COVER SHEET

For

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	3	2	4	9	6	6

COMPANY NAME

CENTURY PEAK HOLDINGS CORPORATION AND SUBSIDIARIES (Formerly Century Peak Metals Holdings Corporation)

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

Units 1403-1404 Equitable Tower Bank Condominium, 8751 Paseo de Roxas, Salcedo Village, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
accting.century@gmail.com	(02) 8856-0999	09195661987

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
	Every June 30	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Hazel B. Bongon	accting.century@gmail.com	(02) 8856-0999	09195661987

CONTACT PERSON's ADDRESS

1403 - 1404 BDO-Equitable Bank Tower, 8751 Paseo de Roxas, Makati 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.*

CENTURY PEAK HOLDINGS CORPORATION AND SUBSIDIARIES

(Formerly Century Peak Metals Holdings Corporation and Subsidiaries)

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020, 2019 and 2018

With Independent Auditors' Report

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
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Philippines 1226
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REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
Century Peak Holdings Corporation and Subsidiaries
Units 1403 - 1404 Equitable Tower Bank Condominium
8751 Paseo de Roxas, Salcedo Village
Makati City

Opinion

We have audited the consolidated financial statements of Century Peak Holdings Corporation and Subsidiaries (formerly Century Peak Metals Holdings Corporation and Subsidiaries) (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2020, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with the Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' 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 the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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.

Capital Expenditures of the Cement Plant Project (the "Project") (P2.8 billion)

Refer to Note 8 to the consolidated financial statements. The Group's accounting policy with respect to the capitalization of property, plant and equipment is included in Note 3, *Significant Accounting Policies*, to the consolidated financial statements.

The risk: The Group registered its Cement Plant Project (the "Project") with the Board of Investments (BOI) to avail of various tax and operating incentives. The Project has a required start of commercial operation not later than October 2021 (as extended by the BOI in consideration of the Coronavirus Disease 2019 or "COVID-19" pandemic). During 2020, total expenditures for the Project amounted to P1.9 billion. As at December 31, 2020, the carrying amount of the Project is P2.8 billion. The significant volume of transactions related to the construction, together with the use of manual recording of expenditures, and monitoring of work completion by various engaged contractors, increase the susceptibility of financial reporting to the risk of errors. In addition, the requirement from the BOI for the completion of the Project's capital expenditures within the timetable agreed may impose pressure on the Group to recognize expenditures for the Project prior to satisfaction of all the required recognition criteria under Philippine Accounting Standard 16, *Property, Plant and Equipment.*

Our response: Our audit procedures included, among others: assessment of the design and effectiveness of internal controls in respect with the asset capitalization; assessment of the existence and progress of construction activities through conduct of virtual site visit, external project status confirmation from the contractors engaged by the Group; review of contract provisions; and testing of capitalized expenditures on a sampling basis by vouching documents such as invoices, contracts, delivery receipts, official receipts and completion report.

Recoverable Value of Explored Mineral Resources (P1.6 billion)

Refer to Note 9 to the consolidated financial statements. The Group's accounting policy with respect to the explored mineral resources is included in Note 3, *Significant Accounting Policies*, to the consolidated financial statements.

The risk: The assessment of the recoverable value of explored mineral resources requires estimation and assumptions on the quantity of nickel ores that can be extracted from the mine site. Changes to assumptions could lead to material changes in the estimated recoverable amount of explored mineral resources.

Our response: Our audit procedures included, among others: assessment of the competence, objectivity, capabilities and scope of work of the expert engaged by the Group by performing independent background check and examination of the result of the expert's work; evaluating the appropriateness of the estimation method applied by the expert by comparing with the acceptable methods commonly used by the companies in the mining industry; testing the existence, completeness and accuracy of the reported nickel ores extracted during the year which reduced the reserves estimates by obtaining a stock validation report from Mines and Geosciences Bureau and examination of the extraction reports from the contractor engaged by the Group; assessment of the Group's key assumptions on the technological, market, economic and legal environment that may have an effect on the estimated nickel ore reserves through the conduct of independent research and comparison with external information; and evaluating the adequacy of the note disclosures, including disclosures of key assumptions, judgments and sensitivities.

Emphasis of Matter

We draw attention to Note 1 to the consolidated financial statements which discusses the uncertainty related to the outcome of regulatory actions on the application for the renewal of the Mineral Production Sharing Agreement for the Casiguran Nickel Project of Century Peak Corporation (CPC), a subsidiary of Century Peak Holdings Corporation. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, 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 auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and 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 these consolidated financial statements in accordance with PFRS, 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.

Auditors' 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 auditors' 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 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 maintains professional skepticism throughout the audit. We also:

- Identify and assess the risk 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 the 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 auditors' 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 auditors' 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 group 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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 auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that 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 auditors' report is Vernilo G. Yu.

R.G. MANABAT & CO.

VERNILO G. YU
Partner
CPA License No. 108798
SEC Accreditation No. 1815-A, Group A, valid until August 20, 2023
Tax Identification No. 225-454-652
BIR Accreditation No. 08-001987-35-2018
Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 8533924
Issued January 4, 2021 at Makati City

May 17, 2021
Makati City, Metro Manila

CENTURYPEAK
HOLDINGS CORP.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

FOR FINANCIAL STATEMENTS

The Management of **CENTURY PEAK HOLDINGS CORPORATION AND SUBSIDIARIES** (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2020 and 2019**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The Board of Directors reviews and approves the financial statements including the schedules attached therein and submits the same to the Stockholders.

R.G. Manabat & Co., the independent auditor appointed by the Stockholders, has audited the financial statements of the Company 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 audits.

WILFREDO D. KENG
Chairman of the Board/President

KATRINA C. KENG
Assistant Corporate Secretary/Treasurer

Signed this 14th day of April 2021

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ATTY. JOSHUA P. LAPUZ
Notary Public for and in Makati City
Appointment No. M-6? until 12/31/2021
PTR No. 8531012, Jan. 4, 2021 until Dec. 31, 2021 Makati City
Roll No. 45790, IBP Lifetime N. 04897
MCLE No. VI-0016565 / Jan. 14, 2019
G/F Fedman Suites 199 Salcedo Street
Legaspi Village, Makati City

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Series of 2021

CENTURY PEAK HOLDINGS CORPORATION AND SUBSIDIARIES
(Formerly Century Peak Metals Holdings Corporation and Subsidiaries)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2020**	2019
ASSETS			
Current Assets			
Cash	*4*	**P90,465,461**	P71,082,221
Inventories	*5*	**304,939,112**	226,959,760
Other current assets - net	*6*	**111,347,764**	49,058,007
Total Current Assets		**506,752,337**	347,099,988
Noncurrent Assets			
Investment properties	*7*	**21,872,505**	21,872,505
Property and equipment - net	*8*	**3,372,927,458**	1,819,776,754
Explored mineral resources - net	*9*	**1,599,695,314**	1,625,150,198
Deferred exploration costs	*10*	**49,951,548**	44,671,548
Deferred tax assets - net	*17*	**8,534,853**	8,534,853
Other noncurrent assets - net	*11*	**149,056,944**	98,748,532
Total Noncurrent Assets		**5,202,038,622**	3,618,754,390
		P5,708,790,959	P3,965,854,378
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and other current liabilities	*12, 20*	**P1,536,203,225**	P126,218,694
Due to related parties	*19, 20*	**1,870,494,374**	1,263,466,183
Income tax payable		**401,719**	598,261
Total Current Liabilities		**3,407,099,318**	1,390,283,138
Noncurrent Liabilities			
Provision for site rehabilitation	*13*	**18,322,656**	16,759,276
Other noncurrent liability	*20*	**1,046,325**	-
Total Noncurrent Liabilities		**19,368,981**	16,759,276
Total Liabilities		**3,426,468,299**	1,407,042,414
Equity Attributable to Equity Holders of the Parent			
Capital stock	*18*	**2,820,330,450**	2,820,330,450
Additional paid-in capital		**1,931,550**	1,931,550
Deficit		**(517,980,108)**	(251,515,249)
Total Equity Attributable to Equity Holders of the Parent		**2,304,281,892**	2,570,746,751
Noncontrolling Interest		**(21,959,232)**	(11,934,787)
Total Equity		**2,282,322,660**	2,558,811,964
		P5,708,790,959	P3,965,854,378

