	<b>3,559,532,774</b>	<b>₱3,559,533</b>	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 shareholders:

Subscriber	No. of shares subscribed	Total subscription price	Par value amount	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 (VWAP) 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, which 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 Securities Exchange Commission (SEC) approved the Parent Company's application to increase its ACS and amendment of its articles of incorporation.

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

As at December 31, 2021 and 2020, 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, 2021, 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 VWAP 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/subscribed	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 subscribed common shares	8,890,000,000	1,472,500,000	1.00	1,472,500
As at December 31, 2021		8,890,000,000	3,559,532,774	₱1.00	₱3,559,533

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.

Additional paid-in capital amounted to ₱19,650,936 as at December 31, 2021 and 2020. This includes additional paid-in capital amounting to ₱28,886 from 2014 and prior years.

Retained Earnings

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

	2021	2020
Beginning balances	₱13,830,614	₱13,712,921
Net income	3,861,585	117,693
Ending balances	₱17,692,199	₱13,830,614

*Dividend Declaration*

There were no dividends declared and paid in 2021 and 2020.

d. Number of Shareholders

As at December 31, 2021 and 2020, the Parent Company has 20,699 and 20,722 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 three years: 2021, 2020 and 2019.

## 20. Revenues from Contracts with Customers

Revenue from contracts with customers is disaggregated into the following:

	2021	2020	2019
<b>Type of goods</b>			
Copper concentrate containing:			
Copper	₱16,594,063	₱14,420,431	₱14,580,608
Gold	1,909,302	3,884,677	2,547,096
Silver	—	11,049	883
Smelting and related charges	(565,782)	(806,957)	(965,642)
<b>Total revenues from contracts with customers</b>	<b>₱17,937,583</b>	<b>₱17,509,200</b>	<b>₱16,162,945</b>

All revenue from copper concentrate is recognized at a point in time when control transfers to the buyers.



## 21. Mining and Milling Costs

Mining and milling costs consists of:

	2021	2020	2019
Depreciation and depletion (Note 9)	<b>₱4,041,169</b>	<b>₱4,376,898</b>	<b>₱3,536,656</b>
Materials and supplies (Note 7)	<b>3,160,942</b>	3,369,345	4,157,433
Communication, electricity and water	<b>2,271,355</b>	2,061,657	2,453,950
Personnel costs (Note 22)	<b>628,178</b>	645,563	689,966
Contracted services	<b>343,031</b>	570,840	594,837
Other costs	<b>182,544</b>	237,834	588,185
	<b>₱10,627,219</b>	<b>₱11,262,137</b>	<b>₱12,021,027</b>

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 ₱701,718, ₱685,120 and ₱653,678 in 2021, 2020 and 2019, respectively, pertain to the taxes paid and accrued by the Group related to the production of copper concentrate.

## 22. General and Administrative Expenses

	2021	2020	2019
Personnel costs	<b>₱566,786</b>	<b>₱421,172</b>	<b>₱385,113</b>
Taxes and licenses	<b>154,685</b>	169,259	233,161
Professional fees	<b>133,266</b>	89,324	75,472
Community assistance	<b>55,520</b>	54,346	50,735
Rentals (Note 15)	<b>38,403</b>	296,898	283,910
Depreciation, amortization and depletion (Note 9)	<b>31,864</b>	54,958	60,596
Insurance	<b>31,323</b>	27,874	26,389
Communication, light and water	<b>21,008</b>	18,620	24,254
Materials and supplies (Note 7)	<b>19,894</b>	14,482	21,623
Transportation and travel	<b>16,060</b>	9,572	16,822
Entertainment, amusement and recreation	<b>9,799</b>	8,702	7,361
Repairs and maintenance	<b>764</b>	764	1,037
Provision for expected credit losses (Note 5)	<b>5</b>	41,683	—
Provision for inventory loss (Note 7)	—	176,766	7
Bond premium expense	—	—	—
Others	<b>51,516</b>	12,514	51,040
	<b>₱1,130,893</b>	<b>₱1,396,934</b>	<b>₱1,237,520</b>

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

Others consist primarily of insurance fees, diesel fuel costs, 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:

	2021	2020	2019
Salaries and wages	<b>₱958,693</b>	₱919,553	₱939,870
Retirement benefits cost (Note 24)	<b>53,191</b>	45,626	34,525
Other employee benefits	<b>183,080</b>	101,556	100,684
	<b>₱1,194,964</b>	<b>₱1,066,735</b>	<b>₱1,075,079</b>

	2021	2020	2019
Mining and milling costs (Note 21)	<b>₱628,178</b>	₱645,563	₱689,966
General and administrative expenses (Note 22)	<b>566,786</b>	421,172	385,113
	<b>₱1,194,964</b>	<b>₱1,066,735</b>	<b>₱1,075,079</b>

## 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 the Revised SRC Rule 68.

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:

2021				
	Amount/ Volume	Outstanding Balance	Terms	Conditions
Associates				
Receivables (Note 5)				
BNC	₱–	₱–	On demand; non-interest bearing	Unsecured, no guarantee
URHI	–	3,006	On demand; non-interest bearing	Unsecured, no guarantee
UNC	–	14,824	On demand; non-interest bearing	Unsecured, no guarantee
	₱–	₱17,830		



**Entities with significant influence over the Group**

**Loans (Note 16)**

<b>SMIC</b>	<b>₱322,500</b>	<b>₱5,526,604</b>	Interest-bearing; 5.37%; repriceable at the option of the lender at prevailing market rates	Unsecured, no guarantee
<b>APHC</b>	<b>(463,843)</b>	—	Interest-bearing; 5.37%; repriceable at the option of the lender at prevailing market rates	Unsecured, no guarantee
<b>Alakor</b>	<b>(114,340)</b>	—	Interest-bearing; 5.37%; repriceable at the option of the lender at prevailing market rates	Unsecured, no guarantee
	<b>(₱255,683)</b>	<b>₱5,526,604</b>		

2020				
	Amount/ Volume	Outstanding Balance	Terms	Conditions
<b>Associates</b>				
<b>Receivables (Note 5)</b>				
BNC	(₱50,297)	₱—	On demand; non-interest bearing	Unsecured, no guarantee
URHI	—	3,006	On demand; non-interest bearing	Unsecured, no guarantee
UNC	(1,126)	14,824	On demand; non-interest bearing	Unsecured, no guarantee

**Entities with significant influence over the Group**

**Receivables (Note 5)**

<b>Alakor</b>	<b>(8)</b>	—	On demand; non-interest bearing	Unsecured, no guarantee
	<b>(₱51,431)</b>	<b>₱17,830</b>		

**Entities with significant influence over the Group**

**Loans (Note 16)**

<b>SMIC</b>	<b>₱1,053,222</b>	<b>₱5,204,104</b>	Interest-bearing; 5.37%; repriceable at the option of the lender at prevailing market rates	Unsecured, no guarantee
<b>APHC</b>	<b>93,870</b>	<b>463,843</b>	Interest-bearing; 5.37%; repriceable at the option of the lender at prevailing market rates	Unsecured, no guarantee
<b>Alakor</b>	<b>23,140</b>	<b>114,340</b>	Interest-bearing; 5.37%; repriceable at the option of the lender at prevailing market rates	Unsecured, no guarantee
	<b>₱1,170,232</b>	<b>₱5,782,287</b>		

**a. Compensation of key management personnel**

The Group considers all senior officers as key management personnel.