See Notes to the Consolidated Financial Statements.

CENTURY PEAK HOLDINGS CORPORATION AND SUBSIDIARIES
(Formerly Century Peak Metals Holdings Corporation and Subsidiaries)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

			Years Ended December 31	
	Note	**2020**	2019	2018
REVENUES	*14*	**P77,117,237**	P153,479,257	P36,762,232
COSTS AND EXPENSES				
Cost of sales	*15*	**(57,031,267)**	(101,401,713)	(33,932,956)
Operating expenses	*16*	**(95,682,744)**	(93,920,997)	(85,584,169)
Depletion of explored mineral resources	*9*	**(25,454,884)**	(27,042,097)	(15,639,815)
Loss on disposal of property and equipment	*8*	**(173,404,617)**	-	-
LOSS BEFORE OTHER INCOME (CHARGES)		**(274,456,275)**	(68,885,550)	(98,394,708)
OTHER INCOME (CHARGES) - Net				
Interest expense	*8, 13*	**(1,563,380)**	(1,563,380)	(1,551,132)
Foreign exchange loss	*20*	**(202,762)**	(3,068,418)	(35,552)
Interest income	*4, 11*	**134,832**	280,013	51,632
		(1,631,310)	(4,351,785)	(1,535,052)
LOSS BEFORE INCOME TAX		**(276,087,585)**	(73,237,335)	(99,929,760)
INCOME TAX EXPENSE (BENEFIT)				
Current		**401,719**	1,041,551	93,098
Deferred		**-**	-	(554,702)
	17	**401,719**	1,041,551	(461,604)
NET LOSS/TOTAL COMPREHENSIVE LOSS		**(P276,489,304)**	(P74,278,886)	(P99,468,156)
Total Comprehensive Loss Attributable to:				
Equity holders of the Parent Company		**(P266,464,859)**	(P72,572,761)	(P95,804,417)
Noncontrolling interest	*18*	**(10,024,445)**	(1,706,125)	(3,663,739)
		(P276,489,304)	(P74,278,886)	(P99,468,156)
Loss Per Share				
Basic/diluted	*21*	**(P0.0945)**	(P0.0257)	(P0.0339)

See Notes to the Consolidated Financial Statements.

CENTURY PEAK HOLDINGS CORPORATION AND SUBSIDIARIES
(Formerly Century Peak Metals Holdings Corporation and Subsidiaries)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

	Equity Attributable to Equity Holders of the Parent Company					
	Capital Stock	Additional Paid-in Capital	Deficit	Total	Noncontrolling Interest	Total Equity
Balance at January 1, 2018	P2,820,330,450	P1,931,550	(P83,138,071)	P2,739,123,929	(P6,564,923)	P2,732,559,006
Net loss/total comprehensive loss for the year	-	-	(95,804,417)	(95,804,417)	(3,663,739)	(99,468,156)
Balance at December 31, 2018	2,820,330,450	1,931,550	(178,942,488)	2,643,319,512	(10,228,662)	2,633,090,850
Net loss/total comprehensive loss for the year	-	-	(72,572,761)	(72,572,761)	(1,706,125)	(74,278,886)
Balance at December 31, 2019	2,820,330,450	1,931,550	(251,515,249)	2,570,746,751	(11,934,787)	2,558,811,964
Net loss/total comprehensive loss for the year	-	-	(266,464,859)	(266,464,859)	(10,024,445)	(276,489,304)
Balance at December 31, 2020	**P2,820,330,450**	**P1,931,550**	**(P517,980,108)**	**P2,304,281,892**	**(P21,959,232)**	**P2,282,322,660**

See Notes to the Consolidated Financial Statements.

CENTURY PEAK HOLDINGS CORPORATION AND SUBSIDIARIES
(Formerly Century Peak Metals Holdings Corporation and Subsidiaries)
CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2020**	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax		**(P276,087,585)**	(P73,237,335)	(P99,929,760)
Adjustments for:				
Loss on disposal of property and equipment	*8*	**173,404,617**	-	-
Depletion of explored mineral resources	*9*	**25,454,884**	27,042,097	15,639,815
Impairment loss on property and equipment	*8, 16*	**18,220,162**	-	-
Depreciation, amortization and depletion of property and equipment	*8*	**13,494,756**	24,091,035	18,608,821
Interest expense	*8, 13*	**1,563,380**	1,563,380	1,551,132
Unrealized foreign exchange loss	*20*	**202,762**	3,068,418	35,552
Interest income	*4, 11*	**(134,832)**	(280,013)	(51,632)
Impairment loss on other current assets and input value-added tax (VAT)	*6, 11*	**-**	12,597,166	-
Operating loss before working capital changes		**(43,881,856)**	(5,155,252)	(64,146,072)
Decrease (increase) in:				
Inventories		**(40,919,420)**	7,107,878	(73,701,745)
Other current assets		**(62,289,757)**	9,197,940	(31,291,957)
Increase (decrease) in accounts payable and other current liabilities and other noncurrent liability		**1,411,030,856**	(33,397,025)	85,836,568
Net cash provided by (used in) operations		**1,263,939,823**	(22,246,459)	(83,303,206)
Income taxes paid		**(598,261)**	(536,388)	(14,042,862)
Interest paid	*8*	**-**	(4,049)	(54,552)
Interest received	*4, 11*	**134,832**	280,013	51,632
Net cash provided by (used in) operating activities		**1,263,476,394**	(22,506,883)	(97,348,988)

Forward

	Note	2020	2019	2018
		Years Ended December 31		
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of property and equipment	8	**(1,874,741,273)**	(346,374,258)	(27,918,413)
Acquisition of investment properties	7	**-**	(244,880,456)	(270,533,365)
Increase in deferred exploration costs	10	**(5,280,000)**	-	(359,699)
Increase in other noncurrent assets		**(50,308,412)**	(13,037,458)	(3,625,855)
Cash used in investing activities		**(1,930,329,685)**	(604,292,172)	(302,437,332)
CASH FLOW FROM A FINANCING ACTIVITY				
Advances received from related parties	19	**686,439,293**	628,166,099	431,094,303
NET INCREASE IN CASH		**19,586,002**	1,367,044	31,307,983
EFFECT OF EXCHANGE RATE CHANGES IN CASH		**(202,762)**	(3,068,418)	(35,552)
CASH AT BEGINNING OF YEAR		**71,082,221**	72,783,595	41,511,164
CASH AT END OF YEAR	4	**P90,465,461**	P71,082,221	P72,783,595

See Notes to the Consolidated Financial Statements.