	<b>2021</b>	<b>2020</b>	<b>2019</b>
Short-term benefits	<b>₱95,360</b>	₱64,666	₱69,844
Retirement benefits	<b>4,055</b>	558	6,985
	<b>₱99,415</b>	<b>₱65,224</b>	<b>₱76,829</b>



## 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, 2021, 2020 and 2019:

	2021		2020		2019	
	Retirement benefits liability	Retirement benefits costs	Retirement benefits liability	Retirement benefits costs	Retirement benefits liability	Retirement benefits costs
Parent Company	<b>₱10,691</b>	<b>₱1,819</b>	₱10,209	₱1,479	₱7,385	₱1,537
CCC	<b>552,351</b>	<b>71,927</b>	544,081	65,244	474,845	51,024
	<b>₱563,042</b>	<b>₱73,746</b>	₱554,290	₱66,723	₱482,230	₱52,561

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

	2021	2020
Balances at beginning of year	<b>₱53,438</b>	₱94,069
Effect of CREATE Act	<b>3,817</b>	—
Actuarial gains (losses):		
Financial assumptions	<b>66,471</b>	(47,094)
Experience adjustments	<b>(11,656)</b>	7,743
	<b>54,815</b>	(39,351)
Cumulative translation adjustment	<b>(7,764)</b>	(1,280)
Remeasurement gain on retirement benefits liability		
- net of tax	<b>₱104,306</b>	₱53,438

### Parent Company Retirement Benefits Liability

The details of retirement benefits cost follow:

	2021	2020	2019
Current service cost (Note 22)	<b>₱1,433</b>	₱1,117	₱1,073
Interest cost (Note 26)	<b>386</b>	362	464
	<b>₱1,819</b>	₱1,479	₱1,537



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

	2021	2020	2019
Balances at beginning of year	<b>₱10,209</b>	₱7,385	₱8,940
Current service cost (Note 22)	<b>1,433</b>	1,117	1,073
Interest cost (Note 26)	<b>386</b>	362	464
Actuarial losses (gains):			
Financial assumptions	<b>(1,525)</b>	1,165	1,688
Experience adjustments	<b>188</b>	180	(501)
Demographic assumptions	—	—	375
Benefits paid	—	—	(4,654)
Balances at end of year	<b>₱10,691</b>	₱10,209	₱7,385

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:

	2021	2020	2019
Discount rate	<b>5.09%</b>	3.78%	4.90%
Expected rate of salary increase	<b>5.00%</b>	5.00%	5.00%
	<b>17% at age 18</b>	17% at age 18	17% 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)	2021	2020
Discount rates	+1%	<b>(₱9,712)</b>	(₱1,048)
	-1%	<b>11,823</b>	1,221
Salary increase rate	+1%	<b>₱11,871</b>	₱1,250

The Parent Company does not expect to contribute to the defined retirement benefits plan in 2022. 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, 2021 and 2020:

	2021	2020
Less than one year	<b>₱–</b>	<b>₱–</b>
More than one year to five years	<b>10,136</b>	–
More than five years to 10 years	<b>1,674</b>	10,331
More than 10 years to 15 years	–	1,699
More than 15 years to 20 years	<b>36,867</b>	28,648
More than 20 years	<b>5,097</b>	4,663
	<b>₱53,774</b>	<b>₱45,341</b>

The average duration of the defined retirement benefits liability as at December 31, 2021 and 2020 is 14.9 years and 15.23 years, respectively.

#### CCC Retirement Benefits Liability

The details of retirement benefits costs follow:

	2021	2020	2019
Current service cost (Note 22)	<b>₱51,758</b>	₱44,509	₱33,452
Interest cost (Note 26)	<b>20,169</b>	20,735	17,572
	<b>₱71,927</b>	<b>₱65,244</b>	<b>₱51,024</b>

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

	2021	2020	2019
Balances at beginning of year	<b>₱544,081</b>	₱474,845	₱299,367
Current service cost (Note 22)	<b>51,758</b>	44,509	33,452
Interest cost (Note 26)	<b>20,169</b>	20,735	17,572
Actuarial losses (gains):			
Experience adjustments	<b>15,352</b>	(11,242)	11,495
Demographic assumptions	–	–	–
Financial assumptions	<b>(87,102)</b>	66,112	141,558
Benefits paid	<b>(30,227)</b>	(25,261)	(13,525)
Cumulative translation adjustment	<b>38,320</b>	(25,617)	(15,074)
Balances at end of year	<b>₱552,351</b>	<b>₱544,081</b>	<b>₱474,845</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:

	2021	2020	2019
Discount rate	<b>5.14%</b>	3.96%	5.01%
Expected rate of salary increase	<b>6.00%</b>	6.00%	6.00%
	<b>9% at age 18 decreasing to 0% at age 65</b>	9% at age 18 decreasing to 0% at age 65	9% at age 18 decreasing to 0% at age 65
Turnover rate			



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)	2021	2020
Discount rates	+1%	<b>(P58,298)</b>	(P65,571)
	-1%	<b>70,168</b>	79,746
Salaries increased rates	+1%	<b>P71,310</b>	P79,875

CCC does not expect to contribute to the defined retirement benefits plan in 2022. 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, 2021 and 2020:

	2021	2020
Less than one year	<b>P18,663</b>	P14,578
More than one year to five years	<b>89,943</b>	84,063
More than five years to 10 years	<b>262,493</b>	238,566
More than 10 years to 15 years	<b>391,733</b>	356,658
More than 15 years to 20 years	<b>556,184</b>	519,487
More than 20 years	<b>1,829,998</b>	1,673,376
	<b>P3,149,014</b>	P2,886,728

The average duration of the defined retirement benefits liability as at December 31, 2021 and 2020 is 21.26 years and 21.15 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:

	2021	2020	2019
Current	<b>P1,039,115</b>	P134,439	P109,302
Effect of CREATE Act – current	<b>(33,344)</b>	–	–
Effect of CREATE Act – deferred	<b>(290,095)</b>	–	–
Deferred	<b>(151,638)</b>	861,237	606,481
	<b>P564,038</b>	P995,676	P715,783

The provision for current income tax pertains to the RCIT and MCIT in 2021 and MCIT in 2020 and 2019.



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 2021 and 2020, 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:

	2021	2020
Allowance for impairment losses on:		
Provision for inventory obsolescence	<b>₱316,239</b>	₱316,239
Unrealized foreign exchange losses	<b>211</b>	273,835
Carry-forward benefits of:		
NOLCO	<b>53,976</b>	102,856
MCIT	<b>90</b>	191
Provision for expected credit loss	<b>37,251</b>	37,246
Retirement benefits liability	<b>10,683</b>	8,864
Allowance for impairment losses on quoted equity instrument	<b>2,867</b>	2,867
Allowance for impairment of input VAT	<b>54</b>	41
	<b>₱421,371</b>	₱742,139

The components of deferred tax liabilities of the Parent Company as at December 31, 2021 and 2020 are as follows:

	2021	2020
<i>Recognized directly in profit or loss</i>		
Deferred tax liability:		
Mining rights	<b>₱1,824,871</b>	₱2,277,256
Unrealized foreign exchange gains	<b>805</b>	2,860
Effect of PFRS 16	<b>123</b>	116
	<b>1,825,799</b>	2,280,232
<i>Recognized in other comprehensive income</i>		
Revaluation increment on land	<b>106,739</b>	128,087
Remeasurement gain on retirement benefits liability	<b>4,900</b>	5,482
	<b>111,639</b>	133,569
Deferred tax liabilities	<b>₱1,937,438</b>	₱2,413,801

CCC

The components of deferred tax assets of CCC as at December 31, 2021 and 2020:

	2021	2020
<i>Recognized directly in profit or loss</i>		
Deferred tax assets:		
Unrealized foreign exchange losses	<b>₱346,494</b>	₱532,810
Excess of MCIT over RCIT	—	358,950
NOLCO	—	161,570
Provision for impairment losses:		
Property, plant and equipment	—	146,929
Input VAT	<b>86,913</b>	104,295

(Forward)