CENTURY PEAK HOLDINGS CORPORATION AND SUBSIDIARIES
(Formerly Century Peak Metals Holdings Corporation and Subsidiaries)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting Entity

Century Peak Holdings Corporation (CPHC or the "Parent Company"), was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 30, 2003. The Parent Company is primarily engaged in promoting, operating, managing, holding, acquiring or investing in corporations or entities that are engaged in mining activities or mining-related activities.

On November 11, 2019, the SEC approved the change in the Parent Company's corporate name to Century Peak Holdings Corporation, formerly Century Peak Metals Holdings Corporation. On the same date, the Parent Company also obtained a certificate of filing from SEC for the Amendment of its Articles of Incorporation by introducing the Parent Company's secondary purpose which is to engage in and carry on general construction and construction related activities, land reclamation and development activities in the Philippines, real estate development or any real estate related activities, mining activities and mining related activities, power and energy activities and power and energy related activities.

The Parent Company listed its common shares of stock with the Philippine Stock Exchange (PSE) on October 6, 2009.

The Parent Company operates as the holding company of the following subsidiaries:

	Percentage of Ownership [a]	
	Direct	**Indirect**
Century Peak Corporation (CPC)	**100.00**	**-**
Century Peak Minerals Development Corp. (CPMDC) [c]	**100.00**	**-**
Century Peak Cement Manufacturing Corp. (CPCMC) [c]	**100.00**	**-**
Century Sidewide Smelting Incorporated (CSSI) [b]	**60.00**	**-**
Century Hua Guang Smelting Incorporated (CHGSI) [b]	**55.00**	**-**
Century Summit Carrier, Inc. (CSCI) [d]	**-**	**80.00**

[a]Based on the Parent Company's interest in the issued and outstanding shares of the subsidiaries as at December 31, 2019 and 2018
[b]CSSI and CHGSI have not yet started commercial operations.
[c]CPMDC and CPCMC were incorporated in 2015 and have not yet started commercial operations.
[d]Owned by the Parent Company through CPC.

The registered office address of the Parent Company and its subsidiaries (collectively referred to as the "Group") is at Units 1403 - 1404 Equitable Tower Bank Condominium, 8751 Paseo de Roxas, Salcedo Village, Makati City.

The Parent Company's subsidiaries were all incorporated in the Philippines and registered with the SEC. Their principal activities are as follows:

CPC	Invest in and engage in the business of land reclamation and development in the Philippines; and to purchase, subscribe for, or otherwise acquire, own, hold, use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property of every kind and description, including shares of stock, bonds, debentures, notes, evidences of indebtedness, and other securities, contracts or obligations of any corporation or corporations, association or associations, domestic or foreign, involved in land reclamation. CPC's secondary purposes include mining.
CHGSI	Invest in and engage in the business of operating and mining of any mineral resources in the Philippines such as iron, ore, copper, gold, silver, lead, manganese, chromite, nickel, etc.
CSSI	Invest in and engage in the business of operating and mining of any mineral resources in the Philippines and to engage in the business of managing, administering solid waste disposal system.
CPMDC	Engage in the business of operating and mining any mineral resources in the Philippines, such as limestone, lime, silica, iron ore, copper, gold, silver, lead, manganese, chromite, nickel, among other minerals, both metallic and non-metallic; prospecting, exploring, milling, concentrating, converting, smelting, treating, refining, manufacturing, and preparing for market, whether export or domestic, such mineral resources and producing and dealing in all its products and by-products of every kind and description and by whatsoever process, the same can be or may hereafter be produced.
CPCMC	Engage in the business of manufacture, production and merchandising, whether export or domestic, of cement, cement products and by-products, including its derivatives and any and all kinds of minerals and building materials.
CSCI	Engage in the business of operating barges, steamships, motorboats and other kinds of water crafts for the transportation of cargoes and passengers.

Mineral Rights of CPC

The table below summarizes CPC's mineral rights:

Tenement Designation	Area Covered (in Hectares)	Location
Mineral Production Sharing Agreement (MPSA) 010-92-X	1,198	Casiguran, Loreto, Dinagat Islands
MPSA-283-2009-XIII-SMR	3,188	Libjo (Albor), Dinagat Islands
Application for Mineral Production Sharing Agreement (APSA) 086-XIII	718	Acoje, Loreto, Dinagat Islands

MPSA-010-92-X or the "Casiguran Nickel Project," was acquired by CPC from Casiguran Mining Corporation by virtue of a deed of assignment on May 29, 2006, which was approved by the Department of Environment and Natural Resources (DENR) on December 11, 2006. In addition, MPSA-283-2009-XIII-SMR or the "Rapid City Parcel II Prospect" ("Rapid City") was approved by the DENR on June 19, 2009.

The Acoje Property is covered by APSA-086-XIII and Environmental Compliance Certificate (ECC) No. 008-345-301C. APSA-086-XIII was applied with the MGB on July 5, 2004. APSA-086-XIII is still under final evaluation with the Mines and Geosciences Bureau (MGB) Central Office as at December 31, 2020 and 2019.

DENR Mining Audit

Mining Audit

On a letter dated October 3, 2016, the DENR notified CPC of the results, findings and recommendations of the mining audit conducted for the operations in Loreto and Libjo, Dinagat Islands pursuant to the DENR Memorandum Circular No. 2016-01 regarding Audit of All Operating Mines and Moratorium on New Mining projects issued on July 29, 2016.

On a letter dated October 25, 2016, CPC responded by submitting a complete update on the DENR recommendations and changes implemented by CPC.

On January 16, 2017, a Memorandum to the Secretary, was submitted by the DENR's Technical Review Committee, which is tasked to review the results of the mining audit report and submitted comments and explanation of CPC, recommending the suspension of the CPC's Environmental Compliance Certificate (ECC), Ore Transport Permit and/or Mineral Export permit pertaining to its mining operations in Loreto and Libjo, Dinagat Islands and fined CPC for various violations.

On February 2, 2017, the DENR released a list of mining firms for closure and suspension. CPC was excluded on the aforementioned list.

CPC has not received any formal letter from the DENR pertaining to the suspension of its ECC, Ore Transport Permit and/or Mineral Export permit.

On February 15, 2018, DENR issued a list of companies with denied or rejected MPSA. CPHC or any of its subsidiaries is not included in the mentioned report.

The Smelting Plant Project

CHGSI

CHGSI was registered and incorporated with the SEC on January 14, 2008. The principal activities of CHGSI are to invest in and engage in the business of operating and mining mineral resources in the Philippines such as iron ore, copper, gold, silver, lead, manganese, chromite, nickel, etc.; prospecting, exploring, milling, concentrating, converting, smelting, treating, refining, and manufacturing; preparing for the market, whether export or domestic; and producing and dealing in all its products and by-products of every kind and description and by whatsoever process the same can be or may be hereafter be produced.

On October 28, 2009, CHGSI was registered with Philippine Economic Zone Authority (PEZA) under Republic Act (RA) No. 7916 as an ecozone export enterprise engaged in the production of ferro-nickel (pig iron) at the Leyte Industrial Development Estate - Special Economic Zone (LIDE-SEZ).

As a PEZA-registered entity, CHGSI is subject to a 5% tax on gross income less allowable deductions, as defined in RA No. 7916, as amended by RA No. 8748, in lieu of all national and local taxes, after the four-year income tax holiday (ITH) period. The ITH will commence when CHGSI starts its commercial operations. As at December 31, 2020, CHGSI has not yet started its operation.

On November 9, 2010, CHGSI has received its Environment Compliance Certificate No. 1003-0011, issued by the Environmental Management Bureau authorizing the CHGSI's installation of a coking coal plant in LIDE-SEZ.

On March 1, 2011, CHGSI's application with PEZA for its proposed coking coal plant was approved. The said project shall be a support system for its ferro-nickel smelting plant. On the same date, CHGSI entered into a supplementary agreement with PEZA for the project timetable of its coking coal production in LIDE-SEZ, in which commercial operations will start from July 2011 to July 2012. CHGSI has requested for an extension of such timetable.

CSSI

In 2011, the Parent Company entered into a partnership with Sidewide Resources (H.K.) Limited, a subsidiary of Chaoyang Saiwai Mining Co., Ltd of P. R. China., a group that owns an iron powder processing plant, electric furnace smelting plant, and primarily does mineral ore trading. It is the Parent Company's plan to set up electric furnaces in the future to enhance the production of its nickel pig iron. From this formed partnership, CSSI is incorporated.

As at December 31, 2020 and 2019, CSSI has not yet started with its commercial operation.

<u>Mining Operations</u>

CPC has mining activities in selected areas covered by its MPSA in the province of Dinagat Islands.

There are two Geologic Resource Evaluation Reports dated 2010 for the Casiguran Nickel Project and a Resource Evaluation Report for the Rapid City Parcel II Prospect, which were prepared by Dr. Carlo A. Arcilla, a licensed geologist and an accredited competent person in accordance with the definition of the Philippine Mineral Reporting Code.

Based on the reports, the Casiguran Nickel Project and Rapid City Parcel II Prospect have a combined indicated and measured resource of 9,897,000 dry metric tons (DMT) with a grade of 1.02% nickel (at 0.8% nickel cut-off) and 9,067,000 DMT with a grade of 1.07% nickel (at 0.8% nickel cut-off), respectively. These represent 100,000 metric tons of pure nickel and 3,500,000 tons of iron and 90,000 tons of pure nickel and 3,800,000 tons of iron for the Casiguran Nickel Project and Rapid City Parcel II Prospect, respectively, subject to mining plans and metal recovery parameters.

CPC looks forward to continue developing and exploring these mineral properties either on its own or with joint venture partners.

Extension of Mineral Production Sharing Agreement (MPSA) 010-92-X (Casiguran Nickel Project)

On May 6, 2017, CPC's MPSA No. 010-92-X expired. Its renewal application with the MGB Regional Office No. XIII which was filed on May 11, 2016, is still pending as at December 31, 2020.

Since 2018, MGB has been issuing an annual certification that CPC is a holder or operator of valid and subsisting mining tenements subject for renewal. The latest issuance by MGB of said certification was on February 4, 2021.

Key developments on the subject application as at reporting date are, as follows:

- On September 12, 2017, MGB Regional Office No. XIII through its letter, informed CPC that its application has not been endorsed to MGB Central Office for further review and evaluation pending the remaining mandatory requirements;

- MGB issued an annual certification dated April 5, 2018, stating that CPC is a holder/operator of valid and subsisting mining tenements subject for renewal;

- CPC received a letter dated July 31, 2018 which provides a "New Template of Checklist of MPSA Renewal Application" that clarifies the remaining requirements for the renewal of its expired MPSA;

- As at December 31, 2018, CPC'S outstanding requirements to MGB pertains to its outstanding municipal tax business obligation with the Municipality of Loreto, Dinagat Island.

- On February 27, 2019, the Municipality of Loreto, Dinagat Islands issued a letter addressed to CPC for the latter's municipal business tax obligation amounting to P7,780,416 for the taxable years ended December 31, 2016 to 2018;

- On December 17, 2019, CPC obtained a certification from the Municipality of Loreto, Dinagat Islands stating that CPC has fully paid its municipal business tax obligation for the calendar years 2016 to 2019;

- On March 13, 2020, a teleconference with MGB Regional Office No. XIII was initiated by CPC to make various clarifications regarding the remaining reportorial requirements of CPC in relation to the renewal of the expired MPSA. CPC was advised to re-submit all the reportorial requirements for application of renewal of MPSA;

- On April 3, 2020, all reportorial requirements for the application for MPSA renewal were re-submitted at the MGB Regional Office No. XIII for its review and endorsement to MGB Central Office.

- On October 2, 2020, MGB Regional Office No. XIII endorsed the renewal to the MGB Central Office.

Developments after December 31, 2020

On January 20, 2021, MGB Regional Office No. XIII, through the mandate MGB Central Office, required CPC to submit an updated certification requirements and compliance monitoring for the years 2017 to 2019. Afterwards, MGB Regional Office No. XIII will perform fieldwork for the Tenement, Safety and Health, Environment, and Social Development (TSHES) Monitoring at the mine site to verify the updated certification requirements and compliance.

On April 6, 2021, MGB has communicated to CPC the scheduled TSHES Monitoring and it was conducted on April 12 to 14, 2021 for the verification of the updated certification requirements and compliance.

MPSA renewal would depend on the approval of MGB Central Office. CPC is still waiting for further instruction from MGB Regional Office No. XIII.

Given the aforementioned developments on its renewal application, the management believes that MGB will approve the renewal of the MPSA.

The Cement and Limestone Project

Through a Joint Operating Agreement (JOA) executed between Philippine Mining Development Corporation (PMDC) and CPC dated December 10, 2010, with a term of 25 years, the Group has 4,795 hectares in Pinamungahan, Cebu to mine limestone. An initial resource assessment conducted in 2012 on an 81-hectare area estimate as indicated limestone resource of 34,000,000 metric tons (see Note 22).

In April and July 2015, the Group was able to obtain the ECC for the Cement Plant/Power Plant and Limestone Quarry Project, respectively.

On September 29, 2015, through a Deed of Assignment executed between CPC and CPMDC, CPC assigned its rights over the JOA with PMDC to CPMDC. Through the assignment, CPMDC will handle the Pinamungahan Limestone Quarry Project and will take over from CPC the implementation of its obligations and commitments under the subject JOA.

On July 10, 2019, the MGB approved the Declaration of Mining Project Feasibility (DMPF) under the JOA. The approval shall authorize CPC to proceed to the development and operating periods under the JOA by and between PMDC and CPC including the extraction and commercial disposition of limestone, pozzolan and other associated minerals in the entire contract area.

As at December 31, 2020, CPC is preparing the requirements of MGB to process the assignment.

The pre-operation activities are ongoing as at December 31, 2020.

Registration of CPCMC with the BOI

On January 22, 2018, CPCMC was registered with the Board of Investments (BOI) with Certificate of Registration No. 2018-015, on its cement plant project at Barangay Sacsac, Pinamungahan, Cebu, as a new producer of cement on a Non-Pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226).