	2021	2020
Inventory obsolescence	<b>₱80,070</b>	₱96,691
Expected credit loss	<b>8,461</b>	10,154
Retirement benefits liability	<b>84,277</b>	92,361
Unrealized loss on hedging transactions	–	66,114
Liability for mine rehabilitation	<b>17,485</b>	22,256
	<b>623,700</b>	1,592,130
Deferred tax liabilities:		
Unrealized foreign exchange gains	<b>289,823</b>	945,071
Unrealized gain on hedging transactions	<b>12,839</b>	–
	<b>302,662</b>	945,071
<i>Recognized in other comprehensive income</i>		
Remeasurement loss (gain) on retirement benefits liability	<b>(39,072)</b>	62,926
Cumulative translation adjustments	<b>224,697</b>	122,159
	<b>185,625</b>	185,085
Deferred tax assets	<b>₱506,663</b>	₱832,144

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

As of December 31, 2021, the Group has NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three consecutive taxable years, as follows:

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Year	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2019	2020-2022	₱53,482	₱–	₱–	₱–	₱53,482
2018	2019-2021	1,164,878	577,212	49,098	538,568	–
		<b>₱1,218,360</b>	<b>₱577,212</b>	<b>₱49,098</b>	<b>₱538,568</b>	<b>₱53,482</b>

As of December 31, 2021, the Group has incurred NOLCO in taxable years 2021 and 2020 which can be claimed as deduction from the regular taxable income for the next five consecutive taxable years pursuant to the Bayanihan to Recover As One Act as follows:

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Year	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2021	2022-2026	₱219	₱–	₱–	₱–	₱219
2020	2021-2025	275	–	–	–	275
		<b>₱494</b>	<b>₱–</b>	<b>₱–</b>	<b>₱–</b>	<b>₱494</b>



As at December 31, 2021, the Group's MCIT that can be claimed as deduction against future taxable liabilities are as follows:

Year incurred	Available until	MCIT
2021	2024	₱4
2020	2023	₱19
2019	2022	67
		<b>₱90</b>

Movements in MCIT are as follows:

	2021	2020
MCIT:		
Beginning of year	<b>₱359,142</b>	₱296,257
Additions	<b>4</b>	133,378
Application	<b>(358,951)</b>	—
Expirations	<b>(105)</b>	(70,493)
End of year	<b>₱90</b>	₱359,142

- 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:

	2021	2020	2019
Provision for (benefit from)			
income tax at statutory			
income tax rates	<b>₱1,106,405</b>	₱776,681	₱45,179
Additions to (reductions in)			
income tax resulting from:			
Income exempt from			
income tax	<b>(576,270)</b>	(719,999)	(98,444)
Nondeductible expenses	<b>419,591</b>	754,440	186,636
Cumulative translation			
adjustments	<b>(369,359)</b>	(299,081)	103,257
Application of MCIT	<b>358,951</b>	—	—
Effect of CREATE Act	<b>(323,439)</b>	—	—
Application NOLCO	<b>134,642</b>	777,308	405,679
Depletion of mining rights	<b>(74,473)</b>	(69,773)	(59,746)
Movements on unrecognized			
deferred tax assets	<b>(67,946)</b>	(435,494)	(112,154)
Equity in net earnings in an			
associate	<b>(55,501)</b>	(33,641)	(24,070)
Expired NOLCO	<b>12,274</b>	48,146	128,553
Interest income subjected to			
final tax and others	<b>(946)</b>	(6,054)	(20,108)
Expired MCIT	<b>105</b>	69,764	51,947
Excess MCIT over RCIT	<b>4</b>	133,379	109,049
Effect of adoption of			
PFRS 16	—	—	5
	<b>₱564,038</b>	₱995,676	₱715,783



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

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

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

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity’s office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%;
- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; and
- Qualified export enterprises shall be entitled to 4 to 7 years income tax holiday (ITH) to be followed by 10 years 5% special corporate income tax (SCIT) or enhanced deductions (ED).

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

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

- This will result in lower deferred tax assets and liabilities as of December 31, 2020 by ₱269,717 and ₱559,812, respectively, and provision for deferred tax for the year then ended by ₱290,095. These reductions will be recognized in the 2021 financial statements.

The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Section 27 of the National Internal Revenue Code, as amended, provides that an MCIT of 2% (1% until June 20, 2023 under CREATE Act) 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:

	2021	2020	2019
Cash in banks (Note 4)	<b>₱802</b>	₱1,286	₱1,972
Short-term investments (Note 4)	<b>691</b>	14,566	62,129
Investment in pooled funds – SMIC (Note 8)	<b>1,419</b>	2,023	244
Other noncurrent assets (Note 13)	<b>873</b>	2,133	4,481
	<b>₱3,785</b>	₱20,008	₱68,826

Finance charges consists of:

	2021	2020	2019
Interest expense on loans and long-term debts and other interest-bearing liabilities (Note 16)	<b>₱1,098,678</b>	₱1,543,366	₱1,648,520
Amortization of debt issue cost (Note 16)	<b>120,254</b>	306,643	596,566
Interest cost on retirement benefits liability (Note 24)	<b>20,555</b>	21,097	18,036
Interest on trust receipts (Note 14)	–	–	1,910
Accretion of interest on liability for mine rehabilitation cost (Note 17)	<b>1,913</b>	787	558
Lease liability (Note 15)	<b>366</b>	156	323
	<b>₱1,241,766</b>	₱1,872,049	₱2,265,913

The Group capitalized borrowing costs amounting to ₱3,155, ₱44,155 and ₱103,839 in 2021, 2020 and 2019, respectively (see Note 9).



## 27. Others – Net

The Others – net account under costs and expenses section of the consolidated statement of comprehensive income consists of:

	2021	2020	2019
Loss on retirement of property and equipment (Note 9)	<b>₱90,587</b>	₱691	₱1,019
Unrealized fair value gain on investment in pooled funds (Note 8)	<b>(1,313)</b>	(395)	(1,241)
Impairment losses on input VAT (Note 13)	<b>20</b>	160,341	–
Provision for (reversal of) impairment losses on property, plant and equipment (Note 9)	<b>(534,472)</b>	538,151	–
Gain on loan restructuring – net (Note 16)	–	(362,129)	–
Miscellaneous	<b>(31,205)</b>	45,223	70,807
	<b>(₱476,383)</b>	₱381,882	₱70,585

Miscellaneous includes bank charges, staff club charges, hospital charges and income from usage of the Group's facilities.

## 28. 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.

2021:	Mining	Non-Mining	Total	Eliminations	Consolidated
<b>Segment revenue</b>					
From external customers	<b>₱17,937,583</b>	₱–	<b>₱17,937,583</b>	₱–	<b>₱17,937,583</b>
<b>Cost of sales</b>	<b>₱10,627,219</b>	₱–	<b>₱10,627,219</b>	₱–	<b>₱10,627,219</b>
General and administrative expenses	1,058,150	72,743	1,130,893	–	1,130,893
Mine tax/royalties/business tax	701,718	–	701,718	–	701,718
Depletion of mining rights	–	–	–	297,892	297,892
Operating income (loss)	5,550,496	(72,743)	5,477,753	(297,892)	5,179,861
Depreciation, amortization and depletion	4,070,481	2,552	4,073,033	297,892	4,370,925
Other income (charges)	–	–	–	222,005	222,005
<b>Earnings before interest, income taxes, and depreciation and amortization (EBITDA)</b>	<b>₱9,620,977</b>	<b>(₱70,191)</b>	<b>₱9,550,786</b>	<b>₱222,005</b>	<b>₱9,772,791</b>
<b>Segment results</b>					
Income before income tax	4,564,891	138,219	4,703,110	(277,487)	4,425,623
Benefit from (provision for) income tax	(1,023,967)	7,545	(1,016,422)	452,384	(564,038)
<b>Net income</b>	<b>₱3,540,924</b>	<b>₱145,764</b>	<b>₱3,686,688</b>	<b>₱174,897</b>	<b>₱3,861,585</b>
<b>Assets</b>					
Total assets	₱46,453,241	₱19,751,489	₱66,204,730	(₱11,216)	₱66,193,514
Investments	–	25,801,934	25,801,934	(25,544,005)	257,929
Goodwill	–	–	–	19,026,119	19,026,119
Mining rights	–	–	–	7,260,337	7,260,337
<b>Liabilities</b>					
Total liabilities	₱32,847,418	₱165,923	₱33,013,341	(₱5,423,838)	₱27,589,503
<b>Other segment information</b>					
Depreciation, amortization and depletion	4,070,481	2,552	4,073,033	297,892	4,370,925
Finance charges	1,241,011	755	1,241,766	–	1,241,766



2020:	Mining	Non-Mining	Total	Eliminations	Consolidated
Segment revenue					
From external customers	₱17,509,200	₱—	₱17,509,200	₱—	₱17,509,200
Cost of sales	₱11,262,137	₱—	₱11,262,137	₱—	₱11,262,137
General and administrative expenses	1,331,333	65,601	1,396,934	—	1,396,934
Mine tax/royalties/business tax	685,120	—	685,120	—	685,120
Depletion of mining rights	—	—	—	232,577	232,577
Operating income (loss)	4,230,610	(65,601)	4,165,009	(232,577)	3,932,432
Depreciation, amortization and depletion	4,429,106	2,750	4,431,856	232,577	4,664,433
Other income (charges)	209,919	—	209,919	112,135	322,054
Earnings before interest, income taxes, and depreciation and amortization (EBITDA)	₱8,869,635	(₱62,851)	₱8,806,784	₱112,135	₱8,918,919
Segment results					
Income before income tax	₱1,312,231	₱22,378	₱1,334,609	(₱221,240)	₱1,113,369
Benefit from (provision for) income tax	(1,068,349)	2,900	(1,065,449)	69,773	(995,676)
Net income	₱243,882	₱25,278	₱269,160	(₱151,467)	₱117,693
Assets					
Total assets	₱47,439,178	₱19,599,169	₱67,038,347	₱348,050	₱67,386,397
Investments	—	25,801,934	25,801,934	(25,564,410)	237,524
Goodwill	—	—	—	19,026,119	19,026,119
Mining rights	—	—	—	7,558,229	7,558,229
Liabilities					
Total liabilities	₱38,557,370	₱177,139	₱38,734,509	(₱4,971,340)	₱33,763,169
Other segment information					
Depreciation, amortization and depletion	4,429,106	2,750	4,431,856	232,577	4,664,433
Finance charges	1,871,531	518	1,872,049	—	1,872,049

2019:	Mining	Non-Mining	Total	Eliminations	Consolidated
Segment revenue					
From external customers	₱16,162,945	₱—	₱16,162,945	₱—	₱16,162,945
Cost of sales	₱12,021,027	₱—	₱12,021,027	₱—	₱12,021,027
General and administrative expenses	1,173,633	63,887	1,237,520	—	1,237,520
Mine tax/royalties/business tax	653,678	—	653,678	—	653,678
Depletion of mining rights	—	—	—	199,152	199,152
Operating income (loss)	2,314,607	(63,887)	2,250,720	(199,152)	2,051,568
Depreciation, amortization and depletion	3,780,716	3,161	3,783,877	199,152	3,983,029
Other income (charges)	—	—	—	80,232	80,232
EBITDA	₱6,095,323	(₱60,726)	₱6,034,597	₱80,232	₱6,114,829
Segment results					
Income before income tax	₱326,645	₱18,598	₱345,243	(₱194,646)	₱150,597
Provision for income tax	(774,037)	(1,492)	(775,529)	59,746	(715,783)
Net income (loss)	(₱447,392)	₱17,106	(₱430,286)	(₱134,900)	(₱565,186)
Assets					
Total assets	₱54,527,687	₱19,572,827	₱74,100,514	₱1,516,818	₱75,617,332
Investments	—	25,801,934	25,801,934	(25,575,745)	226,189
Goodwill	—	—	—	19,026,119	19,026,119
Mining rights	—	—	—	7,790,806	7,790,806
Liabilities					
Total liabilities	₱44,971,234	₱175,135	₱45,146,369	(₱3,884,199)	₱41,262,170
Other segment information					
Depreciation, amortization and depletion	3,780,716	3,161	3,783,877	199,152	3,983,029
Finance charges	2,265,126	787	2,265,913	—	2,265,913



The following table shows the reconciliation of consolidated earnings before interest, income taxes, and depreciation and amortization to consolidated net income for the years ended December 31, 2021, 2020 and 2019:

	2021	2020	2019
EBITDA	<b>₱9,772,791</b>	₱8,918,919	₱6,114,829
Less:			
Depreciation, depletion and amortization (see Notes 9 and 10)	<b>4,370,925</b>	4,664,433	3,983,029
Finance charges (see Note 26)	<b>1,241,766</b>	1,872,049	2,265,913
Provisions for (benefit from) income tax (see Note 25)	<b>564,038</b>	995,676	715,783
Others	<b>(265,523)</b>	1,269,068	(284,710)
	<b>5,911,206</b>	8,801,226	6,680,015
Net income (loss)	<b>₱3,861,585</b>	₱117,693	(₱565,186)

Adjustments and Eliminations:

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

The president is the chief operating decision maker and 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. The Group defines EBITDA as revenues from contracts with customers less costs and expenses, excluding financing charges, income tax, depreciation, depletion, and other provisions and charges.

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 income before tax:

	2021	2020	2019
Total segment net income before tax	<b>₱4,703,110</b>	₱1,334,611	₱345,242
Depletion of mining rights (Note 10)	<b>(297,892)</b>	(232,577)	(199,152)
Share in net income (loss) of associates (Note 12)	<b>222,005</b>	112,135	80,233
Dividend income (Note 12)	<b>(201,600)</b>	(100,800)	(75,726)
Combined segment net income (loss) before tax	<b>₱4,425,623</b>	₱1,113,369	₱150,597



Reconciliaton of segment assets:

	2021	2020	2019
Total segment assets	<b>₱66,204,730</b>	₱67,038,348	₱74,100,514
Receivables	<b>(137,155)</b>	(55,664)	(125,352)
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>7,260,337</b>	7,558,229	7,790,806
Deferred tax assets	–	–	1,017,467
Quoted equity instrument	<b>(4,916)</b>	(4,629)	(4,881)
Investments in shares of stocks	<b>(25,801,934)</b>	(25,801,934)	(25,801,934)
Investment in associates (Note 12)	<b>257,929</b>	237,524	226,189
Other noncurrent assets	<b>(60,000)</b>	(60,000)	(60,000)
Combined segment assets	<b>₱66,193,514</b>	₱67,386,397	₱75,617,332

Reconciliaton of segment liabilities:

	2021	2020	2019
Total segment liabilities	<b>₱33,013,341</b>	₱38,734,509	₱45,146,369
Accounts payable, contract liability and accrued liabilities	<b>(1,291)</b>	(1,178)	(1,277)
Payable to related parties	<b>(7,247,418)</b>	(7,247,418)	(7,247,418)
Deferred tax liabilities	<b>1,824,871</b>	2,277,256	3,364,496
Combined segment liabilities	<b>₱27,589,503</b>	₱33,763,169	₱41,262,170

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

	2021	2020	2019
TTSA	<b>₱16,027,087</b>	₱8,543,017	₱6,894,930
Mitsui	<b>1,910,496</b>	5,823,119	929,463
IXM SA	–	1,609,166	–
Trafigura	–	1,089,996	–
MRI	–	443,902	8,338,552
	<b>₱17,937,583</b>	₱17,509,200	₱16,162,945

## 29. Basic/Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share is computed as follows:

	2021	2020	2019
Net income (loss)	<b>₱3,861,585</b>	₱117,693	(₱565,186)
Divided by basic weighted average number of common shares outstanding (in thousands)	<b>3,557,553</b>	3,557,553	3,557,553
	<b>₱1.0855</b>	₱0.0331	(₱0.1589)



Diluted earnings (loss) per share is computed as follows:

	2021	2020	2019
Net income (loss)	<b>₱3,861,585</b>	₱117,693	(₱565,186)
Divided by basic weighted average number of common shares outstanding (in thousands)	<b>3,557,553</b>	3,557,553	3,557,553
	<b>₱1.0855</b>	₱0.0331	(₱0.1589)

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

	2021	2020	2019
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.