As a BOI-registered entity, CPCMC is entitled to the following incentives, among others:

a. ITH for four (4) years from October 2020 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration;

b. Importation of capital equipment, spare parts and accessories at zero duty under Executive Order No. 22 and its Implementing Rules and Regulations. Only equipment directly needed and exclusively used in its operations shall be entitled to capital equipment incentives;

c. Additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the BOI. This may be availed of for the first five (5) years from the date of registration but not simultaneously with ITH;

d. Importation of consigned goods equipment for a period of ten (10) years from date of registration, subject to posting of re-export bond;

e. Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for a period of ten (10) years from the start of commercial operations.

   Request for amendment of the date of start of commercial operations for purposes of determining the reckoning date of the ten (10) year period, shall be filed within one (1) year from the date of committed start of commercial operations;

f. Exemption from wharfage dues, and any export tax, duty, impost and fee for a period of ten (10) years from date of registration;

g. Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from the date of registration. The president, general manager and treasurer of foreign-owned registered enterprises or their equivalent shall not be subject to the foregoing limitations;

h. Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

Due to the spread of the Corona Virus Disease (COVID-19) in 2020 and pursuant to Article 7 (14) of Omnibus Investments Code of 1987 (Executive Order No. 226), BOI's Board Resolution No. 10-03 (Series of 2020) and BOI's Board Resolution No. 32-08 (Series of 2020) or the *"Support to Registered Projects Affected by the Taal Volcano Eruption and COVID-19 Pandemic"*, BOI granted the movement of the ITH's start date from October 2020 to October 2021 or actual start of commercial operations, whichever is earlier.

On January 26, 2021, CPCMC received a letter from BOI affirming the movement of the ITH's start date from October 2020 to October 2021 or actual start of commercial operations, whichever is earlier.

CSCI
On April 10, 2018, CSCI was registered with the Maritime Industry Authority with Certificate No. DSO-2006-003-042 (2018) under Marina Circular 2006-003, which is valid until April 9, 2021.

As at report date, the Company is still in process of the renewal.

2. Basis of Preparation

Statement of Compliance
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations issued by the Financial Reporting Standards Council (FRSC).

The consolidated financial statements were approved and authorized for issue by the Group's Board of Directors (BOD) on May 14, 2021.

Basis of Measurement
The consolidated financial statements have been prepared on a historical cost basis of accounting.

Functional and Presentation Currency
The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. All financial information presented in Philippine peso has been rounded-off to the nearest peso, unless otherwise indicated.

Basis of Consolidation
The consolidated financial statements include the accounts of the Group from the date control was obtained by the Parent Company. Equity attributed to the equity holders of the Parent Company is based on its share in net profits and net assets of the investees in accordance with the investees' Articles of Incorporation.

The consolidated financial statements reflect the consolidated accounts of the Group. Intra-group balances and any unrealized gains and losses or income and expenses arising from intra-group transactions are eliminated in the consolidation.

The consolidated financial statements of the Group are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances.

A subsidiary is an entity that is controlled by the Parent Company and whose accounts are included in the consolidated financial statements. Control exists when the Parent Company is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date control ceases.

Noncontrolling Interest
Noncontrolling interest represents the interests not held by the Parent Company in its subsidiaries.

Use of Estimates and Judgments
The preparation of the consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the consolidated financial statements. The judgments and estimates used in the accompanying consolidated financial statements are based on management's evaluation of relevant facts and circumstances as at the date of the Group's consolidated financial statements. Actual results may differ from these estimates.

Judgments, estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Judgment

In the process of applying the Group's accounting policies, management has made the below judgment, apart from those involving estimations, that has the most significant effect on the amounts recognized in the consolidated financial statements:

Distinguishing between Property and Equipment and Investment Property

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production and supply of goods and services or for administrative purposes. If these portions can be sold separately (or lease out separately under finance lease), the Group accounts for the portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

The Group has determined the parcels of land held for capital appreciation and expenditures related to land reclamation as investment properties (see Note 7), while the land held for the construction of the cement plant is classified under property and equipment (see Note 8).

In 2019, the construction in progress in relation with the cement plant project in Cebu was reclassified from investment property to property and equipment due to change in Group's intension to use the cement plant (see Note 8).

Estimates and Assumptions of Uncertainties

The key assumptions and estimation uncertainties concerning the future and other key sources of estimation uncertainty as at reporting date that have the most significant risk of resulting in a material adjustment to the carrying amounts of assets, liabilities and equity within the next financial year are as follows:

Estimating Net Realizable Value (NRV) of Inventories

In determining the NRV of inventories, the Group considers inventory obsolescence based on specific identification and as determined by management for inventories estimated to be unsaleable in the future. The Group adjusts the cost of inventories to the NRV at a level considered adequate to reflect any market decline in the value of the recorded inventories. The Group reviews, on a continuous basis, the product movement, changes in customer demands and introduction of new products to determine whether these items should still be used in operations or otherwise disposed of and identifies inventories which are to be written-down to NRV. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in inventory obsolescence and market decline would increase recorded operating expenses and decrease current assets.

Inventories amounted to P304,939,112 and P226,959,760 as at December 31, 2020 and 2019, respectively. The loss on inventory write-down amounted to nil for the years ended December 31, 2020, 2019 and 2018 (see Note 5).

Estimating Recoverable Reserves
Recoverable reserves and resource estimates for development projects are, 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 reserve estimates are attributed to future development projects only where 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 reserve estimates are subject 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.

Estimates of reserves for undeveloped or partially developed areas are subject to greater uncertainty over their future life than estimates for reserves for areas that are substantially developed and depleted. As an area goes into production, the amount of proven reserves will be subject to future revision once additional information becomes available. As those areas are further developed, new information may lead to revisions. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amount and timing of recorded depletion expenses for any period would be affected by changes in these factors and circumstances.

The carrying amount of mine site development cost amounted to P351,238,339 and P357,820,182 as at December 31, 2019 and 2018, respectively (see Note 8).

The carrying amount of explored mineral resources amounted to P1,599,695,314 and P1,625,150,198, as at December 31, 2020 and 2019, respectively (see Note 9).

Estimating Provision for Site Rehabilitation
In determining the provision for mine rehabilitation, the Group considers factors that affect the calculation of the ultimate liability. These factors include, but not limited to, the extent and costs of rehabilitation activities, technological changes, regulatory changes and changes in discount rates. The Group reviews and updates these factors on a continuous basis. It is possible that future results of operations could be materially affected by change in the provision for site rehabilitation brought about by the changes in the factors mentioned.

As at December 31, 2020 and 2019, the provision for site rehabilitation costs amounted to P18,322,656 and P16,759,276, respectively (see Note 13).

Estimating Allowance for Impairment Losses on Advances to Third Parties, Advances to Employees, Prepayments and Input Value-added Tax (VAT)
The Group maintains an allowance for impairment losses at a level considered adequate to provide for probable unrecoverable amounts of advances to third parties, advances to employees, prepayments and input VAT. The level of this allowance is evaluated by management on the basis of factors that affect the recoverability of the account.