### 30. Financial Risk Management Objectives and Policies

The Group's main financial instruments are cash, short-term investments, investment in pooled funds, quoted equity instrument, investment in unit investment trust fund and refundable 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 liability 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 liability and accrued liabilities and 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, 2021 and 2020, foreign currency-denominated assets and liabilities follow:

	2021		2020	
	Original Currency	Peso Equivalent	Original Currency	Peso Equivalent
<b>Assets</b>				
Cash in banks	US\$11,581	₱590,641	US\$18,562	₱891,390
	JP¥1	1	JP¥10	5
	GB£177	12,205	GB£187	12,213
Short-term investments	US\$5,561	283,600	US\$5,549	266,481
Receivables	US\$28,466	1,451,762	US\$42,397	2,036,055
	JP¥5	2	JP¥5	2
	US\$45,608	₱2,326,003	US\$66,508	₱3,193,926
	GB£177	₱12,205	GB£187	₱12,213
	JP¥6	₱3	JP¥15	₱7
<b>Liabilities</b>				
Accounts payable, contract liabilities and accrued expenses	US\$10,803	₱550,932	US\$24,093	₱1,157,032
	AU\$8	278	AU\$701	25,793
	EU€17	977	EU€314	18,497
Long-term debts	US\$407,706	20,792,623	US\$405,373	19,467,212
Bank loans	US\$—	—	US\$130,000	6,242,990
	US\$418,509	₱21,343,555	US\$559,466	₱26,867,234
	AU\$8	₱278	AU\$701	₱25,793
	EU€17	₱977	EU€314	₱18,497
Net liabilities in US\$	US\$372,901	₱19,017,552	US\$492,958	₱23,673,308
Net assets in GB£	GB£177	₱12,205	GB£187	₱12,213
Net liabilities in AU\$	AU\$8	₱278	AU\$701	₱25,793
Net liabilities in JP¥	(JP¥6)	(₱3)	(JP¥15)	(₱7)
Net liabilities in EU€	EU€17	₱977	EU€314	₱18,497

As at December 31, 2021 and 2020, foreign exchange closing rates used in converting foreign currency-denominated assets and liabilities are as follows:

	2021	2020
US\$	50.999	48.023
AU\$	37.070	36.397
JP¥	0.444	0.463
EU€	57.854	58.690
GB£	68.917	64.623

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:

	2021		2020	
	Peso Strengthens	Peso Weakens	Peso Strengthens	Peso Weakens
US\$	₱0.31	₱0.88	₱0.41	₱0.11



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

Year ended December 31, 2021:

- An increase of ₱113,735 in the pre-tax income if peso strengthens by ₱0.31 against the US\$.
- A decrease of ₱326,288 in the pre-tax income if peso weakens by ₱0.88 against the US\$.

Year ended December 31, 2020:

- An increase of ₱203,497 in the pre-tax income if peso strengthens by ₱0.41 against the US\$.
- A decrease of ₱54,797 in the pre-tax income if peso weakens by ₱0.11 against the US\$.

Management assessed 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 2021 and 2020 follows:

**December 31, 2021:**

<b>Change in Copper Prices</b>	<b>Effect on Income Before Income Tax</b>
<b>Increase by 3%</b>	<b>₱527,597</b>
<b>Decrease by 3%</b>	<b>(527,597)</b>

December 31, 2020:

<b>Change in Copper Prices</b>	<b>Effect on Income Before Income Tax</b>
<b>Increase by 5%</b>	<b>₱72,216</b>
<b>Decrease by 5%</b>	<b>(72,216)</b>

The rate used for the sensitivity analysis of changes in copper prices changed from 3% to 5% 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 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 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, 2021 and 2020, the Group only had two and five 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, quoted equity instrument, and investment in unit investment trust fund and refundable 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.

	2021	2020
Cash in banks	₱870,616	₱1,190,654
Short-term investments	283,600	266,481
Receivables		
Trade	2,013	594,127
Nontrade	90,538	194,970
Interest	150	38
Advances to		
Related parties	17,830	17,830
Officers and employees	14,510	8,739
Other current asset		
Investment in pooled funds	378,574	143,659
Other noncurrent assets		
Investment in unit investment trust fund	28,699	26,972
Refundable deposits	3,169	3,113
	<b>₱1,689,699</b>	<b>₱2,446,583</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, 2021 and 2020 based on credit rating system follows:

**December 31, 2021**

	Neither Past due nor impaired High Grade	Past Due But Not Impaired	Impaired	Total
Cash in banks	₱870,616	₱—	₱—	₱870,616
Short-term investments	283,600	—	—	283,600
Receivables				
Trade	2,013	—	—	2,013
Nontrade	—	14,902	75,636	90,538
Interest	150	—	—	150
Advances to				
Related parties	—	17,830	—	17,830
Officers and employees	—	14,510	—	14,510
Other current asset				
Investment in pooled funds	378,574	—	—	378,574
Other noncurrent assets				
Investment in unit investment trust fund	28,699	—	—	28,699
Refundable deposits	3,169	—	—	3,169
	<b>₱1,566,821</b>	<b>₱47,242</b>	<b>₱75,636</b>	<b>₱1,689,699</b>

**December 31, 2020**

	Neither Past due nor impaired High Grade	Past Due But Not Impaired	Impaired	Total
Cash in banks	₱1,190,654	₱—	₱—	₱1,190,654
Short-term investments	266,481	—	—	266,481
Receivables				
Trade	594,127	—	—	594,127
Nontrade	—	121,579	73,391	194,970
Interest	38	—	—	38
Advances to				
Related parties	—	17,830	—	17,830
Officers and employees	—	8,739	—	8,739
Other current asset				
Investment in pooled funds	143,659	—	—	143,659
Other noncurrent asset				
Investment in unit investment trust fund	26,972	—	—	26,972
Refundable deposits	3,113	—	—	3,113
	<b>₱2,225,044</b>	<b>₱148,148</b>	<b>₱73,391</b>	<b>₱2,446,583</b>



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

- Cash in banks, 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 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.

#### *Interest Rate Risk*

Management assessed that the Group is not exposed to interest rate fluctuations because the interest rates its of bank loans, long-term debts and other interest bearing liabilities are fixed.

#### *Concentration of Risk*

In 2021 and 2020, majority of the Group's copper production were sold to two and five customers, respectively. However, it has no significant concentration of credit risk since it can sell its copper concentrate to other third party customers. The Company continuously monitors the receivable of one customer for the remaining 5% and the other customer has no credit risk exposure as the shipments are fully paid in advance before these are loaded into the vessel.

#### 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, 2021 and 2020 follow:



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

**December 31, 2021**

	On demand	Within one year	1 to < 3 years	> 3 years	Total
<b>Financial assets:</b>					
Cash in banks	₱870,616	₱—	₱—	₱—	₱ 870,616
Cash on hand	38,485	—	—	—	38,485
Short-term investments	—	283,600	—	—	283,600
Receivables					
Trade	2,013	—	—	—	2,013
Nontrade	90,538	—	—	—	90,538
Interest	—	150	—	—	150
Advances to					
Related parties	17,830	—	—	—	17,830
Officers and employees	14,510	—	—	—	14,510
Other current asset					
Investment in pooled funds	—	378,574	—	—	378,574
Other noncurrent assets					
Investment in unit investment trust fund	—	—	—	28,699	28,699
Refundable deposits	—	—	—	3,169	3,169
	1,033,992	662,324	—	31,868	1,728,184

<b>Financial liabilities:</b>					
Accounts payable, contact liabilities and accrued liabilities*	₱—	₱1,914,026	₱—	₱—	₱1,914,026
Bank loans	—	—	—	—	—
Other current liability	—	1,910,355	—	—	1,910,355
Long-term debt and other interest-bearing liabilities	—	2,592,437	11,725,001	6,546,721	20,864,159
Derivative liability	—	4,029	—	—	4,029
Lease liability	—	10,062	—	—	10,062
	—	6,430,909	11,725,001	6,546,721	24,702,631
	₱1,033,992	(₱5,768,586)	(₱11,725,001)	(₱6,514,853)	(₱22,974,448)

\*\*Excluding government payables

**December 31, 2020**

	On demand	one year	years	> 3 years	Total
<b>Financial assets:</b>					
Cash in banks	₱1,190,654	₱—	₱—	₱—	₱1,190,654
Cash on hand	14,507	—	—	—	14,507
Short-term investments	—	266,481	—	—	266,481
Receivables					
Trade		594,127	—	—	594,127
Nontrade	194,970	—	—	—	194,970
Interest	—	38	—	—	38
Advances to					
Related parties	17,830	—	—	—	17,830
Officers and employees	8,739	—	—	—	8,739
Other current asset					
Investment in pooled funds	—	143,659	—	—	143,659
Other noncurrent assets					
Investment in unit investment trust fund	—	—	—	26,972	26,972
Refundable deposits	—	—	—	3,113	3,113
	₱1,426,700	₱1,004,305	₱—	₱30,085	₱2,461,090



Financial liabilities:					
Accounts payable, contact liabilities and accrued liabilities*	P=	P2,699,329	P=	P=	P2,699,329
Bank loans	—	6,242,990	—	—	6,242,990
Other current liability	—	1,798,878	—	—	1,798,878
Long-term debt and other interest-bearing liabilities	—	194,445	134,252	19,467,212	19,795,909
Derivative liability	—	59,308	—	—	59,308
Lease liability	—	782	—	—	782
		10,995,732	134,252	19,467,212	30,597,196
	P1,426,700	(P9,991,427)	(P134,252)	(P19,437,127)	(P28,136,106)

\*\*Excluding government payables

### 31. 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	
	2021	2020	2021	2020
<b>Financial Liabilities</b>				
Long-term debts and other interest-bearing liabilities:				
CBC	P8,841,676	P=	P8,837,643	P=
BDO	6,361,593	13,686,677	6,497,273	13,926,670
SMIC	5,526,604	5,204,104	5,526,604	5,204,104
APHC	—	463,843	—	463,843
BDO Leasing	134,286	326,945	134,285	330,035
Alakor Corporation	—	114,340	—	114,340
	P20,864,159	P19,795,909	P20,995,805	P20,038,992

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

#### *Cash in Banks, Short-term Investments and Receivables*

The carrying amounts of cash in banks, 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 Liability 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 Debts 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, 2021**

	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value:</b>				
Trade receivables	P–	P2,013	P–	P2,013
Investment in pooled funds	378,574	–	–	378,574
Investment in unit investment trust fund	28,699	–	–	28,699
<b>Total</b>	<b>P407,273</b>	<b>P2,013</b>	<b>P–</b>	<b>P409,286</b>
<b>Liability for which fair values are disclosed:</b>				
Long-term debts and other interest-bearing liabilities	–	–	(20,995,805)	(20,995,805)
<b>Total</b>	<b>P–</b>	<b>P–</b>	<b>(P20,995,805)</b>	<b>(P20,995,805)</b>

**December 31, 2020**

	Level 1	Level 2	Level 3	Total
<b>Asset measured at fair value:</b>				
Trade receivables	P–	P594,127	P–	P594,127
Investment in pooled funds	143,659	–	–	143,659
Investment in unit investment trust fund	26,971	–	–	26,971
<b>Total</b>	<b>P170,630</b>	<b>P594,127</b>	<b>P–</b>	<b>P764,757</b>
<b>Liability for which fair values are disclosed:</b>				
Long-term debt and other interest-bearing liabilities	–	–	(20,038,992)	(20,038,992)
<b>Total</b>	<b>P–</b>	<b>P–</b>	<b>(P20,038,992)</b>	<b>(P20,038,992)</b>

There were no transfers between levels of fair value measurement as at December 31, 2021 and 2020.



### 32. 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 2021 and 2020.

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

	2021	2020
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>320,217</b>	298,869
Remeasurement gain on retirement benefits liability (Note 24)	<b>104,306</b>	53,438
Cumulative translation adjustments	<b>2,141,888</b>	1,094,906
Retained earnings (Note 18)	<b>17,692,199</b>	13,830,614
Cost of 1,980,000 treasury shares held by a subsidiary	<b>(23,267)</b>	(23,267)
	<b>₱38,604,011</b>	₱33,623,228

### 33. Commitments and Contingencies

#### CCC

#### Power Agreements

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.

On June 5, 2012, CCC signed a 12-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 12-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.

The EPPA was renegotiated and amended on April 19, 2021 with a validity period commencing on April 26, 2021 and ending on the second anniversary of such commencement date which may be extended dependent on the operational viability of the Company.

Total utilities expense related to the said power agreements amounted to ₱2,284,452, ₱2,073,390 and ₱2,470,814 in 2021, 2020 and 2019, respectively. Related accrued expenses amounted to ₱28,321 and ₱62,523 as at December 31, 2021 and 2020, respectively.



#### Waste Stripping Services Agreement

A contract for lease was executed between Galeo Equipment and Mining Company, Inc. (Galeo) and the Company 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, the Company 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, the Company duly terminated the Rental Agreement in July 2020.

Total expenses related to waste stripping services agreement and lease amounted to nil, ₱775,387 and ₱1,771,388 in 2021, 2020 and 2019, respectively.

#### Fuel and Lubricants Supply Agreements

In May 2016, the Company signed a new four-year supply agreement with Pilipinas Shell Petroleum Corporation for the purchase of fuel at established pricing formulas. The Company's supply agreement for lubricants with Shell Petroleum expired in December 2020 and negotiation is on-going for its renewal.

Total expenses related to the fuel supply agreement amounted to ₱994,642, ₱895,310 and ₱1,215,882 in 2021, 2020 and 2019, respectively. Accrued expenses amounted to ₱9,266 and ₱49 as at December 31, 2021 and 2020, 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 2021, 2020 and 2019.

#### 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.

On April 29, 2021, a new five-year CBA (the 2021 CBA) was executed by the Company and the Union commencing on May 1, 2021 until April 30, 2026.

#### Consignment Agreements

##### *Orica Philippines, Inc.*

The Company has 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 renewed and the new contract is set to expire on July 31, 2023.

##### *Shorr Industrial Sales, Inc.*

The Company has a consignment agreement with Shorr Industrial Sales, Inc. for the supply of parts and tools for heavy equipment. The consignment agreement expired on September 6, 2021. The renewal of the agreement is still being considered subject to further negotiations on the price.



*Synchrotek Corporation*

The Company renewed its consignment contract with Synchrotek Corporation for the supply of filters, lubricants and other heavy equipment parts. The contract expired on July 21, 2021 and the consignment agreement was not renewed.

*Le Price International Corporation*

The Company has 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 existing agreement has expired in December 2020 and negotiation for renewal is still being evaluated subject to an acceptable pricing mechanism to be reviewed by the parties involved.