Management has provided an allowance for advances to third parties, advances to employees, prepayments and input VAT amounting to P22,507,416 and P33,890,963 as at December 31, 2020 and 2019, respectively (see Notes 6 and 11). The carrying amount of advances to third parties, advances to employees and prepayments amounted to P111,347,764 and P49,058,007 as at December 31, 2020 and 2019, respectively (see Note 6). The carrying amount of input VAT as at December 31, 2020 and 2019 amounted to P89,657,192 and P41,787,584, respectively (see Note 11).

Estimating Useful Lives of Property and Equipment
The useful life of each of the Group's property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life (EUL) of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the EUL of any property and equipment would increase the recorded operating expenses and decrease noncurrent assets.

The carrying amount of property and equipment as at December 31, 2020 and 2019, amounted to P3,372,927,458 and P1,819,776,754, respectively (see Note 8).

Estimating Allowance for Impairment Loss on Nonfinancial Assets
The Group assesses at each reporting date whether there is an indication that nonfinancial assets may be impaired. Determining the amount of the assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the consolidated financial statements. Further events could cause the Group to conclude that these assets are impaired. Any resulting impairment loss could have material impact on the financial position and performance of the Group.

The preparation of the estimated future cash flows involves estimations and assumptions. While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Group's assessment of the recoverable amounts and may lead to future additional impairment.

For deferred exploration costs, the facts and circumstances that the Group considers include the following: the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future and is not expected to be renewed; substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the deferred exploration cost is unlikely to be recovered in full from successful development or by sale.

As at December 31, 2020, management assessed that the construction in progress of CHGSI amounting to P18,220,162 is no longer recoverable due to damages caused by Typhoon Yolanda in November 2013. Accordingly, the Group recognized impairment loss on its property and equipment amounting to P18,220,612 in 2020 under "Operating Expenses". No impairment loss were recognized on its nonfinancial assets in 2019 and 2018.

The carrying amounts of the Group's nonfinancial assets are as follows:

	Note	**2020**	2019
Investment properties	*7*	**P21,872,505**	P21,872,505
Property and equipment - net	*8*	**3,372,927,458**	1,819,776,754
Explored mineral resources - net	*9*	**1,599,695,314**	1,625,150,198
Deferred exploration costs	*10*	**49,951,548**	44,671,548
		P5,044,446,825	P3,511,471,005

Estimating Realizability of Deferred Tax Assets
The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces the carrying amounts to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact of deferred tax accordingly. The Group's assessment on the recognition of deferred tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Group's past results and future expectations on revenues and expenses.

Recognized deferred tax assets amounted to P8,534,853 as at December 31, 2020 and 2019, respectively (see Note 17).

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, and have been applied consistently by the Group, except for the changes in accounting policies as explained below.

<u>Adoption of New or Revised Standards, Amendments to Standards and Interpretations</u>
The Group has adopted the following new standards, amendments to standards and interpretation starting January 1, 2020 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these standards did not have any significant impact on the Group's consolidated financial statements. These standards are as follows:

- *Amendments to References to Conceptual Frameworks in PFRS* sets out amendments to PFRS, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:

  - a new chapter on measurement;

  - guidance on reporting financial performance;

- improved definitions of an asset and a liability, and guidance supporting these definitions; and

- clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- *Definition of a Business (Amendments to PFRS 3 Business Combinations).* The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments:

  - Confirmed that a business must include inputs and a process, and clarified that:

    - the process must be substantive; and

    - the inputs and process must together significantly contribute to creating outputs;

  - narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and

  - added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

- Definition of Material (Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

  (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence';

  (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition;

  (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;

(d) clarifying the explanatory paragraphs accompanying the definition; and

(e) aligning the wording of the definition of material across PFRS and other publications.

The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

Standards Issued but Not Yet Adopted
A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2020. However, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

Effective June 1, 2020

- COVID-19-Related Rent Concessions (Amendments to PFRS 16, *Leases*). The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient apply if:

  - the revised consideration is substantially the same or less than the original consideration; the reduction in lease payments relates to payments due on or before June 30, 2021; and

  - no other substantive changes have been made to the terms of the lease.

  Lessees applying the practical expedient are required to disclose that fact, whether they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and the amount recognized in profit or loss for the reporting period arising from application of the practical expedient. No practical expedient is provided for lessors.

  The amendment is effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate.

Effective April 1, 2021

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to PFRS 16, *Leases*). The amendment extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19, permitting lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate. The adoption is mandatory for lessees that chose to apply the practical expedient introduced by the 2020 amendments and may result in reversal of lease modifications that was ineligible for the practical expedient under the 2020 amendments, but becomes eligible as a result of the extension.

Effective January 1, 2022

- *Property, Plant and Equipment - Proceeds before Intended Use* (Amendments to PAS 16, *Property, Plant and Equipment*). The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in consolidated profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

  The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

  For the sale of items that are not part of a company's ordinary activities, the amendments require the Group to disclose separately the sales proceeds and related production cost recognized in consolidated profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

  The amendments apply retrospectively on or after January 1, 2022, but only to items of property, plant, and equipment made available for use on or after the beginning of the earliest period presented, recognizing the cumulative effect in the opening retained earnings (or other component of equity, as appropriate) of that earliest period presented. Earlier application is permitted.

- Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37 *Provisions, Contingent Liabilities and Contingent Assets*). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprise both incremental costs and an allocation of other direct costs.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS Standards 2018-2020. This cycle of improvements includes the below amendment relevant to the Group:

  - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9, *Financial Instruments*). The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees 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.

- Reference to the Conceptual Framework (Amendment to PFRS 3). The amendments:

  - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;

  - added a requirement that, for transactions and other events within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or IFRIC 21, *Levies*, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

  - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

  The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2022. Earlier application is permitted.

Effective January 1, 2023

- Classification of Liabilities as Current or Non-current (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

  - clarified that a right to defer settlement exists only if the Group complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

  - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

  The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2, *Making Materiality Judgements*). The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The amendments to PFRS Practice Statement 2 include guidance and additional examples on the application of materiality to accounting policy disclosures.

  The amendments are effective from January 1, 2023. Earlier application is permitted.

Deferral of the local implementation of Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures*). The amendments address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date of these amendments until the IASB has completed 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.

Financial Instruments

Date of Recognition. Financial instruments are recognized in the consolidated statements of financial position when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial Recognition of Financial Instruments. Financial instruments are recognized initially at fair value. Except for financial instruments designated as at FVPL, the initial measurement of financial assets includes transaction costs that are directly attributable to their acquisition cost or issue. Trade receivables without a significant financing component are initially measured at the transaction price.

As at December 31, 2020 and 2019, the Group does not have any financial assets measured at FVPL and financial liabilities measured at FVPL.

Classification and Measurement

Financial Assets

The Group classifies its financial assets into the following categories: amortized cost, FVOCI - debt investment, FVOCI - equity investment or FVPL. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities. The classification of financial assets depends on both the business model in which the financial asset is managed and whether the cash flows from the financial asset represent, on specified date, SPPI on the principal amount outstanding. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in business model.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if the asset is held within a business model whose objective is to collect contractual cash flows and its contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such assets are recognized initially at fair value plus any incremental transaction cost.

After initial recognition, these financial assets are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Losses are recognized in consolidated profit or loss and reflected in the allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant account is written-off. Gains and losses are recognized in consolidated profit or loss when these financial assets are derecognized or impaired, as well as through amortization process. Financial assets at amortized cost are classified as current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

The Group's cash in banks and rehabilitation funds are included in this category.