*Morse Hydraulics*

The Company has a consignment agreement with Morse Hydraulics for the supply of hydraulic hoses and fittings at established price list. The agreement expired on January 14, 2021. The renewal is still being reviewed pending an evaluation of the pricing mechanism acceptable to the Parties.

*Atlas Copco Phils.*

The Company has 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 was not renewed and the drill equipment was incorporated in the Maintenance Service Agreement that the Company executed with Epiroc Philippines, Inc.

*Maxima Machineries, Inc.*

The Company has a consignment agreement 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 been renewed in December 2021.

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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 2021 and 2020, actual spent and commitment totaled ₱132,696 and ₱129,937, respectively.

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 2021, 2020 and 2019.

### 35. Supplemental Disclosure to Consolidated Statements of Cash Flows

The following table summarizes the changes in liabilities arising from financing activities:

	January 1, 2021	Cash flows		Effect of exchange rate changes	Others	December 31, 2021
		Availments	Payments			
Bank loans	₱6,242,990	₱—	(₱6,629,870)	₱386,880	₱—	₱—
Long-term debts and other interest-bearing liabilities	19,795,909	8,540,570	(8,801,431)	1,208,857	120,254	20,864,159
Principal portion of lease liability	782	—	(1,839)	—	11,119	10,062
	<b>₱26,039,681</b>	<b>₱8,540,570</b>	<b>(₱15,433,140)</b>	<b>₱1,595,737</b>	<b>₱131,373</b>	<b>₱20,874,221</b>

	January 1, 2020	Cash flows		Effect of exchange rate changes	Others	December 31, 2020
		Availments	Payments			
Bank loans	₱8,607,950	₱—	(₱1,920,920)	(₱444,040)	₱—	₱6,242,990
Long-term debts and other interest-bearing liabilities	23,162,987	—	(2,220,811)	(840,876)	(305,391)	19,795,909
Principal portion of lease liability	2,942	—	(2,316)	—	156	782
	<b>₱31,773,879</b>	<b>₱—</b>	<b>(₱4,144,047)</b>	<b>(₱1,284,916)</b>	<b>(₱305,235)</b>	<b>₱26,039,681</b>

The other non-cash activities of the Group pertain to the amortization of debt issue cost on its long-term debts and recognition of lease liability and related interest expense under PFRS 16 in 2021.

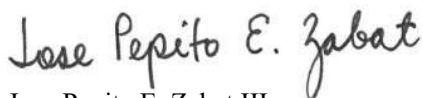


## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES**

The Stockholders and the Board of Directors  
Atlas Consolidated Mining and Development Corporation  
Five E-com Center, Palm Coast Avenue 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, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, included in this form 17-A, and have issued our report thereon dated March 4, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Jose Pepito E. Zabat III  
Partner

CPA Certificate No. 85501

Tax Identification No. 102-100-830

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

SEC Partner Accreditation No. 85501-SEC (Group A)

Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions

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

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

BIR Accreditation No. 08-001998-060-2020, December 3, 2020, valid until December 2, 2023

PTR No. 8854391, January 3, 2022, Makati City

March 4, 2022

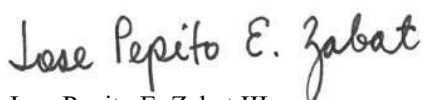


## **INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors  
Atlas Consolidated Mining and Development Corporation  
Five E-com Center, Palm Coast Avenue 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, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated March 4, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Jose Pepito E. Zabat III  
Partner

CPA Certificate No. 85501

Tax Identification No. 102-100-830

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

SEC Partner Accreditation No. 85501-SEC (Group A)

Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions

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

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

BIR Accreditation No. 08-001998-060-2020, December 3, 2020, valid until December 2, 2023

PTR No. 8854391, January 3, 2022, Makati City

March 4, 2022



**ATLAS CONSOLIDATED MINING AND DEVELOPMENT  
CORPORATION AND SUBSIDIARIES  
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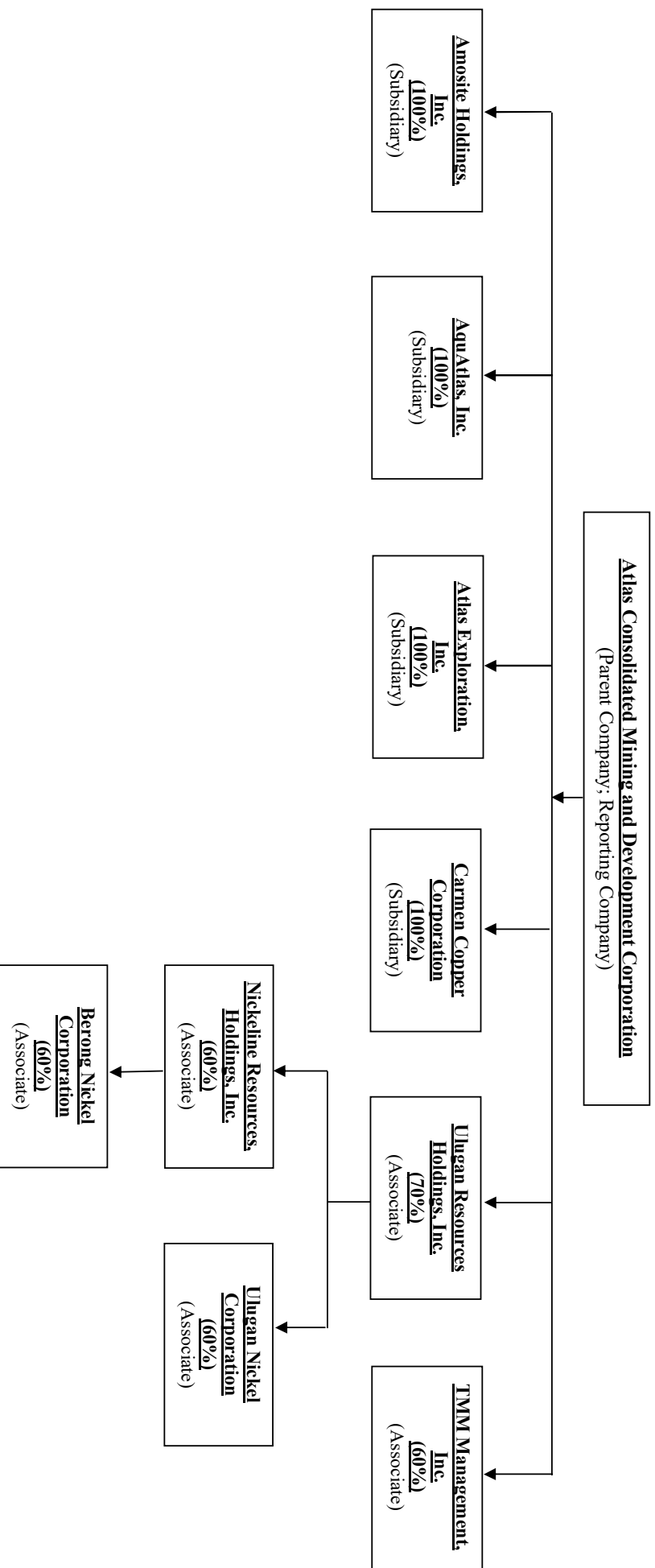
**ATLAS CONSOLIDATED MINING AND DEVELOPMENT  
CORPORATION AND SUBSIDIARIES**  
**COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**  
**PURSUANT TO THE REVISED SRC RULE 68, AS AMENDED**  
**DECEMBER 31, 2021**