Financial Assets at FVOCI. A financial asset is measured at FVOCI if the asset is held within a business model whose objective is both to collect contractual cash flows and its contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and to sell the financial asset. Such assets are recognized initially at fair value plus any incremental transaction cost.

At initial recognition, the Group irrevocably elects to present in other comprehensive income (OCI) subsequent changes in the fair value of its investment in an equity instrument that is not held for trading.

The Group's investment in equity securities not held for control or significant influence over the investee is included in this category. The Group has no FVOCI - debt investment.

After initial recognition, FVOCI - equity investments are measured at fair value. Dividends are recognized when the entity's right to receive payment is established, it is probable the economic benefits will flow to the entity and the amount can be measured reliably. Dividends are recognized in profit and loss unless they clearly represent recovery of a part of the cost of the investment, in which case they are included in OCI. Changes in fair value are recognized in OCI and are never recycled to profit and loss, even if the asset is sold or impaired.

Business Model Assessment. The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management; and

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Solely Payments of Principal and Interest Assessment. Principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

Financial Liabilities

Initial Recognition, Classification, Measurement and Gains and Losses. Financial liabilities are classified as measured at amortized cost or FVPL. A financial liability is classified as at FVPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognized in consolidated profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in consolidated profit or loss. Any gain or loss on derecognition is also recognized in consolidated profit or loss.

Included in the Group's other financial liabilities are accounts payable and other current liabilities, due to related parties and other noncurrent liability.

Impairment of Financial Assets

The Group recognizes loss allowances for expected credit losses (ECLs) on financial assets measured at amortized cost.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Group recognizes an allowance for impairment based on either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information that is available without undue cost and effort.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Internal credit rating;
- External credit rating (as far as available);
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- Actual or expected significant changes in the operating results of the debtor; and
- Significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtor and changes in the operating results of the debtor.

A default on a financial asset is when the counterparty fails to make contractual payments and objective evidence of impairment exists. A financial asset is credit-impaired when an event that has a detrimental impact on the estimated future cash flows have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as default;
- it is probable that the borrower will enter bankruptcy or either financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Financial assets are written off when there is no reasonable expectation of recovery. The Group categorizes a financial asset for write off when a debtor fails to make payments or when it is no longer probable that the financial asset will be collected. Where financial assets have been written off, the Group continues to engage in enforcement activity to attempt to recover the financial asset due. Where recoveries are made, these are recognized in consolidated profit or loss.

'Day 1' Profit
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in consolidated profit or loss. In cases where no observable data are used, the difference between the transaction price and model value is only recognized in consolidated profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, the Group has an 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. This is generally not the case with master netting agreements, thus, the related assets and liabilities are presented on a gross basis in the consolidated statements of financial position.

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

- The right to receive cash flows from the asset has expired;

- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass through" arrangement; or

- The Group has transferred its right to receive cash flows from the asset and either has: (a) transferred substantially all the risks and rewards of the asset, or (b) 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 right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

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

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, with the difference in the respective carrying amounts recognized in consolidated profit or loss.

Determination of Fair Values
The Group's accounting policies require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes, when necessary, based on the estimated amounts that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique. When applicable, 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. Information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Transfers between levels of the fair value hierarchy are recognized at the end of the reporting period during which the change has occurred.

Inventories
Inventories, which consist of nickel and chromite ores, are measured at the lower of cost and NRV. NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. The Group uses the average method of inventory costing. Under the average cost formula, the cost of each item is determined from the average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the period. The average may be calculated on a periodic basis, or as each additional shipment is received, depending upon the circumstances of the entity.

Cost represents the average cost and comprises direct materials, labor and production overhead expenditure, including depreciation, amortization and depletion incurred in converting materials to finished products.

Other Current and Noncurrent Assets
Other current assets pertain to resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group. These are classified in the consolidated statements of financial position as current asset when the assets are expected to be received within one year or the Group's normal operating cycle, whichever is longer. Otherwise, these assets are classified as noncurrent assets.

Investment Properties
Investment properties are measured initially at cost, including transaction costs. The Group's investment properties are held either to earn rental income or for capital appreciation or both or for undetermined future use. Subsequent to initial recognition, investment properties are carried at cost less accumulated depreciation and any impairment in value.

Construction in progress represents investment properties under construction and is stated at cost. This includes cost of construction and other direct costs. Assets under construction are transferred to the related investment property account when the construction and installation and related activities necessary to prepare the investment property for the intended use are completed, and the investment property is ready for services. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use but tested for impairment losses.

Investment properties are derecognized when these have been disposed or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in consolidated profit or loss in the year of retirement or disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Explored Mineral Resources

Explored mineral resources represent the Group's intangible asset for its right to mine certain areas. Such intangible asset, which has a definite useful life, was acquired by the Group in relation to its acquisition of a group of assets.

Explored mineral resources are initially recognized at fair value based on the cash flow generation of the relevant mineral property covered by the acquired MPSA which is the deemed cost, subsequently stated at initial amount less accumulated amortization and accumulated impairment losses, if any.

Amortization of explored mineral resources is calculated using the units-of-production method based on estimated recoverable reserves, as this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset and is directly charged as an expense during the period.

Amortization shall begin when the nickel ore extraction begins or when the mine site is in the condition when it is capable to operate in the manner intended by management, whichever is earlier. Amortization shall cease at the earlier of the date that the intangible assets is classified as held for sale in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations* and the date that asset is derecognized.

The estimated recoverable reserves and the amortization method are reviewed periodically to ensure that the estimated recoverable reserves and method of depletion are consistent with the expected pattern of economic benefits from the explored mineral resources. If the estimated recoverable reserve is different from previous estimates, the basis of depletion shall be changed accordingly.

Property and Equipment

Property and equipment, except for land, are carried at cost less accumulated depreciation and amortization, depletion and impairment losses, if any. Land is carried at cost less any impairment in value.

Initially, an item of property and equipment is measured at its cost, which consists of its purchase price and any directly attributable cost in bringing the asset to the location and condition for its intended use. Subsequent costs (including costs of replacing a part of an item of property and equipment) that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Group. The carrying amount of the replaced part is derecognized. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.

Mine site development costs represent the cost of road network, pier, stockyard and other costs incurred in constructing the production infrastructure for the intended mining operations. When exploration results are positive or commercially viable, cost incurred for development of mining properties are deferred as incurred.

Major spare parts and stand-by equipment items that the Group expects to use over more than one period and can be used only in connection with an item of property and equipment are accounted for as property and equipment. Depreciation and amortization of these major spare parts and stand-by equipment commence once these have become available for use (i.e., when they are in the location and condition necessary for them to be capable of operating in a manner intended by the Group).

Construction in progress represents assets under construction and is stated at cost. This includes costs of construction and other direct costs. Construction in-progress is not depreciated until such time that the relevant assets are completed and put into operational use but tested for impairment losses. Assets under construction are transferred to the related property and equipment account when the construction and installation and related activities necessary to prepare the property and equipment for the intended use are completed and the property and equipment are ready for services.

Depreciation and amortization charge is computed using the straight-line method over the EUL of the assets. Depreciation, amortization and depletion charge commences once the assets become available for use.

	Number of Years
Transportation and field equipment	4 - 50
Office space and improvements	10 - 25
Office equipment, furniture and fixtures	3 - 5

Depletion of mine site development cost is computed based on ore extraction over the estimated volume of proven and probable ore reserves, as estimated by the Group's geologist and certified by an independent geologist, or over the estimated life of specific components whichever results in a shorter period of depletion.

Depreciation, amortization and depletion charge is recognized in consolidated profit or loss unless future economic benefits embodied in the related property and equipment are absorbed by other assets. In this case, the depreciation, amortization and depletion charge constitutes part of the cost of the other asset and is included in its carrying amount.

The assets' residual values, useful lives and depreciation, amortization and depletion methods are reviewed annually and adjusted, if appropriate, to ensure that the methods and period of depreciation, amortization and depletion are consistent with the expected pattern of economic benefits from items of property and equipment. Any change in the expected residual values, EUL and methods of depreciation, amortization and depletion is adjusted prospectively from the time the change was determined necessary.

When an asset is disposed of, or is retired from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation, amortization, depletion and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognized in consolidated profit or loss.

Deferred Exploration Costs

All costs directly attributable to the exploration and evaluation of mineral resources are deferred on a project by project basis until commencement of commercial mining operations or until an impairment is considered necessary. The recoverability of the amounts recorded as deferred exploration costs is dependent on the existence of economically recoverable reserves and future profitable production from the mineral properties.

Deferred exploration costs are provided with appropriate allowance for impairment losses when properties are abandoned or when cost exceeds net realizable value. No depletion and amortization expense is included in consolidated profit or loss for the Cement Plant Project since the project has not yet reached commercial mining operations.

Impairment of Nonfinancial Assets

The carrying amounts of the Group's nonfinancial assets, such as investment properties, property and equipment, explored mineral resources, deferred exploration costs and other noncurrent assets (excluding rehabilitation costs) are reviewed at each reporting date to determine whether there is any indication that an asset may be impaired, or whether there is any indication that an impairment loss previously recognized for an asset in prior periods may no longer exist or may have decreased. If any such indication exists and when the carrying amount of an asset exceeds its estimated recoverable amount, the asset or cash-generating units (CGU) to which the asset belongs is written-down to its recoverable amount. Recoverable amounts are estimated for individual assets or investments or, if it is not possible, for the CGU to which the asset belongs.

The recoverable amount of a nonfinancial asset is the greater of the asset's fair value less costs of disposal and its value in use. The fair value is the amount obtainable from the sale of the asset in an orderly transaction between market participants at a measurement date, less the costs of disposal. Value in use is the present value of the future cash flows expected to be delivered from an asset or CGU. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is recognized in consolidated profit or loss in the year in which it arises. A previously recognized impairment loss is reversed only if there has been a change in estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any accumulated depreciation and amortization for property and equipment, net of any depletion for mine site development cost) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in consolidated profit or loss. After such reversal, the depreciation, amortization and depletion expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Capital Stock

Capital stock is measured at par value for all shares issued and outstanding. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Group, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to the equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to additional paid-in capital. If additional paid-in capital is not sufficient, the excess is charged to deficit.

Deficit and Dividend Distribution

Deficit represents the cumulative balance of periodic profit (loss), dividend distributions, prior period adjustments and effects of changes in accounting policy and capital adjustments.

Dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD of the Group. Dividends for the year that are approved after the reporting date are dealt with as a non-adjusting event after the reporting date.

Cash and Property Dividend

The liability for the distribution is measured, initially and until the settlement date, at the fair value of the assets to be distributed. Any changes in the measurement of the liability are recognized in equity. For distributions in which the owners may elect to receive either non-cash assets or a cash alternative, the Group considers the fair value of each alternative and their associated probabilities when measuring the liability.

At the date on which the distribution occur, the liability is remeasured based on the fair value of the assets to be distributed, with any change therein recognized in equity; the liability and the assets distributed are derecognized, any difference between the fair value of the assets distributed and their carrying amount in the consolidated financial statements is recognized as a separate line item in consolidated profit or loss and any amounts recognized in OCI in relation to the assets distributed are reclassified to consolidated profit or loss or they may be transferred within equity depending on the derecognition requirements in other standards, on the same basis as would be required if the non-cash assets had been disposed of.

Other Comprehensive Income

Other comprehensive income pertains to items of income and expenses that are not recognized in consolidated profit or loss for the year in accordance with PFRS.

Revenue

Revenue from Contracts with Customers under PFRS 15

The Group is in the business of selling nickel ores. Revenue from contracts from customers is recognized as or when performance obligations are satisfied by transferring control of goods to the customer. Revenue is measured at the amount that the Group expects to receive under the contract or the transaction price.

Revenue from sale of nickel ores is recognized at the point in time when control of the asset is transferred to the customer upon delivery.

Sale of Nickel Ore

Revenue from sale of nickel ore is recognized in consolidated profit or loss on the date that minerals are delivered to the customer. Revenue is the transaction price, net of taxes, such as VAT (if applicable).

Other Income

Other income is recognized when earned.

Interest income is recognized on a time-proportion basis using the effective interest method.

Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when the services are rendered, or the expenses are incurred.

Cost of Sales

Cost of sales is recognized when the expense is incurred and is reported in the consolidated financial statements in the periods to which it relates.

Operating Expenses

Expenses incurred in the general administration of the day-to-day operation of the Group are generally recognized when the service is rendered or the expense is incurred.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Leases

Leases under PFRS 16 (Application from January 1, 2019)

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

(a) the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

(b) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and,

(c) the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:

   (i) the Group has the right to operate the asset; or

   (ii) the Group designed the asset in a way that predetermines how and for what purpose it will be used.

Group as Lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of useful life or the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financial sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group's changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated profit or loss the carrying amount of the right-of-use asset has been reduced to zero.

Short-term Leases and Leases of Low-value Assets
The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of 12 months or less and leases of low-value assets. The Group records the lease payments associated with these leases as an expense on a straight-line basis over the lease term and are recognized as "Rent expense" on the consolidated statements of comprehensive income.

Lease under PAS 17 (Applicable before January 1, 2019)

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies: (a) there is a change in contractual terms, other than a renewal or extension of the arrangement; (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; (c) there is a change in determination of whether fulfillment is dependent on a specific asset; or (d) there is a substantial change to the asset, where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances rise to reassessment for scenarios (a), (c) or (d), and at the date of renewal or extension of period for scenario (b).

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

<u>Taxes</u>
Income tax expense comprises current and deferred tax. Income tax expense is recognized in consolidated profit or loss, except to the extent that it relates to items recognized directly in equity or in OCI, in which case it is recognized in equity or in OCI.

Current Tax
Current tax assets and liabilities for the current period are measured at the amount expected to be paid to the tax authority. The tax rates and tax laws used to compute this amount are those that are enacted or substantively enacted by the end of the reporting period.

Deferred Tax
Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and the carryforward tax benefits of the net operating loss carryover (NOLCO), if any, and unused tax credits from excess minimum corporate income tax (MCIT). The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, carry forward benefits of NOLCO, using tax rates enacted or substantively enacted by the end of the reporting period.

Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable consolidated profit or loss;

- temporary differences relates to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future and; and

- taxable temporary difference arising on the initial recognition of goodwill.