<b>Ratio</b>	<b>Formula</b>	<b>Current Year</b>	<b>Prior Year</b>
Current Ratio	Total Current Assets divided by Total Current Liabilities	0.54	0.33
	Total Current Assets 3,671,713		
	Divide by: Total Current Liabilities 6,739,856		
	Current Ratio 0.54		
Acid test ratio	Quick assets ( <i>Total Current Assets less Inventories and Other Current Assets</i> ) divided by Total Current Liabilities	0.20	0.25
	Total Current Assets 3,671,713		
	Less: Inventories 1,590,248		
	Other current assets 756,438		
	Quick assets 1,325,027		
	Divide by: Total Current Liabilities 6,739,856		
	Acid test ratio 0.20		
Solvency ratio	Net Income After Tax Plus Depreciation, Amortization and Depletion divided by Total Liabilities	0.30	0.14
	Net Income After Tax 3,861,586		
	Add: Depreciation, Amortization and Depletion 4,370,925		
	Net Income After Tax, Depreciation, Amortization and Depletion 8,232,511		
	Divide by: Total Liabilities 27,589,503		
	Solvency ratio 0.30		
Debt-to-equity ratio	Total Liabilities divided by Total Equity ( <i>Excluding Cumulative Translation Adjustment and Treasury Shares</i> )	0.76	1.04
	Total Liabilities 27,589,503		
	Divide by: Total Equity		
	Total Equity 38,604,011		
	Less: Cumulative translation adjustment 2,141,888		
	Add: Treasury Shares 23,267		
	Subtotal 36,485,390		
	Debt-to-equity ratio 0.76		

Ratio	Formula	Current Year	Prior Year
Asset-to-equity ratio	Total Assets divided by Total Equity <i>(Excluding Cumulative Translation Adjustment and Treasury Shares)</i>	1.81	2.07
	Total Assets 66,193,514		
	Divide by: Total Equity		
	Total Equity 38,604,011		
	Less: Cumulative translation adjustment 2,141,888		
	Add: Treasury Shares 23,267		
	Subtotal 36,485,390		
	Asset-to-equity ratio 1.81		
Interest rate coverage ratio	Earnings Before Interest and Taxes divided by Interest Expense	4.56	1.59
	Net Income Before Tax 4,425,632		
	Add: Finance Charges 1,241,766		
	Earnings Before Interest and Taxes 5,667,389		
	Divide by: Finance Charges 1,241,766		
	Interest rate coverage ratio 4.56		
Return on equity	Net Income After Tax divided by Total Equity <i>(Excluding Cumulative Translation adjustment and Treasury Shares)</i>	11.19%	-0.36%
	Net Income After Tax 3,861,586		
	Divide by: Average Total Equity		
	Equity at beginning of the year 32,551,589		
	Equity at end of the year 36,485,390		
	Average Total Equity 34,518,490		
	Return on equity 11.19%		
Return on assets	Net Income After Tax divided by Total Assets	5.78%	0.16%
	Net Income After Tax 3,861,586		
	Divide by: Average Total Assets		
	Assets at beginning of the year 67,386,397		
	Assets at end of the year 66,193,514		
	Average Total Assets 66,789,955		
	Return on assets 5.78%		
Net profit margin	Net Income After Tax divided by Total Revenue	21.53%	0.67%
	Net Income After Tax 3,861,586		
	Divide: Total Revenue 17,937,583		
	Net profit margin 21.53%		

Ratio	Formula	Current Year	Prior Year
Operating profit margin	Net Income Before Tax divided by Total Revenue	24.6%	6.36%
	Net Income Before Tax 4,425,623		
	Divide: Total Revenue 17,937,583		
	Net profit margin 24.6%		
Gross profit margin	Gross Profit Tax ( <i>Total Revenues less Cost of Sales</i> ) divided by Total Revenue	40.75%	35.68%
	Total Revenues 17,937,583		
	Less: Cost of Sales (Mining and Milling Costs) 10,627,219		
	Gross Profit 7,310,364		
	Divide: Total Revenue 17,937,583		
	Net profit margin 40.75%		

**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, 2021**



**ATLAS CONSOLIDATED MINING AND DEVELOPMENT  
CORPORATION AND SUBSIDIARIES  
RECONCILIATION OF RETAINED EARNINGS  
AVAILABLE FOR DIVIDEND DECLARATION  
PURSUANT TO THE REVISED SEC RULE 68**

**As of December 31, 2021**

(Amounts in thousands)

<b>Unappropriated Retained Earnings, beginning</b>		P530,324
Adjustment for treasury shares		(23,267)
<b>Unappropriated Retained Earnings, as adjusted, beginning</b>		<u>P507,057</u>
<b>Add: Net income actually earned/realized during the period</b>		
Net income (loss) during the period closed to Retained Earnings	P 145,928	
Less: Non-actual/unrealized income net of tax	(5,535)	
Equity in net income of associate/joint venture	(222,005)	
Unrealized foreign exchange gain - net (except those attributable to Cash)	(270)	
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	<u>(81,882)</u>	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	—	
Adjustment due to deviation from PFRS - loss	—	
Unrealized actuarial loss	(1,002)	
Loss on fair value adjustment of investment property (after tax)	—	
Subtotal	<u>(1,002)</u>	
Add (Less):		
Dividend declarations during the period	—	
Appropriations of retained earnings	—	
Reversals of appropriations	—	
Treasury shares	—	
Subtotal	<u>(P—)</u>	(82,884)
<b>Unappropriated Retained Earnings, as adjusted, ending</b>		<u><u>P424,173</u></u>

**SCHEDULE A**

**ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**FINANCIAL ASSETS**  
**DECEMBER 31, 2021**

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
Cash in banks	–	₱870,616	₱870,616	₱785
Short-term investments	–	283,600	283,600	316
Receivables				
Trade	–	2,013	2,013	–
Nontrade	–	90,538	90,538	–
Interest	–	150	150	–
Advances to				
Related parties	–	17,830	17,830	–
Officers and employees	–	14,510	14,510	–
Investment in pooled funds	62,515	378,574	378,574	1,419
Quoted equity instrument	2,100	–	–	–
Investment in unit investment trust fund	N/A	28,699	28,699	–
Refundable deposits	–	3,169	3,169	–

## **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, 2021**

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, 2021**

Name and Designation of Debtor	Balance at Beginning period	Additions	Amounts Collected	Amounts Written-off	Current	Not Current	Balance at end period
CCC	(P7,296,595,889)	(P81,615,534)	P-	P-	(P7,378,211,423)	P-	(P7,378,211,423)
AEI	105,579,511	75,130	-	-	105,654,641	-	105,654,641
AI	32,050,997	86,118	-	-	32,137,115	-	32,137,115
AHI	(1,751,218)	77,775	-	-	(1,673,443)	-	(1,673,443)

**SCHEDULE D**

**ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**LONG-TERM DEBT**  
**DECEMBER 31, 2021**

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>	₱ –	₱ 163,196,800	₱ 6,198,396,638	5.37%	13	March 16, 2024
SM Investments Corporation – <i>Term Loan</i>	–	–	5,526,604,316	5.37%	31	March 21, 2024
China Banking Corporation		2,294,955,000	6,546,721,405	3.75%		November 18, 2026
BDO Leasing & Finance, Inc. – <i>Leasing</i>	–	134,285,459	–			
Anglo Philippine Holdings Corporation – <i>Term Loan</i>	–	–	–	5.37%	31	March 21, 2024
Alakor Corporation – <i>Term Loan</i>	–	–	–	5.37%	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, 2021**

Name of Related Party	Balance at beginning of period	Balance at end of period
SM Investments Corporation	₱5,204,104,376	₱5,526,604,316
Anglo Philippine Holdings Corporation	463,843,465	–
Alakor Corporation	114,339,617	–

*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, 2021**

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, 2021**

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, 2021, total shares issued and outstanding is 2,087,032,774 held by 20,699 shareholders.

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversions and other rights		Number of shares held by related parties	Directors, officers, and employees	Others
Common Stock	8,890,000,000	2,087,032,774	–	1,237,657,396	133,036,753	716,338,625	